

**PUBLIC MEETING REGARDING THRIFT APPLICATION TO THE  
OFFICE OF THRIFT SUPERVISION  
BY H&R BLOCK, INC. AND BLOCK FINANCIAL CORPORATION**

**WEDNESDAY OCTOBER 5, 2005**

**TESTIMONY OF MARVA E. WILLIAMS, SENIOR VICE PRESIDENT**

**WOODSTOCK INSTITUTE**

Good afternoon. My name is Marva Williams and I am the senior vice president of the Woodstock Institute located in Chicago. The Woodstock Institute, which was founded in 1974, is a non-profit dedicated to increasing the financial and economic resources available to lower-income, minority and other underserved communities. The Institute also convenes the Chicago CRA Coalition, a collection of some 70 community organizations whose goal is to increase community reinvestment activity in the Chicago six-county metropolitan region. The Institute is a member of the National Community Reinvestment Coalition, the Coalition for Community Development Financial Institutions, the Illinois Coalition against Predatory Lending and the Monsignor John Egan Campaign for Payday Loan Reform.

Chicago has a long history of CRA activism and was the birth place of the movement, spearheaded by Gail Cincotta, which led to the Home Mortgage Disclosure Act in 1975 and CRA itself in 1977. In 1983, the first reinvestment agreements in the country were signed here with the Northern Trust

Bank, Harris Bank and First Bank of Chicago. Since then there have been regular agreements, among others, with First Chicago and its successor banks, including a path-breaking agreement in 1998 on the occasion of the merger between First Chicago-NBD and Bank One.

H&R Block, Inc. and Block Financial Corporation have a troubling history of providing high cost loans and services as well as a pattern of loan disparities through Option One. Therefore, their application to become a thrift holding company and establish a de novo thrift merits opportunities for substantial community input, such as this hearing. In addition, the OTS should consider the impact this proposed institution will have on lower-income consumers and communities, which organizations like the Woodstock Institute are committed to assisting in joining the financial mainstream and to become less dependent on fringe financial services, such as refund anticipation loans, high cost home mortgages and relationships with check cashers. For this reason, I ask that this application not be approved until and unless H&R Block makes a commitment to affirmatively address the 11 issues described in the comment letter sent to the OTS by the Woodstock Institute and our other community reinvestment colleagues in June 2005.

That letter identified several areas of concern. For the purpose of this hearing, my testimony will concentrate on the need for H&R Block to commit to developing and marketing affordable financial services. H&R Block must cease its cross-marketing activities with 7-Eleven regarding check cashing and cease placing ACE check cashing or other check cashing machines in Block tax preparation offices. These services represent significant costs for consumers and contribute to the poverty surcharge. Block should not be promoting check cashers; instead, it should be helping customers open savings accounts to get direct deposit of their money.

Further, Block's potential as a thrift to engage in payday lending activities, based upon its existing co-marketing activities with ACE Check Cashers, is very troubling.

Lower-income consumers often experience severe challenges to accessing basic financial services. Many low-income consumers have little or no experience with banks. Racial minorities, female-headed households, lower-income persons, young people, and families living in rural communities are disproportionately represented among the 'unbanked'.

Owning a deposit account helps families manage their resources, however limited those resources are. Funds held in these accounts are safe from theft, they are federally insured, and may earn interest. Checking and savings accounts help people maintain financial records and encourage saving habits. Managing an account also allows consumers to build a credit history that can qualify them for mortgage loans, credit cards, and other credit products.

Consumers without a relationship with a mainstream financial institution are likely to pay high transaction fees at check cashers. According to a Woodstock Institute's study, check cashers charge up to three times as much as financial institutions for basic financial services but do not provide key services like savings accounts and financial advice. In addition, some check cashers offer predatory services with exorbitant fees, including payday loans.

It is vital that H&R Block commit to establishing and marketing accounts that have the following features as a condition of this application:

- No credit check
- Ten dollars or less opening requirement or ability to establish accounts with income tax refund
- No minimum balance
- No monthly service fee
- No teller charges
- Unlimited check writing
- Free withdrawals from bank-owned ATM machines
- Promotion of direct deposit of paychecks and government benefits

Mainstream financial institutions have no place in the financial fringe. H&R Block must cease its activities that contribute to the poverty surcharge, including high priced short term consumer and mortgage loans and facilitating check cashing. Instead, H&R Block must commit to providing affordable financial services that allow consumers to build wealth and assets.