
NEWS RELEASE

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Jackson Hewitt Agrees to \$150,000 Penalty Related to Tax Refund Loans

RALEIGH—Jackson Hewitt Inc. has entered into an agreement with the N.C. Office of the Commissioner of Banks (NCCOB) to pay almost \$150,000 to the state in order to settle concerns regarding tax refund loan practices related to “pre-file” loans.

NCCOB alleged that Jackson Hewitt facilitated tax refund loans (also known as a refund anticipation loan or “RAL”) where the proceeds of the loan were used to repay an earlier outstanding “pre-file” loan. Using proceeds from a tax refund loan to pay off other debts is prohibited under North Carolina law. NCCOB alleged that Jackson Hewitt financed the “pre-file” loan into the tax refund loan, sometimes leading to additional bank charges to the customer. Jackson Hewitt has agreed to cease entering into agreements with bank partners that permit proceeds from the tax refund loan to be used for any purposes other than what is permitted by statute and to pay \$148,261 in civil money penalties and \$25,000 in investigative costs. It announced earlier this year it would no longer facilitate these “pre-file” loans.

“Tax loans are only for tax time,” according to Deputy Commissioner of Banks Mark Pearce. “We were concerned that these pre-file loans might lead to a new type of debt trap.”

“Pre-file” or “pre-season” loans are loans made through a tax preparer in advance of the official tax season, which usually begins in early February after taxpayers receive their W-2 statements from their employers. These “pre-file” loans have often been marketed in November and December to lure consumers who are in need of money during the holidays to take out a loan with a high-interest rate. To repay the loan, the customer would typically file their taxes with the preparer and to take out a tax refund loan to repay the “pre-file” loan.

This settlement concludes NCCOB’s nine-month examination of “pre-file” loans made through tax preparers. In October of 2006, NCCOB contacted all licensed tax refund loan facilitators to warn them of concerns regarding the structure of these loans. In January 2007, NCCOB launched a radio ad and website, www.savetherefund.org, to warn North Carolina taxpayers about the high cost of many tax refund loans. NCCOB later released a report at <http://www.nccob.org/NR/rdonlyres/40914B07-5619-4A5C-AE80-EAEE61CF39D9/0/ReportonRALS.pdf> on tax refund loans and options for policymakers to consider to enhance regulation of these products.

“We encourage taxpayers to wait two weeks for their tax refund to avoid the high cost that comes with a tax refund loan,” said Pearce.

The settlement agreement and order are available on NCCOB’s website at www.nccob.org.

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