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**MADIGAN WARNS CONSUMERS: STEER CLEAR OF REFUND ANTICIPATION  
LOANS DURING TAX SEASON**

Chicago — As millions of Americans prepare to file their 2009 tax returns, Attorney General Lisa Madigan today warned Illinoisans about the high costs and fees associated with Refund Anticipation Loans (RAL). This type of loan provides tax filers at the time they file their returns with a cash advance based upon their expected tax refund instead of waiting for the actual refund to arrive from the government. Taxpayers may get their money sooner with one of these loans, but they pay a high price in return.

“Especially during these tough economic times, the prospect of ‘fast cash’ can be tempting,” said Attorney General Madigan. “But I urge consumers to steer clear of these loan products because the costs far outweigh the benefits. The extremely high costs of these loans prevent hard-working consumers from realizing the full benefit of their tax refund.”

Consumers often mistake a RAL as an “advance” on their expected tax refund, when it is actually a high-cost, short-term loan. RALs are arranged by tax preparers and accompanied by extremely high costs and fees, which can include loan fees, electronic filing fees, document preparation fees and tax preparation fees. The RAL providers deduct these costs from the consumers’ tax refunds before the checks are even issued. Last year, RAL providers charged between \$104 and \$111 in loan fees, and the loans came with annual interest rates ranging from about 77 percent to more than 140 percent, according to a report by the Consumer Federation of America (CFA) and the National Consumer Law Center (NCLC).

In 2007, the last year for which the Internal Revenue Service provided data, about 8.7 million American taxpayers used RALs, according to the National Consumer Law Center and Consumer Federation of America. This resulted in taxpayers paying about \$833 million in loan fees, plus more than \$68 million in other fees. In addition, another 11.2 million taxpayers spent \$336 million on related products like refund anticipation checks (RACs) to receive their refunds. For RACs, banks open temporary accounts for depositing refund checks and provide consumers with paper checks or debit cards with the refund amount minus the cost of the account services. RACs typically cost approximately \$30.

Madigan said what most consumers may not realize is that by filing their taxes electronically and opting for direct deposit into their bank accounts, their refunds will arrive very quickly, often in as little as 10 days. Most tax preparers can provide consumers with the option of receiving a refund through direct deposit. In contrast, consumers who choose a RAL must first pay the tax preparer to help fill out their tax forms and then pay significant additional fees and costs to obtain the refund check just a few weeks earlier.

The Attorney General encouraged taxpayers to use free tax preparation sites that are set up throughout the state to help income-eligible taxpayers prepare their taxes and file them electronically. Consumers looking for an organization to help them prepare and file their taxes for free can visit the Center for Economic Progress Web site at [www.centerforprogress.org](http://www.centerforprogress.org).

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