NCLC Fights Predatory "Refund Anticipation Loans"

Protecting Low-Income Consumers from Tax-Time Abuses

Tax refund anticipation loans (RALs) target the working poor who are lured by the prospect of receiving an early advance on their tax refunds. RALs are in fact bank loans. In the 2000s, RALs were extremely high-risk loans aggressively marketed by tax preparers, bringing high costs to consumers despite saving them little time on their refunds.

In 2002, NCLC released a report with the Consumer Federation of America revealing that RALs drained $810 billion in fees from more than 10 million taxpayers. The report gained widespread media coverage, and launched a sustained effort to combat these predatory loans. With support from the Annie E. Casey Foundation and other funders, NCLC kept up the pressure through a series of annual RAL reports. By 2012 these loans had largely disappeared – saving low-income consumers billions of dollars.

In the last several years, however, a new version of RALs have reappeared. NCLC continues to monitor RALs for potential abuses, and -- through model laws, "mystery shopper" reports, amicus briefs and other efforts -- to shine a spotlight on predatory financial products, and advocate for federal and state regulation of RALs and tax preparers to better protect consumers from tax-time abuses.

By 2012 RALs had largely disappeared — saving low-income consumers billions of dollars.