

Information for Maryland Consumers

"PAYDAY" LOANS

What is a "Payday" Loan?

A "payday" loan is a short-term, high-interest loan, sometimes referred to as a "cash advance", regardless of whether payment of the loan is linked to a borrower's payday.

Businesses that offer payday loans suggest that these loans assist consumers with temporary cash needs, financial emergencies, or short-term borrowing needs.

The high cost of payday loans can eat away at your paychecks and make it likely you will need to borrow again.

Your Protection Under Maryland Law

Under Maryland law, most consumer lenders are required to be licensed by the Commissioner of Financial Regulation. To verify whether a lender is licensed, visit www.nmlsconsumeraccess.org

If an individual or business is lending \$25,000 or less, they are prohibited from charging or receiving an interest rate that is greater than authorized by the laws of this State (subject to certain exceptions). Interest rates are restricted depending on the loan size:

First \$1,000 of a Loan \$2,000 or Less: Maximum interest rate allowed by law is 2.75% per month or an annual interest rate of 33%.

Next \$1,000 of a \$2,000 Loan: Maximum interest rate allowed by law is 2% per month or an annual interest rate of 24%.

Loans Greater Than \$2,000: For loans greater than \$2,000, the maximum interest rate allowed by law is 2% per month or an annual interest rate of 24% on the entire amount of the loan.

Your Protection Under Federal Law

The Federal Truth in Lending Act treats payday loans like other types of credit. The lender must disclose: the cost of the loan, the finance charge (a dollar amount), and the annual percentage rate ("APR", or the cost of the credit on a yearly basis). The lender must put these and other terms of the loan in writing before you sign for the loan.

Alternatives to a Payday Loan

Shop for a low-cost credit offer, or consider a small loan from a credit union or your local bank. Before you are late paying a bill, ask your creditor about making payment arrangements. If you are in debt, a debt management provider may be able to help by negotiating with creditors on your behalf.

Assistance programs are available for families in a financial crisis at www.benefits.gov.



Questions & Concerns

If you believe a lender has violated Maryland law, file a complaint with our Office by visiting www.labor.maryland.gov/finance/consumers.

Call 410-230-6077 or email CSU.Complaints@maryland.gov for assistance.

If you believe a lender has violated the Truth in Lending Act, file a complaint with the Consumer Financial Protection Bureau at www.consumerfinance.gov/complaint or by calling 1-855-411-2372.

Wes Moore, Governor

Aruna Miller, Lt. Governor

Portia Wu, Secretary, Maryland Department of Labor

Antonio P. Salazar, Commissioner of Financial Regulation

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