

TIP OF THE WEEK

January 12, 2009

Refund Anticipation Loans (RALs)-Just say no!

Refund Anticipation Loans are short-term loans with very high interest rates that are secured by a taxpayer's expected tax refund. They generally only last 1-3 weeks until the borrower receives their refund check from the IRS. These "quick refund loans" have fees ranging from about \$29-\$120 and an effective APR that can range from 40% to over 700%!

Why take out a loan against your money? If you fill out your tax form electronically and have the funds direct deposited, in most cases your refund arrives in less than two weeks. And that doesn't cost you anything!

Refund Anticipation Loans: they are a poor choice and cost taxpayers over a billion dollars each year. Just say no to that gimmick.