



## Thinking about a Payday Loan? Read This First

It often starts with a moment of panic: a bill you didn't plan for and not enough money to cover it before payday. In that stress, payday loans can feel like a lifeline—fast, simple, and there when you need it. Before you move forward, it helps to understand how payday loans typically work for many borrowers.

### **What Payday Loans Are (and Why They're Risky)**

A payday loan is a small, short-term loan (often a few hundred dollars) that is supposed to be repaid by your next payday. On the surface? It's an easy way to cover a cash crunch. The costs can be eye-opening:

- Most payday loans carry [extremely high interest rates](#)—often an average of 391% APR—far higher than credit cards or any other kind of credit.
- Because the repayment period is so short (usually about two weeks), many [borrowers struggle](#) to pay back the loan when it comes due.
- Many customers end up repeatedly borrowing: A [2024 report](#) from the California Department of Financial Protection and Innovation found that about 27% of payday borrowers took out 10 or more payday loans in a year, and more than 75% of the total fees charged in the state came from people with seven or more transactions.

When you add all that up, payday loans can do more harm than good—especially if you're already living paycheck-to-paycheck or managing other financial obligations.



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## How Payday Loans Can Impact Your Financial Health

Payday loans are designed for speed, and that can come with trade-offs that aren't always obvious at first.

### Short repayment windows:

Paying back a loan in just a couple of weeks can be harder than it seems—especially if [bills, rent, or food costs](#) are already tight.

### Risk of ongoing debt:

Rolling over or taking another payday loan to cover one you can't repay on time adds up fast. Many borrowers end up paying more in fees than they originally borrowed.

### High interest and fees:

Even a modest amount borrowed can end up being expensive when annualized. These aren't small handling fees—they're significant costs that can erode your budget.

## Alternatives to Consider

Before opting for a payday loan, explore these more sustainable and potentially safer, options:

### Short-term small loans from your bank or credit union

Many financial institutions offer small dollar loans or “payday alternative loans” with much lower interest rates and better terms than payday lenders. These can be easier to repay and don't trap you in cycles of renewing debt.

### Personal lines of credit or credit builder loans

If you qualify, these products offer credit on better terms and give you time to pay it back without extreme costs.

### Talk to a financial counselor

Nonprofit financial counseling can help you map out a budget, prioritize expenses, and explore [debt repayment options](#) you may not have considered.

## No-Shame Support

Financial challenges happen to everyone. The key is choosing the path that protects your stability. If you're considering a payday loan because you're struggling to make ends meet, pause and consider this: there *are* resources that can help you find alternatives—and likely at a lower cost.

### Within your financial institution:

- ✓ Ask about small-loan products designed for people like you.
- ✓ Explore budgeting and planning support.
- ✓ Inquire about overdraft protection or emergency savings plans.

As an additional resource, GreenPath offers [free financial counseling](#) to help you make informed decisions about debt, expenses, and optimizing your cash flow so you can feel confident moving forward.



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