

## PART 1 OF 3

## 'Easy money' translates into financial nightmares

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**CANNON AIR FORCE BASE, N.M. (AFP)** – *Editor's note: This is the first in a three-part series about Airmen and responsible financial management.*

Signing on the dotted line can take on a new significance when "sign here" is at the end of a payday cash loan application. Charles Brown, a former Airman who recently separated from the Air Force, likened doing business with payday loan stores to driving down a street in Las Vegas with neon lights flashing "free cash."

"That's the way it looks," he said. However, reality is different. "You go in there, get all the paperwork done, cut your finger and swipe blood across it, because you've just sold your soul."

Mr. Brown's perspective comes from personal experience with the payday loan industry. His spiral into debt began when he came into the military after being out of work for almost a year. Bills followed him and while the process was slow, he was able to pay them.

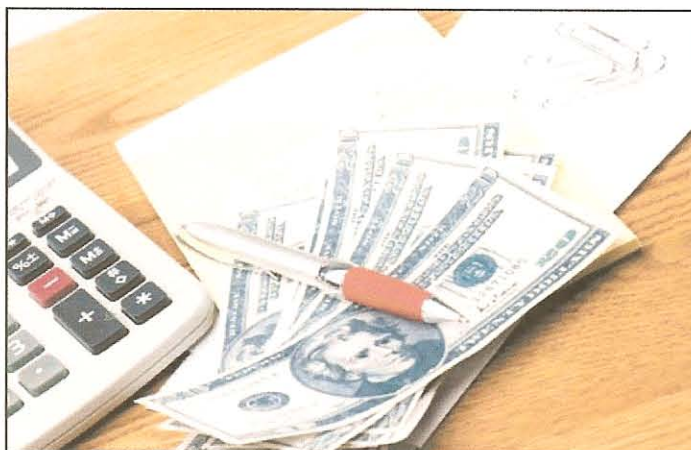
"Things were going along pretty good but there was an unexpected death in my family," he said.

He borrowed money from the Air Force Aid Society to help with his own transportation, but needs arose in his extended family with which he felt compelled to help.

Upon returning home, Mr. Brown was unable to take care of financial needs for his immediate family, prompting him to go to payday loan stores in the nearby community of Clovis. This way of life became a vicious cycle of borrowing money and paying it off.

"Once we got everything taken care of and paid off, things would be fine and something would happen and there would not be enough money to cover something, so we'd do it again. It's just a repetitive cycle that seems to never end," he said.

Family health problems required the Airman and his wife to make long trips home, driving them further into debt with each trip. He said loans he had taken out became "one on top of the other; it just got to the point where there were too



Courtesy graphic

many loans.)"

Airmen do not realize that compounding the loans intensifies the problems after a temporary relief, he said.

Even though Mr. Brown made payments on time, the stores would call his home the day the payment was due offering to raise the amount of the loan. He said the companies he dealt with would offer him the incentive of a bigger loan for referring others to become customers, adding the company would do "anything (it) can do to get more people in."

Airmen asked Mr. Brown about going to payday loan stores after hearing that he had done business with them.

"I tell them, 'If I had it to do over again, I wouldn't,'" he said. "The only difference between these places and ... loan sharks is you don't have somebody trying to break your legs. There were times I wished somebody would come to my house and break my legs," he said.

Mr. Brown is slowly paying off the debts he acquired during the past four years in doing business with payday loan stores while at Cannon.

Taking responsibility for the debt he has acquired does not make the repayment process any easier. Nor does his earnestness in paying down the debt give him something to look forward to on payday.

"Everybody says, 'Hey, Friday's payday.' I say yeah, it's payday and

I go to town (to repay the loan). I spend my whole check before I realize I've even gotten it. Where's the reward in that?"

The payday loan industry makes its profit by extending easy-to-get loans to those who usually have little or no credit.

Borrowers sign contracts to repay the principal with interest in 14 days. The amount of interest charged is what causes watchdog and other consumer groups, along with the Department of Defense, to call the payday loan industry such names as "predators" due to what they consider to be unsavory practices and unconscionable interest rates.

For borrowers in New Mexico, which has no cap in interest rates governing the payday loan industry, it is plausible to pay "more than \$1,000 on a loan of as little as \$300, equal to a 500 percent annual interest rate," according to the New Mexico attorney general's Web site.

Borrowers rarely experience a change in their financial situation in two weeks, which means they usually do not have the money to pay the loan in full when it comes due. "Anyone who borrows \$485 does not have \$572 in 14 days to pay it back," said Chief Master Sergeant Gary Ashmore, former 27th Equipment Maintenance Squadron first sergeant.

At this point, the transaction begins to repeat, causing the borrower to become further entrenched in the fiscal debt spiral. This is

because borrowers are given the option to pay the entire amount due, or only pay the interest and return in another 14 days to refinance the loan.

Master Sgt. Keith Adams of the 27th Component Maintenance Squadron describes Airmen doing business with payday loan and other quick cash stores as a "pandemic that is really preying on the younger troops and is causing pain and headaches to them, as well as to sergeants and commanders."

"Despite their advertising, their intentions are always the bottom dollar. With military folks, they've got a guaranteed paycheck. They will get paid," Sergeant Adams said.

"These places know the first and the 15th that you are going to be getting a check. If something comes up or you don't drop (off) your payment, they know who to call," Mr. Brown said.

He also said these businesses will call the shop or talk to a first sergeant, which can make an Airman's situation worse if supervisors are not aware that a troop is having financial problems.

Phone calls have come to his work and his home. "They make it seem that if you come down they will work things out, but it only serves their purpose to cause you to owe them more money," Mr. Brown said. Chief Ashmore tries to quash an Airman's temptation to do business with the payday loan industry by keeping copies of payday loan stores' rates on a bulletin board for all his Airmen to see. He also uses every opportunity to speak out against the potential harm for Airmen.

"Whenever I get the chance to brief people in any form, I try to make sure they know these people are not their friends; they are in business to make money. This is one of my pet peeves, one of my pet projects, to keep people away from predators of this nature," Chief Ashmore said. "(The payday loan stores) are not doing them any favors, are not helping them to establish credit and are not out for anyone's benefit but their own," the chief said. "(Loans) should not cost 600 percent interest."