



Consumer Federation of America

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The High Cost of Quick Tax Money: Tax Preparation, ‘Instant Refund’ Loans, and Check Cashing Fees Target the Working Poor

Low Income Taxpayers Lost over \$1 Billion in Loan Charges and Fees in 2002

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Findings/Executive Summary

- Refund anticipation loans (RALs) are usurious short-term loans secured by the taxpayer’s tax refund, including the Earned Income Tax Credit. Ten-day loans cost from 97.4% to over 2000% APR, with the cost of borrowing against the average \$1980 refund equaling an APR of 222.5% for the loan fee (including electronic filing).
- In 2001, consumers paid an estimated **\$907 million in RAL fees**, up from \$810 million in 2000. RAL customers paid an additional **\$484 million in electronic filing fees** in 2001. Additional “document preparation” or “application” fees added another \$400 million in fees, for a total of **\$1.8 billion in RAL charges** levied in 2001.
- RAL volume was up over last year, with approximately 12.1 million RALs taken out during the 2001 tax-filing season, compared to 10.8 million in 2000. Profits at H&R Block, Jackson Hewitt and their partner banks Household and Santa Barbara Bank & Trust grew as well.
- RALs siphoned off an estimated \$717 million in loan fees, electronic filing fees and document preparation” or “application” fees from EITC recipients. If tax preparation fees are included, the total estimate is \$1.2 billion paid by EITC recipients.

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Consumer Federation of America is a non-profit association of about 300 groups, with a combined membership of over 50 million people. CFA was founded in 1968 to advance consumers’ interest through advocacy and education.

The National Consumer Law Center is a non-profit organization specializing in consumer issues on behalf of low-income people. NCLC works with thousands of legal services, government and private attorneys, as well as community groups and organizations, who represent low-income and elderly individuals on consumer issues.

- Tax preparers and bank partners are marketing other bank products that deliver tax refunds to consumers through temporary “dummy” bank accounts and electronic checks at a cost of about \$28 each.
- Check cashers take another bite out of getting tax refunds or RALs for consumers without bank accounts. A survey of check cashing outlets revealed that it costs on average almost 3% to cash an IRS check, 3.08% to cash a RAL, compared to an average 2.2% to cash a Social Security check. The CFA survey found one check casher charging \$139.80 to cash a \$2,000 IRS or RAL check.
- Check cashers, payday lenders, and used car dealers not only offer RALs, but some appear to be engaged in tax preparation services as well.
- Free tax preparation programs and First Accounts projects are stepping up efforts to help EITC taxpayers open bank accounts to speed tax refunds without paying extra for a loan.

Introduction

A year ago, the National Consumer Law Center and Consumer Federation of America issued the first national report on the high cost of refund anticipation loans made by commercial tax preparers and their partner banks. This report is an update to a report published in January 2002 by the Consumer Federation of America and National Consumer Law Center entitled “Tax Preparers Peddle High Priced Tax Refund Loans: Millions Skimmed from the Working Poor and the U. S. Treasury.”¹ The 2002 report concluded that consumers paid an estimated \$810 million just to borrow against their anticipated tax refunds from the companies that prepared their taxes. The report discussed the particular impact that RALs have on working poor taxpayers eligible for the Earned Income Tax Credit. For consumers eligible for the Earned Income Tax Credit, the report concluded that tax refund loans siphoned off an estimated \$324 million in loan fees and an additional \$670 million in tax preparation, electronic filing, and check cashing fees for a total bill of almost \$1 billion in 2000 from the \$31 billion anti-poverty program.

The NCLC/CFA report noted that refund anticipation loans charge borrowers triple digit interest rates, place consumers at risk of loan liability if tax deductions are denied by the IRS, and expose unwary borrowers to debt collection for prior years’ unpaid loans. The report discussed how the Internal Revenue Service is under a mandate from Congress to achieve an 80% electronic filing target by 2007, leading the IRS to assist commercial tax preparers in making usurious refund anticipation loans since RALs boost the electronic filing volume.

The NCLC and CFA report addresses banning RALs outright or at least making them subject to state usury and small loan laws and that tax preparers should not be permitted to evade state consumer protections by partnering with national banks. The report called for tougher IRS enforcement of RAL advertising rules, better disclosure of the true costs of “instant tax refunds,” and simplification of the EITC application process. Consumer groups called on the Treasury Department and Congress to improve funding for free tax preparation assistance and access to

¹ Hereinafter referred to as “NCLC/CFA 2002 RAL Report.”

low-cost bank accounts to ensure that EITC recipients can benefit from faster refunds through electronic filing with Direct Deposit of refunds into their own bank accounts. Few of these reforms have happened.

This 2003 report documents the considerable increase in the number of tax refund loans taken out by consumers, resulting in more money bled from the pockets of low-income taxpayers into the hands of tax preparation chains and banks. The growth in RAL volume has occurred despite the efforts of consumer and low-income taxpayer advocates to steer consumers away from these high cost, high risks products. The report includes a survey of check cashing outlets conducted by CFA members in nine states that documents the additional cost of cashing tax refund checks and refund anticipation loan checks.

RALs Are A Growth Business

Since our last report, we obtained new data from the Internal Revenue Service (IRS) indicating a 12% increase in the number of RALs nationwide.² Based on IRS data, we estimate approximately 12.1 million RALs were taken out during the 2001 tax-filing season.³ This compares with an estimate of 10.8 million RALs for 2000.⁴

If we use the 2001 figures and assume no growth in RALs for 2002, we can provide a rough estimate for the amount that consumers collectively paid in the 2002 tax-filing season. In 2002, taxpayers received an average refund of \$1980.⁵ Based on prices stated by the leading RAL lender, the average taxpayer paid about \$75 in RAL fees,⁶ translating to an APR of 143.6%. On a nationwide basis, taxpayers paid somewhere in the neighborhood of \$907 million in RAL fees in 2002.

Another development is that major tax preparation chains now state that electronic filing is free, except for those customers who receive a RAL.⁷ If the e-filing fee is only charged to RAL customers, it is considered a finance charge under the federal Truth in Lending Act.⁸ The

² IRS data was only available for events in the 2001 tax-filing season. Data in last year's report was for the 2000 filing season.

³ The 12 million figure was calculated as follows: 1) IRS statistics state that 33% of all electronically filed returns are associated with a RAL. IRS Wage & Investments Research Group 5, Nationwide Analysis of the Individual Return Records for Partial Tax Year 2000, at 39, available at www.irs.gov/pub/irsutl/nationwide_analysis_ty2000.pdf. (N.B. The IRS study refers to Tax Year 2000, however, the returns for Tax Year 2000 would have been filed in the 2001 filing season); 2) In 2001, there were 40.2 million electronically filed returns, one third of which would be 13.4 million. IRS, Table 4 – Number of Individual Tax Returns Filed Electronically and Accepted, by State, Fiscal Year 2001, available at <http://www.irs.gov/pub/irs-soi/01db04nr.xls>; 3) about 90% of RAL applications result in an approved loan. George Guttman, *IRS Reinstates Debt Indicator to Increase Electronic Filings*, 85 Tax Notes 1125, Nov. 29, 1999. Thus, 90% of 13.4 million is 12.1 million.

⁴ NCLC/CFA 2002 RAL Report at 6-7.

⁵ IRS Commissioner Charles O. Rossotti, Testimony Before the Subcommittee on Oversight of the House Committee on Ways and Means, Congressional Testimony, 2002 WL 25100771, April 9, 2002.

⁶ This was the loan fee in 2002 for a RAL up to \$2,000 from Household Bank. See Household 2002 ExpressRefund flyer, on file with authors.

⁷ The H & R Block website states: "If H&R Block prepares your return, simple electronic filing is free in most areas, although a charge will apply for bank products such as a refund anticipation loan." See www.hrblock.com, "Taxes" tab, under Tools & Reference, Tax Q&A, General Information.

⁸ See Official Staff Commentary on Regulation Z (12 C.F.R. 226) at § 226.17(c)(1)-17.

average e-filing fee is about \$40⁹ and thus adds about \$484 million to the amount paid in RAL fees. If e-filing fees are included as a cost of credit, the APR for RALs rises to an astounding 97.4% to 2187.7%, with an APR of 222.5% for a loan of the average refund of \$2,000.

