



Center for Consumer Credit Counseling

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February 2005 Newsletter

Send Us Your Creditor Statements!!

Remember that it is very important that you send us your creditor statements at least every other month.

CCCC does not receive statements from your creditors so we rely on you to make sure that we have the most current information.

Without current balance information your account could be overpaid or underpaid.

Without current in-

terest information, your creditor account could accrue a lot of interest which you would be re-



Don't let this happen to you. Send your monthly creditor statements to CCCC for Review.

sponsible for.

Without current fee information, your account could be accruing fees which dramatically increase your balance.

If CCCC regularly receives your statements we can review them for accuracy and can catch any potential problems before they become unmanageable.

Remember, at the end of the day, it is still your debt and you will be responsible to pay the balance—no matter what it may be. CCCC can help but we need your help too.

Education is the Key

At CCCC we believe that education is the key to the prevention of financial problems.

We believe in this so strongly that in 2004 we started a program where we went to Sioux City and South Sioux City high schools to speak to the students about credit and financial literacy.

We talked with students about pay day loans, credit cards, rent

to own, and lay a way options and how much each of those will cost in the end. We relate these costs to a paycheck and how many hours of work it would take to pay each option. Our purpose is not to say you should not ever owe money but rather to empower the students to make the best choice for them.

We also started a program in which we

speak to the employees at area companies. Our message is the same as with the high school students but with some differences.

If you would like CCCC to speak at your company or high school please contact our office at 712-252-5666 or 800-509-5601.

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Important Dates of Interest:

February 15 Credit When Credit Is Due 6:30 pm

February 18 Office will be open 8:00—12:00.

February 19 Office will be open 8:00-12:00.

February 28 ACH will be pulled on the 28th since there are not 30 days in February.

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 just that - 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 last year by the Consumer Federation of America and the National Consumer Law Center, the loans

cost about \$30 to \$90, depending on the size of the refund. That means the interest rate on "RAL" loans could range from about 67% APR (annual percentage rate of interest) to over 774%. 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 \$1900, with a typical finance charge of \$75 for a refund anticipation loan -- a 144% APR. And fees for tax preparation, electronic filing, or check-cashing can double or triple the 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.



The Consumer Federation/Consumer Law Center report noted that about 40% of those who get that entitles some low-income

refund anticipation loans are filing for "earned income tax credits" - payments under the federal program workers to a payment even when they don't owe income taxes.

The report indicated that almost \$270 is subtracted from the average \$1600 earned income tax credit refund when all fees are added for tax preparation, electronic filing, check cashing and the loan fee.

That's a lot to pay for a payment that comes just a few days faster.

The best bet? Avoid high costs - get free help at a "Volunteer Income Tax Assistance/AARP" site. VITA/AARP sites help low-income filers with tax preparation and electronic refunds, and assure refunds almost as quickly as a refund anticipation loan. For a site near you, call 1-800-829-1040. A list of VITA/AARP sites and refund preparation criteria, prepared by the Internal Revenue Service, are listed at www.IowaAttorneyGeneral.org.

We want to know...

How are we doing with the monthly newsletter?

Do you like it?

Do you wish we would give you tips on a certain topic?

Is there something you don't like?

What do you want to know more about? Let us do the research for you and look for it in a future newsletter.

Let us know if are meeting your expectations! We look forward to hearing from you!