



March 30, 2015

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G St. NW
Washington, DC 20552

Docket No. CFPB-2015-0001

Dear Ms. Jackson:

The National Association of College and University Business Officers (NACUBO) is pleased to provide this response to the Consumer Financial Protection Bureau's Request for Information (RFI) Regarding an Initiative on Safe Student Banking published in the *Federal Register* on January 27, 2015. NACUBO represents more than 2,100 public and nonprofit colleges and universities. Our primary members are chief financial officers and their staff, including bursars and student accounts staff. The association is dedicated to promoting sound fiscal and administrative practices at campuses across the country.

In December 2012, in response to the growth of campus-based banking options for students and increasing public interest in student debit card options, NACUBO recommended to its members several best practices. NACUBO's *Safeguarding Student Finances: Guidance for Campuses Offering Student Debit Card Options* has much in common with CFPB's proposed scorecard. In addition to encouraging institutions to provide students with information to allow them to be informed consumers, the guidance calls for colleges and universities to keep students' interests first – a theme found throughout the CFPB's draft scorecard. We recommend that colleges and universities utilize competitive procurement processes, engage students in selecting partners, negotiate low fee options, scrutinize marketing plans, and publicly disclose the terms of their agreements. A copy of NACUBO's guidance is included at the end of our comments.

We believe that colleges and universities would welcome advice from CFPB on how to improve their requests for proposals involving student bank accounts, if the advice is offered in a constructive tone. However, we have concerns with the scorecard as presented.

For instance, we are worried that the repeated references to "safe" student accounts may be disconcerting. At times, CFPB implies that "safe" means free. We understand CFPB adapted this language from the FDIC's "Safe Accounts Template," but we believe it may be confusing to many and thus counterproductive. We recommend simply calling this tool a "Student Account Scorecard."

The last decade has seen remarkable growth in electronic banking and payment systems. Direct deposit has become the standard for paying wages to employees and many employers offer the option of a payroll card (a type of prepaid card) to employees. Similarly,

higher education institutions are increasingly remitting (“refunding”) via electronic funds transfer (EFT) student account credit balances created by financial aid disbursements, overpayments, or schedule changes. EFT allows students to receive these monies quicker and safer than via paper check. These types of financial products and payment modalities continue to evolve, so institutions of higher education are constantly evaluating them in an effort to better serve their students.

Mentioned in our 2012 guidance, we continue to believe it is in the best interest of students to have a bank account or a reloadable card, especially when credit balance refunds are issued, in order to receive their funds faster, safer and most efficiently. Gone are the days of waiting in line at the bursar’s office for a credit balance refund check. Debit and prepaid cards free students from the expense of check-cashing services and the hazard of carrying unsafe amounts of cash.

In the January 27 *Federal Register* notice, the CFPB notes that college and university “financial product marketing partnerships have shifted from credit cards and preferred student lender agreements toward student debit and prepaid cards,” and “there are now more agreements to market student checking, debit, and prepaid cards than agreements to market credit cards.” While the CFPB and others have attributed this shift to CARD Act restrictions on credit card agreements between banks and schools, we disagree. Instead, market factors and the desire to improve student services and benefits have led colleges and universities to negotiate agreements with financial institutions on behalf of their students. Students without personal financial accounts are at a distinct disadvantage in securing and managing their funds. In addition, the evolving market for prepaid cards makes it easier for schools to provide these instruments—and their benefits—to students, particularly those without bank accounts.

NACUBO Responses to Questions from the RFI:

1. How can institutions of higher education and students benefit from soliciting information on the features and cost of financial products marketed through a partnership with a financial institution?

Colleges and universities continually strive to provide effective and efficient services to their students. In a number of cases, universities have negotiated agreements with banks to offer the option to link campus ID cards to bank accounts at the express request of student groups. These arrangements are often linked to a variety of other services such as on-campus branch banks and ATMs, and financial literacy tools and programs. Information collected through a request for proposal (RFP) process helps colleges and universities make informed decisions when selecting vendors, including financial institutions offering bank accounts to students.

Before any partnership is formed with a financial institution, it is a school’s responsibility to assess the desire and need for such a partnership by weighing the proposal’s pros and cons, and seek student input and involvement, as described in NACUBO’s guidance.

