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# Are Refund Anticipated Loans Good or Bad?

There has always been a debate surrounding Refund Anticipated Loans or RALs. Refund Anticipated Loans are usually taken up by the lower income bracket taxpayers who need or want their tax refunds quickly. Tax preparers, taking advantage of this demand, would arrange for RALs to give immediate cash advances to those who cannot wait for their refunds. Naturally, the amount of the loans is limited by the amount of refunds the taxpayers are getting. And the taxpayer on the other hand, would hand over rights to their refunds to the tax preparers. Needless to say, the loans come at high interest rates and fees despite the low risk to the lenders.

Essentially, with Refund Anticipated Loans, you are paying interest to borrow money that is already yours, albeit just for a short term, usually for two to four weeks. Nevertheless, many tax preparers promote the RALs with a lot of hype and make it seem like such a good deal.

At times, these RALs are also known as 'payday loans' as they tide you over until payday. Certain states, such as Oklahoma have legislation that governs how much interest can be charged for RALs, the amount of loan that can be disbursed and the length of term of the loans. This acts as a safeguard for the borrowers.

Besides the exorbitant interest rates and high fees, there is another inherent danger in RALs. If your amount of tax refund is less than the amount of loan you have taken, you are liable to repay the balance and will be charged hefty fees and fines if you are not able to repay the RALs on time.

Did you know that the Federal Deposit Insurance Corporation (FDIC) regards RALs 'unsafe and unsound'? The FDIC has come up with this stand ever since the IRS has stopped giving information on whether a taxpayer owes outstanding debt for student loans or child support. Since last August, the IRS has ceased giving out this debt indicator information.

Another regulatory body that has cautioned against RALs is the Office of Comptroller of Currency that has issued a directive against HSBC, the bank that issues RALs for H&R Block. The directive prohibits HSBC from giving out anymore RALs.

In April last year, JPMorgan Chase exited the RAL market leaving only Republic Bancorp and two other banks as RAL lending banks. Republic Bancorp works alongside Jackson Hewitt and Liberty Tax Service, the nation's second and third largest tax preparers.