



# WEPROSPER

Building Community Wealth



## RESOURCE GUIDE: Affordable Alternatives to Predatory Loans

LAST UPDATED ON NOVEMBER 14, 2022



Available online at [WeProsperIL.org](https://www.WeProsperIL.org)

# TABLE OF CONTENTS:

Option 1: Get Help Lowering Bills .....	3
Option 2: Additional Income Sources .....	7
Option 3: Lower-Cost Loans .....	9

If you are struggling to make ends meet or pay for an emergency, this guide can help you with safe and affordable options to high-cost loans. It includes ways to lower your bills and find other sources of one-time income, as well as lower-cost loans. Most of these options do not require you to take on more debt.

### **\*NEW\* Federal Student Loan Cancellation**

The Biden Administration [announced](#) that borrowers earning less than \$125,000 per year in income are eligible to have \$10,000-20,000 of student loan debt cancelled. Go to the Student Loans section under [Option 1: Get Help Lowering Bills](#) to learn more.

### **\*NEW\* Mortgage Assistance through ILHAF**

Applications for the Illinois Homeowner Assistance Fund are open until January 31, 2023. Eligible applicants can receive up to \$60,000 in mortgage assistance. Visit [illinoishousinghelp.org/ilhaf](http://illinoishousinghelp.org/ilhaf) to apply.

## 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 if you are experiencing a COVID hardship.



### **Tip! Prioritize Essential Expenses First**

Pay for essential needs before anything else. Essentials include 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 at 866-584-3651.

## Housing

**Homeowners:** The Illinois Homeowner Assistance Fund (ILHAF) has re-opened for another round of applications through January 31, 2023. We recommend that interested applicants watch an informational webinar to learn more about the process and requirements. Visit [illinoishousinghelp.org/ilhaf](http://illinoishousinghelp.org/ilhaf) to watch the webinars, find more information, and submit an application.

If you are struggling financially, consider obtaining a [COVID forbearance](#), which enables you to postpone paying your mortgage. Without your monthly mortgage expense, you will be better able to pay for your other expenses. The easiest way to obtain a COVID forbearance is to apply on your mortgage servicer's website. Alternatively, you can call them and ask for a "COVID forbearance." If you have a COVID forbearance already that has or is close to expiring, visit your mortgage servicer's website to apply for an extension or call your servicer.

If you have a complicated situation or are encountering obstacles, find a housing counselor by using the [online HUD search tool](#) or by calling their toll-free number at (800) 569-4287 (multilingual assistance available). Call 888-995-HOPE (4673) to be connected to free, comprehensive, foreclosure assistance 24/7.

**Renters:** Obtaining rental assistance can take a lot of pressure off your overall finances. Information about available rental assistance options and applications is available at [IllinoisRentalAssistance.org](#) and [Housing Action Illinois](#). Another site, [rentervention.com](#), focuses on Chicago residents, but can assist any Illinois resident. Check the Consumer Financial Protection Bureau's search tool for more local and County rental assistance programs across Illinois. If you're being threatened with eviction, visit [EvictionHelpIllinois.org](#) for free legal assistance. Chicago residents who are worried about eviction can find free legal help, rental assistance programs, and other resources at [Chicago.gov/eviction](#)

**Housing Counseling:** [Housing counselors](#) can provide advice on buying a home, renting, loan 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](#), [Chicago Urban League](#) and [The Resurrection Project](#). Check [IllinoisHousingHelp.org](#) and sign up for email alerts to learn when the Illinois mortgage assistance programs are open.

## 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 and Internet

### 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.

If you are lower income, contact both your utility provider and the state utility assistance program. For help with gas and electric bills, visit the [State of Illinois Utility Bill Assistance website](#) or call 877-411-WARM (9276) (Mon–Fri, 8 am–5 pm). For help with water and sewer bills, visit [HelpIllinoisFamilies.com](#) to learn more about Illinois's new assistance program.

### Internet

**Eligible** Illinois residents can access low-cost internet, affordable refurbished computers, and digital education training through the nonprofit PCs for People. PCs for People is a participant in the Affordable Connectivity Program (ACP), reducing the price of their monthly internet service to \$0 and significantly discounting computers. To learn more and shop, please visit [www.pcsforpeople.org](#).

