

PRESS RELEASE

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NEW YORKERS LOSE \$92 MILLION THROUGH TAX REFUND LOANS New Report Shows “Rapid Refunds” Target Working Poor Taxpayers

New Yorkers lost approximately \$92 million in their tax refunds and earned income credits to pay for usurious loan advances on their refunds and tax prep fees, according to a report released today.

The report, “[Rapid Rip-Offs: Tax Refund Anticipation Lending in NYC](#),” examined IRS data for tax filing season 2004 (Tax Year 2003), the most recent year for which data are available, and found that low income New Yorkers are prime targets for high cost tax refund anticipation loans, or “RALs.” “RALs” are heavily marketed in low income neighborhoods in NYC, with large banners that promise taxpayers a “Rapid Refund” or “Instant Money Loan!” The loans, in which people borrow their own expected refunds, typically carry APRs of 40% - 700%.

“Tax time has become a season for gouging the working poor, through refund anticipation loans that siphons millions of dollars from the poorest New York families and neighborhoods each year,” said Sarah Ludwig, Director of the Neighborhood Economic Development Advocacy Project, which issued the report. “Banks, including HSBC, one of the world’s largest financial institutions, make these loans through the hundreds of tax prep sites that serve as their brokers, reaping lucrative profits by taking a bite out of people’s tax refunds and credits.”

Using a combination of GIS mapping technology and data analysis, the report shows that high cost tax refund anticipation loans are overwhelmingly concentrated in low income communities and neighborhoods that are more than 95% Black or Latino, including Hunts Point and Morrisania in the Bronx, Brownsville and Ocean Hill in Central Brooklyn, and Central Harlem in Manhattan. [See maps.](#)

Additional key findings include:

- **77% of New Yorkers who received a RAL were low income. Low-income taxpayers in NYC paid approximately \$70.6 million in tax preparation and RALs fees in 2004.**
- **In many of the poorest NYC neighborhoods, approximately 1 out of 4 taxpayers received a RAL.**
- **Nearly 1 in 4 New Yorkers claiming the Earned Income Tax Credit (EITC) received a RAL. Of all NYC taxpayers taking out a RAL, approximately 58% claimed the EITC.**
- **New Yorkers lost more than \$92 million of their tax refunds and credits through RALs, in 2004, including an estimated \$48.7 million in tax prep and \$43.4 million in RAL fees.**

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NEDAP is a not-for-profit resource and advocacy center that works with NYC groups to promote community economic justice, and to eliminate discriminatory economic practices that harm neighborhoods and perpetuate inequality and poverty. www.nedap.org