Finally, consumers who obtain RALs through commercial tax preparation chains appear to pay one or more additional charges. H&R Block charges a “document preparation” fee of about \$33, which it includes as a finance charge under the Truth in Lending Act (thus raising the APR even higher).¹⁰ Jackson Hewitt and its bank partner charge application and handling fees totaling about \$55, which are not included as finance charges.¹¹ If we use the lower figure of \$33, this adds another \$399.3 million in fees, for a total of \$ 1.79 billion in RAL charges.

Impact on EITC

Assuming that 40% of the RAL customers were recipients of the Earned Income Tax Credit¹², or 4.84 million, we estimate that approximately \$363 million was drained out of the EITC program by RAL loan fees.¹³ Tax preparation fees, which are typically about \$100,¹⁴ and electronic filing fees add another \$678 million to the drain. Adding the extra “document preparation” and “handling” fees, the total drain is \$1.2 billion (not including check cashing costs which are discussed later.)

Type of Fee	Cost to Taxpayer	Drain on EITC Program
RAL loan fee	\$75	\$363 million
Electronic filing fee	\$40	\$194 million
“Document Preparation” or “Application/Handling” fee	\$33	\$160 million
SubTotal	\$148	\$717 million
Tax preparation fee	\$100	\$484 million
Total	\$248	\$1.2 billion

A May 2002 report by the Brookings Institution was able to use IRS data to show even more dramatic figures when RAL fees, commercial tax preparation fees, and electronic filing fees are totaled, finding that the combined charges drained \$1.75 billion from the EITC program.¹⁵ A January 2003 Brookings Institution Report found that in some cities, over 50% of EITC recipients get RALs.

⁹ National Taxpayer Advocate 2001 Report, at 63.

¹⁰ RAL Application/Agreement on file with authors.

¹¹ RAL Application/Agreement on file with authors.

¹² This was the percentage reported by the IRS of RAL consumers who received the EITC in 2000. See NCLC/CFA Report at 6-7.

¹³ Based on an average EITC refund of \$1,700. Alan Berube, “Rewarding Work Through the Tax Code,” Brookings Institution, January 2003, at 2 available at www.brookings.org [hereinafter “Berube, Rewarding Work”].

¹⁴ This is the fee charged by H & R Block in 2002, as discovered by independent research by the National Community Tax Coalition. Correspondence on file with authors. The Brookings Institution reported a similar fee for tax preparation. See Alan Berube, et al., “The Price of Paying Taxes: How Tax Preparation and Refund Loan Fees Erode the Benefits of the EITC,” Brookings Institution and Progressive Policy Institute, May 2002, at 5 available at www.brookings.org [hereinafter “Berube, et al., Price of Paying Taxes”].

¹⁵ Berube, et al., Price of Paying Taxes at 1.

Tax Preparers and Bank Partners Prosper

As one would expect based upon these figures, the major players in the RAL business have experienced significant growth in their business over the last year.

H&R Block

H&R Block experienced a 14% growth in the number of RALs they processed, from 4.5 million in 2001 to 5.15 million in 2002.¹⁶ Since the company prepared 16.9 million tax returns in 2002 (14.28 million of which were electronically filed),¹⁷ RAL users constitute about 30% of its customers (and 36% of its customers who e-filed).

The tax preparation arm of H&R Block earned \$46.35 million in “license fees” from these 5.15 million RALs.¹⁸ In addition, the subsidiary Block Financial Corporation, has an arrangement to buy a 49.9% interest in RALs arranged by the tax preparation arm, which earned that subsidiary \$160 million in loan fees in 2002.¹⁹ For 2003, Block has announced that it will give up its right to buy this 49.9% interest in RALs, in exchange for a flat fee per RAL, a move that will cost the company \$50 million.²⁰

Household Bank

Preliminary figures from Household Bank indicate a 16% increase in RAL income for 2002.²¹ Given that Household made 6.4 million RALs in 2001 generating \$196.3 million in income,²² we can estimate that Household generated over \$225 million in RAL income in 2002.

In 2002, Household once again was under fire for its predatory lending practices. The company agreed to pay \$484 million in a settlement with attorneys general of all 50 states over its mortgage lending practices.²³ Household is being bought by HBSC Holdings, a London-based financial institution.²⁴ In November 2002, Household struck a deal with

¹⁶ H&R Block Inc., 2002 Form 10-K: Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, at 4 [hereinafter “H&R Block, 2002 Form 10-K”].

¹⁷ Id.

¹⁸ This number was obtained by multiplying \$9 times 5.15 million. It appears from H&R Block’s 10-K that the company does separate the profits of the license fees it receives from its tax preparation operations from the RAL profits of its financial corporation. Id. at 4, 7.

¹⁹ Id. at 7.

²⁰ Amy Shafer, H &R Block Changes Refund Loan Program, AP Online, January 9, 2002.

²¹ Household International, 2001 Form 8-K: Current Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (April 17, 2002), at 3.

²² Household International, 2001 Form 10-K: Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, at 5, 26. [hereinafter “Household 2001 Form 10-K”]

²³ Reuters, Household International, Inc: Agreement Paves Way for Restitution, Chicago Tribune, December 17, 2002.

²⁴ Press Release, HSBC to Acquire Household International, November 14, 2002, available at http://www.household.com/corp/hi_pr_press_release179.jsp.

ITLA Capital Corp.’s Imperial Bank, for that company to originate the RALs, which Household would then buy immediately from Imperial.²⁵

The following is Household’s price structure for RALs in 2003:²⁶

Household 2003 RAL Fee Schedule

Amount of Loan	Loan Fee
\$200-\$500	\$34.95
\$501-1,000	\$44.95
\$1,001-\$1,500	\$64.95
\$1,501-\$2,000	\$74.95
\$2,001-\$5,000	\$89.95

Jackson Hewitt/Pacific Capital Bancorp

Jackson Hewitt, the second largest tax preparation chain in the country, prepared 2.5 million returns in 2002.²⁷ While no figures are available on the number of RALs it originated, there is information on the growth of its RAL partner, Santa Barbara Bank & Trust, a subsidiary of Pacific Capital Bancorp. Santa Barbara Bank & Trust (SBBT) earned \$33.7 million in income on RALs and “Refund Transfers” during the first half of 2002, which represents a 29% increase from the \$26.1 million in RAL income for 2001.²⁸ The following is SBBT’s price structure for RALs in 2003.²⁹

SBBT 2003 RAL Fee Schedule

Amount of Loan	Loan Fee
Up to \$500	\$34
\$501-1,000	\$44
\$1,001-\$1,500	\$64
\$1,501-\$2,000	\$74
\$2,001-\$5,000	\$89

Growth in High Cost Tax Refund Financial Products

In addition to RALs, tax preparers and their bank partners offer another high cost tax refund product that is often called a “Refund Anticipation Check” or “Refund Transfer”. While this product is not a loan for the amount of the expected refund, it is a high cost financial product in which consumers pay a substantial fee (approximately \$28) for the privilege of a temporary or

²⁵ Ben Jackson and Alan Kline, “Refund Lending No Problem,” American Banker, November 27, 2002.

²⁶ From Household’s website at www.household.com/corp/hirl_express_refund_loan.jsp. The fees discussed below are a combination of the fees listed at the Household site and a fee that Household calls a “refund account set-up fee” representing charges for the dummy bank account used to receive the loan repayment. We believe this fee is a finance charge for the reasons stated in the next section and thus have added it in.

²⁷ Press Release, Jackson Hewitt Reports Preparation of More Than 2.5 Million Tax Returns for Tax Season 2002, PR Newswire, May 16, 2002.

²⁸ Press Release, Pacific Capital Bancorp Reports Record Second Quarter Earnings, Business Wire, July 22, 2002.

²⁹ From the Taxwise website at www.taxwise.com/banks/santabarb.asp.

“dummy” bank account into which the IRS direct deposits the refund check.³⁰ After the direct deposit of the consumer’s refund, the bank issues the consumer a paper check and closes the dummy account. The consumer then picks up the check from the tax preparer’s office.

