



March 27, 2006

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Mr. Frederick R. Casteel
Midwest Regional Director
Office of Thrift Supervision, Midwest Region
P.O. Box 619027
Dallas, Fort Worth, TX 75261-9027

Attn: New Information Calls for Denial of H&R Block Bank

Dear Mr. Casteel:

On March 15, the Office of Thrift Supervision (OTS) announced its approval of H&R Block's application for a federal savings bank charter (Director's Order 2006-07). The charter was approved subject to 13 conditions that must be complied within a manner satisfactory to you, the OTS Midwest Regional Director.

Condition #3 states that on the business day before this proposed transaction is finalized, H&R Block "must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Applicants and the Savings Bank, respectively, as disclosed in the Applications." If additional information having a "material adverse bearing on any feature of the Applications" comes to light, "the transaction must not be consummated unless...the Regional Director provides written non-objection."

Also on March 15, New York Attorney General Eliot Spitzer filed a \$250 million civil suit against H&R Block for fraudulent marketing of its Express Individual Retirement Account (IRA) product. As revealed in New York State's lawsuit, Block advised customers to buy an "unsuitable, fraudulently marketed, poorly performing, fee-ridden 'retirement vehicle' called the Express IRA" that shrinks over time. Eighty-Five percent of Express IRA customers lost money because their only investment option was a money market account paying an interest rate too low to cover the program's unadvertised fees.

According to Director's Order 2006-07, H&R Block plans to transfer "a significant portion of the present Express IRA and money market account funds to the Savings Bank," and that Block's bank "will be the custodian of new Express IRA accounts." Clearly, the nature of H&R Block's Express IRA product poses a significant safety and soundness concern to H&R Block's proposed savings bank operations.

In testimony during an OTS hearing on its bank charter application in October, 2005, H&R Block Vice President Bernard M. Wilson repeatedly used the company's Express IRA program to justify the need for a Block bank. He said Block had opened 500,000 Express IRA's in the past five years, which proved the company "can act really in a way that most traditional banks are not choosing to...we think we can fill that gap for low-income

Mr. Frederick R. Casteel
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In light of this new information about H&R Block's proposed operation of its savings bank, I am writing to urge you to withhold your approval of this bank application and advise OTS Director John Reich to reverse his decision to grant H&R Block a bank charter.

Thank you. If you have any questions, call me at (312) 427-8070 or email me at marvaw@woodstockinst.org.

Sincerely,

Marva E. Williams
Senior Vice President

MEW/bab

cc: John Reich