

Resource Guide:

# Affordable Alternatives to Predatory Loans



JUNE 2021

Times are tough. The pandemic and economic crisis have left many Illinoisans struggling to make ends meet. Some have turned to payday or auto title loans to deal with emergencies or pay for big expenses. However, these loans charge excessive interest.

High-cost loans are now a thing of the past in Illinois. The Illinois Legislative Black Caucus led the creation of a new law called the Predatory Loan Prevention Act. This new law caps the interest on payday and title loans and other personal loans at 36%. Some lenders have decided to close rather than offer loans under 36%.

This guide is designed to point you to safe and affordable options to high-cost loans. Most of these options do not require you to take on more debt.

## What Can I Find in the Guide?

This guide includes sections on **cutting expenses or debts, finding one-time, additional income,** and **lower-cost loan options.**

**WEPROSPER**  
Building Community Wealth



**HEARTLAND  
ALLIANCE**

**WOODSTOCK  
INSTITUTE**  
Advancing Economic Security  
and Community Prosperity

**NEW  
AMERICA**

## Prefer talking to a live person?

Capital Good Fund's [financial coaching hotline](#) provides one-on-one financial advice to any Illinois resident. The nonprofit can provide detailed plans through their individual coaching and can advocate on your behalf with creditors starting at \$15 per month. They also offer a credit-builder program for \$5 per month.

Call 866-584-3651  
(English or Spanish)

Monday -Friday  
9am-8pm

Saturday and Sunday  
10am - 6pm

In Chicago: try the [Financial Navigator Program](#) for free, live information on available resources. They will work with you to create an action plan.

## OPTION 1:

# Get Help Lowering Bills

There are many ways to lower your expenses or debts. You may be able to negotiate with your creditors to lower what you owe. Most companies have programs to help customers experiencing COVID-related hardship. Tell your creditors and other companies to whom you owe money that you are experiencing a “COVID hardship.”



## Housing

**Homeowners:** If you are having trouble paying your mortgage, contact a housing counselor and/or your mortgage servicer to talk about your options. If you have a “COVID forbearance” already, you may be eligible to extend it. Find a housing counselor near you [here](#). Contact information for your mortgage servicer is found on your monthly mortgage statement. Call 888-995-HOPE (4673) to be connected to free, comprehensive foreclosure assistance 24/7.

**Renters:** Information about rental assistance options and eviction protections are available at [Housing Action Illinois](#) and are updated as they become available. The [Illinois Housing Development Authority \(IHDA\)](#) has launched a new round of rental assistance available statewide, and many counties have their own programs. Another site, [rentervention.com](#), focuses on Chicago residents, but can assist any Illinois resident.

You cannot currently be evicted for failing to pay your rent in Illinois. **Illinois has strong eviction protections in place.** Governor Pritzker has been renewing Illinois’s eviction moratorium on a monthly basis. The Governor announced that he plans to phase out the eviction moratorium by August. More details on those plans will be announced in the coming months.

**Housing Counseling:** [Housing counselors](#) can provide advice on buying a home, renting, defaults, foreclosures, and credit issues. Many housing counseling organizations do financial wellness education at no cost to the participant. Local Chicago examples are [Spanish Coalition for Housing](#) and [Chicago Urban League](#).

## Prioritize essential expenses first

Pay for essential needs before anything else: shelter (mortgage or rent), food, and utilities. Before an unpaid bill can be reported to the credit bureaus, which would harm your credit score, it must be at least 30 days late. A single late payment fee is preferable to a high-cost loan, which will cost you much more in fees. If you are uncertain about which option might be preferable, you can always call Capital Good Fund’s financial coaching hotline or speak to a Financial Navigator. (See [text box on page 1](#) or [Option 4](#).)



## Car Payment

Contact your lender. Options may include changing the due date of your payments, creating a new repayment plan to lower your monthly payment, or deferring (postponing) your payments.



## Utilities

Each major Illinois utility has its own bill assistance program: **ComEd**, **Peoples Gas**, **North Shore Gas**, **Nicor**, and **Ameren**. Explain that you are experiencing a COVID hardship. This will help you access funds and policies set aside for COVID support. For lower income households, visit **State of Illinois Utility Bill Assistance** or call 877-411-WARM (9276) for assistance with your electric or gas bill (Mon-Fri 8 am – 5 pm). If you are lower income, contact both your utility and the state utility assistance program.



