

NOVEMBER NEWSLETTER HIGHLIGHTS

- ★ NEW Payday Loan Lesson Plan
 - Professional content update
 - Note taking guide
 - PowerPoint presentation
 - Information Sheet
- ★ FEFE National Conference
 - Westward Look Resort, Tucson, AZ
 - Chance to win **FREE** registration! - page 5
 - Participant grants - page 7
 - Register early to receive the early bird discount and guarantee your spot!

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WHAT IS A PAYDAY LOAN?

There are many ways to obtain cash when a person needs money and cannot wait until payday. One option is a payday loan. A payday loan is a short-term loan providing immediate cash, typically secured by a borrower's written check or authorization for automatic withdrawal from the

borrower's bank account.⁴ Payday loans are also known as cash advance loans, check advance loans, post-dated check loans or deferred deposit check loans.³ Payday loan transactions can be performed by check cashers, payday loan stores, pawn shops, toll-free numbers, and sometimes even rent-to-own

companies.² Payday loan companies can be in the risky form of an internet lender where a person will be required to give the lending company access to financial accounts as well as a social security number. This type of transaction increases the risk of fraud and identity theft.

PAYDAY LENDING

Using a payday lending company is very costly to borrowers; it can trap them in a cycle of borrowing and lead to long term debt and legal problems. Payday loan customers are about four times more likely than all adults to file for bankruptcy.⁵ Payday lenders are making a lot of money from their customers and it has become a very successful industry. Ten years ago the payday loan industry was virtually non-existent, then at the end of 2005, it was reported by industry analysts that payday loans amounted to \$40 billion dollars with \$6 billion in loan fees paid by borrowers.² Borrowers who receive five or more payday loans per year account for 91% of payday lenders' revenues.⁴ The payday loan industry is thriving because people pay the fees instead of looking at alternative, usually better, options for cash.

A traditional financial institution such as a bank or credit union will have APR's ranging from 10% to 18%. Even a costly credit card cash advance has APR's of only about 16% to 21% compared to the 400% APR of a payday loan.³

PAYDAY LENDING STATISTICS

According to the Center for Responsible Lending:

- Only 1% of payday loans go to one-time emergency borrowers
- Borrowers receive on average 8 to 13 payday loans per year from a single payday shop
- 91% of all payday loans are made to borrowers caught in a cycle of repeat borrowing with 5 or more payday loans per year

HOW TO OBTAIN A PAYDAY LOAN

Individuals who use payday lending companies typically have poor credit histories, making it extremely difficult to obtain a traditional loan.⁵ Focus groups of low-income and ethnic consumers conducted for Union Bank of California in May 2001, identified five ways check cashers were superior to banks:

- ★ easier access to immediate cash;
- ★ more accessible locations;
- ★ better service in the form of shorter lines, more tellers, more targeted product mix in a single location, convenient operating hours, and Spanish-speaking tellers;
- ★ more respectful, courteous treatment of customers; and
- ★ greater trustworthiness.⁵



People with poor credit like using payday loan companies because it is a relatively effortless way to get cash; no credit history or collateral is required.³ Usually the requirements include having a bank account, a steady source of income and identification.² The borrower must also sign paperwork stating they will not participate in any class action law suit, file for bankruptcy, or close financial institution accounts until the loan is paid.¹ To use a payday loan company, an individual may write a check for the amount they wish to borrow along with the lending company's fee. For instance, James needs \$100 in cash so he writes a check for \$115 to the payday lender. The lender gives James \$100 in cash and keeps \$15 for fees. The lender will then hold the check until the agreed upon date, usually the borrower's payday, before cashing it. The length of a payday loan can last anywhere from one to thirty-one days and be between \$50 and \$1000. Fees are often between \$10 and \$30 per \$100 borrowed.³ This translates to an average Annual Percentage Rate (APR) of between 391% and 443%.⁴

PAYDAY LENDING OPTIONS

Payday loans are difficult for consumers to pay back because the payday lending companies require borrowers to pay back the entire loan in one lump sum rather than installments. If a borrower does not have the funds in their financial institution account to allow the payday lender to cash their check, they have three choices: 1) rollover the loan, 2) payoff the loan, but then immediately take out another loan in a “back-to-back” transaction, or 3) default on the loan, which results in additional fees as well as still owing the full amount of the loan.⁴

ROLLOVERS

If payday arrives and James still does not have enough money to repay his loan, one option he has is “rolling over” the fees. This means that he can pay another \$15 to extend his loan until his next payday. James still owes the original \$100. The lender may also automatically withdraw the roll over funds directly from James’ financial institution account. Many states have regulations limiting the amount of times a lending company is allowed to roll over fees in attempt to keep payday lending a short-term borrowing option.

