



Refund Anticipation Loans: The Credit Union Way



Revised July 2010

Acknowledgements

The author would like to thank the two Montana credit unions and their respective community organizations that piloted Refund Anticipation Loan (RAL) projects in 2009 and subsequently in 2010 in conjunction with VITA site operations and willingly shared information regarding the outcome of those projects:

Great Falls Teachers Federal Credit Union
Valley Federal Credit Union
Great Falls Rural Dynamics
Billings Human Resource Development Council, Inc.

In addition, the author expresses gratitude to generations Federal Credit Union in San Antonio, Texas for graciously sharing information regarding its RAL program and to the Montana Credit Unions for Community Development (MCUCD) for its oversight of the project.

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Table of Contents

Executive Summary	Page 4
Introduction	Page 5
Do RALs Make Good Business Sense for Credit Unions?	Page 5
Montana Credit Unions Offer RALs	Page 6
Great Falls Teachers A-RAL Project	Page 7
Billings A-RAL Project	Page 8
A Successful A-RAL Model	Page 9
generations Federal Credit Union	Page 9
Questions and Challenges to Be Addressed	Page 10
Conclusion and Summary	Page 14
Appendix A –	
VITA Process Flow	Page 15
Sample VITA Handouts	Page 16
Sample Screener Survey	Page 17
Sample A-RAL Flier	Page 17
Sample A-RAL Intake Sheet	Page 18
Sample A-RAL Procedures	Page 19
Rural Dynamics Press Release Sample	Page 21
Tax Menu	Page 23
Cheat Sheet	Page 31
References & Additional Information	Page 32

Executive Summary

Refund Anticipation Loans (RALs) have been much maligned by a majority of the public except those who provide or use them. RALs are short-term loans (generally one to two weeks) secured by a taxpayer's expected tax refund. They generally come with extremely high costs, often carrying triple digit Annual Percentage Rates (APRs).

A few credit unions have begun to provide alternative RALs with low or no interest rates and low or no fees as a means to grow new membership and services and to provide outreach through partnerships with community volunteer income tax assistance (VITA) sites. The way many of these partnerships work is that the VITA site provides free tax assistance to those low income households that qualify for that benefit and the credit union is an optional account holder for direct deposit of the filer's refund and a resource for a RAL for those households that want immediate access to their refund. The goal is to keep filers who often qualify for larger refunds through Earned Income Tax Credits (EITC) and Child Tax Credits (CTC) away from expensive traditional tax filers or even more expensive RAL providers.

Although the concept seems simple and quite beneficial for the credit union, RALs come with some risk and lots of work for a successful program with little return for credit unions, at least initially. Converting RAL borrowers into loyal, productive members requires more work, but that is where the payoff lays.

Two Montana credit unions, Great Falls Teachers Federal Credit Union and Valley Federal Credit Union, partnered with local community VITA site operations and through the assistance of Montana Credit Unions for Community Development, piloted RAL projects in 2009 and again in 2010. This white paper is a summary of their results and key learning points after two tax periods. These two credit unions and their VITA partners willingly shared their experiences to benefit other credit unions undertaking similar projects. It includes a summary of one very effective RAL program: generations Federal Credit Union in San Antonio, Texas.

Perhaps the clearest lessons to take from this review are the importance of training and training manuals for VITA site preparers regarding member sign-up and RAL procedures, continuous dialogue with VITA coordinators throughout the tax period to work out operational bumps, and follow-up with new RAL borrowers to offer them financial counseling and to pre-approve or cross-sell them other credit union services. While the work can seem daunting, the results from generations FCU illustrate the efforts can be successful as measured by the fact that after three years 80% of RAL borrowers continue to use the credit union services.

Introduction

Refund Anticipation Loans (RALs) are short-term loans (generally one to two weeks) secured by a taxpayer's expected tax refund. Instead of waiting for the refund, RAL customers borrow against part or all of the expected refund. Before electronic filing, it would take several weeks for a tax filer to receive a paper check and RALs were an attractive option to a wait period. However, with today's electronic filing and direct deposit, federal refunds are available within 7 to 10 days.

RALs have a bad reputation and sometimes are referred to as "Really Awful Loans" because their costs can be extremely high, often carrying triple digit APRs. They can also expose taxpayers to unpaid debts if the refunds don't arrive as planned and funded. But they remain a popular means for taxpayers to receive their tax refunds more quickly than waiting for a paper check or even direct deposit. In 2008, 8.4 million tax filers received RALs, down from 12.4 million in 2004.

Many consumer advocates and community development organizations are concerned about these expensive loans because RALs are particularly appealing to lower income tax filers, many who receive substantial refunds through Earned Income Tax Credits (EITCs). A report from the National Consumer Law Center¹ cites IRS data that nearly two-thirds (63%) of RAL borrowers in 2008 were EITC recipients with adjusted gross incomes of \$37,300 or less, yet EITC recipients accounted for only 16% of 2008 taxpayers. The study estimates that RAL fees alone drained \$465 million from EITC refunds with another \$42 million going to pay administrative and application fees.

Do RALs Make Good Business Sense for Credit Unions?

Many credit unions have discovered the value of participating in the Volunteer Income Tax Assistance (VITA) program. By providing volunteer tax preparation, a site location, and/or donating computers and supplies, credit unions help lower-income consumers keep more of their EITC tax credits and refunds in their own pockets. Credit unions help their communities and help connect more families to the benefits of credit union membership.

