



United States Senate

December 9, 2021

The Honorable Rohit Chopra
Director, Consumer Financial Protection Bureau
1700 G Street, NW
Washington, D.C. 20552

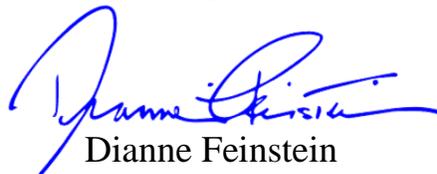
Dear Director Chopra:

It has been brought to my attention that high-cost financial products tied to tax preparation and tax refunds could be a growing problem that allows some predatory tax preparers to profit off of and potentially reduce federal benefits, especially for vulnerable lower-income taxpayers.

While there is nothing inherently wrong with tax preparers offering financial services, I am concerned that disreputable tax preparers may increasingly use high-cost financial products to enrich themselves at the expense of the tax refunds and other tax benefits to which taxpayers are entitled, including the earned income tax credit and the expanded child tax credit. Further, we have seen that the use of tax refund accounts complicated efforts to get stimulus payments to taxpayers during the coronavirus pandemic. I am also concerned that information about the extent to which tax preparers are offering such high-cost financial products is currently insufficient. In light of this situation, I would appreciate your response to the attached questions within 60 days.

The CFPB's work is critical in protecting consumers from unfair, deceptive, and abusive financial products, and I appreciate your consideration of these questions in an area that could be an emerging source of risk for many Americans.

Sincerely,


Dianne Feinstein
United States Senator

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Attachment: Detailed Questions

1. What is the quality of information available about the extent to which high-cost financial products are being purchased by taxpayers, the characteristics of those who are most likely to sell and purchase such products, and whether the use of such products is growing or decreasing? How many complaints has the Bureau received about such products?
2. To what extent are tax preparers making the costs of high-cost financial products tied to tax preparation and tax refunds clear and easily understandable? Is the CFPB considering any actions to improve the ease with which consumers can understand these costs?
3. For its 2006 report on paid tax preparers, the Government Accountability Office sent staff posing as taxpayers to visit tax preparers to see how they operated under two scenarios. Similarly, a 2015 report from the National Consumer Law Center involved sending “mystery shoppers” to paid tax preparers in Florida and North Carolina to check error rates. Would a similar approach be productive for the CFPB to gather additional information about financial products offered by tax preparers?
4. Is there any evidence that companies that offer high-cost financial products have offered them in conjunction with assisting people in applying for other forms of government aid? If so, is the CFPB taking or considering actions to address these situations? If not, what safeguards are in place in case such companies do so in the future?
5. The COVID-19 pandemic and the extra responsibilities Congress has conferred on the Internal Revenue Service (IRS) in response have caused substantial delays in tax processing. Is the CFPB concerned that potential delays in processing 2021 tax returns—such as the IRS having to reconcile child tax credit and economic impact payments—will lead to significant accrual or compounding of interest or other charges for taxpayers who have purchased refund advance loans or similar financial products? Has the Bureau received complaints about this?
6. The CFPB has provided advice and information for taxpayers, including on refund advance loans and checks. Do you have evidence on whether the Bureau’s educational activities in this area have been effective?