Network Branded Prepaid Card Association
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March 25, 2014

Ms. Carney McCullough
U.S. Department of Education
Office of Postsecondary Education
1990 K Street, N.W.
Washington, DC 20006

Ms. Pam Moran
U.S. Department of Education
Office of Postsecondary Education
1990 K Street, N.W.
Washington, DC 20006

Re: Issue Paper 4 - Department of Education (DOE) Negotiated Rulemaking Committee on Program Integrity and Improvement

Dear Ms. McCullough and Ms. Moran:

This letter is submitted on behalf of the Network Branded Prepaid Card Association ("NBPCA")[1] in response to the release by the DOE of Issue Paper 4 on Program Integrity and Improvement Issues ("Issue Paper 4"). The NBPCA appreciates the opportunity to respond to proposals raised by the DOE regarding some of these financial products, specifically those provisions applicable to network-branded prepaid cards offered to students in connection with their attendance at a college or university ("Campus Card(s)") and their use on college and university campuses.

34 CFR § 668.164(d)(4) and (5) and 34 CFR § 668.164(e) Proposed Revisions

We are concerned that the DOE proposals to revise 34 CFR § 668.164(d)(4) and (5) and 34 CFR § 668.164(e), as set forth in Issue Paper 4, will, for all practical purposes, make it impossible for an educational institution to offer students an option of establishing a "sponsored account" (e.g., either a checking account or prepaid card account), and this will end up hurting students, especially those students who are economically disadvantaged.

[1] The NBPCA is a nonprofit, inter-industry trade association that supports the growth and success of network branded prepaid cards and represents the common interests of the many participants in this new and rapidly growing payments category. The NBPCA's members include banks and financial institutions, the major card networks, processors, program managers, marketing and incentive companies, card distributors, payment industry consultants and law firms. The comments made in this letter do not necessarily represent the position of all members of the NBPCA.

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The NBPCA believes that students should have the right to choose the loan disbursement method that best meets their individual needs. This freedom of choice should include, after full disclosure of all terms and conditions, the ability to choose Campus Cards, which in some cases are a less expensive option for students than basic or traditional checking accounts at national banks.[2] The revisions set forth in 668.164(d)(4) limit student choice by making direct deposit of student-aid refunds to an existing account held by the parent or student the preferred option, requiring colleges to request that students use their personal bank accounts for receiving refunds before helping them apply for a sponsored account. This preference may end up costing the students more to access their funds, as the parent or student most likely has their account (if they have one at all) at a financial institution located in the city or town of their permanent residence, and not the city or town where they attend college. Their existing financial institution may not have either bank branches or fee-free ATMs located anywhere in close proximity to the college, forcing the student to undertake out-of-network ATM transactions to access their funds, incurring fees to both their bank and to the owner of the out-of-network ATM. Alternatively, the parent or student has to take the time to establish a new account at a financial institution with branches and in-network ATMs that are convenient to the college campus, and potentially incurring fees related to maintaining the existing and new accounts.

For the parent or student who does not have an existing account, especially those students who come from economically disadvantaged families, the process required to be followed under 668.164(d)(4) and (5) will likely result in a delay in the disbursement of student-aid refunds to the student. Or more likely given that it is doubtful that a college would be able to locate a willing financial institution to provide a sponsored account to students, given the restrictions set forth in 668.164(e), the student-aid refund would have to be disbursed to the parent or student without an existing account, by paper check.

If the parent or student is forced to receive their student-aid refunds by check, they face the following consequences:

- Delays in accessing funds. The parent or student has to wait for the check to arrive. Then, once the check is received and deposited, may have to wait for the bank to make funds available.
- Check-cashing and money order fees. Given that they do not have an existing bank account into which the funds can be deposited, the parent or student would be forced to go to a check cashing location to cash their check, incurring check cashing fees of 2%-5% of the amount of the check. These fees can add up quickly. For example, the average family incurs $700 a year in fees to check

[2] United States Government Accountability Office, Report to the Chairman, Committee on Health, Education, Labor, and Pensions, U.S. Senate: College Debit Cards, Actions Needed to Address ATM Access, Student Choice, and Transparency, February 2014, available at http://www.gao.gov/assets/670/660919.pdf (last visited March 24, 2014)

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cashing facilities.[3] Further, in order to pay creditors, such as landlords or utilities, the student would either have to take the time to go to the office of the creditor to pay the bill in cash, or bear the costs of purchasing money orders to pay bills, then the time and cost of mailing or delivering these.

- The funds are gone if lost or stolen. Debit cards and prepaid cards loaded with federal government funds have the protections of Regulation E, as well as the zero liability policies of the card brands. Students are protected against lost or stolen cards, or unauthorized transactions.
- No access to online services. Debit cards and prepaid cards make bill payments and online purchases easier for the student and provide access to the financial payments system, access unavailable with a cash based approach.

The revisions set forth in § 668.164(e) prohibit educational institutions from offering Campus Cards bearing that institution's logo or mascot or otherwise implying affiliation with the institution. This restriction will eliminate the ability of educational institutions to offer a program under which they can disburse Title IV funds to the same card that the student uses for campus identification, to access campus facilities, and to perform a variety other functions relating to student life. The restriction thus hurts students by taking away a flexible and convenient turnkey payment solution for nearly all aspects of campus life and hurts educational institutions by forcing them to manage two programs rather than one and incur additional expenses and decreases in efficiency as a result.

Additionally, § 668.164(e) imposes various restrictions on fees charged in relation to Campus Cards. Specifically, the revisions limit the charging of fees for use of a Campus Card to conduct any transaction at an ATM, for maintaining a Campus Card, or for opening a Campus Card account or receiving funds onto a Campus Card. These fee restrictions make it impracticable or even impossible for educational institutions to offer Campus Cards to students and demand deposit accounts are not subject to similar restrictions. Particularly troubling are the limitations on any ATM fees. The ATM fee limitations do not differentiate between in and out of network costs, a step even government cards do not take, and are unnecessary under the current law, which guarantees free ATM access for students by requiring in-network ATMs to be conveniently placed on or adjacent to college campuses. Thus, further fee limitations in this area are unnecessary and limit student choice by making the offering of Campus Cards impracticable.

[3] Tuition Management Services, Infographic: The Who, The Why, and the How of Helping Unbanked Students, available at http://tuitionmanagementsystems.com/the-who-the-why-and-the-how-of-helping-unbanked-students/ (last visited March 24, 2014) (citing Pew Report, Unbanked by Choice: A Look at how Low-Income Los Angeles Households Manage the Money they Earn, July 2010).

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Conclusion

The NBPCA appreciates the opportunity to comment on the important discussions that will take place during the Committee's meetings on March 26-28, 2014. The NBPCA recognizes that sponsored accounts are not the right choice for every student. The NBPCA fully supports requirements for written authorization from students and/or parents prior to disbursing Title IV funds to a sponsored account and the full disclosure of all terms and fees associated with a sponsored account. The NBPCA does not believe, however, that the regulations addressing disbursements of student-aid refunds in Issue Paper 4 are necessary in this area in order to protect the interests of students. As discussed in our prior letter to the DOE, substantial regulations, as well as other existing consumer financial services regulations already apply to protect the interests of students and their parents and to ensure that Title IV funds are both managed and disbursed appropriately. The NBPCA thus believes that the disbursement proposals set forth in Issue Paper 4 are not necessary and would harm students and parents by potentially restricting student choice in loan disbursement options and limiting the many benefits the sponsored accounts currently offer.

If you have any questions, please do not hesitate to contact me at (201) 746-0725.

Sincerely,

Kirsten Trusko, Executive Director
NBPCA

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