NACUBO believes that if the decision is made to partner with a bank for student accounts, it is important to solicit RFPs from financial institutions and then conduct

a negotiated procurement process to ensure students are offered the best products and features at minimal or no costs. Of course, students should always have the option to decide with whom they wish to bank. A college or university should never dictate which financial institution students choose. But if an institution of higher education can partner with a bank that provides a fair and transparent fee schedule, easy to access ATMs and/or branch offices and other services, students can benefit from the convenience provided and will have the assurance that the bank's services are consumer focused.

2. How can the draft scorecard based on the FDIC Model Safe Accounts template be adapted to meet the needs of this specific market and to other types of products that institutions of higher education seek to offer to their students?

The draft scorecard included in the CFPB's RFI is a good starting point for discussions around university partnerships with banks and accounts that are offered to students. NACUBO offers the following suggestions for making the scorecard more useful to business officers on campus.

Required Features. Schools typically determine student account features that will be required for a proposal to receive further consideration, which should be clearly laid out in the RFP. That seems to be the true intent behind the "Safe Account features" listed in the matrix provided in Question 1 of the template, but we believe it would be more effective to approach this in a straight forward manner. For instance, listing "deposit insurance" as a feature that should be offered for free seems unnecessary. We have never heard of an account that charged a fee for deposit insurance.

Moreover, the starting point for this matrix is inappropriate for some types of accounts such as traditional checking accounts. As explained in the introduction to the RFI, the FDIC was establishing minimum parameters for a basic card-based account. Some institutions may be interested in offering this type of account, but often full-service checking accounts are preferred. The last two items on the list do not apply to a checking account. Why would institutions want to require two free money orders or e-checks a month if all account holders have the ability to write checks?

A "no overdraft or insufficient funds" requirement as presented in the draft scorecard is also problematic. When paying with a card, consumers are often asked "debit or credit?" by the merchant. If a debit card PIN transaction is attempted and there are insufficient funds in the underlying account, the transaction is simply denied at the point of sale and no NSF fees are charged. In the same situation, if a student instead used his/her debit card for a credit transaction (requiring a signature), the transaction may be processed in an off-line mode and could later incur an NSF fee. Similarly, if the same transaction was made using a paper check—to pay rent, for example—the account holder could be charged an NSF fee.

Fee Schedule. Rather than spread questions about fees associated with the accounts across five questions (draft scorecard Questions 1-5), the financial

institution should be asked to list in a standard matrix *all* features and fees associated with the account. These may include (but should not be limited to):

- maintenance fees
- minimum balance requirements
- in-network ATM use
- out-of-network ATM use
- online banking
- mobile banking
- email and text alerts
- online statements
- paper statements
- first order of checks
- overdraft or insufficient funds (NSF)
- debit card use
- account inactivity
- account termination

Marketing Practices. Question 6 of the sample scorecard focuses on marketing practices, asking financial institutions to provide details about their ability to comply with certain principles. We agree with several of the guidelines that address communicating with students in an objective and neutral manner. Again, if the presumed intention of the school is to require certain practices, NACUBO believes it would be more appropriate to set them out as requirements rather than inviting discussion of the financial institution's "ability to comply."

The third bullet in Question 6, "students shall provide written, affirmative consent before any access device is provided, including any unactivated device," is problematic for colleges and universities with ID cards that may be linked to a checking account with a partnering bank. Students need an ID card from their first day on campus. These cards are routinely distributed to all incoming students with only the ID and institutional functions enabled. A student may elect to open an account with the bank that has partnered with the school and request for activation of the banking function (or to link an existing account) at any time.

ATM Access. Questions 7 and 8 ask for information on access to regional/national networks of surcharge-free ATMs and ATM locations. This is another area in which the school is likely to first require that accounts are tied to a broadly used ATM network, but we agree that asking for detail is helpful. However, rather than ask generally about "close proximity" to unspecified locations, a more useful question might ask financial institutions to list how many surcharge-free ATMs are (or will be) located on and off campus. For those ATMs that are off campus, perhaps banks could indicate their distance from a central campus location, similar to online hotel listings.

Contract Transparency Requirements. We believe that colleges and universities should be transparent when entering into agreements with financial institutions, but a summary of contract terms is more helpful to students than posting the entire contents of a contract online. Further, students may find it easier to locate these summaries if they were posted on the school's website rather than the website of the financial institution. Colleges and universities could then provide contact information should a student have a question on the agreement. Schools could also better explain the terms of these agreements, including revenue sharing and royalty provisions, to students who would then see the benefits of the accounts.

