



# North Carolina Department of State Treasurer

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For Immediate Release  
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## **TREASURER MOORE LAUNCHES INVESTIGATION OF TAX LOANS IN NORTH CAROLINA**

### **Treasurer Explores All Options to Rid State of RALs**

RALEIGH – At today’s meeting of the State Banking Commission, State Treasurer Richard Moore launched a thorough investigation of the high-cost, short-term loans that tax preparers offer in advance of customers’ tax refunds. Moore, chair of the Commission, called for a full report of the marketing and issuance of these loans as well as all possible regulatory options. Advertising and marketing for both refund anticipation loans, or RALs, and the new pay stub RALs have been airing across North Carolina.

**“I called on the Banking Commission to conduct a through investigation of refund anticipation loans because it is the right thing to do for our state and our citizens,” Moore said. “These refund anticipation loans are just like the predatory loans that our state worked so hard to end. They prey on those taxpayers who can least afford it. We owe it to our citizens to explore every option to rid our state of RALs.”**

This week the Banking Commission began airing radio ads to help educate North Carolinians about the dangers of RALs. The Commission also launched a new website – [www.savetherefund.org](http://www.savetherefund.org) – to provide additional information.

RALs are high-cost bank loans secured by the taxpayer’s anticipated tax refund, which are then repaid in 7-14 days when the IRS refund arrives. Pay stub RALs are issued in January before taxpayers receive their W-2s and estimated based on pay stubs. A briefing paper by the Community Reinvestment Association of North Carolina estimates that in 2003 563,493 RALs were approved in our state for an estimated \$1,215,987,559 in North Carolina. Of those who applied, 82 percent were low income taxpayers, and 60 percent were recipients of the EITC for low income families.

In 2006, the National Consumer Law Center and the Consumer Federation of America estimated that the average RAL would have an effective APR of 178 percent. Pay stub RALs can also carry triple-digit APRs, and some companies charge an additional “deposit” for tax preparation services when the loan is made.

In August Treasurer Moore led a national effort to reform the RALs marketed by H&R Block, the largest provider of the loans. Leading a coalition of investors representing more than 1.6 million shares of the company, Moore called on H&R Block to reform their RAL products. H&R Block has since announced changes to their products and improved interest rates.

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