

What are the alternatives to high cost RALs?

If your total individual income is less than \$15,000 or your household income is less than \$40,000, you can have your taxes prepared for FREE at a Volunteer Income Tax Assistance (VITA) site managed by the Center for Economic Progress (the Center). You may also be eligible to receive an Earned Income Tax Credit (EITC) of up to **\$4,500!**

The Center operates VITA sites in 35 Illinois communities. In the 2005 tax year, they assisted more than 27,000 families and individuals prepare and file tax returns and claim valuable tax credits.

If you have a bank account, you can have your tax refund directly deposited within as little as 10 days! Your refund can also be deposited into as many as three accounts (i.e., checking, savings, and retirement).

If you don't have a bank account, you may be able to open one at one of the Center's tax sites. Last year, hundreds took advantage of banking services available at some sites.

For the nearest Center tax site serving your community, go to:

centerforprogress.org/programs_
chicagoland.html

If you have been taken advantage of by lenders and would like to share your story, or if you want more information about how you can join our CRA Coalition and reform predatory lending practices, please contact us.

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Download a free copy of this brochure at:
www.woodstockinst.org

Woodstock Institute was founded as a nonprofit organization in 1973 by the philanthropist Sylvia Scheinfeld and a group of Chicago-based civil rights leaders, community development practitioners, and academics.

Woodstock Institute's goals are to promote community reinvestment, economic development, and access to capital and credit in lower-income and minority communities in ways that help develop and support local leadership. Our specific tools are applied research and policy development, technical assistance, public education, and coalition-building.

The CRA Coalition, which is convened by Woodstock Institute, is an association of Illinois community and other nonprofit organizations working to improve access to affordable loans and services. The CRA Coalition Task Forces, which address Housing, Economic Development, Financial Services, and Grants and Investments, welcome your participation.

Your Tax Refund Money is Yours



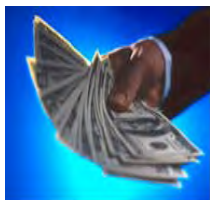
Avoid Tax Refund Loans!

Why spend an extra \$343 when you don't have to???

CRA Coalition



How are RALs offered?



They are often disguised as a quick refund

Paid tax preparers may ask if you would like to get your tax refund quickly in the form of a “Fast Cash Refund” or an “Instant Refund”.

While this may seem tempting and convenient, what they are actually offering you is a high-cost loan known as a **Refund Anticipation Loan (RAL)**.



What are the dangers?

A **RAL is not a fast refund, it is a loan**. If the tax preparer makes a mistake and overestimates the amount of your refund, or if you owed money from a previous RAL, (even if it is from a different tax preparer) you could have the outstanding loan balance subtracted from your current refund. If the IRS denies or delays your refund, you still have to pay back the loan.

If you can't make the payment, the lender will take actions to hurt your credit rating and may send your account to a debt collector.



Be Careful!!!

RALS are offered in more places than you think

Besides well known tax preparers such as H&R Block and Jackson Hewitt, RALs are also offered at rent-to-own outlets, through check cashers, and even at used car lots! Prepaid credit cards may also be disguised as RALs. Anyone offering your tax refund in less than a week after filing may be charging you excessive fees for what is really a loan.

How much does a RAL cost?

For a refund of \$2,150 a customer would pay the following fees, which amount to a 239% APR* for a RAL:

- | | |
|---|-------|
| 1. A loan fee (including temporary bank account): | \$100 |
| 2. An application or administrative fee**: | \$ 32 |
| 3. A tax preparation fee: | \$146 |
| 4. Check cashing fee: | \$ 65 |

The total cost is \$343!!

*APR is calculated based on a \$132 finance fee not including the tax preparation fee.

**Some tax preparers no longer charge an application or administrative fee.