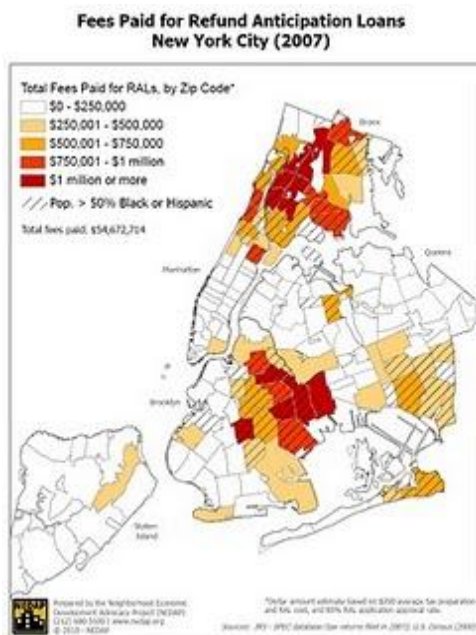




Usurious Tax-Time Loans Drained \$22.5 Million from the Bronx in Just One Year

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Tax refund anticipation loans (RALs) siphoned \$54.7 million from the pockets of low income New Yorkers in just one year, according to a report issued last week by the Neighborhood Economic Development Advocacy Project (NEDAP), a New York City-based financial justice group (disclosure: I sit on the organization's board). More than 40% of this amount came from the pockets of Bronx residents, at an estimated cost of nearly \$22.5 million.



Based on its analysis of recently-released IRS data for tax filing year 2007, NEDAP found that RALs were overwhelmingly concentrated in New York City's low- and moderate-income neighborhoods of color, especially in the West Bronx. RALs drained millions of dollars from neighborhoods throughout the Bronx, Upper Manhattan, and Central and Northeast Brooklyn.

While the number of RALs made citywide dropped between 2006 and 2007, both the number of RALs and money spent on RALs went up in the Bronx; our borough's share of NYC dollars spent on RALs jumped from 33% to 41%.

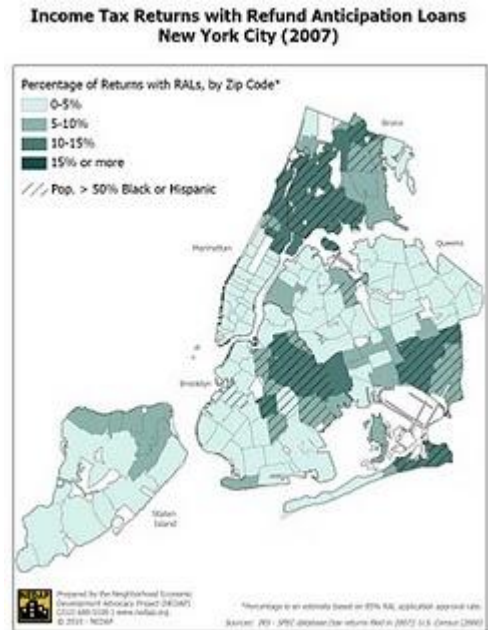
The four top zip codes for money lost to RALs were all in the Bronx, including 10453 which was first in the City at \$1.74 million. 10456, 10452 and 10457 rounded out spots two through four. Also in the top ten citywide were zip codes 10458, 10468 and 10467, each of which saw more than \$1 million going towards RALs in 2007.

RALs are high-cost loans, secured by taxpayers' projected tax refunds and Earned Income Tax Credits (EITC). Aggressively marketed to lower income taxpayers as a way to obtain fast cash, RALs carry interest rates from 50% to 500%, according to the National Consumer Law Center and Consumer Federation of America.

“RALs are nothing more than a junk loan product designed to drain assets from the working poor,” said Sarah Ludwig, co-director of NEDAP, which has been tracking RAL data for the past five years. “Tax preparers lure customers with the promise of these rapid refunds, but people can now get their full tax refunds and tax credits from the IRS within a matter of days,” she added.

Local groups such as ARIVA, Mosholu Preservation Corporation and University Neighborhood Housing Program offer free tax preparation services in the Bronx, where clients who e-file and opt for direct deposit can receive their refund in as little as ten days.

According to the NEDAP report, some of the world’s largest financial institutions, including HSBC and JPMorgan Chase, dominate the RAL market. As national banks, they circumvent New York State’s usury law, which limits the interest rate on small loans to 25%. Tax prep outfits, including H&R Block, Jackson Hewitt, and independent tax preparers, serve as brokers for these lucrative loans.



The report includes specific recommendations for policy and legislative reforms, and calls on the Office of the Comptroller of the Currency, the national bank regulator that oversees virtually all of the banks that make RALs, to crack down on the industry.

“RALs represent just one of a spectrum of abusive, high-cost credit products that target low income people. In the debate over financial regulatory reform, eliminating predatory RALs and other financial abuses should be a no-brainer,” Ludwig said.

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