The \$28 charge appears to be a rather steep fee to pay for a 10-day bank account designed to handle a single lump sum. Contrast this with a regular basic savings account into which the refund could have been deposited, and which would cost consumers an average of \$32 for a whole year’s worth of service.³¹ Also, since a paper check is the ultimate payment form, some of these consumers may even have to go to a check casher to get cash in hand.

In addition to being expensive, these “dummy account” products may be disguised loans. The advantage of these “dummy account” products is that the consumer does not have to pay the tax preparation fee up front when they get this product.³² However, if the consumer chooses to forego a check from the “dummy account” product and simply have direct deposit of the refund into his/her own bank account, the consumer must pay preparation charges up front. In essence, the preparers and banks are giving a loan of the tax preparation fee. Thus, the fee for the “dummy account” check is likely to be a finance charge under the federal Truth-in-Lending Act. Based on the typical tax preparation fee of \$100 and a 10-day payment of refund, the APR for this loan is 1022%!

Tax preparers and their bank partners have sold a significant number of these “dummy account” check products, and they are growing in popularity.³³ In 2002, about 1.75 million Block customers received this product.³⁴ SBBT states that this product is actually their most popular tax refund product.³⁵ SBBT earned \$14.3 million in gross revenue off these refund transfers in 2001, which represented a nearly 100% increase from 2000.³⁶ One of the most brazen tax refund financial products is PCB’s “Refund Transfer Direct Deposit.” With this latter product, PCB charges a consumer \$16 simply for being a middleman in processing a direct deposit *into the consumer’s own bank account*.³⁷

³⁰ Customers who get a “dummy account” product from Household pay \$27.95. See Household website at www.household.com/corp/hirl_express_refund_check.jsp. Customers who get a “dummy account” product from Santa Barbara Bank & Trust pay \$28. See Taxwise website at www.taxwise.com/banks/santabarb.asp.

³¹ Edmund Mierzwinski, et al., U.S. Public Interest Research Groups, “Big Banks, Bigger Fees 2001: PIRG National Bank Fee Survey, National Summary of All Fees, November 2001. Some banks offer free accounts. *Id.*

³² See Household’s website at www.household.com/corp/hirl_express_refund_check.jsp (“All fees are deducted from the check or direct deposit amount, so your client pays nothing out-of-pocket”) and SBBT advertisement available at https://cisc.sbbtral.com/download/sbbt_23.pdf.

³³ Not all of this growth, however, may be the result of marketing or consumer choice. If a consumer is turned down for a RAL, the loan application/agreement provides that they automatically receive (and are charged for) a “dummy account” check product. About 10% of RAL applications are denied. George Guttman, *IRS Reinstates Debt Indicator to Increase Electronic Filings*, 85 Tax Notes 1125, Nov. 29, 1999.

³⁴ H & R Block, 2002 Form 10-K, at 4.

³⁵ From the SBBT website at https://cisc.sbbtral.com/ero/product_RT.asp.

³⁶ Pacific Capital Bancorp, 2001 Form 10-K: Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, at 28. [hereinafter “PCB 2001 Form 10-K”]

³⁷ The description of “Refund Transfer Direct Deposit” is from an SBBT advertisement available at https://cisc.sbbtral.com/download/sbbt_23.pdf. The price is from SBBT’s page on the Taxwise website, www.taxwise.com/banks/santabarb.asp

The promotion of “dummy account” check products may represent the strategy of the RAL industry to respond to the IRS’s plan to speed up the issuance of electronic refunds to 2 to 4 days.³⁸ Such a strategy again simply gouges low-income consumers, taking a fat cut from their tax refunds without providing them with meaningful financial services. Instead of charging nearly \$30 to open a dummy bank account, Treasury should encourage preparers and bank partners to open permanent bank accounts for these consumers for the same fee or less.³⁹

Everyone Wants a Cut of the Tax Refund Pot of Gold

Check cashers and payday lenders are not the only businesses taking advantage of low-income taxpayers’ refunds. Tax time is also a boom time for used car dealers, who take advantage of “instant” tax refunds for use as down payments on vehicles during the slow winter season.

Some dealers use service providers, such as TaxMax, a division of CarBiz.com. TaxMax provides tax preparation, filing services, and arranges for refund anticipation loans through a bank.⁴⁰ The dealer gets the RAL check to be used as the down payment on the car. The consumer pays fees ranging from \$150 to \$200, which are deducted from the refund amount.⁴¹ In 2002, about 1,000 dealers used the TaxMax program.⁴² TaxMax claims that its program enabled dealers to sell an average of 15 more vehicles per location and boosts average down payments by up to \$1,000.⁴³ TaxMax’s Director of Operations admitted that many of the consumers who participate in the program receive the earned income tax credit.⁴⁴

Advertisements for J.D. Byrider, which claims to be the largest used car dealership in North America, and its lender CarNow Acceptance Company, urged consumers to use their expected tax refund in February to get a car in December, with immediate cash back.⁴⁵ Consumers are instructed to bring in a driver’s license, most recent pay stub, title to a trade-in or cash for a down payment if needed, recent utility bill and Social Security card to use the tax service at Byrider.⁴⁶ Customers who borrowed against their expected tax refund to buy a car in

³⁸ National Taxpayer Advocate, FY 2002 Annual Report to Congress, December 31, 2002, at viii [hereinafter “National Taxpayer Advocate 2002 Report”].

³⁹ Indeed, H&R Block applied for a bank charter in May 2002, stating that its business plan is to become a financial planning “partner” for low- and moderate-income consumers. H &R Block, Application/Information Filing H-(e)1 Filed Pursuant to Section 10(e) of the Home Owners’ Loan Act, as amended, and 12 C.F.R. § 574.3(a). How could a company that is looking out for the financial planning interests of its consumers peddle high cost “dummy” accounts instead of promoting real and beneficial bank accounts?

⁴⁰ See Tax Max website at www.CarBiz.com/Taxmax/TaxMax.asp, visited January 14, 2003.

⁴¹ Kathy Bergstrom, “New Deal: Instant Tax Refunds For Car Down Payments,” The Business Journal of Milwaukee, February 11, 2002. Reportedly some dealers pay the fee for the consumer. *Id.* The dealers pay \$395 to participation in TaxMax. *Id.*

⁴² *Id.*

⁴³ www.CarBiz.com/Taxmax/TaxMax.asp, visited January 14, 2003

⁴⁴ Kathy Bergstrom, “New Deal: Instant Tax Refunds For Car Down Payments,” The Business Journal of Milwaukee, February 11, 2002.

⁴⁵ J.D. Byrider advertisement, on file with authors

⁴⁶ *Id.*

December were also offered up to \$500 of their refunds instantly to spend during the Holidays.⁴⁷ The advertisement makes no mention of the cost of the program.⁴⁸

Another example is a Cleveland Ford dealer who placed a newspaper advertisement offering “Instant Tax Refund Loan! Bring your W-2 here. File your taxes. Pick your car. Get cash now. Drive home today. FILE HERE & DRIVE HOME TODAY! Get Cash with your car and have the balance of your refund in just a few days. (Based on the amount of your refund and the down payment required.)”⁴⁹

Cashing Tax Refund and RAL Checks Takes Another Bite

Check cashing fees add to the cost of getting tax refunds or RALs, especially for those consumers who do not have bank accounts. While many unbanked consumers find ways to get their checks cashed for free, commercial check cashers count on tax season to boost their revenues. One study found that 45 percent of EITC recipients planned to use a check casher to cash refund checks, further draining this program.⁵⁰ Check cashers are also moving into the tax-filing and RAL market for their clientele.

Tax Preparers Partner with Check Cashers

Since IRS rules prohibit commercial tax preparers from charging their clients to cash tax refund or RAL checks,⁵¹ some tax preparers have formed partnerships with check cashers. H&R Block has teamed up with ACE Cash Express, one of the nation’s largest check cashing chains.⁵² This partnership has been proven very profitable for ACE, which has seen growth in its income during tax season. Part of the H&R Block/ACE partnership involves placement of self-service check cashing machines in lobbies of H&R Block tax preparers. ACE reported that 3.2% of its check cashing fees in fiscal year 2002 came from self-service machines located in ACE stores or in H&R Block offices.⁵³ ACE placed 100 machines at Block locations during 2002 and has an agreement with Block to place up to 250 machines during the 2003 tax-filing season.⁵⁴ As of the end of June, ACE had 22 machines in company-owned locations and 150 machines available for deployment at H&R Block locations for 2003. ACE, expecting a booming business in cashing Block checks this year, announced cash inventory of \$290 million during the 2003 tax season for 248 self-service machines placed in H&R Block offices. ACE also has a \$55 million credit line from banks, for a total cash inventory of \$345 million available to cash tax refund and refund anticipation loan checks during the 2003 tax-filing season.⁵⁵

⁴⁷ Id.

