

March 19, 2009

Dear Members of the House Banking and Financial Services Committee:

On behalf of our 328 member credit unions, the Michigan Credit Union League (MCUL) would like to voice our support for House Bills (HB) 4166 and 4607, introduced by Representatives Rashida Tlaib and Bert Johnson, respectively. During these tough economic times, many consumers are struggling to make ends meet. With tax season upon us, tax refunds will be a much needed source of extra money for many filers. However, some taxpayers who need money turn to refund anticipation loans (RAL) at a high cost to them.

The Consumer Federation of America indicates that the effective interest rate on an RAL can range from approximately 50% to nearly 500% on an annualized basis. According to the Internal Revenue Service (IRS), nearly two-thirds of RAL applicants are also earned income tax (EITC) recipients. The disclosures that HB 4166 and 4067 contemplate are crucial so that consumers may make an informed choice; particularly knowing that an RAL is indeed a loan and not the actual tax refund.

Due to the nature of RAL's, credit unions do not offer them to members. Indeed, there are several better options available to all taxpayers:

- Claim your tax refund in each paycheck; file an amended W-4 with your employer to have less money withheld each payday.
- Divert that extra cash to automated bill payments to pay down debt and/or to your savings account to build your emergency fund.
- Pass on the unnecessary refund loan. Instead, e-file and you'll have your refund in just a few days.
- If you must have refund money for an urgent need, talk to a credit union loan officer about a fairly priced short-term loan.

Also in Michigan, 100 credit unions offer free tax filing services to their communities through the Just File It! Program. This tax season 3,335 individuals have filed through the credit union Just File It! Program resulting in \$7,222,799.00 in refunds. One of the benefits of filing through the Just File It! Program is that credit unions can also help members determine if they are eligible to receive the EITC. Of the over \$7 million in refunds, \$934,384 of this is from the EITC.

With more than 4.4 million credit unions members in Michigan, the MCUL appreciates the consideration you and your colleagues are giving to this important topic. Thank you for this opportunity to share our thoughts.

Sincerely,



Marcia E. Hune
Director of Legislative Affairs