

United States Senate

WASHINGTON, DC 20510

October 7, 2015

The Honorable Arne Duncan
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

Dear Secretary Duncan:

We write to commend the Department of Education's work during the negotiated rulemaking process and the proposed regulations regarding Federal Student Aid's Cash Management procedures. We share your commitment to ensuring that every aspect of the Federal financial aid system is focused on serving the best interests of students, and we appreciate the work you have done to address important issues that have been raised in the financial aid delivery system. The proposed rule is a good first step that will create more transparency and strengthen access in delivery of Student Financial Aid. While we applaud the creation these vital protections for students, we also urge the Department to ensure the rule does not unintentionally limit the ability of higher education institutions to continue utilizing the services of private vendors on which many rely to process Title IV student aid refunds.

The proposed rule will ensure that students can easily and transparently access their financial aid by requiring more surcharge-free ATMs and more transparent disclosure of fees associated with bank accounts tied to financial aid servicers. The rule also seeks to improve transparency and accountability by making public the contracts between third-party student aid processors and institutions of higher education. These are important steps that will improve the process for distributing financial aid and protect students from abusive practices.

Notwithstanding the new protections in the proposed rule, we are concerned that the rule may have some unintended consequences. Many institutions of higher education currently depend on third-party servicers to disburse student financial aid. A July 2014 GAO study found that at least 852 colleges and universities have agreements to provide debit or prepaid card services to their students and in the majority of these agreements, the schools "outsourced to their card provider the process for paying financial aid and other funds via college cards and other methods."

Given the reliance of many colleges and universities on private servicers to process their Title IV student aid refunds, we urge the Department to ensure that institutions are able to continue using their services, that providers can continue operating in this space and that new consumer protections created by the rule are available to students. Particularly, we ask that you consider whether the data sharing provisions of the rule as currently drafted allow vendors to use data in accordance with the purposes for which such data was initially disclosed, such as disbursement of financial aid refunds.

We believe these concerns can be addressed while still meeting your goals of strengthening transparency and consumer safeguards in these areas. We look forward to working with you continue your work on this rule.



Christopher Murphy
United States Senator

Sincerely,



Richard Blumenthal
United States Senator