



Help for tax filers is another of credit unions' many REAL Solutions.

Wisconsin credit unions were the first in the nation to pioneer an initiative called REAL Solutions,



which helps people better their financial position over time. The award captured the first-ever Governor's Award for Financial Literacy in 2006.

By using not-for-profit credit unions, consumers can begin to save, avoid financial predators, access affordable loans and build creditworthiness, and improve their overall financial savvy. The aim is to help working people — especially those with low incomes, new Americans and the “unbanked” — use affordable services within the financial mainstream to gain a solid financial footing and remain self-supporting, contributing members of our state's economy.

The “Credit Union Difference”

Credit unions are not-for-profit, member-owned cooperatives distinguished by their:

- **Governance** — volunteer directors elected by members
- **Purpose** — to serve members
- **Member benefits** — earnings invested in members and the community
- **Values** — in people, not profits



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Help Tax Filers Avoid Predatory Loans by Providing

Free Tax Preparation Assistance

A partnership of Wisconsin credit unions, the Wisconsin Department of Revenue, the Internal Revenue Service, AARP and volunteers across Wisconsin.



Vulnerable people need your help at tax time!

When tax season rolls around, many filers in need of a fast refund to pay bills and meet immediate needs take out “refund anticipation loans,” or RALs, high-interest short term loans aggressively marketed by paid tax preparation firms that charge as much as 700 percent interest.

But by using a not-for-profit credit union account for direct deposit, a filer can get a fast, free tax refund in as little time as if they had used a RAL — in just a few days — absolutely free.

What we're doing

As part of their REAL Solutions initiative (see back), Wisconsin credit unions are helping tax filers prepare their tax forms and establish deposit accounts into which fast, free income tax refunds can be deposited.

Where we're doing it

Credit union volunteers assist at free tax preparation sites around the state operated in conjunction with the IRS, AARP and the Wisconsin Department of Revenue. Credit unions provide volunteers at sites operating in community centers, libraries or other locations, while other credit unions bring volunteers in-house to assist with filing and opening of accounts.

Who we're helping

Filers who use free tax assistance sites often include people with low incomes, the disabled, individuals with limited English proficiency and the elderly — including many people who have no prior relationship with a financial institution.

Why your credit union's help is critical

By signing on to the effort, your credit union advances Wisconsin credit unions' statewide REAL Solutions initiative, which steers Wisconsin citizens away from predatory financial providers, improves their financial knowledge and sets them on a healthier financial path by encouraging saving and wealth-building.

As a partner in the effort you'll:

- **Help** Wisconsin consumers keep the entire tax refund they have coming.
- **Grow** your membership with new accounts.
- **Offer** needed financial education.
- **Generate** “buzz” in your community by providing timely assistance.
- **Gain** valuable exposure via local media.
- **Help** solve a pressing problem hurting our state.
- **Fulfill** your mission of “people helping people.”
- **Illustrate** powerfully the “credit union difference.”
- **Lead** the charge in developing REAL Solutions that help consumers.
- **Demonstrate** to lawmakers the reason for credit unions’ income tax exemption.

To help you, we will:

- **Identify partners**, such as existing tax preparation sites and state volunteers.
- **Provide training** so that your credit union can volunteer on a variety of levels.
- **Supply communication materials** including sample member newsletter articles, press releases and a public service announcement to publicize the help you are providing.
- **Guide your effort.** You'll be assigned a League liaison to provide information and answer your questions throughout tax season.
- **Provide opportunities for recognition.** You'll be a prime candidate for recognition through various awards programs, as well as coverage in League press releases and media coverage.

Your help fights “Refund Anticipation Loans”

By opening credit union accounts for direct deposit of tax refunds, you provide an important alternative to costly “refund anticipation loans” (RALs), which are rip-offs.

Filers who take out RALs are not obtaining their own money from the IRS instantly. Rather, they are taking out a loan secured by the refund that's owed them by the IRS. That means filers are paying big bucks to receive cash up front until the IRS repays the institution from which they obtained the loan.

Typically, the interest and fees that are charged take a big bite out of the expected refund.



Refund Anticipation Loans cost too much!

Here's what Refund Anticipation Loans take from:

Individual filers

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.

Taxpayers as a whole

In Wisconsin alone, RALs pick as much as \$28.5 million from taxpayers' pockets.

Nationwide, according to the most recent IRS data, about 1 in 10 taxpayers (more than 12 million Americans) took out RALs in 2003 that drained their wallets of more than \$1 billion in loan fees, plus \$389 million in other fees.

Refund Anticipation Loans hurt...

Filers	...because they take funds away from people who can least afford the high fees and interest. Hundreds of dollars lost to a RAL is a crippling financial blow for a family that needs every dollar to make ends meet.
The State of Wisconsin	...because they siphon away the financial benefit low-income filers should receive by claiming tax credits like the Earned Income Tax Credit (EITC). As much as \$8 million in this benefit was lost in 2003 in Wisconsin to RALs.
Local Communities	...because dollars lost to RALs can't be spent locally. The estimated \$3 million in RAL fees by federal EITC recipients in Milwaukee in 2003, for example, denied the city of as much as \$6 million in economic activity that could have resulted had consumers been spared those costs.

Credit Unions' REAL Solution helps...

Filers	...by sparing them the tax preparation fees and “rapid refund” charges that are typical of RALs, and by obtaining their refunds in as little time as if they had used a RAL — usually within a week. By keeping more of their refund, filers can better manage their budgets and are less susceptible to other predatory loans marketed to people in a bind for cash, like payday loans.
The State of Wisconsin	...by curbing the “drain” RALs have on the economy. By helping filers keep their entire refund, taxpayers receive the full benefit of tax credits for which they're eligible, including the Earned Income Tax Credit.
Local Communities	...which see more dollars spent locally, fueling a healthy economy.

Your help does even more!

Your help for tax filers is a lifeline for the formerly “unbanked.” That's because credit unions encourage new members to save, build creditworthiness with small, affordable loans, and begin learning to manage their finances. By entering the financial mainstream and avoiding predatory financial products, they'll be on the road to a strong, secure financial future.