

Date: March 25, 2003

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## **Consumer Groups Alert Treasury of Privacy Violations by Free File Tax Preparation Websites**

### **Cite Marketing of Potentially Subprime Mortgages by Commercial Chain to Free File Taxpayers**

Leading consumer groups yesterday issued a letter warning the Treasury Department that commercial tax preparers participating in the IRS Free File program are using confidential taxpayer information to market financial products and services to consumers. The letter cited the example of H&R Block's website, which is pitching not only tax-related products, but potentially subprime mortgages as well. H&R Block owns both H&R Block Mortgage and Option One, one of the nation's largest subprime lenders.

The consumer groups noted that Block's Free File website was requiring consumers to agree waive IRS privacy protections and permit use of confidential tax information for cross-marketing, despite supposed restrictions in the Free File program from doing so. Signing on to the letter were Consumer Federation of America (CFA), the National Consumer Law Center (NCLC on behalf of its clients), U.S. Public Interest Research Group (USPIRG), Electronic Privacy Information Center (EPIC), and Consumers Union. A copy of the letter is available on CFA's website at [www.consumerfed.org](http://www.consumerfed.org), NCLC's website at [www.consumerlaw.org](http://www.consumerlaw.org) and USPIRG's website at [www.pirg.org/consumer/#RAL](http://www.pirg.org/consumer/#RAL).

The letter states that, "this new level of marketing, based on information a taxpayer enters into his tax return using Free File, is extremely troubling and requires enforcement action by Treasury and the Internal Revenue Service."

"Commercial preparers are using a government sponsored program to gather the most intimate financial details that a consumer can have – information on a tax return - so they can sell these taxpayers all sorts of unrelated products," charged Jean Ann Fox, CFA's Director of Consumer Protection. "This is a gross violation of the privacy of these taxpayers."

The letter from the consumer groups urged Treasury to prohibit commercial tax preparers from using the Free File program to market financial products and services to taxpayers, including mortgages and high cost refund anticipation loans. The letter also urged Treasury to close a loophole in its regulations that permits tax preparers to use confidential tax information for cross-marketing.

"We are especially concerned that confidential tax information is being used to sell mortgages, including potentially high cost subprime mortgages," said Chi Chi Wu, a NCLC

staff attorney. Ms. Wu noted that she knew of at least two predatory lending lawsuits involving Block's Option One subsidiary.

Chris Hoofnagle, Deputy Counsel for the Electronic Privacy Information Center noted, "All too often, unscrupulous marketers make inappropriate use of personal information that they acquire from unwitting individuals. This case illustrates that we need what the public has wanted for some time--comprehensive safeguards to ensure responsible use of personal information by government and commercial entities."

A copy of the letter was also sent to Timothy Muris, the Chairman of the Federal Trade Commission. Stated Ed Mierzwinski, Consumer Advocate for the U.S. Public Interest Research Group, "Last fall, we asked Treasury to stop Block and other tax preparers from deceptive practices resulting in consumers purchasing other, unnecessary sub-prime products when they paid their taxes on-line. But it looks like Treasury and the IRS have dropped the ball, so it may be time to ask the privacy cops at FTC to step in and look at whether consumer privacy is being adequately protected."

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CFA is a non-profit association of almost 300 groups, which, since 1968, has sought to advance the consumer interest through advocacy and education.

NCLC is a non-profit organization specializing in consumer issues on behalf of low-income people. NCLC works with thousands of legal services, government and private attorneys, as well as organizations, who represent low-income and elderly individuals on consumer issues. NCLC submitted the letter to Treasury on behalf of its low-income clients.

U.S. PIRG is the national lobbying office for the State Public Interest Research Groups. State PIRGs are non-profit, non-partisan public interest advocacy groups.

EPIC is a public interest research center in Washington, D.C. It was established in 1994 to focus public attention on emerging civil liberties issues and to protect privacy, the First Amendment, and constitutional values.  
<http://www.epic.org>

Consumers Union is the not-for-profit publisher of Consumer Reports.