

H&R Block Responds to California Attorney General Filing

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KANSAS CITY, Mo.--(BUSINESS WIRE)--Feb. 15, 2006--H&R Block Inc. (NYSE:HRB) said today's filing by the California Attorney General has no legal or factual merit. The focus of the Attorney General's filing is the cross collection practice of the lending bank that services refund anticipation loans (RALs) made to Block's clients.

A Santa Barbara, Calif., judge ruled last year that the cross collection practice of the Santa Barbara Bank & Trust is governed exclusively by federal laws. Cross collection occurs when a client's current refund is held by the lending bank to pay outstanding debt from a prior year's refund anticipation loan. Typically, the debt has been outstanding for one or more years. Because the lending bank's practice is governed by federal law that is outside the state's jurisdiction, the state has chosen to try to indirectly influence the bank's process by suing H&R Block, which facilitates the loans during the tax preparation process.

"H&R Block provides its clients with multiple, prominent disclosures about cross collection before clients commit to a refund anticipation loan or other bank product," said Murray Walton, vice president - compliance. "We clearly lead our industry in the quality and quantity of disclosures and financial education provided to clients so that they can make informed decisions in all aspects of the tax preparation and refund process. We believe the Attorney General would better serve California consumers by ensuring that H&R Block's competitors follow our example."

H&R Block has been discussing aspects of the refund lending program with the California Attorney General for more than two years, providing background information on how the company informs clients of the bank's cross collection practice as well as other client disclosures related to the loan product. As the nation's largest tax preparation company, H&R Block is committed to ensuring that its clients understand the possibility of cross collection before they decide to choose a refund anticipation loan, and the company is leading the industry in providing its clients clear and accurate pre-sale disclosures about the practice.

In addition, H&R Block has voluntarily made several enhancements to its client disclosures nationwide over the past several years. This year, the company introduced a program that enables the lending bank to provide an early notice of possible cross collection. As a result, H&R Block is now able to inform clients early during the tax preparation interview that they might be subject to cross collection and direct them to a phone in Block's office where they can call the lending bank toll-free to obtain specific information about any prior refund anticipation loan debt.

For nearly 20 years, refund anticipation loans have been popular with tax clients who want fast access to money based on their anticipated tax refunds as well as the convenience of not having to pay for their tax preparation up front. Many clients who have chosen refund anticipation loans in the past are repeat customers. The lending bank's finance charge varies depending on the loan amount and is competitive in the industry. H&R Block's tax preparation fees are consistently determined by the complexity of each client's tax situation.

Client disclosures go into great detail to describe other, lower-cost tax filing options, explain the cost of the loans, and advise clients that cross collection could occur on such prior debts. The word "loan" appears on each page of the bank's loan application in letters two inches high, and also is very clearly used in all of the product's advertising.

The company believes the refund lending program is both fair and legal, and will vigorously defend against the complaint.

About H&R Block

H&R Block is a leading provider of tax, financial, mortgage, accounting and business consulting services and products. H&R Block is the world's largest tax services provider, having prepared more than 400 million tax returns since 1955. The company and its subsidiaries generated revenues of \$4.4 billion and net income of \$636 million in fiscal year 2005 from operations in four principal business segments: tax preparation and advice via retail, online and software solutions;

investment and financial advisory services; retail and wholesale mortgage services; and tax/accounting/business consulting services for mid-sized companies. Headquartered in Kansas City, Mo., H&R Block markets its services and products under three leading brands: H&R Block, Option One and RSM McGladrey. For more information, visit our Online Press Center at www.hrblock.com.

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