

## Other loan options available for those in need

by *Russ Wiles* - Jun. 27, 2010 12:00 AM  
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Cash-strapped consumers don't have to go cold turkey with their borrowing after Arizona adopts new payday-lending restrictions on Thursday.

Plenty of substitute **financial** products and services are available to fill a void for people in need of a loan.

The solutions range from low-cost **checking accounts** and credit cards to short-term loans offered by credit unions.

"A lot of people haven't done credit counseling and aren't familiar with what's out there," said Rod Hood, a vice president at Phoenix counseling firm Take Charge America.

For moderate-cost products, credit unions are at the forefront.

In the Valley, Alhambra Credit Union, Bashas' Associates Federal Credit Union, Credit Union West, Desert Medical Federal Credit Union and MariSol Federal Credit Union all offer short-term loans of \$500 or so carrying annual **interest rates** in the range of 12 to 18 percent.

That is well below charges on payday loans, which will be capped at 36 percent starting Thursday. Until now, payday loans have been able to carry annual interest rates of up to 460 percent.

Credit-union membership has loosened up, so virtually everyone can qualify somewhere.

In addition to payday-like loans, many credit unions also offer moderate-cost credit cards, checking accounts and savings accounts. While debt woes plague Americans at all levels, those at the lower end of the economic scale often foot the highest costs.

"The people who wind up using more-expensive financial products are usually the people of lesser means," said Patrick Jordon, executive director of Arizona Saves, a Phoenix group that offers free financial-literacy classes.

Better access to moderate-cost accounts and services certainly helps, but the ultimate solution for handling debt and avoiding the need for expensive loans is for more Americans to enhance their financial knowledge.

Here again, assistance is available in free or low-cost seminars.

These programs cover such basics as using bank accounts and credit cards wisely, learning how to save, understanding credit scores and preparing personal budgets.

Catheryn Eisaman teaches financial-literacy classes at the YWCA Maricopa County in Phoenix. Years ago, before getting her act together, Eisaman made use of payday loans herself, so she can relate to the struggles faced by some of her students.

"One thing I remember was the shame that went along with using the loans," Eisaman said.

"You know you're being taken advantage of and are paying exorbitant fees, but you don't know where else to go."

Among her financial-literacy suggestions, Eisaman considers it crucial for more people to track how they are spending money by drawing up budgets and sticking to them.

Unlike the quick fixes offered by payday loans, improving one's financial literacy can take months, if not longer. But the benefits are more enduring.

"Behavior change is the key to this whole thing," Hood said.

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