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# Checking the Fairness of College-Provided Debit Cards

By ANN CARRNS FEB. 14, 2014

When Harris Foster arrived at Portland State University in Portland, Ore., he was offered a special debit card promoted by his school as a convenient way to get access to his student aid funds.

But after learning about the card in greater detail, Mr. Foster decided to simply have the funds deposited in his own checking account, out of concern that the debit card could result in higher fees.

“I don’t see why I’d use that system, instead of my own bank,” said Mr. Foster, now a 21-year-old senior majoring in French who also serves as student body president.

Campus debit cards are the subject of a new report by the Government Accountability Office, which recommends tougher regulations to ensure students are not unfairly steered into using the cards or paying unnecessary fees to access federal aid.

Two members of Congress, Senator Tom Harkin, Democrat of Iowa, and Representative George Miller, Democrat of California, are also pushing for greater scrutiny of agreements between schools and card companies.

Colleges often partner with card companies to help streamline the distribution of financial aid to students. Often, schools earn fees from the card providers, and encourage students to use the cards by promoting

them as a fast, convenient way to get their money. The Government Accountability Office found that 40 percent of students nationwide attend colleges that have agreements with financial firms to market campus debit cards, but it is unclear just how many students are enrolled in the card programs.

The Government Accountability Office studied more than 800 campuses and found that in general, fees on college debit cards were not higher — and in some cases were lower — than basic student checking accounts offered by big banks (credit unions, though, typically offered fees that matched or were lower than those on the campus cards). But the accountability office also said it was unable to get detailed information from some card providers about the actual fees incurred by students who use the cards. (The agency recommended that Congress consider requiring financial firms that provide campus card services to publicly disclose their agreements.)

In addition, the report found that at least two big card providers sometimes charged fees when students made purchases with their card using PINs, rather than with a signature — a fee that debit cards linked to traditional bank checking accounts do not usually charge.

Consumer advocates have raised concerns about the cards, saying that on some campuses there are few A.T.M.'s that students with the cards can use without being charged a fee.

The accountability office looked at nine campuses in greater depth, and found no significant problems with the availability of fee-free A.T.M.'s on those campuses. But it said the education department should better define what constitutes “convenient” access to an A.T.M.

The agency reported that some revenue-sharing agreements between colleges and card companies are becoming less prevalent, because of negative publicity. But at least one large public university has an agreement with a national bank for 2013 that required the bank to pay a royalty of \$34 for each active college card account, or a minimum of \$1 million a year. This can create a potential conflict of interest, in which

schools may partner with card companies that provide the best option for them, rather than the best option for students.

Sometimes, the agency's report noted, students may not know that using the cards is optional, and that they can have their funds deposited directly into their own checking account, or receive them by paper check, if they prefer.

Higher One, the largest provider of the campus cards, agreed in 2012 to pay \$11 million to settle allegations that it charged excessive fees to students who overdrew their accounts. Higher One has more than a 57 percent market share based on the number of agreements with colleges, the agency found.

The report said Higher One had discontinued revenue-sharing incentives to new customers as of November 2007, and has sought to end those provisions in existing agreements. As of early 2013, about 5 percent of the company's contracts with schools had revenue-sharing provisions, which in 2012 paid an average of \$12,000 per school.

"As the G.A.O. noted in its report, Higher One has already made considerable changes to ensure our student account offerings are fair, fully transparent and result in students receiving their financial aid refunds quickly and in the way they want it," said Casey McGuane, chief operating office of Higher One, in an emailed statement.

Here are some questions to consider about campus debit cards:

■ *Can my college require that I use a debit card to receive my financial aid payments?*

No. The Consumer Financial Protection Bureau recently warned schools that they cannot require you to use a specific account to access your student aid. If you have received a federal student loan, your school must provide a paper check or cash option.

■ *What factors should I consider when deciding between a campus debit card or a traditional bank account?*

The financial protection bureau suggests that you choose an account before you arrive at school. You should look beyond banks operating

A.T.M.'s on campus; some banks will reimburse you for fees charged for using an out-of-network A.T.M., and many now offer mobile phone apps that let you remotely deposit paper checks.

■ *Are new federal rules about campus cards under consideration?*

The Department of Education has formed a committee to develop proposed rules on various student aid issues, including college credit cards. The committee is scheduled to start work next week.

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