



Expanding into mobile banking tech with



H&R Block

Customer Interview

After operating for over 55 years, H&R Block is one of America's most trusted financial brands. But as technology creates new opportunities, all brands must evolve. H&R Block is a shining example of an established brand that has evolved alongside fintech.

In recent years, they've:

- Launched Spruce, a neobank app that has over 300,000 accounts.
- Acquired a small business money management software called Wave.
- Created a new short-term loan product called Emerald Advance Loans.
- Joined the Plaid Core Exchange network to plug Spruce accounts into the fintech ecosystem.

While H&R Block is a powerhouse, it hasn't done it alone. It greatly values partnerships that can help it scale while it focuses on customers, like the one it has with Plaid.

In this interview from Plaid Effects, Eric Sager, COO of Plaid, sits down with Les Whiting, Chief Financial Services Officer of H&R Block, to discuss how the company has evolved by using the power of a strong brand and partnerships.

This interview has been edited for clarity and length.

Eric: Can you share a bit about your journey to H&R Block?

Les: I consider myself a reformed banker, having spent most of my career at the intersection of financial services and technology. At a young age, I wanted to learn about new technologies, which led me to payments, where a lot of innovation was happening.

In 2011, I worked for a company called Wave, which focused on helping micro-businesses gain insights into their business performance. We found an opportunity to embed financial services into cloud platforms. This helped customers better understand their performance and created new distribution and monetization methods through the embedded financial services.

We sold Wave to H&R Block four years ago. I joined the team and started my mission to direct that innovation into H&R Block.

Eric: Can you explain how your work ties back into the H&R Block mission?

Les: The mission has always mattered to me. At H&R Block, our mission is to help and inspire our clients and communities through the services and the products we deliver. We're focused on helping the average American get access to financial services that help them manage their money better.

Eric: That's something we hold near and dear to our hearts. When you think about all the success that you've had, Spruce comes to mind. I read that you now have 300,000 accounts and almost a billion dollars of deposits. What has driven that success?

Les: People know and trust this brand. We've been around for over 55 years. Customers come to us when they're looking for financial advice.

Most neobanks' biggest challenge is reaching customers. We've got this unique position of sitting in the middle of \$50 billion in tax refunds. This built-in distribution network gives us a very low acquisition cost. Right when they're filing their taxes, we can give customers their refund up to six days faster if they use a Spruce account.

As we improve the customer experience, it resonates more with our customers. Our growth in deposits isn't just due to tax refunds. It's also due to customers engaging with Spruce regularly and using it as their preferred everyday banking app.

Eric: That's an amazing success story. You've been a Plaid customer for a long time. In fact, you're the first customer I met in person. What has your experience been like with Plaid?

Les: We've been partnering with Plaid for close to a decade now, and I value partnerships. I tell my teams that we don't have vendors, we have partners. We pick our partners carefully. We try to be great partners and expect great things from partners. When you think of partnerships in those terms, you get the best outcomes.

The Plaid partnership came when we were considering launching a product called Bank Payments at Wave. We'd been working with similar companies but frankly had been dissatisfied. We used Plaid as a test to prove the claims that you guys were making. Plaid was incredibly responsive. We appreciated the speed, performance, and focus on a simple and easy customer experience.

This product was nothing new. It was essentially ACH payments against an invoice. Others had tried it, but few succeeded. The great unlock for us was building a differentiated transaction experience.

At that point, customers were becoming familiar with Plaid Link. The performance was incredible and a massive success. To this day, about 17% of our gross processing volume goes through bank payments.

We continue using Plaid's great products at both Wave and Spruce. Over the years, I've learned not to try to build everything. Instead, find great partners that can help you scale quickly while you focus on your core consumers.

We recently launched Plaid Core Exchange. We're excited about how this plugs our customers' Spruce accounts into everywhere Plaid is connected. We launched this two months faster than our product and engineering teams told us to expect. I was told the technology is great, the team is fantastic, and the documents are so well written that it allowed us to bring this to market faster. Those things tell you you're choosing the right partner.

Eric: I love hearing that. What are the new Plaid products that you're most excited about right now? Cash flow underwriting is an area we've spoken about.

Les: When we look at the health of the consumer, not only our data but also the Financial Health Network, the American consumer is struggling. Our purpose is to build tools that will help consumers do better with their money. We'll continue to expand into financial health, with solutions around spending, saving, borrowing, and planning. We'll do that through partnerships and new products we'll be bringing to market.

Last November, we launched a new short-term loan product called the Emerald Advance Loan. We saw tremendous demand from consumers. We acquired almost \$400 million in new loans, which are short-term loans in small dollar amounts up to \$1,300.

We offered this exclusively in a small subset of our 6,500 retail offices, but we see a ton of potential in making it digital. To do that, our partnership with Plaid will continue to grow and expand.

We're excited about the Plaid CRA (Consumer Reporting Agency) being a regulated company—that's really important for us. Augmenting our traditional credit models with cash flow underwriting will help us reach more consumers, including people we're unable to lend to today.

Eric: We're very excited about leveraging cash flow underwriting to help consumers get better offers and pricing. Your role in that is very important and it plays well with the other solutions you're working on. Plus, you have the brand to go with that. You're a natural entry point for consumers to get access to these kinds of solutions.

Les: Yeah, we're super excited. We've got a lot of capabilities, and we're just getting started.

Eric: It's really nice to have you here and to spend some more time with you. I appreciate all the insights and thoughts. And, of course, we appreciate you being a longstanding Plaid customer.

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Plaid is a global data network that powers the tools millions of people rely on to live a healthier financial life. Our ambition is to facilitate a more inclusive, competitive, and mutually beneficial financial system by simplifying payments, revolutionizing lending, and leading the fight against fraud. Plaid works with over 8,000 companies including fintechs like Venmo and SoFi, several of the Fortune 500, and many of the largest banks to empower people with more choice and control over how they manage their money. Headquartered in San Francisco, Plaid's network spans over 12,000 institutions across the US, Canada, UK and Europe.

Questions? Reach out to our sales team at info@plaid.com