



Consumer Federation of America



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September 30, 2011

The Honorable C. Richard Miserendino
Administrative Law Judge
Office of Financial Institution Adjudication
3501 N. Fairfax Drive, Suite VS-D8116
Arlington, VA 2226

To the Honorable Judge Miserendino:

We are writing to you as a coalition of national, state, and local consumer groups that have been battling against refund anticipation loans (RALs) for the last decade. As you may know, the defendant in one of the cases before you - Republic Bank & Trust - is the last bank in the country that makes these high-cost, high-risk loans. Every other bank that previously made these loans has either voluntarily exited the market, or has been required by its federal regulator to cease making them.

Republic has stated its intentions to continue making RALs in the upcoming 2012 tax season. We have been informed there is nothing to stop Republic from making these abusive loans because the hearing on the FDIC's charges against Republic has been continued until February 2012. Thus, we urge you to hold this critical hearing earlier, to prevent Republic from continuing to drain millions of dollars from the refunds of taxpayers - most of them low-income and recipients of the Earned Income Tax Credit - for another year. At a minimum, we urge that this hearing not be delayed to an even later date.

As you know, RALs are one- to two-week loans made by banks and offered by tax preparers, secured by the taxpayer's refund. RALs can be expensive; earlier this year, Republic charged \$61.22 for a RAL of \$1,500, which translates into an APR of about 149 percent. In 2009 (the last year for which we have data), RALs skimmed over \$600 million from the refunds of 7.2 million American taxpayers.

Even other members of the industry have started to realize the problems with RALs. Just this month, H&R Block announced that it would not offer RALs in the 2012

tax season, citing the lack of financial necessity for the product. Block's announcement and our press release applauding the decision are attached. Block also cited the importance of consistent regulatory treatment for this product.

Indeed, Block's statement highlights another problem in holding the hearing on Republic in the middle of the tax season, *i.e.*, that it creates confusion and uncertainty in the marketplace. In order to have clear rules and a level playing field for this industry, we urge that the hearing be held in sufficient time to issue a decision by no later than December 30, 2011.

Thank you for your consideration of this letter. If there is a need for follow-up, please contact Chi Chi Wu at cwu@nclc.org or 617-226-0326.

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News Release

H&R Block Decides Not to Offer Refund Anticipation Loans in 2012

Company to Continue Offering Other Low-Cost Financial Solutions to Meet Clients' Needs

KANSAS CITY, MO, Sep 13, 2011 (MARKETWIRE via COMTEX) --

H&R Block (NYSE: HRB) announced today that it will not offer refund anticipation loans (RAL) during the 2012 tax season. However, the company will continue providing low-cost financial solutions next year.

"We evaluated our options to determine what was best for our clients, the business and our shareholders," said Bill Cobb, H&R Block president and CEO. "Knowing we had a strong 2011 tax season without RALs, our analysis did not present a compelling reason to bring back the product in 2012."

A RAL is a short-term loan based on a taxpayer's anticipated federal tax refund. RALs were critical to taxpayers when IRS refund delivery times took up to eight weeks. But, with recent modernization efforts, the IRS estimates taxpayers will wait two weeks or less for their refunds in 2012, reducing the financial necessity for choosing a RAL.

H&R Block will continue offering its clients low-cost financial solutions such as, refund anticipation checks (RAC). A RAC is not a loan. It is a convenient product for taxpayers who want to deduct the cost of tax preparation from their refund. The customer's RAC proceeds can be deposited onto a reloadable H&R Block Emerald Card that is accepted at more than 1 million ATMs nationwide. It is an especially useful product for unbanked taxpayers looking for a low-cost way to establish a year-round banking relationship.

H&R Block, which was a leader in reducing the overall cost of RALs, did not offer RALs in 2011 after regulators directed its third-party lending bank to stop funding the product. However, some smaller tax preparation firms were still able to offer RALs due to different regulations imposed on their lending banks. H&R Block strongly believes this regulation should be consistent across the tax preparation industry.

