

REVENUE: No Revenue Impact
FISCAL: Fiscal impact issued
SUBSEQUENT REFERRAL TO:

Action:

Vote:

Yeas:

Nays:

Exc.:

Prepared By: James LaBar, Administrator

Meeting Dates: 5/20, 5/27

WHAT THE MEASURE DOES: Requires governing board or entity of public or private postsecondary institution to evaluate contract with third party financial firm based on recommendations from United States Department of Education (DOE) and Consumer Financial Protection Bureau (CFPB). Specifies contract may not include revenue sharing, per-use transaction fee on debit card, fee for initial disbursement via paper check or electronic funds transfer and account inactivity fee. Requires contract to be made public and posted on web site of postsecondary institution. Creates private right of action for students. Requires public university or community college contracting with third party financial firm to undertake reasonable efforts to establish collaboration agreements with other institutions.

ISSUES DISCUSSED:

EFFECT OF COMMITTEE AMENDMENT:

(-A7 amendment): Defines the financial terms ‘account,’ ‘financial aid funds’ and ‘financial aid refund disbursement process’ for this provision. Clarifies that third party financial firms are ‘for disbursement and management services of financial aid funds, or for management of financial accounts.

(-A8 amendment): Removes private right of action provision.

BACKGROUND: A number of postsecondary educational institutions in Oregon contract with a third party vendor to handle the disbursement of student financial aid. After tuition and fees are subtracted from the award, any remaining balance is delivered to the student for payment of expenses including books and room and board. Depending upon the terms of the contract, the student may 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. Concerns expressed include 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 has participated in a revenue sharing agreement with the third party vendor to receive a percentage of the student account balances and transaction volume. Some contracts have provided for the educational institution to receive payment back from the third party vendor for the purpose of crediting fees charged when a student complains. In one case, half of the contract amount was returned to the school for the school to refund fees to students upon request.

House Bill 2832-A requires the governing entities of postsecondary institutions to review contracts according to guidelines established by DOE and CFPB and to post contracts on their web sites. The measure prohibits revenue sharing, fees for initial disbursement via paper check or electronic funds transfer, “swipe” fees and inactivity fees. Additionally, the measure creates a private right of action for students and encourages educational institutions to collaborate with each other when negotiating contracts with third party financial firms.

5/27/2015 9:01:00 AM *

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

The vote count in the Higher Education, Innovation and Workforce Committee was 5-4, and the House vote count was 36-24.