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Lawmaker wants restrictions on tax refund loans

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By John Lyon
Arkansas News Bureau

LITTLE ROCK — A state lawmaker says he wants more protections for consumers who apply for so-called “instant refunds” or “cash advances” on their income tax refunds.

Rep. Darrin Williams, D-Little Rock, said he plans to present Friday in the House Insurance and Commerce Committee a bill that would require any business offering short-term loans based on anticipated tax refunds to disclose to consumers any fees they may have to pay.

Williams said the loans typically are marketed toward low-income people and are not advertised as loans. They can carry fees equivalent to interest rates of 40 to 700 percent, but because they are offered through out-of-state banks, the loans are exempt from the state law limiting interest rates to 17 percent, he said.

“We’re not touching the interest rates with this bill, but we are providing disclosure,” Williams said at a news conference Thursday. “We are providing disclosure so Arkansas consumers know what they’re getting.”

House Bill 2203 would amend the Arkansas Deceptive Trade Practices Act to require lenders to display prominently at their place of business a fee schedule and a statement that the consumer is borrowing money against his or her tax refund and may have to pay extra fees if the refund is late.

The statement also would advise the consumer that a tax refund usually can be obtained in eight to 15 days without a loan or extra fees.

The lender also would have to include the statement and information about fees with every loan application, printed in 14-point type on paper that is a different color from the rest of the application.

The bill would prohibit several practices, such as requiring a consumer to enter into a loan agreement in order to complete a tax return, making false statements about a loan to a consumer and failing to process a loan application promptly.

Williams said two companies that offer the loans, H&R Block and Jackson Hewitt, have expressed reservations about the bill, including the requirement that disclosure forms be printed on colored paper.

“I invited them to come to committee and convince the committee that having to provide disclosures on colored paper would bankrupt their companies,” he said.

Spokespeople for H&R Block and Jackson Hewitt did not immediately return phone messages left at their offices seeking comment Thursday.

Attorney General Dustin McDaniel has endorsed the bill, as have AARP, Arkansas Advocates for Children and Families, the NAACP, Arkansans Against Abusive Payday Lending, the Arkansas Bankers Association and the Arkansas Interfaith Alliance, among other groups.

Williams said he plans to amend the bill to add between 40 and 50 House sponsors.

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