RALs can complement VITA operations if designed in a manner to safeguard both the consumer's financial assets and the credit union's risk exposure. The following are some benefits for offering a RAL product:

- **Grow membership** – While many tax filers may have accounts with financial institutions and may choose to have their refunds direct deposited to those FIs, those opting for immediate access to their refunds through RALs will have limited options. A credit union offering a RAL alternative and a partnership with

¹ National Consumer Law Center, "Major Changes in the Quick Tax Refund Loan Industry," 2010 Refund Anticipation Loan Report.

a VITA site can sign up new members, make the loan, and receive the tax refunds in the new accounts.

- Save consumers money – If consumers believe their only option for immediate access to their refunds is through a traditional tax preparer offering a high-priced RAL, they can pay hundreds of dollars for that convenience.
- Grow services – Those credit unions that view their VITA and RAL outreach efforts as business development opportunities can create trusting and long-lasting relationships with these new members that can lead to more service usage through checking, debit and credit cards, refinanced auto loans, etc.
- Financial education opportunities – Receiving a RAL creates opportunities for credit unions to offer such services as reviewing the person’s credit history, discussion of costs of credit options, financial counseling services, etc.

Montana Credit Unions Offer RALs

In 2009, two Montana credit unions piloted Alternative Refund Anticipation Loan (A-RAL) projects in collaboration with two local community organizations that provided VITA sites and the Montana Credit Unions for Community Development (MCUCD). Great Falls Teachers Federal Credit Union (GFTeachers), \$79 million in assets, partnered with Great Falls Rural Dynamics (Rural Dynamics) and Valley Federal Credit Union (ValleyFCU), \$148 million in assets, in Billings partnered with Billings Human Resource Development Council, Inc. (HRDC). The partnerships continued and the A-RALs were again offered in 2010.

The projects’ goals are to:

- Provide a much less costly option to RALs from traditional tax preparers or non-traditional RAL providers;
- Help lower income households receive their EITC and Child Tax Credit (CTC) refunds;
- Perform outreach to low- to moderate-income households that may be unbanked or under-banked or using higher cost bank services;
- Educate potential members about the benefits of credit union membership;
- Provide a financial review for potential members to determine if the credit union could refinance existing loans at a lower cost or to educate filers on how to improve their credit scores and reduce interest rates.

Neither credit union charges a loan fee or an interest rate for the short-term, 7- to 8-day loan. Rural Dynamics made the decision to limit RALs to 80% of the expected return in order to encourage borrower thrift; therefore GFTeachers funded only 80% of the return. ValleyFCU funded 100% of the refund. In both cases, loans were paid off when the tax refunds were received.

The focus of this white paper is to identify some of the challenges the programs identified after the initial year and how they were addressed in the subsequent year. It is also intended to illustrate how A-RALs can successfully complement a VITA operation.

Great Falls Teachers A-RAL Project

Results:

	2009	2010
# A-RALs made:	22	41
Total loan amounts:	\$12,356	\$70,000
Average loan amount:	\$561	\$1,707
Losses:	\$0	\$0

- GFTeachers was limited to financing only 80% of the refund amount which is reflected in the first year's lower average balance. However, average balances rose over three times in 2010.
- Seven of the loans were to existing members in 2010. The other 34 loans were made to new members. As of the end of May 2010, 28 of these accounts were still open for a retention rate of 82%.

Procedures:

- In 2010 GFTeachers provided Rural Dynamics with a small block of account numbers as needed. This represented a change from 2009 when the credit union chose not to provide account numbers because of member privacy concerns when working through a third party. This resulted in a slight delay in e-filing the return until the account number was received from the credit union and was entered into the tax software. The new procedure made the process much smoother.
- GFTeachers used a unique block of account numbers for these new accounts so it can track these accounts in the future to measure their activity.
- Rural Dynamics had new members fill out the new account application at the tax site and photocopied drivers' licenses. These documents were faxed to GFTeachers. The new member was issued a new account card and given a new account packet on site.
- When the tax return was accepted by IRS, Rural Dynamics faxed the amount to the credit union (Sample procedures are included in Appendix A).
- Both Rural Dynamics and the credit union worked hard to get word out about VITA assistance with press releases and radio interviews. GFTeachers helped traffic business to the tax site by handing out fliers at drive through windows indicating income amounts that enabled free tax assistance (Sample flier is included in Appendix A).
- Filers were offered a menu of options for their refunds: U.S. Savings Bonds, a pre-paid debit card, or an A-RAL if they wanted their refund in 24 to 48 hours (Menu is included in Appendix A).
- Rural Dynamics provided information about GFTeachers even if filers were not interested in a RAL, thus introducing them to the credit union.
- GFTeachers contacted all new members to come into the credit union to sign loan documents, obtain their loan funds, and to receive a financial review. As part of

that financial review, a credit bureau report is pulled and examined with the member.

- The loans were set up with a 15-day maturity; however, a credit union employee monitored the accounts daily for refunds and let members know when they could have access to remaining 20% of refund amount.

Billings A-RAL Project

	2009	2010
# A-RALs made:	18	79
Total loan amounts:	\$41,766	\$147,597
Average loan amount:	\$2,320	\$1,868
Losses:	\$0	\$911

- Valley FCU financed 100% of the expected refund amount.
- In 2009 all A-RALs were made to new members; in 2010, 10 were existing members.
- The one potential loss probably resulted from a member receiving a refund twice; once through a paper check from IRS and later through an A-RAL.

