



North Carolina Department of State Treasurer

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For Immediate Release
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MOORE LEADS NATIONAL EFFORT TO END H&R BLOCK'S UNFAIR LOANS Tax Preparer Agrees to Meet and Discuss Practice

RALEIGH – State Treasurer Richard Moore today announced that he is leading a national effort to reform the high-interest, short-term loans marketed by H&R Block to consumers for the maximum amount of their expected federal tax refund. Data suggest that these refund anticipation loans (RALs), which carry annualized rates as high as 700 percent, are targeted toward low-income individuals and recipients of the Earned Income Tax Credit (EITC). In response to a call issued by Moore with New York Comptroller Alan Hevesi and Connecticut Treasurer Denise Nappier, H&R Block has agreed to meet and discuss their practice regarding RALs. The coalition led by Moore represents more than 1.6 million shares of H&R Block and more than \$36 million in assets.

“When you treat your customers unfairly, it will eventually damage your company and your bottom line,” Moore said. “As a major shareholder, I am concerned that continuing to market high-interest loans to the customers least able to afford them is not only a dubious practice, but potentially places our long-term investments at risk. We have the right to expect not only sound business principles but principled business.”

H&R Block markets a product known as Refund Anticipation Loans, or RALs. These are short-term, high-interest loans that allow tax filers to receive their anticipated refunds within one or two days of filing. The effective annualized interest rate, based on a 10-day loan, ranges from 40 percent for a loan of \$9,999 to 700 percent for a loan of \$200. For the average refund size of \$2150, the rate is 178%.¹ The National Consumer Law Center estimates 79 percent of taxpayers who were sold tax refund loans in 2003 had incomes of \$35,000 or less, and over half were recipients of the Earned Income Tax Credit (EITC), although EITC recipients make up just 17 percent of all taxpayers.²

In 2003, 626,103 North Carolinians applied for these high cost, short term loans. Of those who applied, 82 percent were low income taxpayers, and 60 percent were recipients of the EITC for low income families.³ RAL applications totaled \$1,351,097,288 in North Carolina in 2003.⁴ According to

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¹ 2006 Report by the National Consumer Law Center (NCLC) and the Consumer Federation of America (CFA)

² NCLC/CFA Report, citing IRS SPEC data

³ Data from IRS Stakeholder Partnership, Education and Communication (SPEC) Return Information Database for Tax Year 2003, October 2005.

⁴ Brookings Institution Metropolitan Policy Program, Zip Code Tax Return Data, 1997-2003
<http://webapps.brookings.edu/EITC/>



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calculations by the Community Reinvestment Association of North Carolina (CRA-NC), these loans drain more than \$56.3 million annually from North Carolinians' tax refunds.

“Refund anticipation loans with unreasonable interest rates rob working families at a time working families are struggling to put food on the table and gas in the car,” said North Carolina AFL-CIO President James Andrews. “We call on H&R Block to stop taking advantage of the poor and those that can less afford high interest.”

There have also been numerous lawsuits filed against H&R block related to its RAL practices in states including West Virginia, Texas, Illinois, California and New York. Several cases have been settled at a cost of more than \$100 million and many are still pending.

Treasurer Moore and CRA-NC had hoped to allow shareholders to vote on this issue through a resolution regarding RALs, but the company refused to allow it on the proxy. The resolution would have requested that H&R Block “implement a policy mandating that the Company cease its current practice of issuing high-interest RALs, develop higher standards for any future issuance of RALs, and ensure that if the Company issues RALs in the future, such RALs are issued with an interest rate and accompanying fees that are reasonable and in compliance with all applicable laws.”

Moore's letter to H&R Block requesting a meeting is attached.

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