



New York State Comptroller Thomas P. DiNapoli

Your Money

New York

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HELP US FIND WASTE, FRAUD AND ABUSE!

Comptroller DiNapoli has made it a priority to uphold the highest standards of integrity in government and to make sure your tax dollars are being used for their intended purpose.

To assist in this effort, the Office of the State Comptroller has a toll-free hotline for New Yorkers to report waste, fraud and abuse, which is

1-888-OSC-4555
(or 1-888-672-4555).

Message from Comptroller DiNapoli

Welcome to the spring edition of *Your Money New York*.

In this challenging economy, families throughout New York are seeking new strategies to survive this period of financial uncertainty. New Yorkers are resilient, and while tough times are upon us, we have the strength and capacity to emerge from this recession stronger than ever. It won't happen overnight, but it will happen; we will bounce back.

That enduring spirit was evident in the theme of this year's conference of the New York State Black, Puerto Rican, Hispanic and Asian Legislative Caucus: "Yes We Can! The Possibilities and Challenges of a New Era."

The conference featured a broad agenda of educational workshops on personal finance, job retention, nonprofit resources, government programs and Minority-owned and Women-owned Business Enterprise initiatives. The goal was to inform New Yorkers about the many helpful financial resources available to them. I participated in the workshops and highlighted some of the things my Office is doing to help working New Yorkers.

Your Money New York is an initiative to help strengthen and expand the financial knowledge of all New Yorkers. It has three key components: a series of policy reports and financial newsletters; a statewide tour of *Your Money New York* road shows in partnership with State and local officials to bring this information directly to the public; and the *Your Money New York* website, expected to be launched in 2009, which will bring a vast collection of information and resources together in a central, easy-to-access location.

The road to economic recovery will be challenging, but working together to strengthen the financial future of all New Yorkers will ensure that we continue to help move our communities forward.

Sincerely,

Thomas P. DiNapoli
State Comptroller



Did You Know?

- Nationwide, the annual percentage rate (APR) for interest on a RAL ranges from about 40 percent to 500 percent, depending on the size of your refund.
- In addition, you must pay the tax preparation fee and a broker fee (costs vary) to your preparer for arranging the loan, which further reduces the amount of your refund.
- The Consumer Federation of America (CFA) and the National Consumer Law Center (NCLC) estimate that about 9 million taxpayers used a RAL during the 2006 tax filing season.
- The nationwide cost for these one or two week loans was estimated at nearly **one billion dollars** in 2006.

Spotlight on Refund Anticipation Loans

In a hurry to get your tax refund? Nobody likes waiting for money they're owed – especially when it's a tax refund. Many tax preparers and tax preparation websites offer Refund Anticipation Loans (or RALs) to put some of that refund money in your pocket quicker. But before taking out a RAL, there are a few things you should know.

Beware of the cost. These loans often come at a high price – especially when you consider that if you file your tax return electronically (www.irs.gov/efile for federal and www.tax.state.ny.us/elf for state), you can have your IRS and State refunds deposited directly into your bank account in as few as ten days.

- **Remember a RAL is a loan.** Just like any loan, a RAL has fees that will decrease the overall amount of your refund. Simply put, you are borrowing money for a short period of time, often at a high cost, and using your refund to secure the loan. A RAL may get money to you faster, but it is not a faster refund and it comes with costs and risks.
- **How do RALs work?** A RAL offers you money within a few days, secured by your anticipated income tax refund. The tax preparer charges a fee, the bank charges a fee, and you receive your money a few days sooner than you would have if you electronically filed your tax return. When you take out a RAL, your refund goes directly to the bank to pay off the loan, not to you.
- **What are the risks?** If your refund turns out to be smaller than expected or is not paid at all (i.e., if the IRS denies a deduction or credit or offsets your refund against another debt), you still are obligated to pay back the loan balance and loan fees. According to the National Taxpayer Advocate, each year hundreds of thousands of taxpayers owe more money on their RAL than what their final refund was worth!
- **What if you can't pay your RAL?** If you cannot make up the difference between the loan amount and the amount of the actual tax refund, interest will accrue on the unpaid balance and the lender may send the account to a debt collector. An unpaid RAL will hurt your credit score, making it more expensive for you to borrow money in the future.

