

Activity: Check Cashing: To Fee or Not to Fee

Description: **The objective of this assignment is to:** Help understand the different options you have when it comes to cashing your checks and asses if a convenience is really worth the fee.

How do I get credit for this assignment?

- Read through all of the information provided
- Answer the questions based on the information that you read in the info section.
- Email the completed work along with this cover sheet to: Michelle Estrada at mestrada@orangewoodfoundation.org

You may earn up to \$10.00 ILP dollars for completing this assignment.

Total Dollars Earned:

\$
(ILP Use Only)

Notes:

Date: _____

_____ Youth Signature	_____ Date of Birth
_____ Print Name (Youth)	_____ Group Home (If Applicable)

Receipt
(ILP Use Only)

To Pay a Fee or Not Pay a Fee?

You received your first check, yay! You notice there is a check-cashing place next door to your work. You could go there and save a trip to the bank, but be aware of how that could cost you.

Check Cashing: Check cashing businesses, also known as money services businesses, provide customers with an easy way to turn their paycheck, or other checks, into cash without having to rely on a bank account. Check-cashing businesses generally stay open 24 hours and give easy, quick access to cash when people need it. It is important to understand the fees before using a check-cashing service. For example, if a check-cashing service charges a 2% fee to cash your paycheck of \$1,500, that amounts to \$30, leaving you with take-home pay of \$1,470. If you cash 26 paychecks over a year, that adds up to \$780 in fees. Check-cashing stores sometimes take up to 5% of the transaction value. At the end of the day, you need to decide whether the convenience is worth the money.

What is the Best Alternative?

The best alternative to using a check-cashing store is to cash your checks directly at your bank. Although this may take longer and be less convenient, it is arguably the most secure way to receive your money. Cashing directly at the bank can allow you to deposit the funds directly to your savings account if you do not need the cash in hand. If you have not yet opened a checking account, then now is the best time to do it

Tip: If you do not have a personal bank account and you need to cash a check either from an employer or other party, you can cash the check from the bank it is drawn on. For example, if you receive a check from your employer, look at the check to see what bank or financial institution is listed there. If you can get to that bank in person, you can cash the check right there. Be sure to bring two forms of government-issued picture identification such as a driver's license and/or passport. Call the bank first to confirm exactly what is needed for you to cash a check drawn on their bank.

Payday loans:

Let's talk about payday loans. A payday loan is a short-term loan that can help you cover immediate **cash** needs until you get your next paycheck. These small-dollar, high-cost loans usually charge triple-digit annual percentage rates (APRs), and payments are typically due within two weeks—or close to your next payday.

What Are the Costs of a Payday Loan?

The costs associated with payday loans are set by state laws with fees ranging from \$10 to \$30 for every \$100 borrowed. A two-week payday loan usually costs \$15 per \$100.

For example, let's say you borrow \$100 for a two-week payday loan and your lender is charging you a \$15 fee for every \$100 borrowed. That is a simple interest rate of 15%. However, since you have to repay the loan in two weeks, that 15% finance charge equates to an APR of almost 400% because the loan length is only 14 days. On a two-week loan, that daily interest cost is \$1.07.

What are the advantages of using a check cashing or payday loan store instead of a bank?

What are the disadvantages of using a check cashing or payday loan store instead of a bank?