## Student Loans

President Biden extended the COVID-related loan payment suspension on **certain federal loans** to September 30, 2021. If your loans are not covered by the President's order or if you are unsure, contact your student loan servicer and explain your hardship. Ask about an income-driven repayment plan (making your payments affordable based on your income), a deferment of payments, or a forbearance, which is a temporary pause making loan payments. A new, free online service called Summer can help you simplify your loan payments and maximize savings.



## Automatic, Recurring Payments

Many pay their bills through automatic, recurring payments (e.g., subscriptions, gym memberships, loans, credit cards). Contact the companies that deduct money through autopay to request COVID hardship relief. They may be willing to temporarily freeze your account. If that's not an option, you have the right to revoke your authorization for the company to deduct money. You will probably still owe the company money, but you can manually control the timing of the payment and make the payment only after you have paid for essential items.



## Credit Cards

Major credit card companies have COVID assistance programs. Visit the credit card company's website. If you cannot find one online, call them to request COVID-relief. Most companies will allow you to postpone paying your bill for a time without incurring late fees.



## Medical Bills

Contact the medical provider/biller and explain that you are unable to pay the bill due to a COVID hardship and request a payment plan. If you do not have success with one representative, ask to speak to a supervisor who may be able to help more. Medical providers would rather put you on a payment plan than refer the account to a collection agency.



## Child Support

If you owe child support and are unable to make the payments, first notify the person who receives the support. The State of Illinois provides free child support services. Find an online application for services [here](#). You can also call 800-447-4278 or visit any **Department of Child Support Services** office. These services can also assist you if you are owed child support.

If you cannot afford to make your child support payments, the court may modify your obligation if you have lost your income or have another major hardship. The Greater Chicago Legal Clinic has a helpline to learn more at 312-796-3070. Illinois Legal Aid Online has an [online guide](#) to help you with paperwork.



## Accounts in Collections

Request a payment plan. If you already have a payment plan but are unable to afford the monthly payments, ask to adjust the plan. Collection agencies would rather you pay something than refer it to their lawyers to collect through the court system. Staying in communication with them is most important. **If a creditor or collection agency has sued you or is threatening to sue you, call legal aid.**

- In Northern Illinois, call **Prairie State Legal Services** at 888-966-7757 (Mon-Thurs 9 am -1 pm).
- In Chicago or suburban Cook County, call **Legal Aid Chicago** at 312-341-1070.
- In Central or Southern Illinois, call **Land of Lincoln Legal Aid** at 877-342-7891.



## Free or Discounted Essentials

Many charities provide free food, free clothing, and other essentials. A financial coach (see Option 4) can help direct you to resources.

### NEW! Broadband Internet Benefit:

You may be eligible for help lowering your monthly broadband internet bill through the federal government's Emergency Broadband Benefit (EBB) program. Eligible households can receive \$50 towards their monthly broadband bill and up to a \$100 discount on the purchase of a laptop, tablet, or desktop computer (with a copayment of at least \$10 but less than \$50). Check if you qualify and apply for the program at [GetEmergencyBroadband.org](https://www.getemergencybroadband.org).

## OPTION 2:

# Additional Income Sources

Many people turn to a high-cost loan for a large one-time expense. This section includes ways to get a one-time infusion of cash. Before turning to a loan, consider taking these steps.



## Tax Refunds and Credits

Even if you earn too little money to file taxes or missed the May deadline to file, you could still be eligible for thousands of dollars in tax refunds by filing. There is no penalty for filing late if you don't owe the IRS any money. File as soon as possible to get your tax refund.

If you haven't received your stimulus check yet, you may claim the Recovery Rebate Credit on your taxes to receive it. Many low-income people are also eligible to receive money from the Earned Income Tax Credit (EITC) or Child Tax Credit. Filing your 2020 taxes online and using a bank account number for direct deposit will help you get the money much more quickly. If you didn't file taxes in 2018 or 2019 but think you might be eligible for these tax credits, you can still file a paper return for those years to receive your refund.