Procedures:

- ValleyFCU blocked a series of account numbers for HRDC so there was no delay with e-filing returns.
- Greeters were used at the tax sites to give people brochures about the credit union and to talk to people about the RALs.
- Filers filled out member enrollment and RAL applications on site.
- HRDC made a copy of filer’s Drivers License and when the tax return was accepted by IRS the next day, HRDC faxed copies of the documents to ValleyFCU.
- When IRS confirmation was received, members were contacted to come in and close their loans at the closest branch. Similar to GFTeachers, members were counseled about their credit scores and how to improve them. Opportunities for cross-sales were considered.
- The RAL is set up as a one payment loan due in 20 days; when ACH refund is received from the IRS, it pays the loan off.

Both credit unions and their partners reported the second year was much smoother than the previous year. Prior challenges and problems were avoided in 2010. A stronger effort to market the VITA sites and A-RALs in 2010 resulted in a surge of volume. GFTeachers experienced a doubling of its A-RAL activity in 2010 and ValleyFCU saw its A-RAL activity increase by over 400%. Despite some of the pressures that came with the increased volume, all parties were pleased with the process and its success.

The goal for the RAL project was to help those filers who needed money immediately to avoid paying excessive RAL fees. In Montana, early filers can take their last pay stub or

W2 to a RAL provider who will estimate their refund and lend two-thirds of the refund amount – retaining one-third to cover their costs.

A Successful ARAL Model

Many credit unions are beginning to see the benefits of offering a RAL product to members and potential members as an alternative to very costly RAL products offered by other tax preparers and as a way to do community outreach and grow members. Whereas some credit unions measure success by the number of filers they are able to persuade to wait the short period until the refund is deposited into their credit union account, some accept the member's need for immediate funding and offer the alternative-RAL as part of the tax filing process. Many credit unions choose not to charge an interest rate or a fee for their RAL products, making them attractive alternatives to other RAL providers. These credit unions look at the longer term benefits of their outreach efforts to build loyalty and long-lasting relationships with their new members.

generations Federal Credit Union

One of the most successful credit union RAL programs is offered by generations Federal Credit Union, \$407 million in assets, and its community partner, San Antonio Coalition for Family Economic Progress (Coalition). The partnership began in 2007 when the Coalition approached the credit union, then San Antonio City Employees FCU, to offer an alternative refund anticipation loan (ARAL). The Coalition's objectives were threefold:

- To increase the number of families taking advantage of the EITC, CTC and free tax services;
- To decrease the number of families using expensive tax preparers and RALs;
- To connect families to mainstream financial services and wealth producing strategies.

To meet the Coalition's objectives, generations FCU developed the *RefundExpress Loan*, with a 0% interest rate. Initially the credit union charged \$5 to process the loan and \$5 to establish the account. However, in 2008 the \$5 loan processing fee was dropped.

The success of this credit union's ARAL program is the work that begins at the close of the tax season. The credit union's call center follows up with calls to new members to ask how the *RefundExpress* loan process went for them and to cross sell other credit union services. "The business opportunity begins after 4/15," says Bonnie Contrera, Director of Business Development. "It's the outbound calling process that makes the *RefundExpress* program successful and worthwhile to the credit union." In particular, the credit union tries to refinance high interest rate car loans. The volume of business the credit union receives from refinances continues to increase each year.

The credit union measures the success of its program not just through loan and cross sales volume, but from the fact that 80% of new members from the past three years are still

doing business with generations FCU. In addition, loan losses have been less than 1% of loans funded.

Procedures:

- A VITA Volunteer Training Manual is used by generations to train Coalition VITA coordinators on how to open new accounts and complete a *RefundExpress* Loan Application. Application forms are included in the manual and reviewed as part of the training. According to Bonnie Contreras at generations, eight hours of training is invested for each site. The *RefundExpress* loan is offered at 18 VITA sites.
- A block of 50 account numbers is issued per site.
- A copy of the member's ID and SSN are couriered to the credit union each day where all compliance requirements are met. A courier service is used to pick up applications daily which are put into sealed bags and locked suitcases.
- The credit union has 24 hours to deny membership for any reason. At the end of 24 hours, the Coalition transmits the filers' tax return.
- ARAL applicants do not have to come to the credit union to close the loan since the application is taken at the VITA site.
- Within the loan application, two boxes can be checked by filers to indicate an interest in an auto loan. One box indicates an interest in refinancing an existing auto loan from another financial institution and offers the member \$100 for doing so. Another box requests pre-approval for a new or used auto purchase.
- Loans are not funded until the return is accepted by IRS and there is no notification of unpaid tax liens or garnishments (No IRS Debt or FMS debt indicator and client has not been flagged by IRS to complete Form 8862). Members are instructed to call a special number after two business days to check on loan acceptance and then can come into any branch to pick up their loan funds.
- Credit union business development staff meets with loan recipients and offer them a Credit Assistance Program in partnership with Consumer Credit Counseling Service that includes a free one hour credit/debt counseling meeting and a one year fee-paid credit repair program.
- Loans are made for even dollar amounts rounded down to the nearest \$100, in an effort to encourage savings.
- A copy of the VITA process flow used by generations and the Coalition is included as Appendix A.

