

## Same Day Consumer Loan Facilities –What You Should Know



Consumers often borrow to meet personal needs such as insuring or repairing a car or home, family emergencies, school fees and other educational expenses, debt consolidation, medical expenses, vacation, and funeral expenses. Same Day Loans offer a faster and a seemingly less complicated option for consumers to access emergency funds. Assets such as appliances, furniture, motor vehicles and other personal items are usually put up as collateral.

- ✓ Unsecured (i.e., no collateral required) and secured loans
- ✓ Personal and business loans
- ✓ Convenient options for repayment (monthly, weekly, bi-weekly)
- ✓ Reduced processing time (within hours, or 1 to 2 days)
- ✓ Less stringent requirements

While same day loans do deliver on these offerings, what is the cost to you?

### HERE IS WHAT YOU SHOULD KNOW



Same Day Loan companies are not regulated by any regulatory body in Jamaica. Therefore, consumers must enter into borrowing arrangements with great care, because after you sign the loan contract, you are bound to its terms.



**Ask About the Rate of Interest** - No interest rate ceilings are imposed by law, so the lender has the power to determine the interest rates. Remember the lower the rates, the less you pay.

- ✓ Find out if after the agreement is signed, the company has the power to change the interest rate agreed to
- ✓ Find out if the company will first consult you before changing the interest rate
- ✓ Find out whether the rates advertised are:
  - 'add-on' (interest calculated by adding the total interest payable over the life of the loan to the amount you wish to borrow); or
  - on the reducing balance (interest is calculated for each period by multiplying the agreed interest rate by the amount remaining to be paid at that time).

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The difference between reducing balance and add-on is that interest is not charged on the principal that has already been repaid. The company should make it clear which rates apply.



**Ask for the Annual Percentage Rate** - Interest rates are typically quoted at the weekly or monthly percentage rate and not the annual percentage rates. For example, the weekly interest rate for some companies amount to 18% monthly and a whopping 216% annually! You must get complete and clear information about the true costs you will be paying for the loan and transaction services (for example processing fees, insurance costs etc.). Important terms as these should be posted on the company's premises where it is easily noticeable to the consumer, even before the contract is entered into or discussions take place.



**Get Full Understanding Before Signing:**

Here are some further tips:

- **Ask for a basic breakdown.** Important terms and rates are typically not expressed in an easy format to allow for better understanding. An example of an easy format would be a table showing the total cost of the loan, expressed in the annual percentage rate.
- **Ask for the rules relating to the process of seizing goods put up as collateral.** When the goods are placed as collateral for the loan, they become the property of the company. Although the consumer still keeps them in his possession, the company has the right to take them away when the consumer

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defaults in payment. If this is provided for in the contract, the company also has the right to enter the premises where goods are placed to look at their condition.

These rules relating to this process can be unreasonable and unfair. For example, a regular practice is that all the goods placed as collateral are seized regardless of the balance outstanding on the loan.

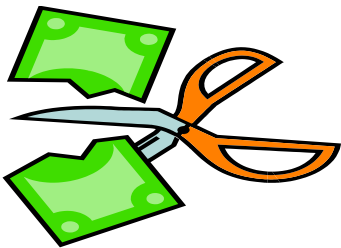
Therefore:

- ✓ Ask about the company's process before you even decide to take the loan
  - ✓ Ask about the location at which the goods will be stored if they become seized. Sometimes they are stored in another parish making it even more inconvenient for you to recover them, which will usually be at your cost
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- **Ask for a definition of financial terms** – Unless you are familiar with the financial industry and practice, some terms may be difficult to understand, and loan agreements typically do not include provisions dealing with their definition. You should ask the customer service representative for complete and clear information. If this is given but you still do not understand, ask someone you can trust such as a knowledgeable family member or an attorney. Try to understand what is required before you continue further with the discussion, or sign the agreement.
  - **Ask about your rights** – Did you know that the loan agreement usually continues if you become disabled, or even if you die? If no insurance policy has been taken out to cover the amounts owing after these eventualities, then you, or your Estate (when you die) is expected to continue making payments or settle the money owing. The Guarantor may also be brought in the picture and be required to make the full repayment.

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- **Ask about the rights of your Guarantor** – The Guarantor is usually asked to sign a separate document which contains his responsibilities under the contract. Guarantors should know that usually:
  - ✓ when the consumer defaults in payment the company has the right to treat all monies owing as immediately due. This means the Guarantor can be immediately called upon to pay the amount owing;
  - ✓ his responsibilities continue even after his death, and so the balance owing will become binding on his Estate;
  - ✓ when the company makes a demand for the money, the interest rates that apply to the consumer also apply to the Guarantor;
  - ✓ The Guarantor can be sued if he does not pay the sums owing.



You've worked hard for your money and possessions, so: **DO NOT**

- Agree to the loan if you don't have enough income to make the monthly or weekly payments.
- Sign any document you haven't read or any document that has blank spaces to be filled in after you sign.
- Let anyone pressure you into signing any document.

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- Sign over your rights to your home, land or other real estate to anyone. If you are asked to do so, consult an attorney, a knowledgeable family member, or any other knowledgeable person who you trust.



Let your dollars stretch, so: **DO**

- Keep careful records of what you have paid, including billing statements and receipts. Challenge any charge you think is not correct.
- Read all items carefully.
- Consider all the costs of financing before you agree to a loan.