- Many Americans are eligible for free, online tax-preparation services. This article explains [How to File your State and Federal Taxes for Free in 2021](#).

- Visit [GetMyPaymentIL.org](https://www.getmypaymentil.org), a website run by local nonprofits, to learn more about how to file your taxes for free, get your Recovery Rebate Credit, or how to get a higher EITC if you earned less in 2020 than in 2019. They have a hotline (888-553-9777) for people without computer access.
- In Chicago, [Ladder Up](#) offers free tax assistance to eligible families. Ladder Up also has pro bono attorneys available for more complicated tax situations.



## Stimulus Checks

If you have not already received your stimulus check(s) and need help, visit [GetMyPaymentIL.org](https://www.getmypaymentil.org) or call the hotline at 888-553-9777. You don't need to have an income to be eligible and some people who weren't eligible for previous stimulus checks are now. You can also check to see if you are eligible on the website. It is better to wait for your stimulus payments, if possible, than to take out a loan.



## COVID-19 Funeral Assistance

The federal government now has a program to reimburse the costs of funerals for deaths attributed to COVID-19 (according to the death certificate). The maximum benefit is \$9,000 per burial. To be eligible, the funeral must have occurred after January 20, 2020. For more information, including required documentation,

go to their [website](#). To apply, call 844-684-6333 (multilingual services available). (They are not accepting online applications.) You may experience a high call volume on this line, so try again later if the call doesn't connect.



### Paycheck Advance

If you are employed, ask your employer for an advance on your next paycheck. There are companies and apps that also offer this option. However, terms and fees vary widely and they can become a debt trap. At this time, there are no companies we can recommend for early paycheck access.



### Church

Many churches provide financial and other assistance. For example, Catholic Charities agencies across Illinois have [financial assistance programs](#) for families regardless of religion.



### Savings

Tap into your savings. Chances are you have already exhausted any money in a savings account, but you may also have retirement

savings (401k, IRA, etc.). A new Illinois law called Secure Choice requires employers who don't offer a retirement plan and who have at least 25 employees to enroll their employees in a plan administered by the State. It is never ideal to deplete your savings or tap into retirement accounts, but it is one way to boost your income in a major financial emergency. There are tax consequences, and you may have to adjust how you save for retirement going forward. You may want to consult with a licensed accountant or a certified financial planner.



### Sell Assets

If you're willing to part with an item (jewelry, gold, antiques) consider selling it rather than getting a pawnshop loan to avoid paying financing charges.

### OPTION 3:

## Lower-Cost Loans

If you have taken all possible steps to cut your expenses and boost your income and still need cash to pay for a necessity, you should consider a lower-cost, short-term loan. Here are some affordable loan options – of all which charge 36% APR or less.



### Your Bank

Visit your bank's website or call to find out whether they offer emergency loans or loans specifically tailored to those experiencing a COVID hardship. If you don't have a bank account, visit **Bank On Chicago** if you live in Chicago. If you live outside Chicago, visit **Bank On Illinois**. A financial coach (**Option 4**) can also assist you with opening a bank account.

CIBC Bank has an affordable (12.45% APR) personal loan called the **EasyPath Personal Loan**. You can apply for the loan by visiting one of **CIBC's branches**.

Huntington Bank offers a line of credit to eligible customers called **Standby Cash**. The line of credit is up to \$1,000 and is interest- and fee-free if the customer enrolls in automatic payback of the loan.



### Low-cost CDFI Loan

Consider a loan from a Community Development Financial Institution (CDFI) or credit union:

- **Capital Good Fund**, a non-profit CDFI, offers a crisis loan that charges 5% APR,

with no payments of principal or interest for the first three months.

- **Great Lakes Credit Union** serves Lake, Cook, McHenry, Kane, DuPage, Kendall, Will & Kenosha counties. They offer a **Cash-in-a-Flash loan**, a \$500 personal loan with no credit check at 33% APR. Call 800-982-7850.
- **Self-Help Credit Union** offers a variety of different banking and loan products for people with good credit or those who want to build their credit. Call 800-966-7353.
- **Community Plus Federal Credit Union** serves Champaign, Ford, and Piatt counties. Borrowers who have been members for 6+ months may qualify for their **emergency loan** with no credit check at 18% APR. They also offer free financial counseling. Call 217-893-8201.
- **Members "First" Community Credit Union** serves Adams, Brown, Pike, and Schuyler counties. They offer **personal loans** with APRs as low at 7.99%. Call 217-223-4377.
- **SIU Credit Union** serves 26 counties across Southern Illinois. They offer a **personal loan** with competitive interest rates. Call 618-457-3595.
- **Unified Homeowners of Illinois Federal Credit Union** serves all homeowners in Illinois. They offer personal loans up to \$600 at 18% APR on a 12-month term, available to new and existing members. Call 773-283-9340.