"The expertise of our tax professionals and our superior client service resulted in H&R Block growing new clients by nearly 19 percent last year -- even without a RAL," said Cobb. "With our consistently strong lineup of products, we believe 2012 will be another great tax season for H&R Block."

About H&R Block H&R Block Inc. (NYSE: HRB) is one of the world's largest tax services providers, having prepared more than 575 million tax returns worldwide since 1955. In fiscal 2011, H&R Block had annual revenues of \$3.8 billion and prepared more than 24.5 million tax returns worldwide, utilizing more than 100,000 highly trained tax professionals. The Company provides tax return preparation services in person, through H&R Block At Home(TM) online and desktop software products, and through other channels. The Company is also one of the leading providers of business services through RSM McGladrey. For more information, visit our Online Press Center at www.hrblock.com.

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SOURCE: H & R Block

<http://www2.marketwire.com/mw/emailprcntct?id=2532B53ECFFEDE1B>
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Consumer Federation of America



For Immediate Release

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Consumer Advocates Applaud H&R Block Decision to Forego RALs and Urge Republic, Jackson Hewitt and Liberty to Stop Making High Cost Loans

Consumer advocates at the National Consumer Law Center (NCLC), Consumer Federation of America (CFA) and Community Reinvestment Association of North Carolina (CRA-NC) cheered the announcement by H&R Block, the largest tax preparation chain in the country, that it will not offer refund anticipation loans (RALs) in 2012. “H&R Block did the right thing by deciding to ‘just say no’ to RALs,” said Chi Chi Wu, a staff attorney at the National Consumer Law Center. “We have criticized these loans as high cost and risky for over a decade, and we are pleased that Block has actively decided not to offer them.”

RALs are one to two week loans made by banks and offered by tax preparers, secured by the taxpayer’s refund. RALs can be expensive; earlier this year, one bank charged \$61.22 for a RAL of \$1,500, which translates into an APR of 149 percent. RALs target low-income taxpayers, especially recipients of the Earned Income Tax Credit, a tax break for working poor families. In 2009, RALs skimmed over \$600 million from the refunds of 7.2 million American taxpayers.

H&R Block lost its ability to make RALs in 2011 when its bank partner, HSBC, was ordered by its federal regulator to stop making the loans. Despite its inability to make RALs, Block had a good tax season this year, with growth of 5.6 percent in number of returns prepared and 19 percent increase in new clients. In fact, H&R Block cited these positive results as one reason it decided not to bring back the product in 2012.

Jackson Hewitt and Liberty Tax Service both offered RALs in 2011, and use Republic Bank & Trust as their RAL lender. Consumer advocates urged H&R Block’s competitors and the sole remaining RAL lending bank to follow in Block’s footsteps. “Jackson Hewitt, Liberty Tax and Republic Bank should take a page out of Block’s playbook, and stop making RALs,” urged Jean Ann Fox, CFA’s director of financial services, “Faster refunds from the IRS and direct deposit to taxpayers’ bank accounts or prepaid cards get refunds into the hands of taxpayers without the drain of high-cost tax loans.”

In fact, the FDIC has taken action to stop Republic Bank & Trust from making RALs, and is seeking to impose a \$2 million fine for alleged widespread legal violations in Republic’s RAL program. However, Republic has appealed the FDIC’s action to an Administrative Law Judge and the appeals hearing is not until February 2012. In the meantime, Republic has decided to defy the FDIC and continue to make RALs in early 2012.

“We think Republic’s decision to make RALs for 2012 is both bad for consumers and foolhardy for the bank,” said Peter Skillern, executive director of CRA-NC. “We are astonished that a bank would continue to offer these risky, abusive loans to consumers in the face of an explicit directive by their federal regulator to stop.”

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National Consumer Law Center® is a non-profit organization specializing in consumer issues on behalf of low-income people. NCLC works with legal services, government and private attorneys throughout the U.S., as well as organizations that represent low-income and elderly individuals on consumer issues.

The Consumer Federation of America is an association of nearly 300 nonprofit consumer groups that was established in 1968 to advance the consumer interest through research, advocacy and education.

The Community Reinvestment Association of North Carolina is a nonprofit agency that promotes and protects community wealth.