

Refund Anticipation Loans – An Offer You Can Refuse



Before long, you will hear that you can get your tax refund before the end of 2009 with just your most recent tax stub. Once the tax season starts, some tax preparers use RALs to make you think you are getting your money faster. (*The IRS will not accept e-file tax returns until around the middle of January 2010.*) What you will be getting is a Refund Anticipation Loan (RAL). The loan may sound like a good deal but it is just another way to take your money.

How does it work? A RAL is a loan that uses your tax refund as collateral. The tax preparer charges you to prepare your return, to e-file your return, fees for the loan and application or administrative fees for the loan. The fees you pay may be based on the size of your refund. The IRS does not charge you any fees if you are due a tax refund. After all, the refund is already your money. Paying for a RAL is like paying someone else to take your money out of your wallet.



What happens if you owe the IRS, child support or a school loan and you don't get the refund you thought you would get? You still have to pay back the Refund Anticipation Loan with all of the high interest. If you do not pay it back, the lender can harass you about paying the debt or sue you in court.



RALs target the poor Companies that offer RALs target low-income people especially if they are eligible for the Earned Income Tax Credit. They target people who do not have bank accounts. They will tell you that you do not have to pay them anything up front because they will just take it out of your refund. Sounds good if you don't have any money, right? Wrong...you can get your tax return prepared for free at VITA sites all across the country. The IRS will have a list of VITA sites on its website. You can also call them at (800) 829-1040.

Say "No" to RALs Companies that offer RALs count on people being too desperate or in such a hurry that they do not care about saving money by waiting to file their return for free. Take a simple step to taking control of your finances.