

H&R Block Announces Plan to Open 1 Million Bank Accounts for Free And Significantly Cut the Cost of Refund Lending

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Company Outlines Goal to Connect Underserved Clients to Financial Mainstream Through Low-Cost Banking and High-Yield Savings Solutions

KANSAS CITY, Mo., Sep 07, 2006 (BUSINESS WIRE) -- H&R Block Inc. (NYSE: HRB) today announced plans to open low-cost bank accounts for free for 1 million of its tax clients and significantly reduce the cost of refund anticipation loans for tax season 2007.

At its annual meeting of shareholders, H&R Block Chairman and CEO Mark A. Ernst outlined a four-part plan that includes a next generation, low-cost bank account; new high-yield savings products; and enhanced financial education to better serve its tax clients.

"H&R Block has a long history of helping American families get the most from their financial lives," Ernst said. "The steps we're taking today build on that legacy by helping millions of our clients access the banking system in a unique way to reduce their costs and take another step toward a brighter financial future."

The company will utilize its nationwide network of 12,500 tax offices to enable clients to open bank and savings accounts conveniently at tax time.

1. New Low-Cost Banking Solution

H&R Block has set a target to open 1 million, next generation bank accounts for free to give clients the benefits of direct deposit of their income tax refund as well as easy bill payment and purchases, and ATM withdrawals without risk of overdraft fees. The new account blends the features of a traditional bank account with the benefits of a pre-paid card to offer secure, convenient and low-cost services that meet the needs of H&R Block's clients.

Accessed with the new H&R Block Emerald Pre-paid Card, this next generation bank account will be opened for free and features easy account access, no overdraft fees, no minimum balance requirement, no transaction fees for purchases, FDIC insurance, and convenient monthly statements. In addition, the bank card provides a way to avoid high check-cashing fees for the nearly 3 million H&R Block clients who do not have a bank account. The card account can also accept payroll and other deposits at thousands of retail locations nationwide.

"With direct deposit of a tax refund into an H&R Block Bank account, clients can receive their refunds in less than half the time of a mailed IRS check," Ernst said. "And clients can avoid fees for refund loans or check cashing that together can cost \$145 or more just at tax time. With year-round use, added savings averaging \$460 annually are possible."

In reaction to H&R Block's announcement, Ellen Seidman, executive vice president of Shorebank Corp. and former director of the Office of Thrift Supervision said, "Using its understanding of the desire of consumers to combine the safety of an insured bank account with liquidity and pricing transparency, H&R Block Bank will provide consumers who have traditionally not used bank accounts with access to lower-cost solutions at scale."

2. High-Yield Savings Solutions

In addition to its low-cost banking solution, H&R Block announced two new savings accounts that will enable its clients to turn their tax refunds into savings. At 5.25 percent annual percentage yield (APY), H&R Block's new Easy Savings Account and Easy IRA offer among the highest rates of return in the country for FDIC-insured deposits.

The Easy Savings Account, designed as a basic emergency fund, offers convenient access at ATMs. The Easy IRA enables clients to save for retirement using a tax-advantaged account that makes it simple to claim the Retirement Saver's Credit, a federal matching incentive for low- and moderate-income savers.

Both accounts have no minimum balance requirement and no opening or annual account maintenance fees for H&R Block's retail tax clients. The annual fee is also waived for non-H&R Block clients who maintain a \$300 minimum balance.

"For many Americans, the day they file their tax return is the one day of the year that they have managed to accumulate a non-negligible sum of money. As such, it represents a terrific opportunity to generate some long-term savings," said Dr. Richard H. Thaler, professor of behavioral science and economics at the University of Chicago Graduate School of Business. "What H&R Block has done is create a structure in which taxpayers can take advantage of that opportunity. By allowing them to open an account and directly deposit a portion of their tax refund, reluctant savers are much more likely to act. This creates a potentially powerful tool to help solve one of the most important problems facing our country."

3. Reducing the Cost of Refund Lending

H&R Block, in cooperation with its partner HSBC Taxpayer Financial Services, will significantly reduce the cost of refund lending for the upcoming tax season.

For a \$2,800 refund anticipation loan, which is the average loan size for H&R Block, the cost could be reduced more than 40 percent compared to last year. This same \$2,800 refund loan can cost as little as \$60, including a finance charge of less than 1.1 percent, when the loan is combined with a bank account. As an 11-day loan, the finance charge on this \$2,800 loan translates to a 36 percent APR, which meets benchmarks suggested by many consumer advocates.

"Used in combination with an H&R Block Bank account, lower-cost loans can be a bridge to entering the financial mainstream," Ernst said. "I'm hopeful that our action will trigger price cuts and reforms throughout the RAL industry."

Today's action builds on past H&R Block efforts to improve refund lending. Over the last several years, the company has reduced refund lending fees, improved client disclosures and tax professional training, incorporated suggestions from consumer advocates, and supported stronger RAL regulation to ensure that consumers can make more informed choices.

"Today's announcement represents a dramatic and profound step forward in the tax preparation business for low and moderate income Americans," said Steven Dow, executive director of Community Action Project of Tulsa County, one of the nation's largest providers of free services for low-income taxpayers. "H&R Block's decision to promote savings and simultaneously reduce the cost of banking services and the cost of loans is a monumental and welcome shift in the operating philosophy of the commercial tax preparation business."

4. Improving Financial Education and Advice

To expand its financial education and advice programs, the company will upgrade its H&R Block Advantage Report, a free report that customizes tax tips, budgeting, borrowing and savings information, alerts to government benefits, and action plans for each tax client.

"Many middle-income Americans have been left behind as traditional financial institutions focus on those with higher incomes," Ernst said. "Tax time is a unique moment during which we can meet our clients' distinct needs with planning and advice that's simple and actionable."

Steven Brobeck, executive director of the Consumer Federation of America, acknowledged H&R Block's efforts, saying, "The Consumer Federation of America supports any of H&R Block's efforts that benefit lower-income households by lowering the cost of essential banking services, by providing new and effective savings opportunities, and by informing clients how to lower banking costs and build personal wealth."

The company said it plans to introduce additional financial advice and education tools for the 2007 tax season.

About H&R Block

H&R Block Inc. (NYSE: HRB) 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 \$4.9 billion and net income of \$490 million in fiscal year 2006. The company operates in four principal business segments: Tax Services (income tax preparation and advice via in-office, online and

software solutions); Mortgage Services (non-prime mortgage originations and loan servicing); Business Services (tax, accounting and consulting services for mid-sized businesses); and Consumer Financial Services (investment and financial advisory services, retail mortgage loans and banking products). 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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