

# Alternatives To Consider Before Taking Out A Payday Loan

Contributed by Webmaster

By Martin Sumner

There's no doubt that a payday loan can provide a valuable injection of cash at the end of the month when things are getting tight, but there's also no denying the fact that such loans aren't really a good choice for long term borrowing. After all, they are designed to be used as a temporary sticking plaster to get you through a financial crisis, and not as a regular part of your budgeting strategy.

The problem is that in some cases, it can be all too easy to fall into the trap of needing to take out a new loan every month, merely to cover the repayment of the previous loan, along with the sometimes hefty charges associated with it. Although in many cases a payday loan may well be the right choice, in others an alternative form of finance may be a better bet. So what other options might be available to you?

The majority of people these days have access to one kind of bank account or another, and depending on your circumstances and credit rating you may be able to arrange an overdraft with your bank. Of course, a fee will apply, along with interest charges, so you'll need to calculate how much this option will cost you and whether it will be cheaper than a payday loan. The advantage of an overdraft is that you don't need to 'renew' it each month, you can just slowly reduce the amount you are overdrawn by. This means that you can spread your repayments over time rather than having to repay the full debt on your next payday.

Another, and perhaps better, alternative is to make use of a credit card balance transfer facility. Many credit cards will let you transfer a balance from a bank account, effectively letting you deposit your card's credit limit directly into your account. Although a fee of around 3% will usually apply, this will be a one off fee, and if you can get a card with a long 0% period then you can slowly reduce the balance on the card without any extra charges. This will work out to be much cheaper than a long string of renewed payday loans, but you will need to have a decent credit rating for this strategy to be available to you.

Should your credit rating not stretch to a new piece of plastic, then try and find out if there's a credit union in your area. These non-profit organizations can arrange low value loans at much more attractive rates of interest, and will usually have much less stringent credit rating requirements than finance from banks and other institutions. Consult with Citizens Advice or a similar charity to see if there's a credit union near you and whether you're eligible to join.

These are just some of the alternative ways of raising finance that you might consider before committing to a payday loan. If after looking at these options you still feel a wage advance is your best option then by all means apply at one of the many sites out there on the web - at least you'll be doing so fully aware of the benefits and risks involved.

Martin is a financial services writer specializing in payday advances and bad credit loans.

Payday Loans

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