



Neighborhood Economic Development Advocacy Project

PREDATORY LENDING ALERT

For community groups and advocates
Alert # 2, March 2007

HSBC Stops Making Pre-Tax Season “Paystub” and “Holiday” Loans

Good News for Low Income New Yorkers and Neighborhoods

Earlier this month, HSBC announced that it will discontinue making “paystub” and “holiday” loans, which are high-cost, unsecured loans made to low income New Yorkers through tax prep sites like Jackson Hewitt and H&R Block before tax season even begins.

As described in NEDAP's [December 2006 Predatory Lending Alert](#), paystub/holiday loans are targeted at low- and moderate-income communities and neighborhoods of color. Available as early as November, they are made using borrowers' paystubs to project their expected tax refund and Earned Income Tax Credits (EITC). Paystub/holiday loans typically carry double- and triple-digit annual percentage rates, and are intended to hook borrowers into coming back to get their taxes done during tax season.

NEDAP hails HSBC's decision to eliminate paystub/holiday loans, and urges JPMorgan Chase and Santa Barbara Bank & Trust, the two remaining banks that make these loans, to follow suit. NEDAP will continue to work with allies, both locally and across the country, to press for an end to RALs.

Action Needed

Please sign onto the attached letters calling on JPMorgan Chase and Santa Barbara Bank & Trust immediately to eliminate paystub/holiday RALs. To sign on, or for more information, contact Chris Keeley at chris@nedap.org or (212) 680-5100, ext. 201. Please be sure to indicate how you would like your organization's name to appear. The deadline to sign-on is Friday, April 6, 2007.

[SIGN-ON LETTER TO JPMORGAN CHASE]

[April 9, 2007]

JP Morgan Chase
Corporate Headquarters
270 Park Avenue
New York, New York 10017

Dear Chairman and C.E.O. James Dimon:

Earlier this month, HSBC announced that it will cease making “paystub” and “holiday” loans, the relatively new, and perhaps most injurious, form of tax refund anticipation loans (RALs).

The below signatories applaud HSBC for its action and call on JPMC to follow HSBC’s example and immediately discontinue making paystub/ holiday loans. Your institution’s reputation has already been jeopardized by your issuance of RALs, and elimination of paystub/holiday RALs would be a crucial first step in showing the public that JPMC is in fact committed to fair and sound lending practices.

If you have any questions about this matter, please contact Chris Keeley at the Neighborhood Economic Development Advocacy Project at (212) 680-5100, ext. 201.

Sincerely,

Neighborhood Economic Development Advocacy Project
California Reinvestment Coalition
Woodstock Institute
Community Reinvestment Association of North Carolina
National Consumer Law Center (on behalf of its low income clients)

cc: Mark Willis

[SIGN-ON LETTER TO SANTA BARBARA B&T]

[April 9, 2007]

Santa Barbara Bank & Trust
1021 Anacapa Street
PO Box 60839
Santa Barbara, CA 93160

Dear President and C.E.O. William S. Thomas Jr:

Earlier this month, HSBC announced that it will cease making “paystub” and “holiday” loans, the relatively new, and perhaps most injurious, form of tax refund anticipation loans (RALs).

The below signatories applaud HSBC for its action and call on SBBT to follow HSBC’s example and immediately discontinue making paystub/ holiday loans. Your institution’s reputation has already been jeopardized by your issuance of RALs, and elimination of paystub/holiday RALs would be a crucial first step in showing the public that SBBT is in fact committed to fair and sound lending practices.

If you have any questions about this matter, please contact Chris Keeley at the Neighborhood Economic Development Advocacy Project at (212) 680-5100, ext. 201.

Sincerely,

Neighborhood Economic Development Advocacy Project
California Reinvestment Coalition
Woodstock Institute
Community Reinvestment Association of North Carolina

cc: Frederick W. Clough, Executive Vice President, Chief Administrative Officer
Clayton C. Larson, Vice Chairman
Laurel Foster Sykes, CRCM, Senior Vice President, Director of Risk Management