Questions and Challenges to be Addressed when Offering A-RAL Product

How concerned should credit unions be about providing third parties with account numbers?

Each credit union will need to decide its own level of comfort when providing third party partners with a batch of account numbers. Most credit unions appear to be comfortable

with that arrangement provided it is a trusting and long-term relationship. Since the VITA partner has to have the account number in order to file the return, privacy issues cannot be avoided, but should be openly discussed with the third party and access to member information should be limited to as few people as possible. In some cases the Site or Program Coordinator at the VITA location maintains control of the account numbers and assigns one to the tax form when it has been completed by the reviewer.

How are other credit unions monitoring refund payment activity?

Automating this process to the extent possible is important for a high volume RAL program. An example of the auditing and monitoring procedures used by one credit union with high RAL volume is as follows:

- A report is run for all accounts for the block of account numbers used for the VITA program. The report includes member name, account number, types of accounts opened and deposit dollars, loan type and loan amount.
- A second report looks for deposits with a specified ACH transaction code identifying it as a state or federal refund for the specific block of account numbers. The report is run daily and includes account numbers, deposit amount and deposit description.

The operations department for this credit union monitors the reports daily to ensure loans are paid off and holds are released.

Is opening an account with a zero balance a compliance/regulation issue?

If the member is receiving a RAL, part of the loan funds can be deposited into the member's share account to meet membership share requirements. In an earlier version of the standard bylaws for federal credit unions, potential members had to be given at least six months to pay installments for the initial membership share if the par value exceeded \$5. While current bylaws do not include this stipulation, federal credit unions can indicate the amount and time frame for installments for a membership subscription. Credit unions concerned about opening an account with a zero balance can address the issue within their bylaws by allowing subscription installments over some period of time. Since electronic refunds are generally received within seven to eight days, the time frame should easily be met.

What can the credit union accept as a permanent address for homeless filers and still remain in compliance with regulations?

A proof of address is necessary. However, generations FCU will accept a shelter as a current residence, providing this can be verified either through a letter from the shelter or by contacting the shelter.

How does a credit union protect itself from loan losses through IRS denials?

The VITA site coordinator receives a confirmation from IRS within 24 hours of filing that the filer's tax return has been accepted or rejected and if it is free of garnishments, such as child support or back taxes. An "IRS debt" or "FMS debt" indicates that the client has some garnishments from their Federal return and the anticipated refund amount will have some deductions. There is no indication as to the amount of the deduction; therefore, filers should be denied a loan in this situation.

If filers are flagged by IRS to complete a "Form 8862," it means that the filer's earned income credit (EIC) for any year after 1996 was denied or reduced by IRS. Although a previous disallowance does not necessarily mean a filer's EIC will be denied or reduced again, eligibility will be scrutinized by IRS and can result in a processing delay. Therefore, credit unions are advised not to make a RAL to members who must complete Form 8862.

Can credit unions charge a loan fee?

Credit unions are advised to consult their own regulatory/compliance experts and/or attorneys to address legal and compliance questions. However, research conducted by MCUCD and CUNA on the subject of charging a fee for a refund anticipation loan resulted in the following conclusions in avoiding compliance issues with Truth-in-Lending (Reg. Z) and the Department of Defense military loan rules:

- Charge an application fee to all borrowers, whether approved for the loan or not, and
- Make the loan under an open end credit plan.

The compliance problems associated with charging a fee under any other arrangement include:

- **FEE STRUCTURE:** Charging a fee other than an application fee charged to all applicants is considered a finance charge under Reg. Z and would likely put the APR over the 18% maximum allowable rate for federally chartered credit unions (state charter limits vary by state), given the small and short term nature of the RAL product.
- **CLOSED VS. OPEN END:** Closed-end loans are subject to the department of defense's military "MAPR" rules (See for example: <http://files.ots.treas.gov/422348.pdf> for more information). Application fees under the Department of Defense (DoD) rules are considered finance charges (even when not included under Reg. Z) and must be factored into the military APR, which the DoD rule limits to 36%. Again, an application fee would likely put the MAPR over 36% given the small and short term nature of the RAL product. An open-end loan structure avoids this complication, however, credit unions may find new complications with an open-end structure under the federal government's new Credit Card Accountability, Responsibility and Disclosure Act (or Credit CARD Act) of 2009.
- **WAIVING FEE:** The risk in waiving the application fee only for military members and their family members is that the application fee now becomes a

finance charge because it is not applied to all applicants (the military), and thus must be included in the APR.

- **DISCRIMINATION:** Denying RAL loans to military members is not an option. This would create a Reg. B (discrimination) issue.

How are credit unions trying to encourage tax filers to save a portion of their tax refund?

As noted earlier with generations FCU, loan amounts are made for even dollar amounts rounded down to the nearest \$100, in an effort to encourage savings. GFTeachers loaned 80% of the anticipated refund amount and reported over 80% of the accounts remained active 45 days following the close of the tax season, with savings balances that exceeded the \$25 required share or had opened checking accounts.

Do credit unions try to offer financial counseling in conjunction with RAL loans?

Both GFTeachers and ValleyFCU pulled credit reports at the time the RAL was closed as part of a financial review with the member. While loan recipients were willing to listen to the information and advice about how to clean up derogatory credit, some were more interested than others. However, there were anecdotal success stories about members who appeared to see “a light bulb turn on.”

generations FCU staff offer financial coaching when the new members come in to receive their refund. A credit assistance program that includes a free hour of credit/debt counseling through Consumer Credit Counseling Service is also available.