It may be difficult for financial institutions to annually submit to schools summaries of fees paid by students for several reasons, including:

- The bank might only know that an account holder is a student at a certain point in time: when the individual opening the account identifies him/herself as a student. Colleges and universities do not share their enrollment data on a continuing basis with banking institutions. Unless an account holder informs the bank that he/she has left the institution of higher education, the bank would have no way to know if the account remained a “student account.”
- Some students may arrive on campus with an existing account at the partnering bank and decide to take advantage of tying the account to their ID card, but without opting for the “student” account. The bank may or may not be able to separate these out.
- Financial institutions might have partnerships with multiple higher education institutions for student accounts and not track them by the specific school involved. In other cases, the offered account may be a generic “student checking” account the bank offers to students at any institution rather than tied to a particular college or university, again leaving the bank unable to track data so specifically.
- Further, except for those accounts that are specifically tied to credit balance remittance processes, many agreements with banks for accounts also are open to faculty and staff.

3. What are the potential advantages and disadvantages of separately negotiating arrangements with prospective financial institutions to market financial products to students, compared to including these arrangements as part of a broader relationship with a financial institution encompassing other services?

This answer is largely dependent on the institution and its particular circumstances and needs. One institution might be looking to provide single card functionality that will allow students, faculty, and staff the option to use their university ID card as a checking account debit card as well as access on-campus services through a closed-loop stored value card. The overlapping nature of functionality may point to using a single provider. Another institution may need assistance remitting credit balances to students in a timely manner and also want an EFT option for students without existing bank accounts. Others may find that bundling the institution’s own banking needs, space for an on-campus branch, and provision of student accounts allows the institution to leverage the best deal for students. Some institutions may negotiate these agreements separately simply because the products fall under different departments within the college or university.

Independently negotiating accounts marketed to students allows the bank and the school to focus solely on student needs, the services provided to students, and their associated costs. Financial institutions can tailor services based on the institution and its students. While differences in the needs of student populations may seem apparent when comparing community colleges to research universities, there are also differences within the same constituency. An urban community college is quite different from a suburban community college. Different features and fees may not

be prioritized the same at schools with dissimilar student populations. One size, truly, does not fit all.

On the other hand, separately negotiating these accounts may lead to poorer outcomes for students if the college or university loses leverage in discussions with a potential partner. A larger agreement including multiple services often gives colleges and universities flexibility and a financial advantage in negotiations. More financial institutions may be interested in providing good terms for student accounts because they are competing for the school's business. NACUBO strongly believes that competition is good for the marketplace and should be encouraged.

4. What factors would institutions of higher education consider when determining whether or not to include additional information on product features and cost as part of a Request for Proposal?

NACUBO believes that colleges and universities should include and evaluate all relevant information when they are considering entering into an agreement with a financial institution to provide accounts to students. Many of the questions included in the draft scorecard are likely already included in schools' price comparison sheets.

5. What other information would be useful for institutions of higher education to solicit from potential marketing partners to assist them in determining whether financial product offerings are safe and affordable for their students?

While colleges and universities naturally consider features and fees important factors when making decisions on banking agreements, there are often other factors they consider when selecting a banking partner. The draft scorecard, as is, could limit consideration of other important features and services, such as type of financial institution (e.g., local, regional, national), control and issuance of ID cards (if available), financial literacy programs, reputation within the market, and innovations.

There are several items that, in addition to those included in the draft scorecard, could help colleges and universities determine which financial institution they should partner with to offer bank accounts to students. A key factor for many schools is the bank's willingness to provide accounts to all (or at least most) students who want to sign up. Depending on their location and student population, some institutions of higher education find that a measurable portion of their students have difficulty qualifying for bank accounts. Financial institutions are often asked to provide:

- A list of current client institutions
- Summary data from customer satisfaction surveys
- Information describing how students can avoid paying fees
- Details on how the financial institution will provide financial literacy education to help students understand the features of their accounts

- Community involvement
- Bank financial statements (to help a college or university evaluate the bank's credit and financial strength)

6. What tools or information would be helpful for institutions of higher education when comparing proposals from potential marketing partners and selecting the proposal offering the safest, most affordable products for students?

As mentioned earlier, a listing of all features and fees, rather than separate questions, would make comparing proposals easier for college and university decision makers. Standardized descriptions and units of measure within the scorecard would be useful for colleges and universities. For example, when discussing NSF fees, what type of transactions should be exempt from this requirement (if the CFPB retains proposed Question 1 in the next version of the scorecard)?

