

FAST CASH Income Tax Refunds
INSTANT MONEY from your Tax Refund,
RAPID REFUNDS
These Transactions are Really Loans!!

A **Refund Anticipation Loan** [RAL] is a short term, small loan based upon your agreement to allow the lender to collect your income tax refund. These loans have really high interest rates and cause people to forfeit valuable income tax exemption and Earned Income Credit.

1 A "Rapid Refund" or refund anticipation loan is not as quick, simple and hassle free as advertised.

Radio and television advertisements give consumers the impression that "rapid refunds" or refund anticipation loans [RAL] are quick and easy ways to get your income tax refund early. They say RALs are also a quick and easy way to pick up a few extra dollars. After reading this pamphlet, you will find there is a great deal more to a RAL than those advertisements reveal.

2 The astronomically high interest rate.

Regardless of what you call it, all of these transactions are really loans with really high interest rates and other costs. In "interest rate" language the rates start as high as **67% and can go as high as 774%**. You are also charged fees and costs in addition to interest. In other words, these loans are expensive. This is true even though the loan is usually only a ten (10) day loan.

3 They really are not that fast.

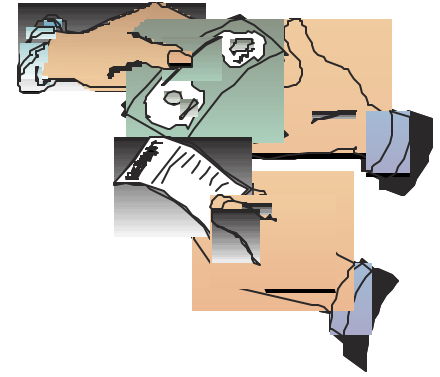
The IRS now allows taxpayers to file electronically which can lead to quick refunds. A tax payer does not need to use a commercial income tax preparer to file electronically. In fact, you can have your income tax return prepared and electronically filed for free. **See Reason Number Four**

4 There is no reason to pay someone to prepare and file your income tax return -- VITA and AARP will help you prepare the return and will file it electronically for free.

THAT'S FREE! The Volunteer Income Tax Assistance (VITA) and AARP Tax Assistance programs will help you prepare and file your tax return for FREE. They can even help you file your return electronically. You can contact the VITA program at 392-8835 or contact Three Rivers Legal Services for the phone number to the AARP site nearest you.

5 A rapid refund or RAL preparer may charge you four different fees for their "service."

The company preparing your income tax return will charge you a fee for filling out your income tax return. They will also charge you a fee for filing the return, another fee for the lender for making the underlying loan and then a fee to cash your income tax refund check. All of the these fees are charged in addition to the interest rate.



6 If they prepare your income tax return and make an error, you pay the price.

If the company preparing your income tax return for you makes an error, you will be responsible for the error. If an error is made, you may have to pay fines and penalties to the IRS and, also, to the RAL provider.

7 Many of the returns seeking an Earned Income Credit are denied when filed by a commercial income tax preparer.

Sometimes tax preparers make mistakes. If you qualify for the Earned Income Tax Credit, you may be better off using a free tax preparer (**see Reason Number Four**) or filling out the form on your own. In 1999, for example, of those returns in which the IRS discovered math errors and partially or fully denied an Earned Income Tax Credit, 55% were commercially prepared. By using a commercial preparer and getting a RAL, you could lose valuable Earned Income Tax Credits, family income tax credits, or other valuable income tax exemptions.

**Free Tax Assistance through VITA or AARP
through April 15**

8 Often, the lenders do not disclose the amount of interest and fees they are charging.

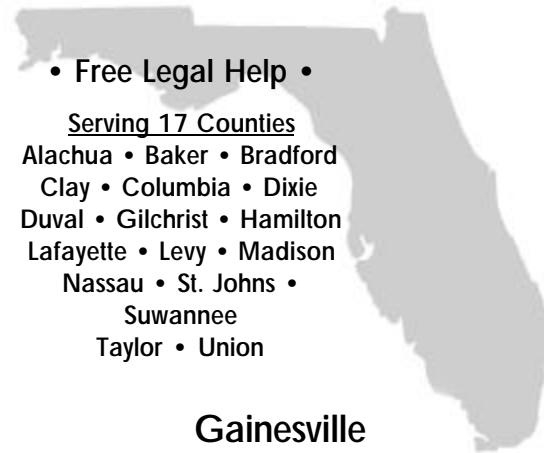
Lenders are required to disclose the amount of interest and other fees they are charging. However, rapid refund or RAL providers do not always disclose the true amount of fees, costs and interest which are being charged. Because these fees and costs are not disclosed, you will not know the true cost of the service or the loan.

9 If they make an error or your refund is otherwise denied by IRS you will owe the RAL provider.

If the lender does not get the full amount of the anticipated refund, you will owe money to the RAL provider. This will hurt your credit rating and could subject you to debt collection harassment. You may even lose the right to receive your income refund next year.

10 Most rapid refund or refund anticipation loan lenders put clauses in their loan documents which keep you from suing them if they do something illegal.

Because RAL lenders have been sued a lot for their tactics, they have begun to put clauses in their contracts which take away the consumer's right to sue them in court if the lender does something illegal. By getting a RAL, you may give up your right to ever sue the lender in court. This means the RAL lenders feel they can do anything they want to make you pay the money without worrying whether they will be sued for illegal practices.



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 **The Florida Bar Foundation, with funds provided by Florida's Interest on Trust Accounts Program, provides support for this program.** 

10 REASONS NOT to get a **RAPID REFUND LOAN** on your **INCOME TAXES**

*If it sounds too good to be true,
it probably is!*



***This brochure is produced by Three Rivers
Legal Services with information provided
by Jacksonville Area Legal Aid.***

NOTE: This is an informational brochure. It cannot cover all cases and cannot replace advice from a lawyer. Laws may change from time to time.