It is important to understand the costs and risks associated with using Refund Anticipation Loans so that you can keep more of your hard-earned tax dollars in your pocket – which is where they belong.

Comptroller DiNapoli's Green Initiative

New Yorkers understand that saving energy and reducing waste at State agencies, public authorities, local governments and schools not only helps save the environment, it also saves taxpayer dollars. Comptroller DiNapoli is making sure his Office does its part through his Green Initiative launched in September 2007. This initiative will save the State and local governments money, advance environmentally friendly technologies and help to make the State greener. The Green Initiative includes:

- Audits that examine whether State agencies, public authorities, local governments and schools are complying with environmental and energy efficiency requirements;
- Investment of up to \$500 million through the New York State Common Retirement Fund in companies that develop clean technologies; and
- Making the State Comptroller's main office at 110 State Street in Albany a model of environmental and energy efficiency, and striving to achieve a LEED Gold rating.



Help for Homeowners Facing Foreclosure

Circumstances may arise that make it difficult for you to make your mortgage payments. In 2008, there were more than three million foreclosure filings in the United States, up 225 percent over 2006. While foreclosure is never anyone's preference, sometimes it is unavoidable. There are many State and federal resources to help you understand and avoid foreclosure, or at least lessen its pain.

Understanding Foreclosure: Foreclosure is a complicated process. The Federal Trade Commission has created a guide called *Mortgage Payments Sending You Reeling? Here's What to Do* to help you understand your mortgage and what your options are if you are having trouble making your payments. It is available at www.ftc.gov/bcp/edu/pubs/consumer/homes/rea04.shtm or by calling 1-877-FTC-HELP (1-877-382-4357). The Federal Deposit Insurance Corporation also has helpful information at www.fdic.gov/consumers/loans/prevention/consumer.html on how to access available programs and resources.

What are the three different types of foreclosure? How much time do you have from when you miss your first payment until a foreclosure sale? Answers to these questions and more, including foreclosure laws and processes in New York, are available through the U.S. Department of Housing and Urban Development (HUD) at www.hud.gov/foreclosure/index.cfm or by calling 1-800-569-4287.

The New York State Banking Department also offers help understanding the foreclosure process and some of the different remedies that may be available to you at www.banking.state.ny.us/hetp.htm or by calling 1-877-BANK-NYS (1-877-226-5697), where staff can answer your questions about mortgages and the foreclosure process and can help you find assistance and resources in your area.

Mortgage Workout Solutions: If you're facing foreclosure and don't know what to do, a HUD-approved counselor can help you understand your options and may be able to help you negotiate a workout solution with your lender. Access this resource at www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm or by calling 1-800-569-4287. You can also get assistance from the State Division of Housing and Community Renewal (DHCR) in finding an approved counselor in your area at www.dhcr.state.ny.us/programs/foreclosureprevention/counselisting.htm or by calling 1-866-ASK-DHCR.

The **Hope for Homeowners (H4H) Program** was created by Congress to help qualifying homeowners avoid foreclosure through mortgage refinancing or restructuring. The program expires on September 30, 2011. To learn more, visit http://portal.hud.gov/portal/page?_pageid=73,7601299&_dad=portal&_schema=PORTAL or call 1-800-225-5342.

The **Making Home Affordable Plan** was launched in March 2009 by the Treasury Department. This new loan modification/foreclosure prevention plan provides incentives to borrowers, loan servicers and mortgage investors to help keep families in their homes. The program aims to help millions of struggling borrowers by modifying loans so housing payments are no more than 31 percent of their monthly gross income. Visit www.financialstability.gov to find out more about this and other programs.

