



TO: House Revenue Committee
FR: Maura C. Roche, National Association of Social Workers, Oregon Chapter
(NASW Oregon)
DA: April 20, 2011
RE: Testimony on HB 3640

Co-Chairs Barnhart and Berger, Members of the Committee:

NASW Oregon, representing 1,800 social work professionals statewide, supports HB 3640. Social workers work in many settings with low-income clients and they see firsthand the need for regulation of financial products or services that can prey upon desperate people struggling to meet life's most basic needs.

In the past, NASW has supported legislative efforts to regulate high-interest loan products such as payday loans to make them easier to understand and more transparent for vulnerable Oregonians who may find themselves burdened with crushing debt.

HB 3640, the Tax Refund Transparency Act, will regulate the tax refund financing industry. Many tax preparers market their services by advertising quick cash, a way to receive tax refunds immediately instead of having to wait for tax forms to be processed. In reality, these tax refund products, known as refund anticipation loans (RALs), are high cost, short-term loans loaded with extra fees and APRs ranging from 50 to 500 percent. Like payday loans, the loans are sold through storefront shops that are most commonly located in low-income and minority neighborhoods. Refund anticipation checks (RACs) are another booming tax product. RACs are a way to have the customer's tax refund diverted to a temporary account, allowing the tax preparer to withdraw their fees from the refund before returning the remainder to the customer.

The tax refund products that would be regulated by SB 778 cost Oregon workers \$8 million in 2008. 86% of RAL applicants are low-income taxpayers; in all, 33,800 Oregon families eligible for EITC were persuaded to take a high-interest RAL. These loan products take money out of the hands of Oregonians who most need it, and who may not be aware of the hidden costs they sign up for in the process.

HB 3640 is a necessary step toward making tax refund financing safe for Oregon taxpayers. It would bring RAL and RAC brokers under the same regulatory scheme as other tax practitioners to

ensure proper oversight and accountability. It would prohibit the add-on fees that tax preparers charge for the products. It would ban deceptive sales practices and require lenders to inform customers about loan costs, interest rates and average delivery time for IRS direct delivery, so that customers can make informed financial decisions.

NASW Oregon's members work every day with the low-income working families who are most vulnerable to the deceptive business practices and exorbitant interest rates and fees associated with the tax refund finance industry. On their behalf, **we urge you to vote yes on HB 3640. Thank you for hearing this bill, please send it to the Floor for consideration.**