⁴⁸ Id.

⁴⁹ Advertisement for Marshall Ford, Cleveland Plain Dealer, January 12, 2003, at F3.

⁵⁰ Timothy M. Smeeding, Katherine Ross Phillips, and Michael O’Connor, *The EITC: Expectation, Knowledge, Use, and Economic and Social Mobility*, Center for Policy Research, Working Paper Series No. 13 (2000).

⁵¹ Internal Revenue Service, Publication 1345, at 51-52.

⁵² Ace Cash Express, 2002 Form 10-K: Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, at 5. [hereinafter “ACE 2002 Form 10-K”].

⁵³ Id. at 9

⁵⁴ Id. at 8.

⁵⁵ Press Release, “ACE Cash Express Arranges for Cash Inventory for Tax Season; \$290 Million for Self-Service Machines,” PR Newswire, January 8, 2003, available at [wysiwyg://143/http://www.chron.com/es/CDA/printstory.htm/prn/texas/1729034](http://www.chron.com/es/CDA/printstory.htm/prn/texas/1729034).

In 2002, ACE charged 2.2 percent of the check amount at self-service machines in Block lobbies.⁵⁶ In 2003, ACE projects that its fees will be from 2.9 percent to 3.4 percent of the check, plus a \$3 fee for first-time users, with the total fee capped at \$120.⁵⁷ During 2002, ACE's self-service machines were used to cash 214,000 checks with a face value of \$185 million, generating net check-cashing fees to ACE of \$3.8 million.⁵⁸ ACE's check-cashing terminals use proprietary software that reads checks and analyzes customer and check-issuer history, enabling the Company to assess credit risk before cashing a check.⁵⁹

ACE also does a big business in cashing RAL and tax refund checks at its own locations across the country. ACE cashed over 575,000 tax refund checks with a face value of more than \$649 million, with fees totaling \$21.3 million in fiscal 2002.⁶⁰ The majority of the checks cashed were tax refund checks in H&R Block offices. For non-self-service machine transactions, ACE charged up to 4% plus a \$3 surcharge to cash tax refund checks in 2002.⁶¹ ACE also benefits from tax season in its payday loan portfolio, reporting better collection rates for its payday loans made in partnership with Goleta National Bank during the third quarter of the year when tax refunds arrive.⁶²

Traditional check cashers justify the high cost of cashing checks because of risks inherent in the transaction. In the H&R Block/ACE arrangement, there is virtually no risk. The checks to be cashed are issued by a bank with whom the tax preparer has a contractual arrangement. The tax refunds come into the account from the IRS and are based on tax refunds calculated by the tax preparer's staff. There is almost no risk that the check will be returned for insufficient funds. There is also little risk that an unauthorized person is attempting to cash a check in the Block lobby. Refund checks are handed personally to the taxpayer who walks across the lobby and inserts the check into ACE's self-service machine.

Fringe Financial Services Providers are Engaged in Tax Services

Some check cashers, such as Dollar Financial Group, have entered the realm of providing tax services by providing electronic tax filing in addition to cashing checks for their customers.⁶³ The move appears to be profitable for Dollar, since the company experiences its highest revenues and earnings during its third fiscal quarter ending March 31, when revenues from tax-related service peak.⁶⁴ DFG's MoneyMart stores advertise "FREE Tax Refund Estimates! Find out how much you're getting back ---- then get it FAST! Authorized IRS E-File Provider."⁶⁵ For a

⁵⁶ David Cay Johnston, "A Tax-Refund Check That Just Keeps Shrinking," New York Times, May 26, 2002, at 2.

⁵⁷ Id.

⁵⁸ ACE 2002 Form 10-K at 9.

⁵⁹ ACE 2002 Form 10-K at 8.

⁶⁰ Press Release, "ACE Cash Express Arranges for Cash Inventory for Tax Season; \$290 Million for Self-Service Machines," PR Newswire, January 8, 2003, available at [wysiwyg://143/http://www.chron.com/es/CDA/printstory.htm?prn=texas/1729034](http://www.chron.com/es/CDA/printstory.htm?prn=texas/1729034).

⁶¹ NCLC/CFA 2002 RAL Report at 9.

⁶² ACE 2002 Form 10-K at 30-31.

⁶³ Dollar Financial Group, 2002 Form 10-K: Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, at 6. [hereinafter "Dollar Financial Group 2002 Form 10-K"].

⁶⁴ Dollar Financial Group, 2002 Form 10-K at 35.

⁶⁵ Money Mart banner, 6050 Jefferson Ave., Newport News, VA observed January 23, 2003.

fee of \$49.99, Money Mart will electronically file simple tax returns. The fee is \$99 to prepare and file tax returns. “Instant refunds” are available at Money Mart through Santa Barbara Bank & Trust for an additional bank fee.⁶⁶

Another fringe provider chain is actually engaged in tax preparation. National Cash Advance, a payday loan chain owned by Advance America, is advertising an “electronic tax return service” in nearly 700 locations in eight states.⁶⁷ National Cash Advance offers a RAL and “Electronic Refund Check,” from which fees for filing the taxes are deducted.⁶⁸ National Cash Advance advertises that it is an authorized IRS e-file provider, has employees trained to “take information” and handle the filing of returns, and can help with tax-related questions that come up after tax season.⁶⁹ It even places a “Tax Interview Worksheet” on its website.⁷⁰

CFA Survey: The Price of Check Cashing for Tax Refund/RAL checks

CFA member consumer organizations conducted a telephone survey of check cashing outlets in December 2002 and January 2003 to learn the cost of cashing a tax refund check from the IRS and a refund anticipation loan check from a tax preparer. As a point of comparison, surveyors asked the cost of cashing a Social Security check. The survey also collected information on check cashing outlets that are providing tax filing services or RALs for their clients. A total of 135 check cashing outlets were surveyed by telephone in 9 states.

The average rate charged to cash an IRS tax refund check within a given state ranged from 1.39% in New York to 4.47% in Arizona, with an average among the states of 2.83%. The range of high and low fees varied widely in some states, such as Florida, with fees ranging from 1% to 4% of the face value of the check from the IRS. Rates in Maryland ranged from 1.25% to 4% of the check. The fee to cash an IRS check was uniformly 1.4% in New York, a state where check cashing fees are set by state regulators. Rates were higher in states that do not regulate check cashing fees, such as Virginia where it costs 3 to 6% to cash an IRS check.

By comparison, the average rate to cash a Social Security check within a given state ranged from 1.4% in New York to 2.88% in Arizona, with an average among the states of 2.2%. Surveyors asked if there were additional fees beyond the percentage fee for cashing government checks. Among all outlets surveyed, only 16 outlets cited additional fees or rate increases, which averaged \$1.80 among those who charged an increased fee, and a 2.5 percentage point increase in rate among those who charged a higher rate.

Check cashers in some instances charge higher fees to cash refund anticipation loan checks than they charge for checks from the IRS. The average rate charged to cash a refund anticipation loan check within a given state ranged from 1.39% in New York to 4.08% in

⁶⁶ Telephone inquiries to Money Mart locations in Newport News, VA, January 24, 2003. Clerks claim their service is “just like H&R Block or Jackson Hewitt.”

⁶⁷ See National Cash Advance’s website at <http://www.nationalcashadvance.com/home.html>, visited January 13, 2003. Pop-up ads on its website list participating tax prep sites in California, Florida, Illinois, Indiana, Louisiana, Missouri, Ohio and Tennessee. Id.

⁶⁸ Id.

⁶⁹ Id.

⁷⁰ Id.

Arizona, with an average among the states of 3.08%. A few check cashers in Arizona charged a \$1.00 fee in addition to the rate.