Borrowers are encouraged to contact their loan servicers to begin the modification process. Visit www.financialstability.gov/makinghomeaffordable to see if you can benefit, and to learn how the program works, including eligibility guidelines, self-assessment tools, and tips to avoid scams.



Tips if You Are Facing Foreclosure

- 1) **Pick Up The Phone.** Lenders generally want to find a way to keep you in your home. Many have workout options that may be able to help you.
- 2) **Get Counseling.** Counselors approved by HUD can help you understand your options and may even be able to help you negotiate with your lender.
- 3) **Give Your Budget a Makeover.** Look at your expenses and prioritize. Asking tough questions now will help you make informed financial decisions later.
- 4) **Protect Your Credit.** Your credit score impacts your borrowing costs and, in some instances, your ability to find a job or an apartment. Do your best to preserve your credit.
- 5) **Don't Be Scammed.** If it sounds too good to be true . . . it probably is.

Foreclosure & Stimulus Scams

Unfortunately, there are individuals who actively prey on those going through the financially and emotionally draining experience of foreclosure. These scams are on the rise. Remember, there is never a fee to get help or information about federal and State homeowner assistance programs or HUD-approved counselors.

The following tips on how to protect yourself from such scams are based in part on information from the Federal Trade Commission's (FTC's) Consumer Alert guide called *Seeing Through Stimulus Scams*, which you can access at www.ftc.gov/bcp/edu/pubs/consumer/alerts/alt125.shtm.

Protect Your Wallet. Beware if you see an email, online ad or website that says you're eligible for stimulus money and asks you to submit either a fee or financial information, like your bank account number. The promise of stimulus money in return for a fee or financial information is always a scam, according to the FTC, and should be completely avoided.

Protect Your Identity. Some scams ask you to click on links, open attached forms, or call toll-free or other numbers. Clicking the link or opening the document can install harmful software, like spyware, on your computer. Automated calls that sound legitimate may not be. The result is your personal information ends up in the hands of an identity thief. The FTC advises that if you get a message offering money from the stimulus program in

exchange for your personal information, ignore it, delete it or throw it out.



Report Scams. The IRS doesn't send emails asking for personal information. Rebate companies that say they have stimulus payments for you should not be trusted, no matter how real the script sounds or how official the form looks.

If you get an unexpected email from someone who claims to be from the IRS asking you to call or email personal information, forward it to phishing@irs.gov and delete it without clicking on any links or opening any attachments. If you've been targeted in a scam, you can file a complaint at www.ftc.gov/complaint or call 1-877-FTC-HELP.

Ask for Help. If someone approaches you claiming to be able to rescue your home from foreclosure, call the Banking Department's Consumer Helpline at 1-877-BANK-NYS before you enter into any agreement to make sure it isn't a scam.

The U.S. Office of the Comptroller of the Currency and the New York State Banking Department also provide examples of common foreclosure scams, and advice on how to avoid them and how to find legitimate help (see Resource Guide below).

Resource Guide

You can learn more about the topics discussed in this newsletter from the following websites.

Refund Anticipation Loans:

Where can I learn more about RALs?

www.banking.state.ny.us/brral.htm

www.mymoney.gov/borrow-smart.shtml

www.nyc.gov/html/ofe/html/help/refund.shtml

Comptroller DiNapoli's Fraud Hotline:

www.osc.state.ny.us/investigations/index.htm

Comptroller DiNapoli's Green Initiative:

www.osc.state.ny.us/green/index.htm

Foreclosure Help:

Where can I learn more?

www.federalreserve.gov/consumerinfo/foreclosure.htm

www.nyhomes.org/index.aspx?page=755

Foreclosure & Stimulus Scams:

www.occ.treas.gov/ftp/ADVISORY/2008-1.html

www.banking.state.ny.us/hetp.htm

If you would like to be added to our mailing list for future editions of this newsletter, or if you have any comments or suggestions for future topics to be addressed, please let us know!

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