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CONSUMER ADVOCATES PRAISE FDIC SETTLEMENT TO END RALs FROM REPUBLIC BANK & TRUST

Last Bank to Offer High Cost Refund Anticipation Loans Forced Out of the Business

Advocates at the Community Reinvestment Association of North Carolina (CRANC), the Consumer Federation of America (CFA), and the National Consumer Law Center (NCLC) applauded the FDIC's settlement with Republic Bank & Trust which requires the bank to terminate its refund anticipation loan (RAL) program after the end of the next tax season. In a regulatory filing released last night, Republic Bank & Trust (RBCAA) announced that it had reached an agreement with the FDIC to cease offering RALs after April 30th of next year.

The FDIC's agreement imposes a $900,000 civil money penalty on Republic. It also incorporates a plan for Republic to implement a system of verifications in place to ensure that its partner tax preparers operate their future tax settlement activities with appropriate safeguards. Republic will review all advertising for tax settlement products at the partner preparer's offices, and conduct audits, including surprise on-site visits and mystery shopper surveys, at ten percent of preparer locations.

"Mark Pearce and his team at the FDIC have delivered a big win for low-income tax payers today. Their determined efforts to finish the job reflect a commitment to protecting consumers from predatory loan products," said Peter Skillern of the Community Reinvestment Association of North Carolina.

"The FDIC action is an important step toward protecting families who struggle to make ends meet from unfair bank credit products and practices," said Jean Ann Fox of the Consumer Federation of America. "With a confirmed director, the Consumer Financial Protection Bureau will be empowered to protect consumers from similar loans sold by nonbank lenders."

RALs are one to two week loans made by banks and offered by tax preparers, secured by the taxpayer's refund. RALs can be expensive; this year, Republic Bank is charging $61.22 for a RAL of $1,500, which translates into an APR of 149%. RALs target low-income taxpayers, especially recipients of the Earned Income Tax Credit, a special tax break for working poor families. In 2009, RALs skimmed over $600 million from the refunds of 7.2 million American taxpayers.

“We are pleased see the last of the RAL banks forced out of the business,” said Chi Chi Wu of the National Consumer Law Center. “We also commend the FDIC for a settlement that includes a plan for Republic to institute safeguards for its remaining refund anticipation check program.”

Going forward, consumer advocates expressed a desire for the FDIC to develop a regulatory standard for the sale of refund anticipation checks (RACs), particularly that the FDIC should be vigilant to make sure that pricing of RACs remains appropriate and consumers are not charged abusive extra fees by partner tax preparers. Absent a decision to terminate those products as well, the key priority should be to establish a balance between the need to help people avoid paying out-of-pocket for tax preparation and being able to purchase a RAC at a fair price.

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The **Community Reinvestment Association of North** Carolina is a nonprofit agency that promotes and protects community wealth. The **Consumer Federation of** America is an association of nearly 300 nonprofit consumer groups that was established in 1968 to advance the consumer interest through research, advocacy and education. The **National Consumer Law Center** ® (NCLC®) is a non-profit organization specializing in consumer issues on behalf of low-income and other vulnerable people. Since 1969, NCLC has worked with legal services and nonprofit organizations as well as government and private attorneys across the United States, to create sound public policy on consumer issues for low-income and elderly individuals.