How are credit unions marketing their RAL program?

Fliers within credit union lobbies and at VITA sites are typical ways of marketing RALs, as well as through websites. Tax preparers at VITA sites are often trained on how to market the credit union and its RAL product. However, credit unions often report that word-of-mouth and community volunteers are the best sales tactics. That is, past tax filers and RAL users tell their family, friends, and coworkers about the program, particularly if they have been pleased with the results. The VITA volunteers also tend to be sold on the alternative RAL product because they are well aware of the costly traditional RAL providers. They eagerly sing the praises of a fee-free, low or free interest rate alternative loan product.

Growth in the program comes through new members each year, but more importantly, in existing members who are repeat users of the services.

Media press releases and PSAs are worthwhile methods to inform the public about VITA services and alternative RALs and were effective techniques for the two Montana credit unions given their rise in loan volume.

Conclusion and Summary

Refund Anticipation Loans can be a good business development opportunity for credit unions. They can help credit unions grow membership, increase service usage, and provide community outreach. However, these opportunities don't necessarily come from the RAL product itself, but through the level of outreach the credit union is willing to invest in turning RAL borrowers into loyal, productive members. As a representative from generations FCU stated, the real business development opportunity occurs after April 15. Cross sales efforts begin during the application process at the VITA sites where members are offered \$100 to refinance their car loans and continue with outbound calls to members in efforts to offer other products and in particular to refinance high interest rate loans. The cross sales results and percentage of repeat users of the RAL product attest to the success of these efforts and the strength of the relationship these new members have with the credit union.

Other results or conclusions that have emerged from the analyses of RALs include:

- Training and frequent consultation with site coordinators and volunteers are critical to any VITA and RAL programs to continually reinforce procedures, roles and expectations, and to reduce problems and frustrations;
- Providing a trusted third-party VITA coordinator with a block of account numbers has not posed a problem for most credit unions, but usage and control of the account numbers should be closely monitored by both the coordinator and the credit union;
- A time frame of about 24 hours before the site coordinator transmits e-files should provide credit unions with sufficient time to complete due diligence to ensure compliance with all regulatory requirements for new accounts and to deny membership, if necessary;
- Acceptance of the tax return by IRS and notification that there are no garnishments should be received before funding a RAL;
- Use the closing or funding process to encourage savings and to offer financial counseling even if results seem discouraging – if successful for a few, the results are worth it;
- Monitoring refunds and loan repayments is an important part of the auditing process to ensure loans get fully repaid. To the extent this procedure can be automated increases efficiency and compliance.

Sample VITA Handouts

Free tax preparation and access to financial resources.

What would you do with an extra \$300 this tax season?

pay the mortgage?

pay some bills?

buy some groceries?

buy some new clothes?

Tax Help Montana
Helping people help themselves.

Questions?
Call 1.800.823.1323
Visit us on the web at:
www.taxhelpmontana.org
www.montanafreefile.org

Bring your documentation:

- W2's & 1099's
- Picture Identification
- Voided Check or Savings Account Number
- Last Year's Tax Return
- Social Security Cards for Each Family Member
- Childcare Provider's Tax ID Number
- Amounts of Additional Income
- Other Tax Documents

Tax Help Montana
Helping people help themselves.

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RURAL
DYNAMICS
INCORPORATED
CHANGING THE WAY WE LIVE



Visit a Tax Help Montana Site Near you

Great Falls Senior Center
1004 Central Avenue Monday
12:00 - 7:00 Friday 12:00 -
5:00 Saturday 10:30 - 3:30

Great Falls Public Library
301 2nd Avenue N. Tuesday:
12 - 7 p.m.

West Side US Bank.
511 Central Avenue W.
Wednesday 12:00 - 4:30
Thursday 12:00 - 4:30

Sample Screener Survey

Taxpayer's total household income \$ _____

Screen for Benefits Yes No

Do you expect a refund this year? Yes No

How much of your refund are you planning on saving? _____

Do you plan to use direct deposit today? Yes No

If no, would you be interested in using direct deposit if it was available to you?

Yes No

Are you interested in earning 3.36% interest on money you save? Yes No

Are you interested in receiving your refund in as few as 24 hours? Yes No

Review W2s and 1099s with tax payer, ask if they are certain they have income documents for every job they worked in 2009.

Sample A-RAL Flier



Sample A-RAL Intake Sheet

For Official Use Only

Taxpayer SSN: _____

For Official Use Only

IRS Accepted / Rejected

Have you come to a Tax Help Montana site before?

Yes No

Have you had your taxes prepared by a paid preparer before?

Yes No

If yes, how much did it cost?

\$ _____

Have you ever paid to receive your refund in 24-48 hours?

Yes No

If yes, how much did it cost?

\$ _____

Where do you cash your paycheck?

