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Congress of the United States
House of Representatives
Washington, DC 20515-0920

June 30, 2015

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

Dear Secretary Duncan:

I write to express my concerns over the Department of Education's Notice of Proposed Rulemaking (NPRM) issued on May 18, 2015, which would establish new regulations pertaining to Federal Student Aid's Cash Management procedures.

As currently drafted, this proposal contains several major flaws that, if not addressed, could increase fraudulent activity in student aid programs, eliminate affordable financial services available to students, and force students into choices that are not in their best financial interests. While I support the overall intent of your effort to increase transparency and consumer safeguards, I urge you to address these issues before any final rule is promulgated.

As you know, millions of students rely on federal student aid to finance their college education. This financial assistance covers many aspects of students' education, including tuition and fees, books, supplies, transportation and living expenses. After deducting the cost of tuition and fees, institutions are required to disburse the remaining balance to the student within 14 days, so that they may pay for additional education-related costs in a timely manner. Many institutions manage this process by using third parties to ensure students receive their funds in an expeditious and secure manner. At many colleges and universities, the student may receive this aid through a paper check, a previously established bank account, or an optional third party financial account established specifically for students who do not have a traditional banking option or are seeking a new financial institution. This process affords students the ability to choose what is in their best financial interests.

The NPRM raises a number of serious questions that throw into doubt the ability of these third parties to continue to offer services for the benefit of students and the institutions which they attend. If the NPRM remains as is, institutions will face serious administrative challenges in disbursing student aid and students will likely be forced to go back to standing in lines on campus to receive their funds via paper checks.

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More specifically, I am concerned that the NPRM does not achieve the following goals:

1. **Any new regulation must not increase the risk for fraud.** I understand that students must be assured that institutions and their third party providers can ensure the timely and accurate delivery of their funds. Unfortunately, the NPRM does not allow institutions to provide third party servicers with sufficient information to confirm the identity of the student aid recipients. If third parties cannot verify a student's identity and effectively match a refund to the intended recipient, the likelihood of fraudulent claims will increase and students will not receive timely and secure access to their aid. In practice, these regulations would achieve the opposite effect of their stated purpose.
2. **The best interests of students must come first.** Many students do not have local bank accounts, and a properly-regulated financial account that has competitive terms and conditions for students must remain a viable option. The NPRM, however, sets up a system of unworkable constraints on financial accounts provided by third party servicers that will make it financially impossible for third parties to offer low-cost checking accounts in conjunction with disbursement services.
3. **Students should continue to be allowed to choose the best option for themselves.** Students must be presented with information that allows them to choose the financial account that best meets their unique needs. The goal should be to teach students to make informed decisions, not make these important decisions for them. Unfortunately, the NPRM requires institutions to steer students toward using their existing financial account, even though it may not be in the best interest of the student to use that account as a vehicle for their financial aid disbursement. Providing students with transparent choices for receiving their funds has broad acceptance among all stakeholders.

As the Department considers comments on its NPRM, I urge you to seriously consider the issues that have been raised in this correspondence. Furthermore, I sincerely hope the Department will work with me to achieve these shared goals, while promoting and protecting students.

Sincerely,

A handwritten signature in blue ink, reading "Alcee L. Hastings". The signature is stylized and fluid, with the first name "Alcee" and last name "Hastings" clearly visible. Below the signature, the name and title are printed in black text.

Alcee L. Hastings
Member of Congress