



## Neighborhood Economic Development Advocacy Project

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### NEWS RELEASE

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### **TAX-TIME LOANS DRAIN MORE THAN \$324 MILLION FROM NYC'S LOW INCOME COMMUNITIES**

#### **Group Calls on Banking Agencies to Crack Down on Abusive Loans**

Tax refund anticipation loans (RALs) cost low income New Yorkers more than \$324 million, over the four-year period, from 2002 through 2005, according to a [report](#) issued today by the Neighborhood Economic Development Advocacy Project (NEDAP).

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 40% to 700%, according to the National Consumer Law Center and Consumer Federation of America. NEDAP charges that RALs are a junk product, as the IRS now issues refunds and tax credits within a matter of days to taxpayers who e-file.

Based on its analysis of IRS data, NEDAP found that RALs are overwhelmingly concentrated in New York City's low- and moderate-income neighborhoods of color. RALs drained millions of dollars from neighborhoods in Central and East Harlem, the South Bronx, Central and Northeast Brooklyn, and Southeast Queens. The report includes maps that show the [percentage of tax returns with a RAL](#), and [fees paid](#), by zip code.

#### **NYC ZIP CODES FROM WHICH RALS EXTRACTED THE LARGEST DOLLAR AMOUNTS, CITY-WIDE**

NEIGHBORHOOD	BOROUGH	ZIP CODE	TOTAL FEES
Brownsville	Brooklyn	11212	\$8,563,268
Morrisania/Melrose	Bronx	10456	\$8,161,740
East New York/Cypress Hills	Brooklyn	11207	\$7,895,896
Tremont	Bronx	10453	\$7,881,750
Flatbush	Brooklyn	11226	\$7,515,922
Highbridge/Morrisania	Bronx	10452	\$7,050,864
East New York/Cypress Hills	Brooklyn	11208	\$6,639,152
Tremont/East Tremont	Bronx	10457	\$6,622,938
Canarsie	Brooklyn	11236	\$6,553,422
Bushwick/Bedford-Stuyvesant	Brooklyn	11221	\$6,359,296
TOTAL FOR 10 ZIP CODES			\$73,244,248

According to the report, some of the world's largest financial institutions, including HSBC and JPMorgan Chase, make these loans with the tax prep sites serving as brokers. The banks take advantage of a regulatory loophole to get around New York State's usury law, which sets the interest rate limit on small loans at 25%.

The report includes specific recommendations for policy and legislative reform, and calls on the national bank regulator, the Office of the Comptroller of the Currency, to crack down on abusive RALs.

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NEDAP's mission is to promote community economic justice, and to eliminate discriminatory economic practices that harm communities and perpetuate inequality and poverty. [www.nedap.org](http://www.nedap.org)