- Bank
- Credit Union
- Gas Station
- Grocery Store
- Pawn Shop
- Payday Lender
- Other, _____

Why do you want your money in 24 hours? _____

Sample A-RAL Procedures

1. Client initiates A-RAL process with Screener.
2. Screener photocopies 2 forms of ID.
3. Screener has client sign all disclosures.
4. Screen staples A-RAL survey onto the front of Client intake sheet.
5. Intake process complete—Client awaits return preparation.
6. Client's return prepared.
 - a. If refund continue.
 - b. If no refund, see page 2.
7. If refund, Tax Preparer sees Site Coordinator for Account Card.
8. Client fills out Account Card.
9. Tax Preparer verifies information on Account Card with information on Tax Return.
10. Tax Preparer enters Account Numbers on tax form from Account Card.
11. Site Coordinator collects Account Card, Disclosures, and ID copies along with A-RAL Client 8879s and places in RAL folder.
12. Site Coordinator completes 80% Refund Calculation Form for Great Falls Teachers FCU.
13. Upon completion of 80% Refund Calculation Form, Site Coordinator completes Daily RAL Form listing name and SSN of all RAL Clients to go to Program Manager of Asset Strategies.
14. All returns are transmitted from tax site.
15. RAL documents and 8879s go to Server Room/Transmittal center.
16. Daily RAL Report goes to Program Manger of Asset Strategies.
17. Acceptance reports received from IRS.
 - a. If accepted, continue.
 - b. If rejected, see page 2.
 - c. If accepted with lien, see pg. 2.
18. Upon acceptance, Tax Systems Manager, checks "accepted" box on 80% Refund Calculation form, signs and dates appropriate box either "accepted" or "accepted with tax lien".
19. Tax Systems Manager then separates the 8879 and Intake Sheet to send to IRS from the rest of the documentation that will go to the Program Manager of Asset Strategies.
20. Upon receiving all accepted paperwork from Tax Systems Manager, Program Manager of Asset Strategies checks for tax liens and rejects on all attempted RALs from previous day crosschecking with Daily RAL Form.
21. Program Manager of Asset Strategies signs and dates all 80% Refund Calculation Forms upon approval and verification.
22. All approved accounts without liens will be faxed to Great Falls Teachers FCU with signed account card, ID, and 80% Refund Calculation Form.
 1. If no refund:
 2. Photocopies of ID remain in Client folder for them to take.
 3. Site Coordinator takes Client Survey.
 4. New Account packet given to Client.
 5. Site Coordinator marks on "for internal use only" section of Survey "No Refund."
 1. If rejected:

2. Tax Systems Specialist alerts Program Manager of Asset Strategies of situation and provides with RAL Reject Form.
3. Tax System Specialist works reject.
4. Program Manager of Asset Strategies receives daily updates on status of RAL return.
 - a. If accepted: return to step 18
 - b. If continuing to be rejected: process continues.
5. After 2 weeks, return will be paper filed and RAL will be abandoned.

1. If accepted with lien:
2. After tax lien is confirmed, Program Manager of Asset Strategies sends form letter to Client informing them of tax lien, and providing contact information for IRS. Letter also informs Client that a portion of their refund may still be direct deposited in their account however no RAL will be issued.
3. Program Manager of Asset Strategies communicated with Great Falls Teachers FCU which returns are accepted with liens, and the possibility that a state refund may still be received.

Rural Dynamics Incorporated PRESS RELEASE (Sample)

February 24th, 2009
For Immediate Release

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RECEIVE 80% OF YOUR TAX RETURN NOW AND FOR FREE WITH TAX HELP MONTANA

Great Falls, MT - Have you heard the slogan “the money now loan; it’s money like magic”? Doesn’t it seem too good to be true? Is it strange that casinos and loan shops will prepare your taxes and write you a refund check in under an hour for when you “need the money NOW!”?

In these increasingly difficult economic times, it seems like everyone from past-their-prime sports stars to actors who look like your grandparents are looking forward to tax season and cashing in on their tax refunds.

If it seems like a good idea to claim your tax refund money almost instantly be aware that these products are often associated with costly interest rates and fees—in addition to the cost of tax preparation the interest rate of a Refund Anticipation Loan can range from 40% to 700% with an additional processing fee. In essence, you are paying to borrow your own money. Since this instant money is a loan on the anticipated income tax refund, if the refund is lower than what is anticipated, you may be required to repay the loan if there is an error in the tax preparation resulting in a higher than actual refund.

This filing season there is a safe and free alternative to costly Refund Anticipation Loans offered by traditional tax preparation services. Tax Help Montana’s Volunteer Income Tax Assistance [VITA] sites in partnership with Great Falls Teachers Federal Credit Union are offering the FasTax Refund Loan at the Great Falls Senior Center and Great Falls Public Library.

The FasTax Refund Loan is a no cost, no interest loan available to those who make under \$49,000 a year and are otherwise eligible for Tax Help Montana’s services. The FasTax Refund Loan is a way for tax payers to receive up to 80% of their Federal refund in as few as 24 hours. Not only is a portion of your Federal tax refund available within one day with the utilization of the FasTax Refund Loan, representatives from Great Falls Teachers Federal Credit Union will walk each person who utilizes the product through a credit report and analysis free of charge.

“We chose to pilot this product because too often we see hard-working Montanans take out dangerous Refund Anticipation Loans to pay for traditional tax preparation services or to keep their lights or gas from getting shut off” said Christina Barsky, Program Manager with Rural Dynamics Incorporated, Consumer Credit Counseling Service, the sponsoring organization of Great Falls Tax Help Montana VITA Sites. “We are very lucky to have found a financial institution so interested in helping build clients’ financial stability in the holistic way Teachers Federal Credit Union does.”