Check cashing fees in some states surveyed are capped by state law, such as Arizona's cap of 3% or \$5, whichever is greater, to cash a government check. Maryland sets a maximum 2% or \$3 fee for cashing government checks.⁷¹ New York caps fees by regulation, while South Carolina limits fees to cash Social Security checks at 3% or \$5 and for checks such as RALs at 5% or \$5, whichever is greater.⁷² Florida caps fees for most checks at 5% of the face amount or \$5 while it limits fees to cash Social Security checks at 3% or \$5.⁷³ Alabama does not regulate check cashers.

Some check cashers surveyed refused to tell consumers on the telephone how much they charge to cash tax refund and RAL checks. An ACE Cash Express outlet told one surveyor it was a matter of corporate policy not to quote rates on the phone.⁷⁴ A surveyor in Alabama was required to have her personal identification photo-copied by the store manager before getting answers to the survey.

Paying a percentage of the total check to turn tax refund or RAL checks into currency takes a large bite out of taxpayer funds. If the average refund for a taxpayer is \$2,000, cashing the IRS check would deduct \$56.60 at the average check cashing outlet, or as much as \$89.40 at the most expensive check cashers surveyed. The cost of cashing a \$2,000 refund anticipation loan check at the average rate is \$61.60 but could be as high as \$81.60 at surveyed check cashers based on state averages. The most expensive individual check casher surveyed charges 6.99% or \$139.80 to cash a \$2,000 IRS or RAL checks – at Cash Checks and More in Phoenix, AZ.

Some check cashers mentioned that they offer “instant refunds.” In these seven instances, consumers are charged on average \$89 to get a RAL through the check cashing outlet. Check cashers who said they would fill out tax forms for consumers charge \$109 on average, with a high of \$196 and a low of \$49.

For complete survey results, see Appendix A.

Importance of Being “Banked” To Speed Tax Refunds

Bank accounts are critical to providing low-income taxpayers with an alternative to RALs, check cashers, and other high cost financial products. As the National Taxpayer Advocate noted, even with the IRS plans to provide refunds in 2 to 4 days, RALs will never go away without an effort to get low-income taxpayers into bank accounts. Many low-income taxpayers do not have bank accounts. The Federal Reserve reports that 22 percent of families

⁷¹ Dollar Financial Group 10-K filing, SEC, October 1, 2002, p. 16-17.

⁷² AARP, “A Model State Law: Check Cashing,” May 1999.

⁷³ *Id.*

⁷⁴ Call to ACE outlet in Hampton, VA, January 23, 2003.

with less than \$25,000 in income do not have a bank account.⁷⁵ About one-tenth of all U. S. households do not use the conventional banking system.⁷⁶

Taxpayers must have a bank account open in their name to receive a quick refund from the IRS through direct deposit. The faster refund lessens the appeal for an “instant refund loan” to put money at the disposal of financially-strapped working poor consumers. Even with electronic filing, an unbanked taxpayer must wait an extra week or more for the IRS to mail a paper check.

In addition to saving these consumers money and keeping them out of the hands of check cashers, a bank savings or checking account also makes it possible for consumers to accumulate assets and build up a savings buffer for financial crises. A number of local programs have developed innovative projects to link EITC recipients with bank accounts.

The First Accounts program in Chicago and Detroit offers a free, no-minimum balance savings or checking account from ShoreBank to clients of the Center for Economic Progress and the Volunteer Accounting Service Team of Michigan. Unbanked clients eligible for the Earned Income Tax Credit can open a savings account when their taxes are prepared, so that they can provide an account number to the IRS to get faster refunds. The First Accounts program also offers one-on-one counseling, monthly Savers Club meetings, and workshops for participants.

In Delaware, the free tax preparation program of the Nehemiah Gateway Community Corporation is partnering with PNC Bank to open savings accounts. PNC bank will cash refund checks for free or open a free savings account for EITC taxpayers using free tax assistance at seven sites. Clients are promised that they will receive refunds within 7 to 10 days from the time the IRS receives tax returns. No cash is needed to open the account and no background check will be conducted for customers. The savings account can be opened during tax season and carries no fees or minimum balance requirement for one year. Account holders at the end of the year can withdraw their funds without fees or keep the account open. Delaware EITC taxpayers who open a PNC savings account can withdraw their refunds and save on check cashing fees.⁷⁷

The City of Cleveland and the Cleveland Economic Opportunity Coalition are offering EITC consumers free tax services and a free savings account to speed refunds without paying for commercial tax preparation or refund anticipation loans. As part of the Cleveland Saves social marketing campaign, the Cleveland program offers e-filing at convenient locations.

New York’s Community Food Resource Center runs eight tax preparation sites in its EITC Campaign and offers basic no-fee, no minimum balance savings accounts on-site provided by Homesteaders Credit Union, Carver Federal Savings Bank, M&T Bank, Independence Community Bank, Bethex Federal Credit Union, Fleet Bank, Neighborhood Trust Credit Union,

⁷⁵ Arthur B. Kennickell, Martha Starr-McCluer, and Brian Surette, “Recent Changes in U. S. Family Finances: Results from the 1998 Survey of Consumer Finances,” Federal Reserve Bulletin (January 2000)

⁷⁶ Id.

⁷⁷ Flyer and instruction sheet, provided by National Community Tax Coalition, January 13, 2003

and Amalgamated Bank. CFRC also provides coupons for free check cashing to clients that don't have a bank account or don't want to open one.⁷⁸

First Commercial Bank in Oklahoma City offers a basic checking account to tax preparation clients.⁷⁹ The Piton Foundation in Colorado is opening either checking or savings accounts at a tax preparation site with US Bank. The checking accounts are free, give back money to account holders who use their check cards, require no minimum opening or monthly balance, require no credit check, and can be opened with a Mexican government matricula consular.⁸⁰

Organizing Efforts

There is a national effort to stem the tide of RALs. CFA and NCLC have partnered with other national consumer groups and low-income taxpayer advocacy groups to combat the drain of RALs on the financial resources of our communities. NCLC will be developing a model state law we hope legislatures will adopt nationwide.

State and local organizations have made their own anti-RAL efforts. For example, the Children's Defense Fund Minnesota issued a Minnesota-specific RAL report in January 2003, entitled "Keeping What They've Earned: Working Minnesotans and Tax Credits".

The Internal Revenue Service's Free File Initiative

Another development that could potentially feed RAL growth is the IRS's Free File initiative. The Free File program is a partnership established by IRS in which a consortium of commercial preparers has agreed to provide free on-line tax preparation and electronic filing of federal tax returns to at least 60% of American taxpayers.⁸¹ Some of these commercial preparers automatically offer RALs when taxpayers prepare and file their taxes through the websites of these preparers.⁸² Thus the Free File program exposes consumers to the risks of being sold a RAL under the auspices of a government-endorsed program. In addition, the Free File program may put consumers at risk for padded fees for state returns, "professional" review of the prepared tax return, and customer service, tactics that the commercial preparers may use to recoup lost revenue.

On behalf of consumers and low income clients, CFA and NCLC, along with other consumer and low-income taxpayer advocates, requested IRS to include a provision in the Free File agreement forbidding the marketing or making of RALs to consumers who accessed

⁷⁸ CFRC 2003 EITC Campaign flyer, on file with authors.

⁷⁹ Electronic communication from Santiago J. Arzate, January 22, 2003.

⁸⁰ Electronic communication from Hi Howard, January 23, 2003.

⁸¹ See the IRS Website at www.irs.gov/app/freeFile/welcome.jsp.

⁸² See, e.g., H&R Block's website advertisement for an "Electronic Refund Loan" for on-line filers at www.hrblock.com/taxes/doing_my_taxes/products/era.html.

preparers through the Free File program.⁸³ This request was roundly ignored. Thus the IRS is enabling RALs through both its Debt Indicator service and the Free File.

In addition to exposing consumers to the risks of RALs, the Free File program fails to meet the real needs of low- to moderate-income taxpayers who are unlikely to be served by “free” federal tax electronic filing. Many of these consumers do not have computers or access to the Internet at home.⁸⁴ They will need in-person assistance to file taxes, for which commercial preparers may charge steep fees. Finally, as discussed above, many low-income consumers do not have a bank account needed to receive refunds quickly when taxes are filed electronically.

