



## MEDIA RELEASE

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# Skip the loan - keep your tax refund!

*House Bill 387 requires tax preparers to disclose the hidden fees of refund loans.*

**ATLANTA** – Rep. Rob Teilhet (D-Smyrna) this week introduced House Bill 387, which would require marketers of "refund anticipation loans" and "refund anticipation checks" to fully disclose the fees charged with both products, and the terms and annualized rate of interest (APR) on the loans. Taxpayers are currently entitled to receive their refund free of charge from the Internal Revenue Service in 8 -15 days by direct deposit.

**"For too long, Georgia and other states have looked the other way as predatory lenders have deceived taxpayers into loans soaked with extravagant fees and triple digit interest rates,"** Rep. Teilhet said. **"By passing this bill, Georgia will say 'yes' to full disclosure and 'no' to deceptive sales pitches."**

Refund anticipation loans (RAL) are short-term, high-cost loans secured by an expected income tax return. These loans are sold to consumers as "instant tax refunds" and carry interest rates as high as 500 percent.

**"When you take out a refund anticipation loan, you are borrowing money against your tax refund,"** said Georgia Watch executive director Allison Wall. She continued, **"If your refund is less than estimated, you must still repay the entire amount of the loan. If your refund is delayed, you may have to pay additional costs on your loan. These fees can all be avoided by filing your taxes electronically and receiving your refund deposited directly into your bank account in about 10 days."**

Tax preparers and partner banks also market refund anticipation checks (RAC) to customers who want direct deposit of their refund but don't have a bank account, and to customers who are turned down for a RAL. The RAC bank opens an account in the name of the taxpayer. When the return is direct deposited by the IRS, the taxpayer is issued a check printed out from the single-use account or a prepaid debit card. In addition to the tax preparation fee, taxpayers pay an average \$30 fee to receive their refund through a RAC.

Of the 502,387 Georgians who applied for a RAL in 2007, approximately 442,100, or 88 percent, were low-income filers who earned an adjusted gross income of \$38,348 or less. That same year, 447,911 Georgians sought a RAC. Low-income taxpayers in rural and urban areas of the state are equally as likely to take out a RAL, particularly those who receive the Earned Income Tax Credit (EITC). Five of Georgia's rural counties are in the top 25 in the US for RAL usage.

**"The high cost of RALs siphons money from taxpayers' refunds and out of the Georgia communities where that money would have otherwise been spent,"** said Wall.

HB 387 would require that notice of fees and interest rates associated with RALs and RACs be given to taxpayers on paper in large font and posted in the store. Specifically, HB 387 would require:

- Tax preparers must inform filers that RALs are loans, to be repaid even if the tax refund is late or less than estimated.

**MORE**



- Tax preparers must clearly and prominently display a RAL fee schedule and associated APR.
- Tax preparers must clearly and prominently display a RAC fee schedule.
- Tax preparers must inform filers of the option to receive a refund within 10 business days, free of charge, from the IRS.

HB 387 was committed to the House Banks and Banking committee. Co-sponsors include Reps. Stacey Abrams (D-Atlanta), Margaret Kaiser (D-Atlanta), Gloria Frazier (D-Hephzibah), Brian Thomas (D-Lilburn) and Rick Crawford (D-Cedartown).

Georgia Watch presented Teilhet with a "Friend of the Consumer" award last fall. **"Rep. Teilhet continues to advocate for Georgia consumers, inspiring bi-partisan support from his colleagues for fair consumer protections and disclosure,"** Wall said.

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*Founded in 2002, Georgia Watch is a nonprofit, nonpartisan 501-(c)(3) watchdog group focusing on consumer education and research in the areas of health care, insurance, identity theft and personal finance. Visit [www.GeorgiaWatch.org](http://www.GeorgiaWatch.org) for more information.*