



NEW YORKERS FOR RESPONSIBLE LENDING

NYS Tax Refund Anticipation Loan (RAL) Fact Sheet RALs Made in 2004

- Tax Refund Anticipation Loans (RALs) are short-term, low-risk loans made by unlicensed lenders at very high costs, secured by the taxpayer's expected refund.
- In 2004, \$1.8 million was drained from New York's families every day of the tax season through high-cost RALs. As much as \$185 million was charged to these taxpayers for RALs, tax preparation and other fees. RALs fees averaged \$276 per return filed.
- Taxpayers generally paid \$100 -\$250 in fees to take out a RAL. A \$2,000 loan with \$215 in fees carries an annual interest rate (APR) of 628%.
- RALs are overwhelmingly targeted to working families and low-income taxpayers. 77% of all RALs in New York State in 2003 were made tax filers defined as low-income by the IRS.
- In 2004, 56% of RALs borrowers in NYS were low-income working families claiming the Earned Income Tax Credit (EITC). More than one in four EITC recipients in NYS took out a RAL.
- RALs are made throughout New York State. More than 25% of all taxpayers took out RALs in neighborhoods in Albany, Arverne, Bronx, Buffalo, Brooklyn, Manhattan, Rochester, Schenectady, Syracuse in 2004. Thirty-five zip codes throughout the state lost more than \$1 million to RALs fees in 2004 alone; five zip codes lost over \$2 million.
- There are several hundred free tax preparation sites throughout New York State that help low to middle income taxpayers receive their full refunds and tax credits quickly -- in 7-10 days, compared to 2-3 days with a RAL.
- Charging APRs of 40 - 700%, tax preparers partner with national banks that issue RALs to evade New York's 25% usury cap.

Go to www.nedap.org/nyrl for more information.

Sources: IRS; Consumer Federation of America and National Consumer Law Center; NEDAP.

Note: The 2004 figures cited above refer to tax returns filed for tax year 2003.