

Beware of Fast Tax Refund Temptation

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Tax time means big business. The Consumer Federation of America says we lost about \$800 million in 2008 to "quickie tax refund loans." The IRS plans to regulate the tax preparation industry, but those rules aren't expected to be enforced until next tax season. In the meantime, one consumer advocate wants you to take precautions with the money you're entitled to from the IRS.

Memphis Area Legal Services Attorney Frank Cantrell warns, you'll pay for that instant cash with a "Refund Anticipation Loan."

"They're loaning you your money usually for only about seven or 14 days at a horrible interest rate," Cantrell said.

Cantrell says that interest rate averages about 72%. Some of them are as high as 1300%.

"If that refund gets slowed down or intercepted or reduced, then you still owe the money to that loan company at that horrible interest rate," Cantrell said.

Cross-collection agreements are another way you could pay more. Cantrell says some lenders will run your loan documents through a list of creditors.

"If you owe money to any of them, the refund is going to go to them, even if the debt was so old that it couldn't be legally enforced in court," Cantrell said.

Many people can get their taxes done for free at Volunteer Income Tax Assistance and AARP sites.

"They will prepare your return electronically for free. The money will be in your bank account in eight to 12 days," Cantrell said.

Here's another way to avoid those costly refund anticipation loans. Suntrust is offering up prepaid Visa cards, free of charge. That way, when your refund is available, it will automatically be deposited.

"There are lots of reputable, honest tax preparers, including tax preparation services. But you just don't want these loans," Cantrell said.

Cantrell says these high-interest loans only get your money maybe a few days faster, if they work, suggesting the rush doesn't out-weigh the risk. There's nothing wrong with using an instant tax preparer. Cantrell recommends you go with one with a positive reputation. He says just make sure all they're doing is your tax return.