



Neighborhood Economic Development Advocacy Project

73 Spring Street, Suite 506, New York, NY 10012

Tel: (212) 680-5100 Fax: (212) 680-5104

www.nedap.org

NEW YORK CITY COUNCIL COMMITTEE ON CONSUMER AFFAIRS

Public Hearing on Int. 81 – in Relation to the Consumer Bill of Rights Regarding Tax Preparers

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Testimony of Saara Nafici, Financial Justice Organizer
Neighborhood Economic Development Advocacy Project (NEDAP)

Thank you for the opportunity to present testimony today. My name is Saara Nafici and I am the Financial Justice Organizer at the Neighborhood Economic Development Advocacy Project (NEDAP). I am here with my colleague Chris Keeley, NEDAP's Campaign Organizer, who will also present testimony. Our testimony today will be specifically addressing tax refund anticipation loans, or RALs.

NEDAP is a non-profit resource and advocacy center that provides legal, technical, and policy support to community groups in New York City's low-income neighborhoods and communities of color. NEDAP's mission is to promote community economic justice. NEDAP has been doing advocacy work to put an end to abusive tax refund anticipation lending programs for a number of years and has extensive knowledge of the issue.

NEDAP is also a founding member of New Yorkers for Responsible Lending (NYRL), a statewide coalition of 127 organizations that promotes access to fair and affordable financial services and preservation of assets for all New Yorkers and their communities. Among NYRL's top priorities in 2007 is to bring an end to abusive tax refund anticipation loans and related high-cost products, such as pay stub and holiday loans.

In order to visually illustrate the negative impact of RALs in New York low-income neighborhoods and communities of color, NEDAP has prepared two maps using data provided by the Internal Revenue Service as well as the U.S. Census. The first map shows where RALs are being made in the city. Specifically, we mapped the percentage of income tax returns that also had a refund anticipation loan. The darkest shade of purple indicates zip codes where twenty percent or more of the tax returns filed also had a RAL. In addition to mapping the percentage of returns with RALs, we also included diagonal lines to show the zip codes where the population is fifty percent or more Black or Latino/Hispanic. The map clearly shows that RALs are concentrated in certain parts of the city: the South Bronx, Central Brooklyn, Southeast Queens, and Far Rockaway. What is striking is that these concentrations of RALs also

correspond nearly perfectly with neighborhoods that are predominately of color. For some of these neighborhoods, that means that in 2005 one in every five people filing their tax returns got a rip-off RAL.

The second map shows how much money is being drained from neighborhoods through these high-cost loans. Again, using IRS and Census data we mapped the total fees paid for RALs by zip code, with the diagonal lines indicating populations that are fifty percent or more Black and Hispanic/Latino. Similar to the first map, the darkest colors – representing \$1 million or more in fees paid – are concentrated in the South Bronx, Central Brooklyn, Southeast Queens, and Far Rockaway.

The maps call to question whether there is racial targeting for these products, on the part of the tax preparation businesses that offer them and their partner banks. Recent marketing campaigns by H&R Block and Jackson Hewitt would certainly point to racial targeting; these maps clearly illustrate a pattern showing that RALs are concentrated in communities of color, and millions of dollars are being siphoned out of neighborhoods which could clearly use these resources.

Thank you, Chairman Comrie and members of the Committee of Consumer Affairs, for this opportunity to testify. Please feel free to utilize NEDAP as a resource regarding tax refund anticipation loans and their impact on New York City's communities.