The Wisconsin Credit Union League
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FOR THE RECORD

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Credit unions go on radio to fight predatory loans at tax time

Wisconsin credit unions are on radio this spring with a new public service announcement (PSA) urging Wisconsin tax filers to avoid the high cost of fast cash loans at tax time.

By opening a deposit account with a not-for-profit credit union – or using an account they already have – Wisconsinites can get a fast, free tax refund via direct deposit, the spot explains.

By using Free File and direct deposit, consumers needn't lose a chunk of their refund to predatory "refund anticipation loans" – short-term, high-interest loans secured by the refund that can cost hundreds of dollars. In Wisconsin in 2004, RALs drained $32.5 million from filers' wallets. Paid tax preparation firms aggressively market RALs in low-income communities.

State sources say a single worker making less than $32,000 and raising one child would qualify for a refund of as much as $2,600. But to obtain that refund using a RAL, filers can pay more than $100 on top of a typical $150 tax preparation fee, losing more than $250 (a full 10 percent or more) of their total return.

But beyond cash off the top, low-income filers also lose the benefit they should be receiving as part of tax programs like the earned income tax credit. To policymakers' dismay, RALs siphon millions of dollars in tax benefits from low-income filers here each year.

But now, thanks to help from credit unions (see box, top right), low-income people can get their refunds in just days – and get *all* they have coming. To listen to the PSA, locate a site where credit unions are assisting filers and more, visit www.freetaxrefund.org.

HOW CUS HELP TAX FILERS

At volunteer return preparation sites across Wisconsin, credit union volunteers help filers open deposit accounts that enable fast, free direct deposit of tax refunds. Credit union volunteers are also helping to complete and file tax forms and offer free tax education and asset-building strategies – such as tax credit assistance and information on other aid for which they qualify. The effort helps people with low incomes, the disabled, individuals with limited English proficiency and the elderly.

FREE TAX REFUNDS ARE AMONG OTHER REAL SOLUTIONS

Credit unions' assistance to tax filers is an outgrowth of their REAL Solutions effort – an initiative to help people better their financial position over the long term. By opening a savings account for filers who lack one, credit unions are providing the "unbanked" with an alternative that keeps money in their own pocket – meeting an immediate need. Yet at the same time, they're establishing an ongoing member relationship that can help filers accumulate assets, increase their financial literacy, and improve their financial position over time.

For additional information, please contact:
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