

The Post-Standard

Schumer backs proposed law to regulate refund anticipation loans

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By Dee Klees

Staff writer

"Not so fast" could be the catch phrase for a group of senators trying to limit costly refund anticipation loans.

These loans let taxpayers collect cash immediately from tax preparers using expected refunds as collateral rather than waiting about two weeks for the full refund. Preparers charge \$30 to \$150 for the service and then tack on short-term interest that if stretched out for a year would amount to 40 percent to 700 percent of the loan, said Sen. Charles Schumer Tuesday at Carousel Center in Syracuse.

"They tend to target low-income people or people in desperate need at tax time," he said.

Some consumers may be willing to pay for immediate access to their money, but many don't realize they aren't getting their full refund, he said. Some even find themselves on the hook for the loan plus interest when the refund they get is not as much as the preparer estimated.

"If they guess wrong, you're stuck," Schumer said.

A study by the Neighborhood Economic Development Advocacy Project found 538,923 New York residents took out refund anticipation loans in 2004.

Schumer backs the Taxpayer Protection and Assistance Act (S832). It would help low and moderate-income taxpayers open direct-deposit accounts at banks or credit unions to receive their refunds, ban some of the loans and end the debt indicator program that shares taxpayer information with preparers.

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