The federal government's Affordable Connectivity Program (ACP) can help low-income households pay their monthly internet bill. Eligible households can get up to a \$30 per month discount on their internet bill. Visit [ACPBenefit.org](#) to find out if you're **eligible**, submit an application and choose an internet service provider. If you need to talk to someone about eligibility or your application status, call the ACP Support Center at (877) 384-2575.

## Student Loans

President Biden extended the COVID-related loan payment suspension on [certain federal loans](#) to December 31, 2022. 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. We recommend you begin preparing now to make your payments in 2023.

President Biden also [announced](#) a student loan debt cancellation program. Single borrowers making less than \$125,000 per year in income (or households making less than \$250,000 per year) can apply to have a certain amount of student loan debt forgiven: those who received a Pell grant to attend college are eligible for \$20,000 in cancellation, while those who did not receive a Pell grant are eligible for \$10,000 in cancellation. **Cancellation will not be automatic** - [submit an application on the Federal Student Aid website](#). It will take approximately 4-6 weeks to process cancellations. The federal government has not set a cut-off date, but you should apply as soon as possible. For more detailed questions, check this [Frequently Asked Questions \(FAQ\) page](#) from the Student Borrower Protection Center. Through the end of 2025, Illinois residents will not be required to pay state or federal income tax on loan forgiveness.

The Biden Administration also started a Fresh Start program for student loan borrowers who are in default on their loans. Some program benefits are available now, and others will be available in 2023 after the payment pause ends. The Department of Education is reaching out to defaulted borrowers to inform them of the steps they should take, so you should make sure that your student loan servicer has your current contact information. To learn more, visit the [Department of Education's Fresh Start page](#).

When talking to your loan servicer, 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 people 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.

### **Tip! Avoid Extravagances**

Buy Now, Pay Later is an increasingly popular option for consumers to buy luxury items and other extravagances. There are significant financial risks associated with doing this. Proceed with caution.



## 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 also provides free child support services. Complete an [online application](#) for services. 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. For advice for dealing with debt collectors - including what they can (and can't) legally do to collect on debt and sample letters you can use when communicating with debt collectors - see [this article from the National Consumer Law Center](#). 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.

### **Tip! Free or Discounted Essentials**

Many charities provide free food, free clothing, and other essentials. [Catholic Charities](#) locations across Illinois offer assistance regardless of your religion. A financial coach can also 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 access additional income without increasing your debts. Before turning to a loan, consider these sources of potential income.

## Tax Refunds/Credits

You could be eligible for thousands of dollars in tax refunds by filing your taxes. Even if you don't normally file taxes, you can still file. The filing deadline was April 18, 2022, but there is no penalty for filing late if you don't owe the IRS any money. File as soon as possible to get your refund.

If you received monthly, advance payments of your Child Tax Credit in 2021, you are probably eligible for the Child Tax Credit in 2022, which you can receive by filing your 2021 income taxes. If you did not enroll in the monthly advance payments of the Child Tax Credit, you can still claim the full amount that you qualify for by filing your 2021 income taxes.

If you haven't received one or more stimulus checks that were issued in 2020-2021, 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). Learn if you are eligible for the [EITC](#).

Filing your current year 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 the last two years but think you might be eligible for these tax credits, you can still file a paper return for those years to receive your past refunds.

Many Americans are eligible for [free, online tax-preparation services](#). Most programs to help people file taxes for free are available from January to October.

- Visit [GetMyPaymentIL.org](https://www.getmypaymentil.org) to learn more about how to file your taxes for free and get your Recovery Rebate Credit. They have a hotline (888-553-9777) for people without computer access or more complicated tax questions.
- The [AARP Foundation's Tax-Aide](#) program provides free tax preparation assistance to people over 50 and people with low to moderate income. They offer in-person or virtual assistance across Illinois.
- In Chicago, [Ladder Up](#) offers free tax assistance to eligible families. Ladder Up also has pro bono attorneys available for more complicated tax situations.

## Cash Assistance Programs

The Cook County Promise Guaranteed Income Pilot Program is no longer accepting applications. The County hopes to make the program more permanent in the future.

The City of Chicago cash assistance program is no longer accepting applications. The City may launch a future program depending on the outcome of the current one.

## 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.

## Paycheck Advance/Early Wage Access

If you are employed, ask your employer for an advance on your next paycheck. There are several apps that offer [Early Wage Access \(EWA\) products](#). Some of the EWA apps are tricky to navigate - they might try to make you pay a “tip” when you borrow and make it difficult to opt out of the tip, and they might charge you a fee to receive your money immediately. If you are cash-strapped and use these products, we recommend that you tip zero and, if at all possible, skip the optional fee for an immediate payment. Based on our experience, the money should hit your account in less than three business days.

