

Title:

How do payday cash advances work?

Word Count:

427

Summary:

Payday cash advance loans are essentially short-term loans that may use a borrower's paycheck as collateral. Working individuals who are mainly dependent on their paychecks for money may occasionally find themselves in a spot where an emergency requirement arises and the next paycheck is still far away.

Keywords:

cash advance, online, payday

Article Body:

Payday cash advance loans are essentially short-term loans that may use a borrower's paycheck as collateral. Working individuals who are mainly dependent on their paychecks for money may occasionally find themselves in a spot where an emergency requirement arises and the next paycheck is still far away.

In such instances, lenders offer cash advances to adult individuals with an assured net income of at least \$ 1000 per month. The loan amount is to be repaid by the borrower in full on the next payday. Cash advances charge a rate of interest of up to 20% and should ideally be taken in small amounts so that they can be repaid easily. The high rate of interest is charged as these loans are short term and given without a credit check. Most lenders offer a first-time payday cash advance of up to \$1000.

The process of applying for and obtaining a cash advance is automated and can be carried out online. The borrower is required to submit a short application, which is usually replied to via email. The money is transferred to the borrower's account upon the signing of the loan agreement and submission of postdated checks. Alternatively, the lender can directly withdraw money from the borrower's account on the designated due date. Inability on part of the borrower to pay the loan in full may imply a violation of the loan agreement which can prompt the lender to demand non-sufficient funds (NSF) costs. If a lending agency chooses to refer a borrower's poor payment record to the credit bureau, it can harm a person's credit score and affect his chances of obtaining a loan.

Ideally, a person should refrain from taking payday cash advances often as these incur a high rate of interest. They should be kept as the final option when loans from friends cannot be availed and credit cards cannot be used. Factors that affect the approval of a payday cash advance include federal and state lending regulations, net income, and existing previous payday advances or other loans. Usually payday cash advances are scheduled for payment 15-18 days from the application date. Individuals can avail only one payday cash advance at a time from a given lender.

Lenders allow for an extension of the payment date and deduct an extension of payment fee on the original due date. There is a limit to the number of extensions allowed by the lender. Most allow up to four extensions of the payment date. The next scheduled date for repayment is usually the date of receiving a paycheck.