The only requirement of the FasTax Refund Loan is that the client maintains a \$25 balance in their savings account with Teachers Federal Credit Union for one year, amounting to their “share” in the Credit Union as an owner in the institution.

For more information on the FasTax Refund Loan and other services offered at Tax Help Montana VITA sites as well as locations and hours visit www.TaxHelpMontana.org or www.MontanaFreeFile.org or call 1.800.823.1323.

Tax Help Montana

Tax Help Montana is a coalition of community partners, led by Rural Dynamics Inc., working together to provide no-cost tax preparation and access to financial services. This will be the fifth year that Tax Help Montana has been linking youth, individuals, and families to asset building and income tax assistance. www.taxhelpmontana.org

CCCS/RDI

Consumer Credit Counseling Service of Montana Rural Dynamics Incorporated is a private, non-profit organization founded in 1968 to provide financial education and credit counseling for the residents across Montana and Wyoming. The organization provides programs and establishes partnerships to help youth, individuals, and families achieve economic independence. For more information visit www.RuralDynamics.org.

TAX MENU

Save Some



Spend Some



Tax Preparation

Quality, no-cost tax preparation by trained, IRS certified community volunteers.

Why waste money and pay someone to do what we can do for free?

Our goal is to help you get and keep all of your refund!

Self Employment Tax Initiative (SETI)

Know someone who runs a business from their home?

Earned income from craft sales or other small business sales? Tax Help Montana and the Self Employment Tax Initiative now does small business returns! Ask the site manager for more information or visit www.TaxHelpMontana.org to download the small business tax organizer and find out more!

**How much of your refund are you
planning on saving this year?**

Save 10% in 2010!

U.S. Savings Bonds

Give a gift to a loved one or to yourself with a U.S. Savings Bond!

When most of us think of Savings Bonds we think of old pieces of paper with famous faces gathering dust in a drawer. We think of them as something our Grandmother gave to us on a birthday or to our children when they were born. Now, you can give that gift to someone or do it for yourself!

Why U.S. Savings Bonds

- U.S. Savings Bonds are one of the most stable, secure ways to save for the future
- Buy for yourself, your children, grandchildren, and others
- Save for 1 to 30 years
- Low introductory price

What Is Required

- You receive a federal refund
- You utilize direct deposit

How Much Do I-Bonds Cost

- You can purchase I-Bonds starting for \$50

What Happens When I Buy Bonds

These are not the kind of Savings Bonds you have to keep for 10 to 20 years. They can be saved anywhere from 1 year to 30 years and are currently earning interest of **3.36%**! When you buy these with your refund you will receive your bonds in the mail in 3 to 5 weeks after you receive your direct deposit. Keep it in a safe place or give it as a gift!

Want to learn more?

Ask an asset coach about purchasing U. S. Savings Bonds with a portion of your refund!



3

Get It Card

Get your tax refund direct deposited onto a Get It Debit MasterCard.
Use it as a simple way to manage your money!

How it Works

- The IRS and State can directly deposit your refund onto the Get It card
- Your employer can also directly deposit your paycheck, for free
- Uncle Sam can directly deposit your social security or other benefits
- It accepts all direct deposits

Benefits of the Get It Card

- **Fast!**
- Direct deposit is faster than getting a check from the IRS
- Get your refund in 7 to 14 days!

Save Money

- No more check cashing fees
- No bounced checks, overdrawn accounts, or bank fees
- No minimum balance
- Free cash back with purchase
- Free online account management
- Free real time balance status delivered via SMS text

Safe

- No need to carry large amounts of cash
- FDIC-insured bank account
- Report the card lost or stolen 24/7 x 365 with no fee

Convenient

- Get your tax refund on the Get It card and not in a check
- Use the Get It card instead of cash to buy things
- Have your paycheck deposited onto the Get It card
- Use your Get It card for store purchases
- Use your Get It card to pay bills
- Use your Get It card for ATM cash withdrawals
- You can deposit checks and cash at any Green Dot location (Walgreens, CVS, RadioShack, etc.)



The Get It card is a service of Advent Financial Services specially designed to make managing your money and financial transactions easy.
For more information ask an asset coach about the Get It card!

FasTax Refund Loan

Need money now? Stop paying to get your money!
 With the FasTax Refund Loan you can get money in as few as 24 hours!

How Does It Work

By opening an account with Great Falls Teachers Federal Credit Union 80% of your federal refund will be available to you in as few as 24 to 48 hours. The rest of your federal refund will come in the regular 7 to 14 days and will be put in the same account. All of your state refund, if you choose direct deposit, will be put in this account as well.

What Does It Cost

Nothing! There are \$0 in fees and 0% interest for this product. You must keep \$25 in your account for one year as all Great Falls Teachers Federal Credit Union members must – amounting to your “share” in the Credit Union.

What Do I Need To Qualify

There is no CHEX system or credit check required. Everyone is eligible if you are receiving a refund!

What Do I Get

- Free \$0 fee, 0% interest FasTax Refund Loan
- Access to 80% of your federal refund in as few as 24 hours
- Direct deposit of the rest of your refund in the same account
- Free money check up at Great Falls Teachers Credit Union, including understanding your credit report

The FasTax Refund Loan is offered in partnership with Great Falls Teachers Federal Credit Union. Want your refund in 24 hours? Ask an asset coach to tell you more!



Bridge to Benefits

Find out if you can keep more money in your pocket each month with the Bridge to Benefits webtool.