Another important warning: These products work best for people whose income is sufficient to pay for their expenses, but their cash flow is uneven. If you don't make enough money to pay for your expenses, using these products – or any loan product – to pay for everyday expenses may cause you to fall into cycle of needing to re-borrow every pay period.

Bottom line: If you pay no tip and no “immediate deposit” fee, you can obtain free payday advances from these apps. But, because the advances are repaid at the beginning of your next pay period, they may cause you to get stuck in a cycle of re-borrowing.

## Church

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

## Tip! Be Wary of Hidden Crypto Fees

Bitcoin and other cryptocurrencies are risky. Their use is expanding - for example, as an alternative to currency exchanges or remesas (remittances) - but be wary of hidden fees and extra costs. There are often hefty fees attached to each stage of the process, from putting your money into a crypto wallet, to buying crypto on one of the exchange marketplaces, to cashing back out - and fees are likely even higher using a crypto ATM.

## 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.). 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 (i.e., gold jewelry, designer clothes, or antiques) consider selling it rather than getting a pawnshop loan to avoid paying financing charges. [Poshmark](#) is a widely used app for this. Most Illinois pawnshops charge around 240% APR for a pawn loan.

# Option 3: Lower-Cost Loans



If you have taken all possible steps and still need help, you should consider a lower-cost, short-term loan. Here are some affordable loan options—all of which charge 36% annual percentage rate (APR) or less.

## Tip! Watch Out for Scams!

Scam artists are always looking for ways to cheat you, but COVID-relief programs have triggered an avalanche of scams and rip-offs.

- If you receive a call or text from someone you don't know about COVID relief, Social Security, student loans, loan forgiveness, car warranties, or other benefits, there is a high probability the caller is a scammer. Look up the number for the company or agency on your own and contact them directly if you are concerned about whether the call is legitimate.
- Emails that want you to click on a link, open an attachment, or provide personal information are highly risky.
- Beware of any company offering "credit repair," "debt management," or "debt settlement." These types of services are frequently rip-offs.

For more information about scams, visit the [Consumer Financial Protection Bureau's website](#).

## 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 can also assist you with opening a bank account.

With a Bank On certified account, you will not be charged overdraft fees, but some BankOn accounts lack certain account features – like access to affordable loans – that are available only with a bank's other accounts. [Capital One](#) no longer charges overdraft or non-sufficient fund fees on any of its accounts. Not a Bank On account, PNC's [Virtual Wallet](#) account has a feature called [Low-Cash Mode](#) that gives customers more time to fund their account to avoid an overdraft situation and, for each transaction that would overdraw the account, allows customers to elect whether the bank should clear the payment or reject it.

## Bank Loans

CIBC Bank has an affordable (12.45 percent 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 account-holders 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.

[US Bank](#) offers personal loans to both customers and non-customers who have a minimum credit score of 660. The interest rate ranges from 5.99% to 18.49% APR.

Bank of America recently launched [Balance Assist](#), a small-dollar loan for its customers. The loan is up to \$500 in increments of \$100 and charges only a flat \$5 fee regardless of loan amount. The loan is repaid in three months by automatic deductions from your checking account. Note: Balance Assist is not available to customers with the "SafeBalance" account, which features no overdraft.

## CDFI or Credit Union

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 percent 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 33.5% APR (this rate includes the application fee). 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.
- **KCT Credit Union** serves DeKalb, DuPage, Grundy, Kane, Kendall, McHenry, and Cook (west of Route 83) counties. They offer unsecured and secured **personal loans** to help borrowers consolidate debt, build credit, and more. Call 847-741-3344.
- **Community Plus Federal Credit Union** serves Champaign, Ford, and Piatt counties. Borrowers who have been members for six or more months may qualify for their **emergency loan** with no credit check at 18 percent 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 percent. 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.
- **St. Louis Community Credit Union** serves St. Clair, Madison, Monroe, and Jersey counties in the Metro East region. Their Works for Me personal loan is open to applications from members and non-members with APRs as low as 10.49%. (Note: for non-members an application will involve a hard credit inquiry.) Call 314-534-7610.
- **Unified Homeowners of Illinois Federal Credit Union** serves all homeowners in Illinois. They offer personal loans up to \$600 at 18 percent 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 percent APR. All of the following are AFC members.

