

A New Loan: Sun Pacific Emergency Loan An alternative to the Payday Loan

What is a pay day loan? It is an “Instant Approval”, “No credit check” loan, for a small amount, typically, \$200 to \$1,500. The interest rate may range from 400% to 700%. And the term is usually two weeks.

The finance charge for varying amounts and at 400% and 700% and credit union’s Emergency Loan is shown below:

Two weeks interest			
	Payday Loan 1	Payday Loan 2	Credit Union Emergency Loan
Loan Amt	400%	700%	28%
\$ 200	\$ 31	\$ 54	\$ 2
\$ 400	\$ 62	\$ 108	\$ 4
\$ 600	\$ 92	\$ 162	\$ 6
\$ 800	\$ 123	\$ 215	\$ 9
\$ 1,000	\$ 154	\$ 269	\$ 11

What’s good about a payday loan? It’s easy to get and if repaid in two weeks, the \$31 finance charge on a \$200 loan may be worth the convenience.

What’s bad about payday loans? Most payday loans are not repaid in two weeks. Instead, they are rolled over into a new payday loan. This is when the high interest rate begins to weight on the borrower. After a second and a third rollover, the high interest rate has become a burden. The borrower has paid \$124 to borrow \$200 for eight weeks when the interest rate is 400% or \$216 when the interest rate is 700%.

The credit union alternative is the Emergency Loan

1. Must be a credit union member at least three months.
2. Must be employed three months.
3. Paycheck must be equal to or greater than amount requested.
4. No minimum FICO score
5. Term is 12 months, with no prepayment penalty.
6. No time extensions (no rollover)
7. One Emergency Loan at any time
8. A limit of three Emergency Loans in a six-month rolling period
9. Application fee of \$20 payable at time of application.
10. Minimum \$200, maximum \$2,000.
11. Must have \$100 Par Share in Savings account at the time of application.
12. Interest rate of 28%.