

**BEWARE OF HIGH COST LOANS**

If the Coronavirus pandemic is causing you financial stress, you're not alone. Economic impact payments from the government might help, but some people may look for other ways to borrow money for a short period of time.

*High cost loans -like installment loans or car title loans – are just that – very expensive.*

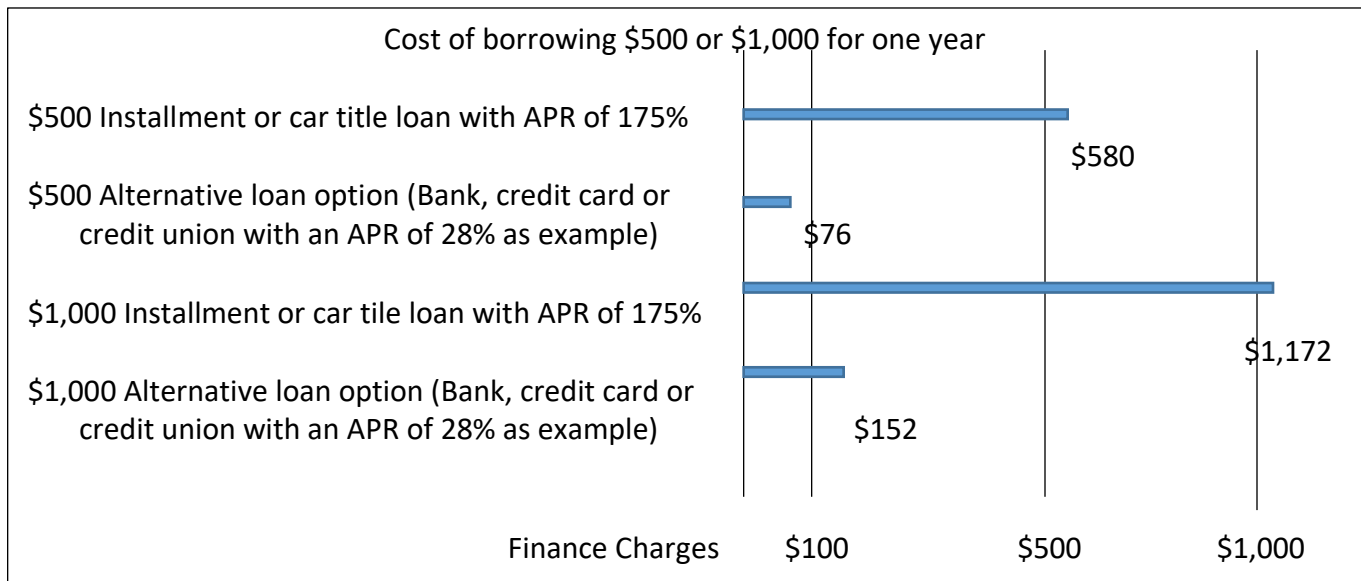
**Maximum rates in New Mexico are 175% APR.**

Look for other ways to weather the crisis: Many car loan lenders, mortgage companies, and other lenders have special programs right now during COVID that allow borrowers to defer payments. If you are having trouble, start by calling the business to which you owe money to see if the bill can be “deferred” – giving you more time to pay.

- Negotiate with the creditor or debt collector about a debt or bill you owe.
- Explore bank or credit union loans.
- Consider using a credit card.
- Find out what mortgage relief options exist.

Here's what you need to know to avoid financial risk from high cost loans.

Here's a comparison of the **costs of borrowing \$500 or \$1,000 for one year.**



**What kind of loans are there?**

**Installment Loans** - An installment loan is a loan made for a minimum of 120 days with at least 4 scheduled payments due over the term of the loan. To get an installment loan, you often will be asked to give the lender access to your bank account to debit the payment due. A lender **cannot require** that you provide debit

authorization. If you can't repay the money you owe, you could be "encouraged" to refinance your loan resulting in increased cost and a debt trap.

**Car title loans-** In New Mexico, a car title loan is also a loan made for a minimum of 120 days with at least 4 scheduled payments due over the term of the loan. To get a car title loan, you give the lender the title to your vehicle. The lender gives you cash and keeps the title to your vehicle. When it's time to repay the loan, you have to pay the lender the amount you borrowed plus a fee. In addition to being expensive, they also are risky. If you can't repay the money you owe, you could be "encouraged" to refinance your loan resulting in increased cost and a debt trap. You may end up losing your vehicle and risk a debt collection lawsuit for the amount still owed.

**Tax Refund Loans** – Some lenders offer to give you an advance on your tax refund with the loan being repaid after you file your taxes and get your refund. These loans cost a lot. The lender can take control of the tax refund – rather than you – by getting you to agree that the refund goes to the lender's account – not yours. Most low-income families qualify for the Earned Income Tax Credit and Working Families Tax Credit – all of which is intended to put MORE money in YOUR pocket. Tax Refund lenders use these high cost loans to benefit from these programs, instead of you. It is safer to file your tax return electronically and wait for the IRS refund directly to your account - That way you get the full benefit of the federal and state tax credits that go to low-income families.

**Payday loans-** A payday loan is a loan made for a short time -usually with a repayment time of 2 weeks to a month. **Payday loans are now illegal in New Mexico, even if the lender is from out of state.** If a lender on-line offers you a short-term loan with full payment due in 2 weeks or a month, they are violating New Mexico law. Report the lender to the Financial Institutions Division of the State of New Mexico at <http://www.rld.state.nm.us/financialinstitutions/>.

### **Other ways you can borrow money**

To avoid high cost loans and their risk, consider other ways of borrowing money, like from a bank or a credit union. Your employer may have a low-cost lending program that you can access.

### **What if I'm in the military?**

If you're in the military, the law protects you and your dependents. The law limits the annual interest rates on many types of credit, including payday loans, car title loans, personal loans, and credit cards, to 36%. The law also tells lenders to give you information about your rights and the cost of the loan. The [military also offers financial help](#) and help managing your money.

More information about managing your finances during COVID-19:

Get more tips about dealing with the financial impact of the Coronavirus at: <https://www.consumerfinance.gov/coronavirus/#home>

Having trouble making car payments:

go to <https://www.consumer.ftc.gov/blog/2020/04/behind-car-payments-because-coronavirus>

Having trouble paying your mortgage:

go to <https://www.consumer.ftc.gov/blog/2020/04/coronavirus-and-your-mortgage>