

## The Legitimacy of Cash Advance Loans

From time to time everyone has had the experience of having a ton of bills and little to no money to pay for them. This is why cash advance loans companies are popping up everywhere and their commercials dominate the air waves. The question remains, are these companies really loan sharks in disguise? Are they victimizing people? These Quick Cash places are legitimate business is there any profit to be made by the business investor.

A cash advance or payday loan business secures the loan with a personal check. Many of these companies also required a great deal of personal information including bank account number, credit card information, social security number, as well as a post dated check. The company requires it's customers to write a check for the amount of the loan plus their fees. The customers agrees that check can be cashed within 10 to 14 days. Which is your standard payroll time.

A contract will be signed stipulating how much will be repaid and how much their fees are. You might be wondering why on earth would any lending company loan money this way. The answer is obvious. These fees which the company charges offer a huge profit for doing very little. Besides the office overhead and payment of employees the money received from customers is almost all profit. For example if a consumer borrows \$300 dollars and the fee is \$10 for each hundred dollars. Within in 14 days the consumer will repay the \$300 plus another \$30 dollars for the service. Essentially the consumer is paying 10% interest on a 14 day loan. When you compound this interest rate yearly, it amounts to over 3000%. This is why cash advance places are such a hot business in today's marketplace, the profit is unbelievable.

Whether you are interested in getting a cash advance loan or you are interested in starting your own cash advance company as a business investment there are several things to watch out for.

-Many sure there are no fines for repaying the money early. Just with some bank loans there is sometimes a penalty applied if you have managed to pay back the money before the expected date.

-Understanding and double check what the late fees are. Some companies will double check services fees if if the money is only a day late.

-Many of the cash advance places charge you first to become a member and then to use their service

-Do not give these lenders direct access into your bank account, it is dangerous and can be financially devastating.

-Read all the fine print in the contract, and if you don't understand it don't sign.

-Remember bouncing a check will not only cost an extra fee at the cash advance place but also with your bank

-If the company asks for collateral, make sure you can afford to lose what you put up, failure to repay may result in the loss of your car.

Source: <http://www.articlecircle.com>

### About the Author

Mika Hamilton runs a website offering free investment tips and strategies for people looking to get started in the investment world.

<http://www.Global-Investment-Institute.com>