BACK-TO-BACK

Payday lending companies have found a way to circumvent rollover regulations by allowing “back-to-back” loan transactions.⁴ For instance, James has enough money deposited in his bank account after payday to pay back his loan, so he pays back the loan, but then he is not able to pay for anything else he might need until his next payday, forcing him to take out another payday loan.



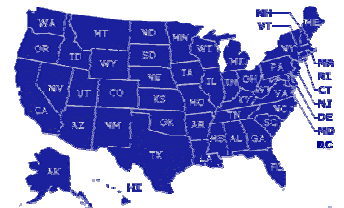
DEFAULT

When the loan is due, the lending company will cash James’ check. If he does not have sufficient funds in his financial institution account, he will default on his loan which means the lender will charge more fees. James’ financial institution will also charge insufficient funds (NSF) fees and returned check fees. The lender can legally try to cash his check multiple times; resulting in NSF fees over and over.⁴ Returned checks can cause poor credit ratings and impact future loans. James still owes the original amount of the loan until it is paid back in full. If he cannot pay, lending companies will use aggressive collection practices to make James pay back his loan. If James still has not repaid the loan, the lending company can threaten criminal charges.

With more than 2,000 payday lending outlets, California reportedly has more payday loan offices than it does McDonalds and Burger King establishments.⁵

REGULATION

Some states have small loan laws or usury caps that prevent triple digit APR’s and significantly limit payday loan companies, however, most do not. The Truth in Lending Act does require that payday lending companies advertise the finance charges and annual percentage rate as well as the terms of the loan in writing to customers.² State specific information can be found at <http://www.paydayloaninfo.org/states.cfm>.



ADDITIONAL RESOURCES

1. About.com. Consumers Warned of Online Payday Loan Sites. Retrieved from <http://usgovinfo.about.com/od/consumerawareness/a/paydayloans.htm>
2. Consumer Federation of America. PayDay Loan Consumer Information. Retrieved from <http://www.paydayloaninfo.org/>
3. MontGuide. Payday Loans: Laws Protecting Montana Borrowers. Retrieved from <http://www.montana.edu/wwwpb/pubs/mr200102.html>
4. Center for Responsible Lending. Quantifying the Economic Cost of Predatory Payday Lending. Retrieved from <http://www.responsiblelending.org/pdfs/CRLpaydaylendingstudy121803.pdf>
5. Stegman, Michael and Robert Faris. Payday Lending: A Business Model that Encourages Chronic Borrowing. Retrieved from http://www.kenan-flagler.unc.edu/assets/documents/CC_Payday_lending.pdf

NEW CURRICULUM

LOOKING FOR PROJECT-BASED TEACHING IDEAS?

Two **new Enhancement Tools** designed to enhance current curriculum in a project based approach are available. The tools are written in the ready-to-teach lesson plan format designed to reinforce numerous financial education topics and provide outreach opportunities for projects to peers, family members and in communities. Each lesson has project alternatives, which are identified for reaching a variety of audiences with numerous dissemination methods.

- ★ **A PICTURE IS WORTH A THOUSAND WORDS 6.0.10** — allows students to research three brands of digital cameras using various retail Web sites. After researching cameras, students complete a chart comparing features of each product, and then write a reflection paper describing the strengths and weaknesses of each brand, which brand they would purchase, and the criteria used to make this selection.
 - *Developed by Tracey Newman, Ste. Genevieve, MO—FEFE/FCCLA Programming Advisor*
- ★ **DON'T GET SUCKED INTO FINANCIAL RUIN 6.0.11** — demonstrates the importance of making good financial decisions to successfully manage credit. After showing a demonstration that illustrates how poor financial decisions may impact an individual's credit, collages are created to exemplify the advantages of using credit wisely and the disadvantages of using credit poorly.
 - *Developed by Jane Brown, Powhatan, VA—FEFE/FCCLA Programming Advisor*

Download these Enhancement Tools today!

<http://www.familyfinance.montana.edu/curriculum.php?categoryID=29>



PAYDAY LENDING

The newly developed **Payday Lending 1.4.4 lesson plan** describes what a payday loan is, the fees associated with payday loans, trends in payday lending and alternatives to payday loans. Students compare the cost of various forms of credit, complete a note taking guide during a PowerPoint presentation and determine the hazards of payday lending. Payday Lending 1.4.4 can be downloaded at <http://www.familyfinance.montana.edu/curriculum.php?categoryID=6#192>

LESSON PLAN

TEACHING AN INTRODUCTORY OR GRADE 7-9 COURSE?

