It has come to the attention of the Department of Banking and Consumer Finance that some tax preparers are offering Refund Anticipation Loans (“RAL”) to their clients. A RAL is a short-term loan secured by the taxpayer’s tax refund. It is my understanding that tax preparers broker RALs through third party lenders.

Section 81-19-1 et seq., Mississippi Code of 1972, as amended, governs those engaging in the business of consumer loan brokering. A consumer loan broker is defined in Section 81-19-3 (d) as “a person not otherwise exempt from this chapter who, for compensation from borrowers, finds and obtains consumer loans or credit cards for borrowers from third party lenders.” In addition, anyone brokering a loan under this law is limited to a fee of three percent (3%) of the original principal amount of the loan. It is the opinion of this office that those who broker RAL’s are considered to be engaging in the business of consumer loan brokering and, therefore, must be licensed under the Consumer Loan Broker Act.

Please be advised that any person in violation of the Consumer Loan Broker Act may be subject to a civil money penalty.

Please be advised that if you currently offer RALs to your clients, you must immediately cease such activity until you obtain a consumer loan broker license from this Department. In order to obtain an application form, you may visit our web site at www.dbcf.state.ms.us or contact Laurie Blackwell in my office at (601) 359-1031.