Bridge to Benefits is a free, anonymous webtool that can help keep more money in your pocket each month by seeing if you or your family are eligible for work support benefit programs.

How Does It Work

- It's quick, easy, free, and confidential!
- You enter information about your family size and income but will never be asked for your name or Social Security Number
- By completing the webtool (about 13 questions) you will see what benefits you and your family might be eligible for
- You will be able to download applications, find out where to apply for benefits, and see tips on how to apply for each program.

What Does It Screen For

- SNAP (Supplemental Nutrition Assistance Program)
- Montana Healthy Kids
- Medicaid
- LIEAP (Low Income Energy Assistance Program)
- Free and Reduced School Meals
- Childcare Assistance
- EITC (Earned Income Tax Credit)



How Can I Screen Myself

- Use a computer with an Internet connection
- Visit www.BridgetoBenefits.org and click on the state of Montana
- You will be redirected to the Bridge to Benefits Montana site
- Click the START button
- Answer questions about your household and income
- Learn if you or your children may qualify for programs
- Find out how and where to apply and print out applications

**You can access Bridge to Benefits here for free!
If you want help or have questions ask an asset coordinator!**

Individual Development Accounts (IDAs)

By participating in an IDA program you can get extra money for every dollar you save!

IDAs support big goals and investments such as

- Buying a new home
- Getting a post-secondary education
- Building better credit
- Getting a certification or additional job training

To take part in an IDA program you and your family must meet income and other guidelines and want to invest in one of the goals above.

To find out more about IDAs for youth, building credit, education, homeownership preparation, and homeownership call Lynda Sowell at 406/454.5722. You can also ask an asset coordinator for more information.



Question and Answer

Have questions about how to manage your family's finances?
Look no further!

Credit Reports

Credit reports are a “behind-the-scenes” recording of our financial performance. They are a report card for our financial life! It documents every payment we make, be it on-time, late, or not at all. It records every transaction and every relationship that has to do with money and assigns us a grade (or score) for it! Credit reports have become more and more important and are often used to measure our character.

Credit reports are looked at by:

- Prospective employers
- Insurance companies
- Banks and credit unions
- Creditors
- Landlords
- And others!

You should know what your credit report says about you! Don't be fooled by the ads... the free credit reports you hear about often are not free! Visit www.annualcreditreport.com to get your free credit report. Check it up to three times a year!

Coaching

Want to talk over your credit with someone or need help understanding your budget? Always free Consumer Credit Counseling Service / Rural Dynamics Incorporated will go over your questions and help you find solutions. Call 1.877.275.2227 to set up an appointment or visit www.cccsmt.org.

Dollars and \$ense

Have you ever wanted to know more about how to manage your budget? Dollars and \$ense is a free four-part course designed to help you reach your financial goals. Engaging, interactive, and enlightening, Dollars and \$ense focuses on

- Budgeting
- Predatory lending
- Identity security
- Financial institutions and banking
- Taxes

ID Secure

Need a place to shred personal documents? We can help with that. Secure your identity and bring documents and mail to ID Secure at Consumer Credit Counseling Service / Rural Dynamics Incorporated located at 2022 Central Avenue, Great Falls.


www.taxhelpmontana.org • www.cccsmt.org
1.800.823.1323 • 1.877.275.2227



Cheat Sheet...shhhh

 Self Employment Survey. Use when:

- Client has 1099 MISC income in “nonemployee compensation” box
- Client checks “self employment” income on blue sheet

 Advent Card Survey. Advent Card is:

- Alternative banking product.
- Allows for direct deposit of tax refund onto a
 - Debit Master Card
- No minimum balance
- No fee to set up
- Client can get direct deposit of their paycheck onto the card
- **Client will receive refund in regular direct deposit time – 7-14 days**
- **No bank in town [all online]**
- **Client receives card at tax site.**

 A-RAL Survey. A-RAL [FasTax Refund Loan] is:

- Alternative Refund Anticipation Loan.
- Through Great Falls Teachers Federal Credit Union.
- Allows for **80% of the Federal refund to be loaned in 24-48 hours** of the completion of the tax return.
- **0% interest**
- **\$0 fees, however \$25 must remain in the account for 1 year.**
- The remaining 20% federal refund and all of the state refund comes to the client in the regular direct deposit time, 7-14 days.

 Saving Bonds. Savings Bond offered here are:

- United States I-Bonds
- **Returning 3.36% interest**
- Client **must use direct deposit to purchase I-bonds off their tax return**
- Can be bought for themselves or someone else.
- Can be saved for 1 – 30 years.

References & Additional Information

Find a tax assistance site at: https://locator.aarp.org/vmis/sites/tax_aide_locator.jsp.

National Consumer Law Center, “Major Changes in the Quick Tax Refund Loan Industry,” The NCLC/CFA 2010 Refund Anticipation Loan Report.”
<http://www.consumerfed.org/elements/www.consumerfed.org/File/RAL%202010%20Report%20final.pdf>.

The Brookings Institute offers an interactive data set to obtain EITC, VITA and RAL statistics for local geographic areas at: www.brookings.edu/metro/EITC/EITC-Data.aspx.

The Center on budget and Policy Priorities provides a wealth of downloadable information for Tax Credit Outreach Campaigns including an outreach kit at: <http://www.cbpp.org/eic2009/>.