

**CALIFORNIA REINVESTMENT COALITION
COMMUNITY REINVESTMENT ASSOCIATION OF NORTH CAROLINA
NEIGHBORHOOD ECONOMIC DEVELOPMENT ADVOCACY PROJECT
THE WOODSTOCK INSTITUTE**

NEWS RELEASE

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**BOWING TO COMMUNITY PRESSURE, HSBC DROPS PRE-TAX
SEASON PREDATORY LOANS**

MARCH 16 – Community advocacy groups from across the U.S. today congratulated HSBC for its announcement yesterday that it will discontinue making short-term, usurious “paystub” and “holiday” loans, which it has been issuing through tax prep sites, such as H&R Block and Jackson Hewitt.

Paystub and holiday loans carry double- and triple-digit interest rates. Available as early as November, they are made based on people’s projected tax refund and Earned Income Tax Credits (EITC), using their paystubs. The loans are intended to hook taxpayers into coming back to the tax preparer to get their taxes done during tax season. At that time, it is generally expected that borrowers will repay their paystub and holiday loans by taking out a second high-cost loan, known as a tax refund anticipation loan (RAL). Unlike paystub/holiday loans, RALs are secured loans, made against the borrower’s expected tax refund and EITC.

“We are heartened to see HSBC acknowledge that paystub loans are a harmful product that should be kept off the market,” said Sarah Ludwig, executive director of the Neighborhood Economic Development Advocacy Project, based in New York City. “We hope this is the first step in HSBC’s dismantling its overall RALs business. RALs systematically strip millions of dollars in assets from low income people and neighborhoods.”

“HSBC has been able to circumvent state usury laws that protect consumers because its regulator, the Office of the Comptroller of the Currency, has effectively exempted national banks, like HSBC, from complying with state consumer protection laws,” said Marva Williams, Senior Vice President of the Chicago-based Woodstock Institute. “We call on the Comptroller to ensure that other national banks also stop making paystub and holiday loans.”

With HSBC leaving the market, JPMorgan Chase and Santa Barbara Bank & Trust are now the country’s largest issuers of paystub loans.

“JPMorgan Chase and Santa Barbara Bank & Trust need to follow HSBC’s lead and cease making these predatory pre-tax season loans,” said Peter Skillern executive director of the Community Reinvestment Association of North Carolina (CRA-NC).

“HSBC’s decision to no longer make paystub loans should send a strong message to tax preparers to get back to the business of preparing taxes, not making loans,” said Alan Fisher, executive director of the California Reinvestment Coalition.

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