### Personal Loans

- **Lending Club** offers business, auto, and education loans. Online or call 888-596-3157.
- **Prosper** offers loans up to \$40,000 for emergencies, major events, debt consolidation, or purchases. Online or call 866-615-6319.
- **Best Egg** offers personal loans for major events, purchases, or debt consolidation. Online or call 855-282-6353.

### Banking and Loans

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

### For Purchases

- "Buy Now, Pay Later" can be an affordable option if you are able to manage the monthly or biweekly payments. If you don't stay on top of the payments and miss a payment or pay late, you could end up in a cycle of unaffordable debt, which could wreak havoc on your overall finances.
- **Affirm** offers financing for smaller and larger purchases.

### **Tip! Avoid Extravagances**

Buy Now, Pay Later is an increasingly popular option for consumers to buy luxury items and other extravagances. There are significant financial risks associated with doing this. Proceed with caution.

### **Business Loans and Lines of Credit**

- [Allies for Community Business](#) for business loans, credit lines, and coaching. Online or call 312-275-3000.
- [Funding Circle](#) offers loans or lines of credit. Online or call 855-385-5356.
- [Lending Club](#) for business loans. Online or call 855-846-0153.

You can compare different loan products at [Nerd Wallet](#), but we cannot guarantee that a loan that appears on Nerd Wallet is consumer friendly.

### **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-\$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. However, it may be helpful for large, planned purchases. You can [learn more](#) and apply.

### **Credit Card Advance**

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

### **Prefer Talking to a Live Person? Ask a Financial Coach.**

Capital Good Fund's [financial coaching hotline](#) provides one-on-one financial advice to any Illinois resident. Starting at \$15 per month, the nonprofit can create a plan with you and can advocate on your behalf with creditors. They also offer a credit-builder program for \$5 per month. Call 866-584-3651 (English or Spanish)

[Working Credit NFP](#) is a nonprofit that offers free financial counseling to help you build your credit, understand the credit system, and create a plan to reach your financial goals. Their credit building counseling program includes unlimited one-on-one support and coaching for 12 months for free. Sign up online ([English](#) and [Spanish](#)).

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.](#)

Many credit unions also offer free or low cost financial coaching. Check with your local credit union to learn about their offerings, and check the list under [Option 3: Lower Cost Loans if you need help finding a credit union.](#)

## Watch Out for Scams!

Scam artists are always looking for ways to cheat you, but COVID-relief programs have triggered an avalanche of scams and rip-offs.

- If you receive a call or text 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. Look up the number for the company or agency on your own and contact them directly if you are concerned about whether the call is legitimate.
- Emails that want you to click on a link, open an attachment, or provide personal information are highly risky.
- Beware of any company offering "credit repair," "debt management," or "debt settlement." These types of services are frequently rip-offs.

For more information about scams, visit the [Consumer Financial Protection Bureau's website](#).



## Acknowledgments

This resource guide is produced in partnership with New America Chicago, Woodstock Institute, and Financial Inclusion for All Illinois.

Special thanks to all the hardworking nonprofits, socially-conscious lenders, and community partners who are helping restore wealth in our communities. Your work is so important! Thanks also to Jane Doyle, Brent Adams, Amy Eisenstein, Vanessa Rangel, Gordon Mayer, Meegan Dugan Adell, Bob Reddy, Joe Wilkes, LuLin McArthur, and Lauren Monaco Grossman for their work on this project.



## WeProsper

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.

## Partner Organizations



### Woodstock Institute

Woodstock Institute is a leading nonprofit research and policy organization in the areas of fair lending, wealth creation, and financial systems reform. Woodstock Institute works locally and nationally to create a financial system in which low-income families and communities of color can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity.



### New America Chicago

New America Chicago is a nonpartisan policy innovation lab. We bring together community leaders, thought leaders, and policymakers committed to finding practical solutions to community challenges, particularly those related to work, income, and inequity. Based at The Chicago Community Trust, our team connects people in underinvested communities to policymakers and those in power to inform policy. We work to make sure technological and social change work in the interest of all Chicagoans.



### Financial Inclusion for All Illinois

Financial Inclusion for All Illinois, a project of Heartland Alliance, is a coalition that promotes policies and best practices to narrow the gender and racial wealth divides.