

## Know Before You Owe

Written by William Reed  
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Dallas Cowboys draft pick Dez Bryant provides a good economic example of what is happening to blacks across America. In heavy debt after leveraging his first-year salary to pay for “bling-lifestyle” amenities, during the National Football League (NFL) lockout, the 24-year-old wide receiver had to turn to payday lenders to help him keep up his game. Desmond Demond "Dez" Bryant started spending based on his salary as a NFL player for the Dallas Cowboys when he was drafted in the first round of the 2010 NFL Draft.

During the 18 months before Bryant signed with the Dallas Cowboys, he bought at least seven men's watches and two more for women. He paid \$65,500 for a diamond cross, made of white gold and \$60,000 for a custom charm. He ordered a set of dog tags made of white gold and diamonds, and all sorts of other rings, earrings, bracelets and necklaces in various shades of gold. Bryant got it all through a line of credit with the understanding that he'd settle up once he signed the pro contract that paid him \$8.5 million.

While we hold them out to be “successful,” most people don't know that a third of NFL players live paycheck to paycheck or that by the time NFL players have been retired for two years, 78 percent have gone bankrupt or are under financial stress because of joblessness or divorce. Within five years of retirement, 60 percent of former NFL players are broke.

We all don't have to be buying gold grills; but Bryant shows how cash and credit poses problems for not only rich black athletes but normal folks in the hood as well. More people are using payday lenders to secure essentials critical to daily life and to pay for medical emergencies, tuition fees and household bills that include water and electricity. There are more payday lending stores than McDonald's and Starbucks combined. Payday lending has grown into a \$40 billion industry.

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The popularity of the short-term loan product has grown significantly since the early 1990s. America has 23,000 payday loan stores and there seems to be an increasing demand for them. Nearly 20 million Americans use payday lenders that charge, on average, \$16 for a \$100 two-week loan.

If you have a job, it's easy to get one of these high-interest loans. No credit check, car title or other collateral is needed. All that is generally needed is some proof of a steady job, a driver's license and a checking account. Usually, you're asked to write a post-dated personal check payable to the lender for the amount you want to borrow, plus a fee. You either repay the loan before your next payday or the lender cashes your check.

Prudent thinking is recommended before you sign up for a "payday" type of loan. If you're having trouble paying the rent, mortgage or other monthly bills, talk to current creditors to develop a new payment plan. If you must pursue a payday loan; shop several lenders, find the best loan, then read the loan application/contract carefully and correct any errors. Never make inaccurate statements about your financial condition. Walk away from any lender who offers to falsify information or asks you to sign a loan application where spaces have been left blank. Understand what you sign— be sure that the terms of the loan as written in your contract matched what the lender has told you.

On the other hand, it would be wise to look at opportunities to participate in ownership and the profits of payday loan stores and kiosk locations. Half of America's payday loan stores are owned by independent entrepreneurs, who have been able to put together approximately \$25,000 to open a store. Payday operators can expect to break even within 15 months if they are able to plan and pay out \$8,000 a month to pay rent, utilities, one to two employees, signage, advertising, payroll taxes, software, computers and office supplies, and are able to build up to a portfolio of \$60,000 in loans.

William Reed is president of the Business Exchange Network and available for speaking/seminar projects via the [BaileyGroup.org](http://BaileyGroup.org).