

Payday loans not the answer to financial woes

By Lt. Col. Ed Memi
437th Airlift Wing Public Affairs

The advertisements often seen in the base newspaper or in the local papers promise an easy fix and quick cash for someone with financial difficulties. The loans, called payday loans, provide some money mid-way between pay periods, but usually expensive fees for relatively small cash advances of \$100 or more.

The loans often spiral out of control as airmen may still be unable to afford to pay back the loan and go for another extension and then another \$15 in fees. This scenario happens often on Charleston AFB.

Service members feeling financially strapped between pay periods may be tempted to take out "payday" loans to help make ends meet. Air Force officials warn doing so can cause financial hardship in the long run.

According to the Consumer Federation of America, here's an example of how borrowing with a payday loan works. You write a personal check for \$115 to borrow \$100 for up to 14 days. The check cashing company agrees to hold your check until your next payday. At that point, you can allow the company in possession of your check to cash it as payment for your loan, you can redeem it by bringing in \$115 in cash, or you can roll over the \$100 loan by paying an additional fee to extend the loan another two weeks.

That \$15 fee may not seem like much initially, but it adds up. The cost of the loan in this example is 391 percent. And if you roll it over three times, you'll pay \$60 just to borrow \$100. CFA found that the effective annual interest rates on these loans range from 261 percent to 1820 percent.

The problem stems from these

loans having triple and double-digit annual percentage rates on their loans. "The airmen who get these types of loans often aren't disciplined to pay off the loans," said Barbara Lang, the base's Personal Financial Manager in the Family Support Center. "They avoid counseling because they often fear reprisals or are ashamed of their debt. They choose these off-base loans as a way to try to conceal their financial difficulties, but often make the situation much worse."

"I've heard of a number of incidents from unit first sergeants about airmen who get in over their heads with financial difficulties and the situation often becomes worse because they owe even more with these payday loans."

Lang counsels anywhere from 15 to 40 airmen a month about better ways to handle their finances.

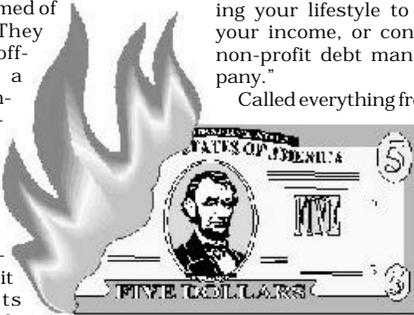
"We want airmen to see us first before they get in over their heads," she said.

The loans are legal in South Carolina and Lang said it may be an airman's pride that gets in the way of getting help. Lang adds that it is not an uncommon reaction to try to hide their money problems, and they often fall for the payday loans as the answer to their problems. "People who go this route will often have more to be ashamed of when they have to go file for personal bankruptcy."

Being able to get money — in a hurry — often means the difference between eating and going without. The solution for some is to borrow

money on time though a payday loan. "In a nutshell, these loans support the writing of bad checks. In addition, they entice consumers into relying on very expensive debt to live beyond their means. If you find yourself living 'paycheck-to-paycheck' consider other means such as restructuring your budget, altering your lifestyle to accommodate your income, or consulting with a non-profit debt management company."

Called everything from "payroll advance" to "deferred deposit," this \$1 billion industry has raised charges of gouging the poor from consumer



advocacy groups.

According to Lang, unless the individual is referred to her for no-cost one-on-one counseling, the person may never get any help about the problem and realize that they are headed towards even bigger problems in the Air Force.

Companies offering payday loans, have been around for years. But more recently, used car dealers began offering title loans, where anyone owning the title to their car could get some quick cash.

In 1998, a Consumer Federation of America report on the payday loan industry stated, "It is not unusual for borrowers to become mired in debt and renew cash advance loans every week or two. Payday loans are structured to make it difficult for consumers to pay in full at the end of the loan period without needing to borrow again before the next payday."

According to the report, some payday loan offers charge an annual

percentage rate of up to 1,000 percent. To help avoid the use of such high interest loans by its members, the Air Force relies on educational tools like the Personal Financial Management Program.

The PFMP provides debt reduction, budget realignment counseling, and other financial education services. The PFMP is specifically designed to address the financial needs of military members through education, information and referral, and counseling.

"At some point in their career, most people experience some form of financial difficulty," she said. "Life happens, and unforeseen events can quickly absorb a pay check, so it's always good to know what your options are."

PFMP counselors offer alternative solutions to high interest debt consolidation loans and bankruptcy by providing a debt management program that gives the client guidance on how to negotiate lower interest rates.

Counselors also provide assistance through budget analysis, writing letters to creditors, and providing advice on how to handle collection agencies. Education is a key to making sound financial decisions. PFMP is not a guarantee for financial success, but unlike some consumer credit agencies, obtaining help will not tarnish a good credit rating.

Other services provided by PFMP include retirement planning and savings and investment management. The base personal financial counselors provide enough information to make sound financial decisions.

Appointments for financial counseling can be made by calling Lang at 963-5448.

(Editor's Note: Staff Sgt. Cynthia Miller, Air Force Print News, contributed to this story)

Virus

continued from page 1

"It affected our file server and seven workstations. This virus served as the best test ever and now there are 13 new variants of this virus that we know now are much more destructive, but we are better prepared because of our experience with the 'I love you' virus," said Staff Sgt. Staci Brown, 437th AW systems administrator. "It has raised awareness at the user level so that now people will be more cautious when they receive a joke or file attachment through e-mail."

The base communications and network administrators, led by Master Sgt. Rich Lytton and Master Sgt. James Kincheloe, shut down all incoming and outgoing e-mail traffic from the base at around 7:30 a.m. to 8 a.m. and manually went into the e-mail

systems to delete the messages, beginning May 4. The base has some 4,700 e-mail users. At around 9 a.m., the base also shut down five e-mail servers, cutting off everyone's ability to send email messages around the base. The outage lasted through the weekend and most of Monday.

"E-mail viruses often just spread to the point where they cripple your email system by generating so many messages that the system easily becomes overwhelmed," said the captain.

The base communications squadron declared victory against the virus on Tuesday with only periodic outages occurring. However, already there are variants of the virus that attacked the base out on the Internet (including "Joke

and "Mother's Day")."

437th CS officials ask base members to be especially careful about opening any e-mail attachment, regardless of the source. "If you are not expecting an attachment from the sender, do not open it unless you can be absolutely sure that it is not a virus. If you notice any strange behavior from your computer after opening an attachment, power down immediately and contact your Workgroup Manager for assistance, or contact the NCC Help Desk. With your help in this matter, we can keep Team Charleston's network available for use and virus free," said Bakonyi.

Report any problems to your Work Group Manager and the base Help Desk at 963-3511, option 1.

Asian Pacific Islander Heritage Month Celebrating people

Senior Airman Seung Jun
437th Services Squadron



Staff Sgt. Michael Duhe

Place of birth:
Seoul, Republic of
South Korea

"I think it is a blessing that we can learn and experience other cultures to help make the world a better place. I'm proud of who I am and everyone should feel the same way."