Update on Court Cases

The past year has seen a great deal of activity in the arena of RAL litigation. Here are highlights of important cases:

Zawikowski v. Beneficial National Bank⁸⁵

This was the global settlement for \$25 million that abruptly snuffed out a number of class action proceedings brought against Block and Household. In April 2002, the federal Court of Appeals for the Seventh Circuit overturned the approval of the settlement. Writing for the Seventh Circuit, Judge Richard Posner held that the district court judge abused his discretion in approving the settlement, especially given the suspicious circumstances surrounding it. The Seventh Circuit reversed the approval of the settlement, and sent the case back to the district court with an unusual requirement that the case be assigned to a different judge. In November 2002, a new hearing requesting approval of the \$25 million settlement was held before Judge Elaine Bucklo.⁸⁶ Judge Bucklo had not issued a ruling at the time of this report.

Haese v. H&R Block

This Texas class action was revived after the Seventh Circuit lifted the bar against it as part of the decision in *Zawikowski v. Beneficial* discussed above. The plaintiffs scored a victory when a Texas trial court judge found that H&R Block did owe and had breached a fiduciary duty to its consumers by secretly taking the \$9 in “license fees” from Household.⁸⁷ The Texas court ordered Block to forfeit \$75 million in both RAL fees and

⁸³ Comment of Consumer Federation of America, National Consumer Law Center, Consumers Union, and U.S. Public Interest Research Group Regarding IRS Proposed Pact with Commercial Preparers, September 4, 2002, available at www.consumerlaw.org/initiatives/refund_anticipation/irs.shtml.

⁸⁴ For instance, only 25% of taxpayers who earn under \$15,000 use the Internet. Only 33% of the next income level, working poor taxpayers who make \$15,000 to \$25,000, use the Internet. U.S. Dep't of Commerce, Econ. & Statistics Admin. and Nat'l Telecomm. & Info. Admin., *A Nation Online: How Americans are Expanding Their Use of the Internet* (Feb. 2002) at 28, available at <http://www.ntia.doc.gov>.

⁸⁵ On appeal, the case was titled *Reynolds v. Beneficial National Bank*, 288 F.3d 277 (7th Cir. 2002).

⁸⁶ Janet Kidd Stewart, *Household Faces Review of Tax Refund Settlement*, Chicago Tribune, November 14, 2002.

⁸⁷ Letter ruling from Judge Manual Banales, *Haese v. H&R Block*, No. 96-423, (105th Judicial District Court of Texas November 6, 2002) on file with the authors.

tax preparation fees.⁸⁸ Unfortunately, after this favorable ruling, class counsel entered into a controversial settlement which only gave the class discount coupons for tax preparation, but provided the attorneys with \$49 million in attorneys fees.⁸⁹

New York City Department of Consumer Affairs Action

In March 2002, the New York City Department of Consumer Affairs (DCA) filed a lawsuit against H&R Block over the company's alleged misrepresentation of its "Rapid Refunds" program.⁹⁰ The New York agency's lawsuit was based on its 2001 investigation of Block, which found that 86% of the company's branches in the city failed to differentiate between true refunds and RALs.⁹¹

DCA's lawsuit resulted in a \$4 million settlement announced in mid-December 2002. The settlement includes \$2.7 million in restitution to consumers (\$35 coupons that can be used as rebates for tax preparation fees or redeemed for cash), \$725,000 in fines, \$345,000 to support the city's EITC campaign, and to produce \$475,000 for EITC promotional materials.⁹² The settlement also imposes a 3-year injunction against Block, requiring the company to clearly distinguish its RAL and non-RAL products.

JTH Tax v. H&R Block Eastern Tax Services⁹³

In January 2002, the federal Court of Appeals for the Fourth Circuit upheld the trial court's decision in this case.⁹⁴ In its opinion, the Fourth Circuit stated that in view of Block's history of deceptive advertising and its violation of Publication 1345 that "we have little trouble concluding that the district court's conclusion that Block acted maliciously, willfully, deliberately, and in bad faith in conducting [its] advertising campaign was more than reasonable."⁹⁵ The Fourth Circuit did require the district court to recalculate its damages award, and overturned the injunction forbidding Block to use the term "Rapid Refund".⁹⁶ Subsequently the trial court awarded JTH Tax \$438,000 in damages and \$52,000 in attorney's fees.⁹⁷

⁸⁸ Id.

⁸⁹ Joseph T. Hallinan, H&R Block Accord Draws Fire, Wall Street Journal, December 24, 2002 at C1.

⁹⁰ Complaint in Dykstra v. H&R Block, Index No. 02401201 (Supreme Court of New York March 12, 2002) (check blue book)

⁹¹ *Investigators Find That H&R Block Violates Agreement with Department by Misrepresenting Its Rapid Refund Program—Consumer Affairs Issues More than 2,200 Violations and Over One Million Dollars in Potential Fines*, Press Release, New York City Consumer Affairs, April 5, 2001.

⁹² Stipulation of Settlement in Dykstra v. H&R Block, Index No. 401201/02 (Supreme Court of New York December 20, 2002) (check blue book)..

⁹³ 2002 U.S. App. LEXIS 477 (4th Cir. January 10, 2002).

⁹⁴ Id.

⁹⁵ Id. at **14-15.

⁹⁶ Id. at **18-26.

⁹⁷ Liberty Tax Press Release.

Anderson v. H&R Block⁹⁸

Anderson involved a state law usury case against Block and Household over RALs. Block and Household had the case removed to federal district court on the theory that the National Bank Act completely preempted the plaintiff's claims. The federal court of Appeals for the Eleventh Circuit ruled that the National Bank Act did not completely preempt state law usury claims, and sent the case back to state court.⁹⁹

Reforms

- Ban refund anticipation loans outright or make subject to state usury and small loan interest rate laws. Do not permit tax preparation services to evade state consumer protections by partnering with national banks to make triple digit interest loans.
- Include the cost of electronic filing in the total cost computations for the Truth in Lending disclosures for RALs, given that tax preparers are now charging them only for RAL customers. A more accurate computation of the Annual Percentage Rate should use a ten day time period, not one-year as permitted in some states.
- Streamline the Earned Income Tax Credit application process so that more consumers can apply without hiring commercial preparers. Until the goal of simplification is reached, the federal government should support and/or provide free direct assistance to help eligible consumers apply for EITC.
- The IRS should carefully monitor the Free File program and report on the experiences of taxpayers who file using commercial tax preparers linked through www.irs.gov. This reporting should include the number of taxpayers that are sold RALs, the number of taxpayers who apply for EITC benefits through Free File, and the prices charged by Free File companies for related tax services.
- Treasury can provide bank accounts for EITC recipients who file their taxes electronically in order to receive direct deposit of refunds without having to purchase a RAL. Bank partnerships with free tax assistance programs can provide free or low cost savings accounts that remain open all year.
- Rethink the Congressional 2007 deadline for achieving an 80 percent electronic filing rate since achieving that goal is being born by lower income taxpayers who pay for commercial tax preparation and refund anticipation loans.
- Prohibit tax preparers from referring consumers to commercial check cashers or participating in revenue from commercial check cashers. Instead, preparers can partner with banks to provide low cost year-round bank accounts.
- Cap fees for cashing a tax check or RAL check to the same fee for government benefit checks or 2%, whichever is lower.

These are the RAL reforms that directly relate to the issues raised in this update. Other reforms, such as prohibiting cross-lender debt collection in RALs and having IRS enforce its advertising rules about RALs, are discussed in the NCLC/CFA 2002 RAL Report.

⁹⁸ 287 F.3d 1038 (11th Cir. 2002).

⁹⁹ Id.

Appendix A

CFA Refund Anticipation Loan/Check Cashing Survey

CFA member organizations surveyed a total of 135 check cashing outlets in nine states. Surveys were conducted primarily by telephone, but in some instances were conducted in person if the outlet refused to give out information over the phone. Surveyors asked what the fees would be to cash a tax refund check, a refund anticipation loan check – such as an H&R Block check – whether the outlet would be offering refund anticipation loans itself and whether they would offer assistance with tax returns.

