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Treasurer Wheeler urges Oregonians to protect their money, avoid refund anticipation loans

Short-term loans charge high fees and interest, and disproportionately affect low-income families

SALEM – With the April 15 tax-filing deadline looming, Oregon State Treasurer Ted Wheeler is cautioning Oregonians to avoid paying high fees and interest through refund anticipation loans.

Refund anticipation loans, which are marketed by tax preparation businesses, are short-term loans based on a filer's expected tax refund. Those are oftentimes accompanied by significant interest rates and fees -- but studies show that many taxpayers who sign up for the loans are getting money just a few days sooner.

A report by the National Consumer Law Center and Consumer Federation of America found that 8.4 million American taxpayers took out refund anticipation loans in 2008, at a combined cost of \$738 million in loan fees, plus over \$68 million in other fees.

"You deserve to keep all your refund, and you can do it by avoiding these high-interest loans," said State Treasurer Wheeler. "Just because something is legal, it doesn't mean it is fair or that somebody isn't trying to take advantage of you."

An analysis of refund anticipation loans in Oregon from 2007 found that 63 percent went to low-income taxpayers who qualified for the Earned Income Credit, according to the Oregon Center for Public Policy. That means part of the money that is supposed to be helping low-income working families is instead being steered to lenders via high interest and loan origination fees.

Refund loans typically allow taxpayers to access money one to two weeks sooner than they would otherwise, provided they submit tax returns electronically. Because of that short duration, fees can translate into triple-digit Annual Percentage Rates (APRs).

Refund anticipation loans can cost between \$62 and \$110 plus fees for a taxpayer who is owed \$3,000, according to the Consumer Federation of America and National Consumer Law Center report.

The loans are perfectly legal. Treasurer Wheeler recommends that if taxpayers insist on getting a loan, they should shop around for the best terms.

Treasurer Wheeler also encourages the public to seek low- or no-cost ways to file taxes electronically, such as the nonprofit CASH Oregon in the Portland metro area and the Tax Aide program offered by AARP.

Taxpayers who file their taxes electronically will get their refunds sooner, according to the Internal Revenue Service and Oregon Department of Revenue.

In Oregon, refunds will be processed in four to 10 business days for those who file electronically, but can take up to eight weeks for those who file returns on paper.

According to the Consumer Federation of America and National Consumer Law Center, the effective annual interest rate for refund anticipation loans ranges from about 50 percent for a loan of \$10,000, to almost 500 percent for a loan of \$300. That's based on a 10-day loan period.

For a taxpayer who is due a refund of \$3,000, the APR can be from 77 percent to 140 percent.

The Office of the State Treasurer does not collect or process Oregon taxes. That is handled by the Department of Revenue. More information about state tax filings, including procedures for electronic filing, can be accessed at <http://www.oregon.gov/DOR/>

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