

USING FINANCIAL AID REFUNDS

What Are Banking Options Costing College Students?

A study from Bretton Woods, Inc.

Financial Aid refund payments occur when a student has residual financial aid money remaining after his or her tuition and fees have been paid. These funds are disbursed by the higher education institution to the student during each semester. Students may use these funds to pay for expenses such as books, room and board and other living expenses while pursuing higher education. According to the Department of Education's 2008 regulations regarding the distribution of Title IV funds, refunds must be disbursed to students free of charge.

Although the refund itself must be disbursed free of charge, there are often costs associated with the maintenance, access and ongoing use of students' money after they get their refunds, such as banking and service related fees. There are a variety of destination options available to students for their refunds and other deposits, including deposits into checking accounts or onto reloadable prepaid cards, and check cashing services.

Bretton Woods, Inc. was commissioned by Higher One, Inc. to conduct an independent, objective comparison of the value of student banking options. The analysis

included evaluating the actual cost of maintaining, accessing and using funds via the Higher One® OneAccount, OneAccount Edge and OneAccount Premier to the costs of various banking and other options available to students, including products from national banks, regional banks and reloadable prepaid cards.

Using a standard Consumers Union transaction pattern without direct deposit and FDIC overdraft usage analysis, Higher One's OneAccount products are on the lower end of the cost scale when compared to national and regional banks and major network branded prepaid cards*:

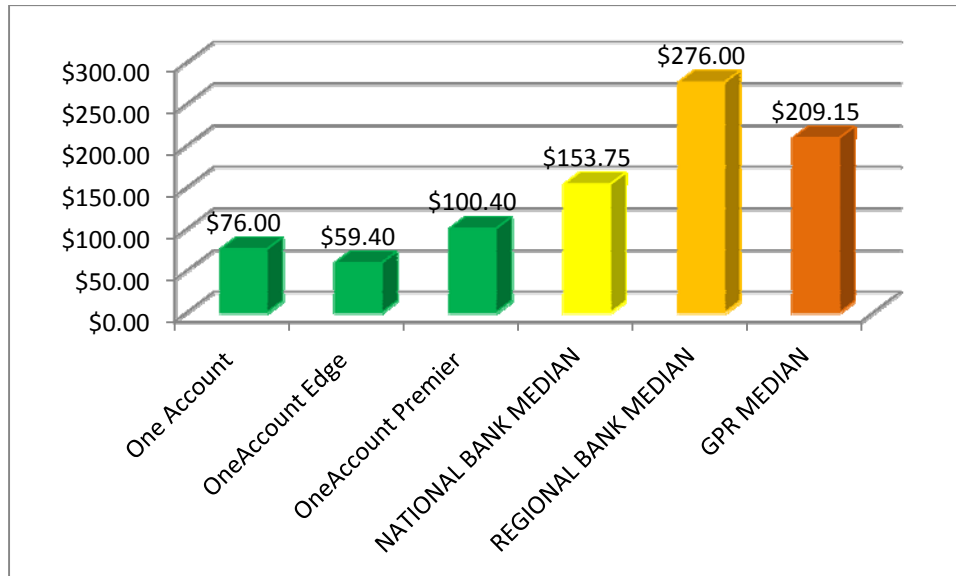
- OneAccount \$76.00
- OneAccount Edge \$59.40
- OneAccount Premier \$100.40
(with direct deposit \$29.00)

The actual yearly usage cost for Higher One customers is even lower at less than \$45 because their customers' usage pattern is not as frequent as the standard transaction pattern.

* The annual transaction pattern assumes 36 ATM withdrawals, 36 bill payments, 96 point-of-sale purchases, 48 balance inquiries, 24 deposits, no check use, applicable maintenance/service fees, overdraft opt-in where available, and overdraft/NSF fees resulting from ACH (1), ATM (0.5), debit card (3), and other (0.5) transactions. See Michelle Jun, "Prepaid Cards: Second-Tier Bank Account Substitutes," *Consumers Union Report* (Sept. 2010), 5, 6, 11; "Study of Bank Overdraft Programs," *Federal Deposit Insurance Corporation* (Nov. 2008), 78; and "Overdrafts Reflect Economy Per Moebs Study," *Moebs Services* (September 4, 2013).