Check casher surveys were conducted by:

Alabama Arise
Arizona Consumers Council
Columbia Consumer Education Council
Florida Consumer Action Network (FCAN)
Maryland Consumer Rights Coalition
Massachusetts Consumers' Coalition
Massachusetts Public Interest Research Group
New York Public Interest Research Group
Virginia Citizens Consumer Council
Wisconsin Consumers League

Survey analysis by:

Bradley Scriber, Consumer Federation of America

Results of Refund Anticipation Loan / Check Cashing Survey 2002-2003

City	State	Institution	Fee to Cash IRS Tax Refund Check	Fee to Cash Refund Anticipation Loan Check	Fee to Cash Social Security Check	Extra Fees or Higher Rate for Government Check	Does Outlet Make RAL's?	Does Outlet Offer Help with Taxes?
Montgomery	AL	Big Als of Montgomery	? ^b	? ^b	3%	No	No	No
Montgomery	AL	Cash -N- Checks	2.95%	2.95%	1.90%	No	No	No
Montgomery	AL	A & B Check Cashers	? ^c	? ^c	? ^c	No	No	No
Montgomery	AL	Northside Exchange	? ^c	? ^c	? ^c	No	No	No
Average	AL		2.95%	2.95%	2.45%			
Phoenix	AZ	Checkline	3%	3%	3%	No	No	No
Phoenix	AZ	Checkmate	2.90%	2.9% + \$1.00	2.90%	No ⁿ	No	Yes
Phoenix	AZ	Checksmart (branch 1)	3%	3.90%	3%	No	Yes	Yes
Phoenix	AZ	In and Out Check Cashing	6% + \$0.99	6% + \$0.99	2%	\$0.95	No	No
Phoenix	AZ	Speedy Cash	2.50%	2.50%	2%	\$2	No	No
Phoenix	AZ	Checksmart (branch 2)	3.25%	5.90%	3%	No	No	No
Phoenix	AZ	Cash Checks & More	6.99%	6.99%	2.49%	No	No	No
Tempe	AZ	ACE America's Cash Express	4% + \$3.44 ^d	5%	2% + \$3.44 ^d	No	No	No
Tempe	AZ	Advance America	? ^a	? ^a	? ^a	? ^a	? ^a	? ^a
Tempe	AZ	Bob's Cash Express Inc.	-- ^f	-- ^f	-- ^f	-- ^f	-- ^f	-- ^f
Tempe	AZ	Cash Tyme	-- ^e	-- ^e	-- ^e	-- ^e	-- ^e	-- ^e
Tempe	AZ	ENBI Cambio Cash Checking (Buckeye Payroll Advance) Check \$mart	6.99% ^g	6.99% ^g	6% + \$0.99 ^g	? ^a	? ^a	? ^a
Tempe	AZ	Checkmate	? ^k	2.9% + \$1.00	2.90%	No	Yes	Yes
Tempe	AZ	Money Mart	6.5% ^g	? ^k	4.5% ^g	\$1.29 ^o	Yes	Yes
Tempe	AZ	Money Now (Western Union)	? ^a	? ^a	? ^a	? ^a	? ^a	? ^a
Tempe	AZ	Payday People Plus	-- ^f	-- ^f	-- ^f	-- ^f	-- ^f	-- ^f
Tucson	AZ	EZ Cash	4.5% ^g	4.5% ^g	2%	4%	Yes	Yes
Tucson	AZ	ACE Cash Express	4%	4%	2%	\$3.44	No	No
Tucson	AZ	Check Center	3%	3%	3%	No	No	No
Tucson	AZ	Quik Cash	6%	? ^b	3%	No	No	No
Tucson	AZ	Money Mart	6%	2.5% ^g	2.25%	No	No	No
Tucson	AZ	Checkmate	2.90%	? ^k	2.90%	No	No	No
Average	AZ		4.47%	4.08%	2.88%	\$0.74 or 4%		
Brandon	FL	ACE America's Cash Express	3%	3%	2.5% ⁱ	\$3.49 ⁱ	No	No
Tampa	FL	American Cash Exchange	1.50%	1.50%	1.50%	No	No	No
Tampa	FL	Amscot	3%	3%	1%	No	Yes	Yes
Tampa	FL	The Check Casher and Financial Center	4% ^h	? ^k	2%	No	Yes	Yes
Tampa	FL	Check Smart	3.5% ^g	? ^k	2.5% ^g	No	Yes	Yes
Tampa	FL	E-Z Check Cashing	1%	3%	1%	No	No	No
Tampa	FL	Money Stop	3%	3%	2.50%	No	No	No
Tampa	FL	Quick Cash Check Cashing	3.25% ^g	3.50%	3.50%	No	No	No
Tampa	FL	24 Hours Checks Cashed	2.15% ⁱ	? ^k	3.75% ⁱ	No	No	No
Tampa	FL	USA Checks Cashed	3%	? ^k	2%	No	No	No
Average	FL		2.74%	2.83%	2.23%			
Dorchester	MA	Boston Check Cashers (branch 1)	4%	? ^k	2.75%	No	No	No
Dorchester	MA	Boston Check Cashers (branch 2)	4%	? ^k	2.50%	No	No	No
Dorchester	MA	All Checks Cashed	2%	? ^k	2%	No	No	No
Somerville	MA	The Check Cashing Company	3.75%	? ^k	2.50%	No	No	No
Allston	MA	Check Cashers	3%	? ^k	3%	No	No	No
Cambridge	MA	Boston Check Cashers	4%	? ^k	4%	No	No	No
Watertown	MA	America Check Cashing	2%	3%	2%	No	No	No
Boston	MA	Boston Check Cashers	4%	4%	4% ⁱ	No	Yes	Yes
East Boston	MA	Central Square Check Cashing Inc	3%	3%	3% ⁱ	No	No	No
South Boston	MA	South Shore Check Cashing	3.50%	? ^k	2%	No	No	No
Dorchester	MA	All Checks Cashed	3.75% ⁱ	3.75% ⁱ	3.75% ^m	\$0.50	No	No
Quincy	MA	Alltown Check Cashing	2.50%	3.5% ⁱ	2.5% ⁱ	No	No	No
Brighton	MA	Check Cashers	3%	3%	3%	No	No	No
Somerville	MA	The Check Cashing Company (All Checks Cashed)	2.50%	? ^k	2.5% ⁱ	\$0.50	No	No
Waltham	MA	Waltham Check Cashing	3%	3%	3%	No	No	Yes
Jamaica Plain	MA	Forest Hills Check Cashing	-- ^j	-- ^j	2.6% ⁱ	No	No	No
Waltham	MA	American Check Cashing	2%	3%	2.5% ^g	No	No	No
Average	MA		3.13%	3.28%	2.80%			
Woodlawn	MD	AA State Check Cashing	2%	4%	2%	No	Yes	Yes
Baltimore	MD	ACE Cash Express	4%	4%	2.50%	\$1	No	No
Baltimore	MD	Baltimore Check Cashing, Inc.	3%	3%	2.60%	No	No	Yes
Baltimore	MD	Cash Plus	2%	2%	2%	No	No	No

