

Testimony of Julie Burbach on Refund Anticipation Loans

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Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
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Mr. Chairman and Members of the Subcommittee:

Good afternoon, Senator Coleman. Thank you for the opportunity to share my experience with H&R Block with you today. My name is Julie Burbach and I am a single parent raising my 8-year old son. My gross income last year was \$17,374. I have to stretch every dollar to make sure we have enough to get by. We live in an apartment in Saint Paul, Minnesota. Last May I quit my job with the State of Minnesota. I had worked for over 17 years as a Human Services Technician at the Veterans Home. Ever since then, I've been working part-time at a restaurant and looking for another job.

When it came time to file my federal and state taxes this year, I chose to go to H&R Block because I wanted my taxes done by an official tax preparation company. Because I had dipped into my retirement funds last year to cover expenses, I wanted to make sure that my taxes were handled correctly.

I filed my taxes in February. The whole process only took about 10 to 15 minutes. The tax preparer did all of the preparation work and then at the end told me that I was eligible to receive a refund. My federal refund was for \$2,454, including \$927 from the Earned Income Tax Credit. My state income and property tax refunds totaled \$931.

I had gotten a Rapid Refund in the past and asked to get one this time, to make sure that I got my federal refund as fast as possible. She asked if I wanted to get "Instant Money," or part of my money today and I said yes. I thought this meant I was getting a regular loan, but with an early advance. At that point, the tax preparer appeared to complete the forms on the computer and printed them out. She then showed me the costs. I was charged a total of \$322.90. Of that, \$203 was for Tax Preparation Fees and \$119.90 was for Bank Fees.

When I mentioned that the total cost, the \$322, seemed high compared to last year when my total costs were only \$201.95, the tax preparer told me that was because last year "was a trial period."

I have since learned that this was not true. While the tax preparation fees had gone up from last year to this, the real extra cost was because I said yes to the "Instant Money" option. Rather than being given an advance on one loan, I was actually given two loans. This was the most expensive option. The APR for each was 129%, but the APR listed on the disclosure sheet required by state law said 122%.

I felt that the total cost was quite expensive, but at this point, I was confused and didn't feel like I could change my mind because she had already finished all the paperwork. I was also thinking about all the bills I had to pay and so I agreed to the \$322 fee. The tax preparer did not explain that I was taking out two loans. She also didn't suggest that I could change my mind right then and that it would be less expensive if I didn't take out the loans. She didn't explain I was taking the most expensive option. She also didn't tell me that even if I signed the loan agreement, I still had two days during which I could change my mind and not get the loans.

She briefly showed me the disclosure pages before I signed my signature at the bottom. She didn't explain what they meant, and I didn't ask any questions about it because this is why I was having my taxes done by a professional tax preparer in the first place, because I do not understand all of the tax laws and financial wording and disclosures.

If I understood all of my options about how to get my full refund to me, I would not have taken out a Refund Anticipation Loan. I received my State income tax refund within 3 days in the mail. Now I understand more about Refund Anticipation Loans. All I really wanted was to get my taxes done well, and get my refund so that I could pay my bills on time and do whatever would help my son and me the most. I understand that my refund is meant to help families like mine. That's why I don't think it's fair that I should be charged so much money just to get my taxes done and to get my refund quickly.

Thank you again for letting me share my story.

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