ANNUAL COST FOR STUDENTS TO MAINTAIN, ACCESS AND USE FINANCIAL AID REFUNDS

Compared to Basic Checking and Prepaid Cards with No Direct Deposit



ACCOUNT	ANNUAL COST RANGE TO STUDENTS WITHOUT DIRECT DEPOSIT
Higher One OneAccount	\$76
Higher One OneAccount Edge	\$59
Higher One OneAccount Premier	\$100
National Bank Offerings	\$38 - \$341
Regional Bank Offerings	\$187 - \$358
Prepaid Cards	\$51 - \$373

FEE ANALYSIS: BANKS AND PRE-PAID CARD PROVIDERS

	OUT OF NETWORK ATM*	MONTHLY FEES	POINT-OF-SALE SIGNATURE	POINT-OF-SALE PIN	MINIMUM BALANCE/ OTHER TO AVOID FEES	CREDIT CHECK	MINIMUM OPENING BALANCE	INACTIVE OR ABANDONED ACCOUNT FEES	OD FEE FOR NON RECURRENT DEBIT CARD PURCHASES & ATM WITHDRAWALS	FIRST OD/ NSF FEE FOR OTHER TRANSACTIONS
Higher One OneAccount	\$2.50	\$0 for students (\$3.95 others)	\$0	\$0.50	Student or \$100 Direct Deposit/Mo	NO	\$0	N/A	\$0	\$29
Higher One OneAccount Edge	\$0	\$4.95	\$0	\$0	N/A	NO	\$0	N/A	\$0	\$0
Higher One OneAccount Premier	\$2.50 (1 Free/Mo)	\$5.95	\$0	\$0	\$300 Direct Deposit/Mo	NO	\$0	N/A	\$0	\$29
National Bank Offerings	\$0 - \$2.50	\$0 - \$12	\$0	\$0	\$0 - \$1,500	YES	\$0 - \$50	Varies by state law	\$0 - \$36	\$25 - \$36
Regional Bank Offerings	\$0 - \$3.00	\$0 - \$11	\$0	\$0	\$0 - \$1,500	YES	\$0 - \$100	Varies by state law	\$25 - \$37	\$25 - \$37
Prepaid Cards	\$2.00 - \$2.50	\$0 - \$9.95	\$0	\$0	N/A	NO	N/A	N/A	\$0 - \$15	\$0 - \$15

* All ATM transactions are considered Out-of-Network for providers without an ATM network.

** Prepaid cards may charge up to \$5.95 to send a check for a remaining refund balance.

As banks continue to focus on their most profitable customers, more consumers are choosing to leave traditional banks for alternative financial service providers. These consumers are creating a new category of “debanked” individuals. Banks are increasing fees for basic checking and/or making fee waiver requirements more difficult for low to moderate income consumers. The size of the underbanked market continues to grow with estimates as high as 73 million individuals.

The Higher One OneAccount products are three of the lowest cost alternatives for those students who either have an existing checking account or who can qualify for a checking account. For those students who cannot qualify for a bank account, it is a product that goes beyond the competition by accepting all applicants (and their associated risks) without credit checks or a ChexSystems review. The three OneAccount options, offered by Higher One through its partner banks, are vastly preferable to receiving a check due to the risks associated with carrying cash. The three OneAccount options also eliminate the costs of

buying money orders for bill paying purposes. Additionally, the mobile features—including mobile scanning of check deposits—match the features of many competitors.

The transaction pattern used in this research was based on the Consumer Union Report’s recommended transaction profile, which is a monthly transaction profile designed to meet the basic financial needs of a consumer. The overdraft usage is based on the 2008 FDIC Study of Bank Overdraft Programs. The reloadable prepaid cards that were reviewed are nationally available and prominent with students. The banks reviewed include the four largest national banks in the U.S. as of August 2013, as well as regional banks in the following states where Higher One’s OneAccount options have the greatest presence: Texas, Florida, Georgia, California, Michigan, Indiana, Kentucky, and Oklahoma. Finally, for the competitive analysis, Bretton Woods used the lowest-cost checking product or the product designed specifically for students whose average age is 28 (the average age of the Higher One customer).



For questions regarding this study,
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Bretton Woods uses a structured methodology for competitive analyses. The firm has published annual reports on overdrafts and reloadable prepaid cards for the last eight years. The process has been refined and the results have been subject to peer review as well as scrutiny in the media. All data is sourced and calculations are disclosed and transparent to avoid any semblance of bias. © Copyright, 2013 by Bretton Woods, Inc. ALL RIGHTS RESERVED. Any use of text, graphics, and analyses materials, including reproduction, modification, distribution or republication, without the prior written consent of Bretton Woods, Inc., is strictly prohibited.