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December 10, 2006

WATCH YOUR WALLET, FIRMS EXPAND LOAN PROGRAM

By CATHERINE CURAN

December 10, 2006 -- Just in time for the holidays, two national tax-preparation firms are working harder than ever to separate consumers from their hard-earned cash.

The firms, H&R Block and Jackson Hewitt, are offering holiday-time pay-stub refund-anticipation loans, or RALs - which get money into consumers' hands based on the expected size of their tax refund.

The companies, which used to hawk these very profitable - for them - loans in January and February based on W-2s, have advanced the programs into November and December in hopes of increasing the business.

Consumer groups have blasted the holiday RALs program, saying the fees attached to the loans are too high and the math attached to the tax-refund estimates is too fuzzy.

"It's risky and it's unsound," Sarah Ludwig, co-director of NEDAP, the Neighborhood Economic Development Advocacy Project, told The Post.

NEDAP estimates that high-interest-rate RALs drained \$92 million from the wallets of low-income New Yorkers in 2003. Nationally, 12 million taxpayers shelled out more than \$1 billion in RAL fees in 2004, according to The National Consumer Law Center.

Ironically, Mark Ernst, the chairman of H&R Block, whose firm introduced its holiday RAL program this year to counter Jackson Hewitt's existing program, inadvertently admitted the RALs are a raw deal.

"This sort of new loan product is really not a good value for consumers," he said during a conference call with investors back in February. He then called them "a much worse value and something that we really didn't believe was a good - was consistent with where we are trying to get our brand."

Annual interest rates on the loans can hit triple digits, the consumer groups said.

Brooklyn resident Sheila Ashley took out a RAL from H&R Block a couple of years ago during tax season because she needed money fast to pay her bills.

"I really do think that it's a rip-off and they need to stop it," says Ashley, who no longer patronizes Block. "They take advantage of people in a desperate situation."

Consumer advocates want RALs outlawed. "It's a race to the bottom," says NEDAP co-director Mark Winston Griffith.

Last month, The Post reported that consumers have filed suit against 60 Jackson Hewitt shops over hidden fees.