

Resource Guide: Affordable Alternatives to Predatory Loans

May 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](#).

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: Contact your loan servicer as soon as possible to request a “COVID forbearance.” This allows you to lower your mortgage payment or pause paying your mortgage altogether. You are still responsible for the entire debt you owe, but a forbearance can give you more time. Contact information is found on your monthly mortgage statement. It is vital that you act quickly to qualify. Call 888-995-HOPE (4673) to be connected to free, comprehensive foreclosure assistance 24/7.

Renters: Rental assistance options are available at [Housing Action Illinois](#) and are updated as they become available. Another site, [rentervention.com](#), focuses on Chicago residents, but can assist you regardless of where you live in Illinois. You cannot currently be evicted for failing to pay your rent. Federal eviction protections are in place until at least June 30, 2021. Governor Pritzker has been renewing Illinois’s own eviction protections (which are stronger than the federal protections) on a monthly basis – they are currently in place until May 1, 2021.

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 starting at \$5 per month. The monthly fee is reported to credit bureaus to build your credit.

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.

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](#).

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.

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.)

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.

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

File your taxes to get your tax refund. This year, the deadline to file your taxes is May 17, 2021. If you miss the deadline, file your taxes as soon as possible. For many families, their annual tax refund is the biggest infusion of income of the year. You may also claim the Recovery Rebate Credit on your taxes to get your stimulus check if you haven't received it yet. Many low-income people are also eligible to receive money from the Earned Income Tax Credit (EITC) or Child Tax Credit. These credits are higher for many people this year than previous years.

- Most Americans are eligible for free, online tax-preparation services. This article explains [How to File your State and Federal Taxes for Free in 2021](#). Filing your taxes, especially this year, could mean a significant financial boost for you and your family.
- In Chicago, [Ladder Up](#) offers free tax assistance to eligible families. Ladder Up also has pro bono attorneys available for more complicated tax situations.
- Visit [GetMyPaymentIL.org](#), a website run by three local nonprofits, to learn more about how to 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.

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 earn money 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.

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 as 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.