Results of Refund Anticipation Loan / Check Cashing Survey 2002-2003

City	State	Institution	Fee to Cash IRS Tax Refund Check	Fee to Cash Refund Anticipation Loan Check	Fee to Cash Social Security Check	Extra Fees or Higher Rate for Government Check	Does Outlet Make RAL's?	Does Outlet Offer Help with Taxes?
Severn	MD	Chextop of America Inc	2%	2%	2%	No	No	No
Baltimore	MD	Hilltop Check Cashing	1.25%	1.25%	1.25%	No	No	No
Randallstown	MD	Pimlico Check Cashing	2%	3%	2%	No	No	No
Gaithersburg	MD	America's Cash Express	2%	4%	2%	\$3	No	No
Wheaton	MD	Glenmont Check Cashing	3%	3%	2%	No	No	No
Silver Spring	MD	EZ Check Cashing	2%	2%	2%	No	No	No
Rockville	MD	Cash 4 U	2% ¹	3%	3%	No	Yes	Yes
Germantown	MD	Germantown Check Cashing	3% ⁹	5%	2.5% ⁹	1%	No	Yes
Average	MD		2.35%	3.02%	2.15%			
Staten Island	NY	MTW Check Cashing	1.40%	1.40%	1.40%	No	No	Yes
Staten Island	NY	Check Depot	1.40%	1.40%	1.40%	No	No	No
Staten Island	NY	Fortune Check Cashing	1.40%	1.40%	1.40%	No	No	No
Staten Island	NY	Greenridge Check Cashing	1.40%	1.40%	1.40%	No	No	No
Staten Island	NY	Jewett Check Cashing Inc	1.40%	1.40%	0.70%	No	No	No
Staten Island	NY	Richmond Hill II Check Cashing	1.40%	1.40%	1.40%	No	No	No
New York	NY	Avenue D Check Cashing Corp	1.40%	1.40%	1.40%	No	No	No
New York	NY	10th Avenue Check Cashing Corp	1.40%	1.40%	1.40%	No	No	No
New York	NY	Castle Financial Services	1.40%	1.40%	1.40%	No	No	No
New York	NY	NYC Cash Express	1.40%	1.40%	1.40%	No	No	No
New York	NY	Glass OC JR Check Cashing	1.40%	1.40%	1.40%	No	No	No
New York	NY	Park Check Cashers Inc	1.40%	1.40%	1.40%	No	No	Yes
New York	NY	Lazer Check Cashing Corp	1.40%	1.40%	1.40%	No	No	No
New York	NY	A & A Check Cashing Corp	1.40%	1.40%	1.60%	No	No	No
New York	NY	G & R Check Cashing Corp	1.40%	1.40%	1.40%	No	No	No
New York	NY	Broadway Check Cashing Service Inc	1.40%	1.40%	1.40%	No	No	No
Brooklyn	NY	B & H Check Cashing Inc	1.40%	1.40%	1.40%	No	No	No
Brooklyn	NY	Cebco Check Casher Corp	1.10%	1.10%	1.40%	No	No	No
Brooklyn	NY	David's Check Cashing Inc	1.40%	1.40%	1.40%	No	No	No
Brooklyn	NY	Pay-O-Matic	1.40%	1.40%	1.40%	No	No	No
Brooklyn	NY	WJJ Check Cashing	1.40%	1.40%	1.40%	No	No	No
Brooklyn	NY	U-Rove Check Cashing Corp	1.40%	1.40%	1.40%	No	No	Yes
Brooklyn	NY	M & B Check Cashing Corp	1.40%	1.40%	1.40%	No	No	Yes
Brooklyn	NY	American Eagle Check Cashing Corp	1.40%	1.40%	1.40%	No	No	No
Brooklyn	NY	Challenger Check Cashing	1.40%	1.40%	1.40%	No	No	Yes
Brooklyn	NY	Ridge Check Cashing Corp	1.40%	1.40%	1.40%	No	No	No
Bronx	NY	All American Check Cashing Corp	1.40%	1.40%	1.40%	No	No	No
Bronx	NY	Wink Check Cashing	1.40%	1.40%	1.40%	No	No	No
Bronx	NY	Peekskill Check Cashing	1.40%	1.40%	1.40%	No	No	No
Bronx	NY	CIB Check Cashing	-- ¹	-- ¹	1.40%	No	No	No
Bronx	NY	RDC Payroll Services	1.40%	1.40%	1.40%	No	No	No
Bronx	NY	Mara Check Cashing Corp	1.40%	1.40%	1.40%	No	No	No
Bronx	NY	Action Check Cashing Inc	1.40%	1.40%	1.40%	No	No	No
Bronx	NY	Rite Check Cashing Inc	1.40%	1.40%	1.40%	No	No	No
Bronx	NY	Tri-Star Check Cashing Corp	1.40%	1.40%	1.40%	No	No	No
Bronx	NY	V & V Check Cashing Corp	1.40%	1.40%	1.40%	No	No	No
Jamaica	NY	Power Payrolls Inc	1.40%	1.40%	1.40%	No	No	No
College Point	NY	College Point Check Cashing Inc	1.40%	1.40%	1.40%	No	No	No
Bayside	NY	Bel Air Check Cashing Corp	1.40%	1.40%	1.40%	No	No	No
Long Island City	NY	KAF Check Cashing Corp	1.40%	1.40%	1.40%	No	No	No
Far Rockaway	NY	Mott Ave Check Cashing Corp	1.40%	1.40%	1.40%	No	No	No
Middle Village	NY	SAM Moneyshop	1.40%	1.40%	1.40%	No	No	No
Woodside	NY	Whitestone Check Cashing	1.40%	1.40%	1.40%	No	Yes	Yes
Rosedale	NY	Neighborhood Check Cashing	1.40%	1.40%	1.70%	Yes	Yes	Yes
Flushing	NY	Bisa Check Cashing	1.40%	1.40%	1.40%	No	No	Yes
Maspeth	NY	MMR Check Cashing Corp	1.40%	1.40%	1.40%	No	No	No
Average	NY		1.39%	1.39%	1.40%			
Columbia	SC	ACE Cash Express (branch 1)	2%	4%	2.25% ⁹	No	No	No
Columbia	SC	ACE Cash Express (branch 2)	2%	4%	2%	No	No	No
Columbia	SC	Advance on Checks	? ^a	? ^a	2%	No	No	No
Columbia	SC	Cash-O-Matic	2%	3%	2%	No	No	No
Columbia	SC	Check World	2%	7%	1%	No	No	No
Columbia	SC	Checks Plus	2%	3%	2%	No	No	No
Columbia	SC	Chextop of America Inc	2%	2%	2%	No	No	No
Columbia	SC	Columbia Check Casher	2%	4%	2%	No	No	No
Columbia	SC	EZ Check Cashing (branch 1)	1%	3%	1.84%	No	No	No
Columbia	SC	EZ Check Cashing (branch 2)	2%	3%	2%	No	No	No
Average	SC		1.89%	3.67%	1.91%			

Results of Refund Anticipation Loan / Check Cashing Survey 2002-2003

City	State	Institution	Fee to Cash IRS Tax Refund Check	Fee to Cash Refund Anticipation Loan Check	Fee to Cash Social Security Check	Extra Fees or Higher Rate for Government Check	Does Outlet Make RAL's?	Does Outlet Offer Help with Taxes?
Richmond	VA	Check Mate Check Cashing (branch 1)	3%	3%	2.17% ^g	\$2.50	No	No
Richmond	VA	Check Mate Check Cashing (branch 2)	3%	3%	1.75%	\$2.50	No	No
Richmond	VA	Anykind Check Cashing (new name Check City)	6%	6%	1.70%	\$0.39	No	Yes
Richmond	VA	Neighborhood Financial Service Center	? ^k	? ^k	4%	No	No	No
Richmond	VA	Checks Cashed Etc.	3%	3%	2%	\$0.25	No	No
Richmond	VA	Checks Cashed and More	3%	3%	2%	No	No	No
Average	VA		3.60%	3.60%	2.27%			
Milwaukee	WI	Big Deal Check Cashers	3%	3%	1.60%	No	No	No
Milwaukee	WI	Cash Land Check Cashing	3%	3%	1.75%	No	No	Yes
Milwaukee	WI	The Check Cashing Place	3%	3%	1.70%	No	No	Yes
Milwaukee	WI	Check World	3%	3%	2%	No	No	No
Milwaukee	WI	Milwaukee Check Cashers	2.50%	2.50%	1.50%	No	No	No
Milwaukee	WI	Money Express	3%	3%	1.75%	No	No	No
Milwaukee	WI	Speedy Loan	3%	3%	1.67%	No	No	No
Average	WI		2.93%	2.93%	1.71%			

Average among states	2.83%	3.08%	2.20%	
Average among all who charge				\$1.80
Average increased percentage				2.50%

- ^a Would not offer information over the phone
- ^b Have not decided if they will offer this service
- ^c Would not offer information over the phone or in person
- ^d \$2.00 membership fee plus \$1.44 fee. Membership fee expires if not used for 6 months
- ^e Phone number not in service or no answer.
- ^f Misidentified in phone book. Not a check cashing outlet.
- ^g Based on range provided.
- ^h If less than \$2,000, additional \$1.50 fee
- ⁱ Based on \$2,000 check
- ^j Do not offer this service
- ^k No response recorded
- ^l \$3 sign up fee first time customer or \$0.49 transaction fee
- ^m For first time customers
- ⁿ Government Checks exempt from \$1.00 fee
- ^o Lifetime membership \$6.00