

Director Richard Cordray  
Consumer Financial Protection Bureau  
1700 G Street NW.  
Washington, DC 20552

March 30, 2015

Re: Student and consumer group response to Safe Student Account Scorecard RFI  
Docket No. CFPB-2015-0001

Dear Director Cordray,

The undersigned student, consumer, civil rights, and legal aid groups write in support of the Consumer Financial Protection Bureau's Safe Student Account Scorecard initiative. The Scorecard would help ensure that students' interests are not compromised when colleges and universities enter into marketing agreements to sell financial accounts on campus. In conjunction with what we hope will be a strong new Department of Education rule on campus banking products, the Scorecard would help provide full protections for students.

We also urge the Bureau to take the Scorecard a step further and explicitly warn schools about problematic features, such as overdraft fees and revenue sharing, which should never be part of any contracts to offer student accounts on campus.

***Colleges and universities must begin to put students' best interests first when negotiating with banks and prepaid card issuers***

As many reports have detailed, agreements between colleges and financial institutions steer students into college-sponsored prepaid and checking accounts that may not be in the students' best interests.<sup>1</sup> These accounts have been found to use deceptive tactics, such as designing websites and mailings that lead students to believe that their financial aid will be delayed if they do not chose the sponsored account, or even deliberately delaying disbursement to other, non-sponsored accounts.<sup>2</sup> Co-branding the cards with the school's logo and integrating it with student ID functionality also may push the student to select the account over other options.

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<sup>1</sup> See, e.g., Government Accountability Office, *College debit cards: Actions needed to address ATM access, student choice, and transparency* (2014), available at <http://www.gao.gov/assets/670/660919.pdf>; Department of Education, Office of Inspector General, *Third-party servicer use of debit cards to deliver Title IV funds* (2014), available at <http://www2.ed.gov/about/offices/list/oig/auditreports/fy2014/x09n0003.pdf>; Consumer Financial Protection Bureau, *Perspectives on Financial Products Marketed to College Students*, Presentation to the Department of Education Negotiated Rulemaking Session 14 (Mar. 26, 2014) available at [http://files.consumerfinance.gov/f/201403\\_cfpb\\_presentation-to-department-education-rulemaking-committee.pdf](http://files.consumerfinance.gov/f/201403_cfpb_presentation-to-department-education-rulemaking-committee.pdf); Suzanne Martindale, Consumer Reports, *Campus banking products: College students face hurdles to accessing clear information and accounts that meet their needs* (2014), available at [http://consumersunion.org/wp-content/uploads/2014/08/Campus\\_banking\\_products\\_report.pdf](http://consumersunion.org/wp-content/uploads/2014/08/Campus_banking_products_report.pdf); Richard Williams and Edward Mierzwinski, U.S. PIRG, *The campus debit card trap: Are bank partnerships fair to students?* (2012), available at [http://www.uspirg.org/sites/pirg/files/reports/thecampusdebitcardtrap\\_may2012\\_uspef.pdf](http://www.uspirg.org/sites/pirg/files/reports/thecampusdebitcardtrap_may2012_uspef.pdf).

<sup>2</sup> Government Accountability Office, *College debit cards: Actions needed to address ATM access, student choice, and transparency* (2014) at 27-28, available at <http://www.gao.gov/assets/670/660919.pdf>; ; Department of

In return for providing exclusive access to the student body and student personal information, schools may receive discounted services or a share of the financial institution's revenue. But revenue sharing provides the incentive for schools to steer students unknowingly into more expensive accounts. Students, who trust their college as a steward of their financial aid dollars, may also reasonably believe that the school is presenting them with the best deal on the market for the student – never realizing that the school's actual financial incentives align with increasing the account issuer's revenue.

***The Scorecard is a voluntary tool for schools to use in their bidding process with financial institutions***

The Scorecard sets out a list of best practices for account fees and features. It would be a voluntary tool for colleges and universities to use during their contract bid process with financial institutions to identify whether the account would serve the students' best interests. When a financial institution seeks to enter into a contract with a school to market its checking or prepaid accounts to students – for example, during the financial aid disbursement process or as part of the student ID card – the school could use the Scorecard to assess whether the account meets certain minimum safety and fairness standards before it chooses to contract with the financial institution.