When evaluating which proposal to select for student banking, schools develop their own evaluation matrices to assist in the comparison of costs and benefits of services and assess what is most important to them. The evaluation criteria will depend on the context of the RFP and the suite of services sought. An institution of higher education seeking a third-party vendor to provide credit balance remittance services will have a different set of concerns than one looking for a partner to help administer a closed-loop campus card. Evaluation factors may include:

- Banking services/products offered to students that meet the population's needs
- Value of benefits to the students relative to bank services fees
- New and innovative ideas and/or services offered
- Online and mobile banking services
- Capacity to meet needs at peak periods
- Experience in providing campus banking services in the higher education market
- Financial condition of the proposer's institution
- Implementation planning which focuses on ease of conversion
- Marketing assistance offered to the higher education institutions
- Labor and financial cost of partnership with the higher education institution
- Revenue opportunities for the higher education institution

While the weighting of various factors will be unique to each institution, schools might benefit from advice on evaluating the various proposals they receive in response to an RFP. Can the CFPB share data that could lead to assumptions about typical college students' usage patterns? It is hard to weigh the relative cost of an account with a small monthly fee against one with more fees for individual items without data on how students are likely to use the account.

7. For existing arrangements between institutions of higher education and financial institutions to market student checking accounts, prepaid cards, and other financial products, what fees do students most frequently incur? To what degree do transaction patterns and fees vary among different student populations? How does this compare to the frequency of fee assessments on accounts unrelated to these marketing arrangements?

Colleges and universities do not have access to information on fees that students pay to financial institutions. Banks are unlikely to have accurate student-specific data either. Further, NACUBO doubts it would be possible for schools and banks to compare these fees among different student populations since schools do not share enrollment data with financial institutions. As previously mentioned, financial institutions may only know that a student with an account is enrolled at a college or university when that student opens that account and states that he or she is a student.

8. For which student financial products would a Safe Student Account Scorecard be most useful to institutions of higher education?

The scorecard could be helpful to schools looking at entering an agreement with a bank to offer checking accounts or prepaid cards to students, although as previously stated it could be improved. While many colleges and universities have robust RFPs that solicit specific information to assist in decision making, smaller colleges and those with fewer resources may not have the expertise to draft such extensive RFPs. The more information a college or university has regarding potential banking partners, the more informed the schools' decision will be and students will be confident that their institution looked for the best deal possible.

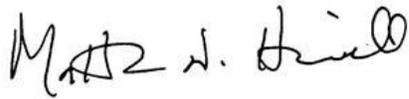
In summary, NACUBO is pleased with the work the CFPB has done on its initial draft of a student account scorecard, but has concerns with some areas and requests clarification on others. We believe that—done right—an account scorecard included as part of an RFP could be beneficial to higher education institutions, banks, and ultimately students. If colleges and universities use a standard format to gather information about features and fees for student accounts from financial institutions, it makes it easier for banks to provide that information. Additionally, schools lacking resources to develop their own RFPs will find the model account scorecard helpful as they contemplate entering into an agreement with a financial institution.

The conflation of “safe” and “free” could be misleading and confusing to those who do not know how these accounts work. Further, we believe that listing all account features and fees in one place, rather than asking if an account meets “safe” requirements, would be beneficial to business officers evaluating proposals submitted by financial institutions. Finally, we encourage CFPB to provide suggestions on methodologies schools could use to weigh the pros and cons of various fee schedules and features.

NACUBO looks forward to working with the CFPB in developing the best possible scorecard to help colleges and universities select banking partners that prioritize students' interests. We wish to express our appreciation for the opportunity to comment on this RFI, and look

forward to answering any questions the CFPB may have about our response. Please direct your questions to Anne Gross, vice president of regulatory affairs, at 202.861.2544 or agross@nacubo.org.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt W. Hamill". The signature is written in a cursive, slightly slanted style.

Matthew W. Hamill
Senior Vice President
Advocacy and Issue Analysis

Safeguarding Student Finances: Guidance for Campuses Offering Student Debit Card Options



The availability of campus-based banking options for students has grown significantly in recent years. Based on recent public interest and concerns about student debit cards, and a survey conducted by the National Association of College and University Business Officers (NACUBO) about student debit card options on college and university campuses, NACUBO recommends the following best practices for colleges and universities.

