

December 2007



Center for Siouxland
Assistance, Information & Direction

Center For Siouxland

Center For Consumer Credit Counseling

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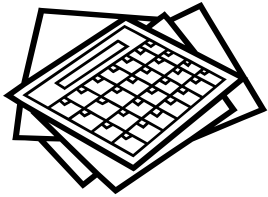
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As you may have heard, mortgage problems are on the rise. Here are some tips provided by the U.S. Department of Housing and Urban Development (HUD) and the Federal Housing Administration (FHA) that can assist you if you are struggling. Remember to always contact our office to speak to a housing counselor if you need assistance.

1. **Don't ignore the problem:** The further behind you become, the harder it will be to reinstate your loan and the more likely that you will lose your house.
2. **Contact your lender as soon as you realize that you have a problem:** Lenders do not want your house. They have options to help borrowers through difficult financial times.
3. **Open and respond to all mail from your lender:** The first notices you receive will offer good information about foreclosure prevention options that can help you weather financial problems. Later mail may include important notice of pending legal action. Your failure to open the mail will not be an excuse in foreclosure court.
4. **Know your mortgage rights:** Find your loan documents and read them so you know what your lender may do if you can't make your payments. Learn about the foreclosure laws and timeframes in your state (as every state is different) by contacting the State Government Housing Office.
5. **Understand foreclosure prevention options:** Valuable information about foreclosure prevention (also called loss mitigation) options can be found on the internet as www.fha.gov.
6. **Contact a non-profit housing counselor:** HUD funds free or very low cost housing counseling nationwide. Housing counselors can help you understand the law and your options, organize your finances and represent you in negotiations with your lender if you need this assistance.
7. **Prioritize your spending:** After healthcare, keeping your house should be your first priority. Review your finances and look for you can cut spending in order to make your mortgage payment. Examples include cutting cable, internet, or memberships.
8. **Use your assets:** Do you have extra assets such as jewelry, cars, or recreational vehicles that you can sell to increase your cash flow and catch up your mortgage?
9. **Avoid foreclosure prevention companies and foreclosure recovery scams:** These businesses charge you a hefty fee and make many promises that in most cases aren't kept. Some trick you into signing over the title to your property. Read all of the fine print of any document before signing anything!



CONSUMER ADVISORY

January 2008

By Attorney General Tom Miller

Rapid Tax-Refund Loans

A very costly way to gain just a few days on tax refunds

It's tax season, and tax preparers may invite you to get a "Refund Anticipation Loan" or "RAL" – a loan borrowed against the expected tax refund. Such a loan may come a few days faster than the refund – but *you pay extremely high fees to borrow your own money.*

Remember, a "Refund Anticipation Loan" is a very short-term loan, secured by your expected tax refund, arranged by a tax preparer through a bank. You pay finance charges (and, most often, tax-preparation charges as well.) The loan is repaid when the IRS sends your full refund to the bank.

Refund anticipation loans are expensive. According to a report in 2006 by the Consumer Federation of America and the National Consumer Law Center, the loans cost \$100, on average, depending on the size of the refund, add in an extra \$146 for tax preparation, and an extra \$100 for assorted other fees. That means the interest rate on "RAL" loans could range from about 40% to over 700% APR (annual percentage rate of interest.) That's a bad bargain for an "advance" of just 7 to 10 days.

Consumers need to ask tough questions:

- **"How much will I pay for the loan?"** An average refund is about \$2150, with a typical finance charge of \$100 for a refund anticipation loan -- a 178% APR. Fees for tax preparation, electronic filing, or check-cashing can double or triple that cost.
- **"What does the fee buy me?"** An RAL loan gets your refund to you in 1-4 days, compared to just 7-10 days if by ordinary electronic refund deposit to your bank.

Beware of "pay stub RALs." Pay stub RALs are offered earlier than traditional RALs, before a taxpayer receives a W-2. The loans are based on a taxpayer's latest pay stub, which indicates his estimated tax return. However, the estimated amount may be incorrect. The taxpayer will have to pay the full amount estimated on the pay stub whether or not the refund is large enough to cover the cost of the loan and fees. Pay stub RALs charge high fees like other RALs.

IRS data shows nearly 1 in 3 low-income workers or Earned Income Tax Credits (EITC) recipients took out an RAL. Avoid high costs – get free help from organizations that assist low-income filers. In February, a list of "Volunteer Income Tax Assistance" sites and a list of "Tax Counseling for the Elderly" sites in Iowa will be available. For more information, contact the Attorney General's Consumer Protection Division. Call 515-281-5926, or 888-777-4590 toll-free.

Consumer Protection Division ! Hoover Building ! Des Moines, Iowa 50319 ! 515/281-5926

Dates to Remember

* **CCCC is closed every Thursday from 9:00—10:00**

* **CCCC is closed January 1st**

* **CCCC is closed from 9:00—10:00 January 23rd, February 27th, and March 26th.**

* **CWCID Module 3 is January 21st from 5:30—6:30.**

* **CWCID Module 4 is February 18th from 5:30—6:30.**

* **CWCID Module 1 is March 17th from 5:30—6:30.**

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Weather Related Closings

If Center For Consumer Credit Counseling ever closes due to bad weather, closing information will be announced on local radio and television stations. If you are ever unsure whether our offices are closed, please call ahead.