Get Ready to Take Charge of Your Finances now has all of the components to teach each lesson independently, as a unit, or a seven week course! This introductory curriculum includes fifteen lesson plans with fast paced facilitation and scenario based learning. Check out the **newly developed** materials designed to make your job as an instructor easy and fun!



Test Bank of Questions

In addition to the assessment, often applied within each lesson plan, FEFE has developed a test bank of questions. Every Get Ready lesson plan has three to five multiple choice questions available for educators to create their own exam to assess student learning. Download the test bank at <http://www.familyfinance.montana.edu/curriculum.php?categoryID=25#195>

Curriculum Map

Wondering which order to teach the lesson plans in or how a multi-day lesson plan should be broken down? FEFE has provided a detailed step by step daily recommendation designed to guide educators when teaching a seven-week course. Download the curriculum map at <http://www.familyfinance.montana.edu/marketing.php>

Trivia Game

Participants love this PowerPoint trivia game which includes concepts from the entire Get Ready curriculum. The game can be used as a review or pre and post test. Download the trivia at <http://www.familyfinance.montana.edu/curriculum.php?categoryID=25#186>

UPCOMING EVENTS

CURRICULUM WRITING CONTEST

FEFE is excited to announce its first ever **curriculum writing contest** with a **first place \$250 monetary award and runner up awards!** FEFE is developing additional "Life of..." simulations this spring and would like to invite you to write a lesson for this national curriculum. Educators are asked to brainstorm ideas for a teenager's identity, family structure, income and expenses, and write the snapshot for a new simulation.

In the existing "Life of..." simulation, Taylor B. Jones is showcased. He is a student at North Shore high school, has a part time job at Cubby's restaurant and grill, enjoys playing chess, and is a member of the local motocross club. Taylor's parents both work full time and his sister is in the fourth grade. As a family, the Jones' enjoy attending sporting events and spending time with Taylor's grandparents. The challenge for the Jones' family is working together to allocate their funds while still meeting the needs of all family members.

If you are interested in writing creatively to develop a new family identity like the Jones, visit the FEFE Web site www.fefe.arizona.edu for detailed instructions. Applications are due January 12, 2006. Don't hesitate to contact FEFE if you have any questions.



Write creatively to win the first place \$250 monetary award!

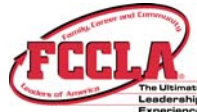
JANUARY SURVEY

FEFE Needs to Hear From YOU!

FEFE relies upon educator feedback when setting future programming goals including curriculum development, partnerships and training opportunities. A link to complete the January Survey will be emailed to all individuals with Web site users accounts. When you receive this link, please take 10 minutes to provide this information enabling FEFE to continue providing you amazing resources and grow with financial support. Survey respondents have the opportunity to receive a free registration to the 2007 FEFE National Conference! We look forward to your response, so watch for the survey link in **January**.

Complete the January survey for a chance to win FREE registration to the FEFE national conference!

FEFE - FCCLA NATIONAL PROGRAM AWARD



FEFE and FCCLA join together with a mutual goal of strengthening families by improving financial literacy. FEFE is sponsoring a **\$1,000** national program award and **\$500** runner-up award for high school chapters. FEFE encourages FCCLA advisers to use FEFE curriculum materials to prepare their members to plan, carry out, and evaluate FCCLA national projects. With the background knowledge and project ideas the FEFE curriculum provides, members can enable their peers, families, and community members to efficiently manage their finances. View the FCCLA Web site www.fcclainc.org for an award application.

Don't miss the March 1, 2007 deadline!

Integration charts provide FCCLA project ideas using the FEFE curriculum as a reference!

www.familyfinance.montana.edu/curriculum.php?categoryID=31#157

FEFE NATIONAL TRAINING

TRAINING, NO-COST CURRICULUM, & NETWORKING... DON'T MISS THIS OPPORTUNITY!



Mark your calendars and get ready to attend this year's *FEFE National Training JUNE 18-21, 2007* in Tucson, Arizona at the Westward Look Resort and Spa. This one-of-a-kind highly interactive training honors educators for their diligent work improving the life of individuals, families and communities with financial education training. The greatly subsidized registration package allows participants to revitalize at the world class Westward Look Resort while receiving an abundance of ready-to teach curriculum materials and new ideas guaranteed to make you want to begin using the materials immediately.