- 1. Keep Students First.** In ongoing efforts to hold tuition and administrative expenses down, college administrators seek cost savings in a number of ways, including automating manual processes, contracting with private operators for support functions, and establishing new revenue streams. Institutions should put students' interests at the forefront, making business decisions to enhance services available to students—and not do so at their expense.
- 2. Encourage Students to Use Financial Institutions.** Many students enrolling for the first time at a college or university have not yet established personal checking or savings accounts. However, those with bank accounts can typically better manage their money, do not have to carry large amounts of cash, and can benefit from the convenience of debit cards and transaction records. Additionally, most bank accounts are insured and offer fraud protection. Therefore, institutions should encourage students to use financial institutions.
- 3. Offer Choices.** Students have the right to choose their banking relationships, and this should be unambiguous in campus communications. Campus communications should also clearly state that students who already have accounts can use them. Some students may not have or be eligible for a traditional bank account so may prefer a campus-affiliated debit card option. Institutions should ensure that students have sufficient information available to allow them to be informed consumers.
- 4. Encourage Electronic Refunds.** Electronic transactions have become the norm in all aspects of consumer finance—from government payments to retail transactions—because they are faster, safer, less expensive, and more convenient. Schools should encourage students to receive their refunds electronically.
- 5. Utilize a Competitive Process and Limit Exclusivity.** The financial services arena is a fast-changing world for both the industry and consumers, with new options regularly

Campus Debit Cards in Context

At colleges and universities, students who receive financial aid or make payments on their school account may receive credit balance refunds from the institution. After grants, loans, and payments are applied to tuition, fees, and other charges, the excess is refunded to students to use for books, off-campus housing, food, transportation, and other expenses. When a credit balance is created by federal aid, regulations strictly define when such credit balance payments must occur. Students may also be entitled to refunds when they drop classes or make other changes that affect their charges.

Many institutions have shifted these financial transactions from paper checks to electronic processes, often managed through third-party vendors. This allows students to receive refunds through electronic funds transfer (EFT), directly to their own bank accounts or, depending on specific options offered, to prepaid cards or new accounts with the vendor.

In addition, some institutions have opted to partner with financial institutions to associate checking or prepaid accounts with campus ID cards and allow the campus card to function as a debit card. Students are not required to enter into relationships with financial institutions, but many prefer the convenience of carrying only one card.

emerging in the marketplace. Students and institutions should not be limited by outmoded choices. When seeking a vendor for financial services, institutions should use a competitive selection or bidding process. Institutions should also limit contracts to no more than five years.

- 6. Engage Students in the Vendor Selection Process.** Students are directly affected by campus contracts with financial institutions for student services, but are not always part of the decision-making process when a vendor is selected. Institutions should encourage student involvement in the process, which can include focus groups, representation on a selection committee, or consultation through student government.
- 7. Comply with Federal and State Regulations.** Colleges and universities take seriously their compliance with the U.S. Department of Education’s regulatory and administrative requirements for the Title IV federal student aid programs. Institutions should take steps to ensure that administrators, staff, and vendors comply with all applicable federal and state regulations.
- 8. Negotiate Low or No-Fee Options and Convenient Services for Students.** Just as colleges and universities strive to provide high-quality academic experiences for their students, they must ensure that school-sanctioned services are also good consumer values. For example, school-endorsed financial institutions should provide adequate ATM access on campus or ensure that banking facilities are readily accessible on or near campus, offer low-cost student account options, educate students to be informed consumers of financial services, and publish clear and transparent fee schedules. Examples of fees and services institutions should pay particular attention to include:
 - Account fees—set-up, requesting a card, monthly service, minimum balance.
 - Spend fees—making a credit card or debit transaction at a point of sale.
 - Cash fees—ATM fees, available surcharge-free networks, cash back at point of sale.
 - Deposit fees—depositing money by ATM, ACH, direct deposit, teller.
 - Help fees and services—online help, voice help, live agent and/or teller options, balance inquiry.
 - Caution fees—inactivity, replacement, overdraft.
 - Bill payment options and fees—online pay anyone.
- 9. Avoid Unscrupulous Marketing.** Institutions should use great discretion when agreeing to a communication plan to ensure that students are presented with a fair explanation of services and not with misleading, biased, or aggressive marketing schemes.
- 10. Make Contracts Transparent.** Institutions should publicly disclose the terms of any agreements with third parties issuing debit cards to students.