AMERICANS FOR
FAIRNESS IN LENDING

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It's tax season! Be on the look-out to protect your privacy, and don't let your tax preparer talk you into a "refund anticipation loan" (RAL). Read these tips and pass them along to your friends and family.

1. Protect your privacy. The IRS recently gave permission to tax preparers to sell the private information in your tax return (social security #, income, and more). If you're like most Americans, you want your personal information to stay private! Be sure not to sign any form or check any box that gives them permission to share your information.

2. Don't get a Tax Refund Anticipation Loan (RAL). RALs are short-term, high-interest loans that your tax preparer may offer you when they help you file your taxes. Here's the problem: the interest rate on a RAL can range from 50-500%! Plus, it's a loan, so if something goes wrong with your refund, you still have to pay it back.

How RALs Work: When you complete your tax return, your preparer will offer to give you your refund immediately in exchange for a fee which is often over $100. This immediate refund is really a short-term loan from a bank. When the refund money comes from the IRS—often only about a week later—the bank keeps it. You will have paid a hefty fee for getting your refund only a week or two earlier than you would have otherwise. This practice generated about a $1 billion for banks and tax preparers last year from almost nine million people.

People who take RALs a) usually think the wait for a refund is longer than it really is, b) do not realize they are taking a loan, c) are not aware of the high interest rates they are paying for that loan (anywhere from 50 – 500% APR), and d) are not aware of the problems they can face if the loan is not repaid because there is a problem with their refund.

So if at all possible, don't accept a RAL from your tax preparer! Instead, wait a week or two and keep the entire refund that's coming to you.