★ WESTWARD LOOK RESORT ★

The Westward Look Resort and Spa www.westwardlook.com is unlike any other hotel in Arizona. During the day, participants will invigorate their mind with innovative, hands-on financial education programming. Evenings will be filled with rejuvenating in the lush 80-acre oasis perfect for horseback riding, interpretive nature trails, watching the vivid southwest sunsets, magnificent saguaros, or simply relaxing in the world renowned spa. Dining at the Westward

completes the experience with accented native grown produce from the Chefs garden which participants may visit. Come early or stay late and blend your summer vacation with what will be the best educational session you have ever attended!

★ REGISTRATION MATERIALS ★

The registration fee will be approximately \$450. This includes:

- ★ **Lodging:** shared room with one person.
- ★ **Meals:** all breakfasts, lunches, and dinner on Monday night.
- ★ **Curriculum Materials:** hard copies of the Take Charge of Your Finances semester curriculum and Get Ready to Take Charge of Your Finances curriculum, a \$400 value (a registration option is available to not receive a hard copy of the curriculum)
- ★ The registration packet will be available on the FEFE Web site by **December 17, 2006**. Register early to receive the early bird discount and guarantee your spot!

★ CREDIT ★

Graduate credit and continuing education hours will be available.

The best educational session I have ever attended. The materials are helpful, relevant and can be applied immediately across the curriculum.—"North Carolina"



For more detailed information about this exciting educational opportunity, visit the FEFE Web site www.fefe.arizona.edu.
Contact FEFE at 520.626.4209 or fefe@cals.arizona.edu with questions!
We look forward to seeing you in June!

OTHER OPPORTUNITIES AND RESOURCES

INTERESTED IN BECOMING A FEFE MASTER TEACHER?

The FEFE Master Teacher team is comprised of educators from across the United States teaching in various disciplines who are selected with an application process, have participated in the national week-long conference, and actively use the curriculum in their classroom. FEFE looks to the Master Teacher team for continual project support with evaluating or editing newly developed materials and facilitating sessions at the national conference. Master teachers receive several incentives including hard copies of the curriculum, travel support to attend a planning meeting and the national conference, unique professional development updates, and much more! Detailed information and the 2007 Master Teacher team application is available on the Web site <http://www.familyfinance.montana.edu/masterTeacher.php> and are due **January 31, 2007**. Don't hesitate to contact FEFE fefe@cals.arizona.edu if you have any questions.

Master Teacher program applications are now available on our Web site!

GETTING YOUR COMMUNITY INVOLVED IN FINANCIAL EDUCATION

FEFE encourages individuals interested in attending the FEFE National Conference to contact their local financial institutions and other businesses for financial support. FEFE has prepared several documents and resources to assist you when working with one or many agencies to receive financial support to attend the training.



- ★ **INVESTING IN FINANCIAL EDUCATION**—creates awareness about the need for financial education and how support for financial education will benefit their business and community. In addition to describing the support, FEFE provides educators with information such as specific state resources and educator trainings. FEFE curriculum effectiveness, determined by an extensive independent research project, is also described in this document.
- ★ **10 OR 45 MINUTE POWERPOINT PRESENTATIONS**—are available for individuals to use when presenting information. A brief project history, curriculum description and training opportunities are included in the presentations.
- ★ **WHO WE ARE**—handout is a general description of the project.
- ★ **FEFE CURRICULUM MATERIALS**—are described with instructions on how to acquire the curriculum with potential costs identified. Recommended supplementary materials and estimated costs are available providing a complete list of necessary supplies. FEFE curriculum accountability is introduced and instructions on acquiring national and state standards charts are included in this document.

These materials can be accessed at <http://familyfinance.montana.edu/marketing.php>.

If you would like additional assistance when seeking local support, please don't hesitate to contact FEFE fefe@cals.arizona.edu.

A highly interactive training complete with an abundance of ready-to-teach curriculum, networking, and fun!

FEFE NATIONAL TRAINING GRANTS

FEFE is finalizing funding to provide participant grants to attend the 2007 National Conference in Tucson, AZ. Grants help support participants' travel and subsidizes registration expenses which includes lodging, breakfasts, lunches, and one dinner. Grant applications will be available on the Web site in December and due **January 31, 2007**. Visit <http://www.familyfinance.montana.edu/scholarships.php> to apply.