



CSBS/ACSSS Policy Position on High-Rate Refund Anticipation Loans (RALs)

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Background:

A Refund Anticipation Loan (RAL) is a loan borrowed against the amount of a consumer's anticipated income tax refund. These loans often include fees for the tax preparer and extremely high interest rates for the financial institution.

RALs are often targeted to low-income workers who qualify for the Earned Income Tax Credit (EITC), a federal and, in many cases, State supported tax policy to support low-income working families.

Electronic tax filing and direct deposit of refunds, often in two weeks, has made this product unnecessary. The shorter refund period has made the loan that much more expensive for the consumers who still use them.

Policy Position:

Given the high cost, the current lack of need for the product, and overall consumer protection concerns, CSBS and ACSSS support the following positions:

- CSBS and ACSSS urge consumers to avoid high-rate RALs
 - Electronically file income tax returns
 - Request direct deposit to your checking or savings account
- CSBS and ACSSS encourage banks to refrain from making high-rate RALs

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