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Group calls for new laws to regulate tax refund loan industry

BY Joel Stashenko

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A coalition of groups urged the state Legislature Tuesday to pass a bill prohibiting lenders from making abusive loans with New Yorkers against their anticipated tax refunds.

New Yorkers for Responsible Lending said advertisements proliferate this time of year, especially in low-income communities, promising people "instant money" or "rapid refunds." What is not made clear to consumers, the group said, is that they are making bad loan deals in exchange for getting part of their state or federal tax refunds a few weeks early.

"Tax preparers that make these loans are essentially unregulated brokers for large national banks that have carved out a humongous and growing profit niche," said Sarah Ludwig, executive director of the Neighborhood Economic Development Advocacy Project.

Assemblywoman Catherine Nolan, a Queens Democrat who chairs the Assembly's banking committee, said fees on the short-term loans often translate into triple-digit annualized interest rates. The short-term loan arrangements often violate state usury laws, according to Nolan. State law generally prohibits loaning money at an annual interest rate of 25 percent or higher.

A bill introduced in the Assembly by Nolan would require tax preparers to register with the state Banking Department, loans to comply with the 25 percent usury cap, and lenders to clearly explain the costs of the short-term loans, including all fees.

At a news conference in Albany, N.Y., Tuesday, Brooklyn resident Dave Walters said his borrowing arrangement was not described to him as a loan.

"They took advantage of my situation because I really needed the money to move into an apartment," he said. "They said, 'If you want the money tomorrow morning, you can come and pick it up.' But they didn't tell me how much they were going to take out and there were hidden fees."

Members of New Yorkers for Responsible Lending include [AARP](#), the [League of Women Voters](#), the [New York Public Interest Research Group](#), the [NAACP](#) Legal Defense Fund, and the [Rural Law Center of New York](#).