***The Scorecard would help schools select safe accounts***

The Scorecard provides a model of a safe student account. This account could be a traditional deposit account or a prepaid account. The essential features of a safe account would include: no overdraft fees; FDIC or similar deposit insurance; free direct deposit, electronic bill pay, and electronic statements; and two free “e-checks” or money orders a month. Financial institutions would also have to list their monthly fees and any “nonstandard” fees, such as fees for accessing in-network ATMs, debit card purchases and declines, balance inquiries, and customer service calls. They would also have to list any remaining fees, such as out-of-network ATM fees and fees for printed or mailed statements.

***Overdraft fees are a dealbreaker***

The fees and features in the proposed Scorecard are important metrics to evaluate student accounts. In particular, the recommendation against any overdraft fees conforms to best practices and is consistent with existing Department of Education rules that restrict credit features on accounts offered in connection with financial aid disbursement.<sup>3</sup> Many student bank accounts today have overdraft policies that allow for hundreds of dollars in fees to be assessed in a single day, when the bank could simply decline these transactions at no cost. Overdraft programs have a history of using predatory practices aimed at maximizing fee revenue from those least able to avoid these fees, and younger Americans are more likely to be charged overdraft fees than other

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Education, Office of Inspector General, *Third-party servicer use of debit cards to deliver Title IV funds* (2014) at 9-10, available at <http://www2.ed.gov/about/offices/list/oig/auditreports/fy2014/x09n0003.pdf>.

<sup>3</sup> 34 C.F.R. § 668.164(c)(3)(vii).

age groups.<sup>4</sup> Any school seeking to partner with a bank should insist against the charging of overdraft fees.

***Schools and students must still be wary of revenue sharing agreements***

Although we believe the Scorecard will help schools identify safe accounts that are in students' best interests, the pitfalls of revenue sharing will still persist. As long as colleges are getting paid by banks to offer up their student bodies as a marketing channel, students may still get the short end of the stick. As the Bureau's research demonstrates, the vast majority of college students either already have bank accounts when they enroll, or would be able to obtain a bank account on the open market.<sup>5</sup> Exclusive contracts and revenue-sharing agreements do not appear to produce better deals for students.

Thank you for considering our comments and for your continued efforts to address campus banking products.

Sincerely,

Americans for Financial Reform  
American Federation of Teachers  
California Reinvestment Coalition  
Center for Responsible Lending  
Consumer Action  
Consumers Union  
NAACP  
National Association of Consumer Advocates  
National Consumer Law Center (on behalf of its low-income clients)  
Student Debt Crisis  
Student Labor Action Project  
United States Student Association  
U.S. PIRG  
Woodstock Institute  
Young Invincibles

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<sup>4</sup> See Federal Deposit Insurance Corporation, Press Release, *FDIC Announces Settlements With Higher One, Inc., New Haven, Connecticut, and the Bancorp Bank, Wilmington, Delaware for Unfair and Deceptive Practices* (Aug. 12, 2012), at <https://www.fdic.gov/news/news/press/2012/pr12092.html>; Consumer Financial Protection Bureau, *Data Point: Checking Account Overdraft at 5* (with 11 percent of account holders aged 18-25 incurring more than 10 overdraft/non-sufficient funds fees in a year) (July 2014), available at [http://files.consumerfinance.gov/f/201407\\_cfpb\\_report\\_data-point\\_overdrafts.pdf](http://files.consumerfinance.gov/f/201407_cfpb_report_data-point_overdrafts.pdf); Rebecca Borné and Peter Smith, Center for Responsible Lending, *The State of Lending: High-Cost Overdraft Fees* (2013), available at <http://www.responsiblelending.org/state-of-lending/overdrafts/>.

<sup>5</sup> Consumer Financial Protection Bureau, *Perspectives on Financial Products Marketed to College Students*, Presentation to the Department of Education Negotiated Rulemaking Session 8 (Mar. 26, 2014) available at [http://files.consumerfinance.gov/f/201403\\_cfpb\\_presentation-to-department-education-rulemaking-committee.pdf](http://files.consumerfinance.gov/f/201403_cfpb_presentation-to-department-education-rulemaking-committee.pdf)