## Online Loan

Not all online lenders are affordable. However, members of the **American Fintech Council** (AFC) adhere to responsible lending standards that include charging at or below 36% APR. All of the following are AFC members.

Compare different loan products at **Nerd Wallet**.

### Personal loans:

- **Lending Club** offers business, auto, and education loans. 888-596-3157
- **Avant** offers loans from \$2,000-35,000 and credit cards. 800-712-5407
- **Prosper** offers loans up to \$40,000 for emergencies, major events, debt consolidation or purchases. 866-615-6319
- **Best Egg** offers personal loans for major events, purchases, or debt consolidation. 855-282-6353
- **Upstart** offers loans from \$1,000-50,000 for debt refinancing and consolidation, help with purchases, businesses, and student loans. 855-438-8778

### Banking and loans

- **SoFi** includes accounts, personal loans, credit cards, student loans, home loans, business loans, and investment options. 855-456-SOFI (7634)

### For purchases:

- **Affirm** includes financing for smaller and larger purchases and savings.

### Business loans and lines of credit:

- **Allies for Community Business** for business loans, credit lines, and coaching: 312-275-3000
- **Funding Circle**: 855-385-5356
- **Lending Club** for business loans: 855-846-0153



## Lending Circles

In a Lending Circle, a small group of people chip-in every month and lend money to one another at no interest. Lending Circles are formed between 6-12 people and loan amounts range from \$300 to \$2,400. Each month, a new member of the Lending Circle receives the loan until everyone in the group gets their chance. Loan payments are reported to the credit bureaus to help participants build credit.

This option is not suitable for immediate needs or emergencies. A Lending Circle requires group planning, and you may not be able to predict when it will be your turn to get the loan. You can learn more and apply [here](#).



## Credit Card Advance

Cash advances from credit cards can be easy but expensive unless you pay them back soon. Check the credit card's website and/or contact the credit card company to find out about available options.

#### OPTION 4:

## Ask a Financial Coach

If you are still having trouble affording basic necessities and paying your bills or you want help guiding you through your various options, check out Capital Good Fund's **financial coaching hotline**, 866-584-3651 (English and Spanish). They can create a tailored plan through their individualized coaching which costs \$5 per month. The monthly fee is reported to credit bureaus to help improve your credit score.

Chicago residents may also try the **Financial Navigator Program**, which provides live information on available resources and will work with you to create an action plan, so you know what you need to do next.

The City of Aurora's Financial Empowerment Center provides free, high-quality, one-on-one financial counseling to low-and moderate-income residents of the Aurora region. Learn more [here](#).



WeProsper is a joint initiative of Woodstock Institute, New America Chicago, and The Chicago Urban League. The initiative educates lawmakers and the public about predatory financial practices that strip wealth from low-income communities, with a special focus on communities of color. In addition, the initiative provides resources to educate communities, as well as research to help build support for alternatives that build wealth in low-income communities. The initiative is currently funded by The Chicago Community Trust and J.P. Morgan Chase Foundation.

## Watch Out for Scams!

Scam artists are always looking for ways to cheat you, but the COVID relief programs have triggered an avalanche of scams and rip-offs. If you receive a call from someone you don't know about COVID relief or other benefits, such as Social Security, there is a high probability the caller is a scammer. Call the company or agency if you are concerned about whether the call is legitimate. Also highly risky are e-mails that want you to click on a link, open an attachment, or provide personal information. Beware any company offering "credit repair," "debt management," or "debt settlement." These types of services are frequently rip-offs. Legitimate nonprofits that can help your credit are listed in Option 4 of this guide. For more information about scams, visit the [Consumer Financial Protection Bureau's website](#).