

REVENUE: No revenue impact

FISCAL: Fiscal statement issued

Action:	Do Pass as Amended and Be Printed Engrossed
Vote:	5 - 4 - 0
Yeas:	Doherty, Keny-Guyer, Lively, Vega Pederson, Holvey
Nays:	Johnson, Richardson, Smith, Thatcher
Exc.:	0
Prepared By:	Jan Nordlund, Administrator
Meeting Dates:	2/4, 2/11, 2/13

WHAT THE MEASURE DOES: Prohibits public or private post-secondary educational institution from entering into contracts with financial firm to provide disbursement and management services of student financial aid funds unless the following requirements are met: clear and concise disclosure of fee schedule before the student agrees to use account offered by third-party financial firm; explanation of all methods available to student to access financial aid; ability for student to choose to receive financial aid through a paper check or electronic funds transfer; require paper check be sent or electronic funds transfer be initiated, at no cost to the student, within three business days of student's request; prohibit charging student a fee per transaction for making a debit or similar transaction using a debit or similar card provided by the third-party financial firm; and prohibit provision allowing revenue sharing. Declares emergency, effective on passage.

ISSUES DISCUSSED:

- Types and amount of fees charged to college students using Higher One account
- Costs and benefits to students and schools when disbursement of financial aid is outsourced
- Whether all state schools could or should jointly enter into one contract for services to disburse aid

EFFECT OF COMMITTEE AMENDMENT: Replaces original measure.

BACKGROUND: It is practice for a number of post-secondary educational institutions in Oregon to contract with a third-party vendor to handle the disbursement of student financial aid. After tuition and fees are subtracted from the financial aid, any remaining balance is returned to the student. Depending upon the terms of the contract, the student can receive the funds through a debit card, pre-paid credit card, demand deposit account set up for the student by the vendor, transfer to an account designated by the student, or by paper check.

Students in Oregon and across the country who chose to receive their financial aid funds via a debit card, pre-paid credit card, or account set up by the vendor have complained about fees charged to access the funds. There is concern that students are not provided a clear description of the fees prior to selecting the method in which to receive their financial aid or that they are steered away from selecting payment via a paper check or transfer to an existing account. In some contracts, the educational institution participates in a revenue-sharing agreement with the third-party vendor to receive a percentage of the student account balances and transaction volume. In some contracts, the educational institution receives payment back from the third-party vendor so that the school can credit fees charged when a student complains. In one case, half of the contract amount is returned to the school for the school to refund fees to students upon request.

Higher One is most likely the largest third-party vendor that schools use to provide disbursement of student financial aid. Higher One serves more than 1,600 campuses and 13 million students nationwide. In a settlement with the Federal Deposit Insurance Corporation (FDIC), Higher One agreed in 2013 to pay \$11 million to up to 60,000 students for alleged unfair and deceptive practices. The FDIC also fined Higher One \$110,000 and The Bancorp Bank \$172,000.

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This summary has not been adopted or officially endorsed by action of the committee.