

Student Research Concerning the Adoption of Higher One

Critical Reasoning and Writing
Philosophy 1413 & English 1393
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The following students conducted research and granted permission to release their findings. They hope their research will benefit Merced College Students:

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Current Headlines Suggested Problems

“Higher One: The Next College Campus Rip-Off!” CBSnews.com MoneyWatch

“Higher One, Bancorp Settle With FDIC on Student Debit Card Charges”. Reuters

“Higher One Agrees to \$15 Million Settlement to Resolve Charges”. Inside Higher Ed.

“Some Students Grumble About Higher One’s Debit Card Fees”. nytimes.com

“Higher One Partners with Colleges, Making College Loans More Expensive For Students”. Huffington Post, Money

“The Campus Debit Card Trap: Are Bank Partnerships Fair to Students?” U.S. PIRG

“Student Debit Card Issues Generate Fees and Controversy”. CNBC

“This Debit Card for Students is Eating Them Alive with Fees”. AP, Your Money

“FDIC settles with Higher One Inc. for Unfair and Deceptive Practices”. Dallas News

“Student Loan Debt Cards Draw Complaints Lawsuits”. Orange County Register

Students are complaining:

“There are some questions that definitely need to be answered...This is federal financial aid money. The country is under the impression that this money goes to students and not to a corporation in fees.”

Steve Meyer,
Student, Orange Coast College
Veteran of Afghanistan War

“Student Loan Debit Cards Draw Complaints Lawsuits”, Orange County Register

Independent research suggested problems:

**“The Campus Debit Card Trap” Public Interest Research Group (PIRG)
Education Fund (May 2012)**

Outsourcing financial aid raises questions as students bear costs

Students are captive customers to Higher One’s aggressive “push” marketing:

- students can’t opt in or out of HO as the vehicle.

- students assume college endorses HO due to MC logo on card.

Fees are steeper and more frequent than other industry-wide cards.

Limited ATM machines makes them inconvenient.

Higher One is costing students on average \$49 annually due to fees. 80% of HO’s profits are from account holder revenue fees, interchange fees, ATM fees, non-sufficient fund fees, and other banking fees.

Students conducted research:

1. Student Surveys: students distributed 300 surveys throughout their classes and on campus, specifically to students who collect financial aid and who where distributed a Higher One application and card. Students met after the deadline to tabulate results.
2. Trustee Surveys: 6 of 7 surveys were returned
3. Interviews with Vice President Kistler, VP Schultz and Joe Allison, and President Ron Taylor.
4. Internet research

Student Surveys

300 Distributed & 164 Returned

9 Questions + comments: Q#1 asked if the student received financial aid in the past by receiving a check. This was to learn from those who could compare the old way with the new process of receiving a Higher One debit card.

95 out of 164 surveys were returned from students who received financial aid in the past.

13 surveys were returned from members of ASMC

Survey Results:

Q2. Higher One advertises that its card is a better value than distributing a check, do you believe this is true?

No = 124/164 (76%) * 76/95 past users, No = 80%

Q3. If you did not choose the Higher One card, did you wait longer to receive your financial aid check?

83 did not opt for the card, and 50 of these waited longer.

Q4. Are you aware of input from students about the choice to adopt Higher One?

No = 104/164

Q5. Higher One advertises that it creates more choices; do you agree that you have more choices with a debit card than if you received a check?

No=113/164 (69%)

Q6. Have you been informed by the Merced College administration about why they chose to adopt the Higher One card for dispersing financial aid?

No= 133/164 (81%) ASMC No 13/13 = (100%)

Q7. In order to implement the Higher One card, your personal identification information had to be released. Do you find this constitutes an invasion of your privacy? **Yes 118/164 (72%)**

Q8. In Higher One's marketing material its corporate logo and the Mastercard logo are alongside Merced College's logo, does this give the impression that Higher One and Mastercard are officially endorsed by Merced College? **Yes 121/164 (74%)**

Q9. For the following year, would you rather: a. Receive a check;
b. Receive a Higher One debit card?

a. Receive a check = 122/164 (74%)

Comments

29 Written comments

- 20 comments related to excessive fees (too many, hidden, etc.)
- 7 related to confusion, inconvenience, waiting too long to receive money
- 3 related to privacy issues
- Two positive comments: (next slide)

Two positive comments were conditional.

- One student “loved the idea of not standing in line,” but did not like being pressured into the HO option over a check, and does not like paying the fees.
- A second student liked that it was easier to shop online, but did not like the fact that they were charged a fee to use card online.

Carmen Jimenez Rebuttal of Lauren Perry, Higher One Campus Media Liaison.

Re: Perry letter to The Valley Citizen (9/18/13)

- HO states it increases student's "Choices"; however, surveys show no input from students in the choice. Therefore, students are told that they have choices by an agency that was imposed on them rather than chosen by students.
- HO paid twenty-six million dollars in settlements for claims that included deceptive and unusual fees.
- An example currently experienced as deceptive is the card activation sticker which states it is not a credit card, but when students use the card off-campus to purchase goods they must use it as a credit card or they will accrue unwanted fees.

Jimenez Rebuttal (Continued)

- HO is not faster or more convenient as students stand in line at the one ATM machine on campus. She argues it was faster to receive a same day check even with the lines.
 - * One student pointed out that the lines dwindled as the day went on.
- The only same day service occurs if students opt for a HO account, but even then students waited for notification of funds and identification verification. If students exercise any other of their advertised “choices”, they are penalized by having to wait up to seven working days (9 days) to receive their money. Students need this money to buy books or basic provisions.
 - * Students are penalized by having to wait longer for their money if they do not choose to become a customer of HO.
- Jimenez refutes HO’s claim that it has no fine print, lets students know everything upfront, and has no hidden fees. The information about fees is referenced within pages of terms, and other debit cards are more straightforward so customers do not have to do research to avoid fees like those imposed by Higher One.

Trustee Surveys

- 6 out of 7 surveys were returned
- 4 Trustees had no prior knowledge that the District was adopting Higher One.
- 6 Were not informed about why the District adopted Higher One.
- 6 claim that Merced College has not officially endorsed Higher One, though a majority of students polled believe they have.

Administrator Interviews

1. What are the reasons for adopting HO? Financial aid lines, lack of bank accounts, processing costs, easier distribution.
2. Who initiated the move to HO? Joe Allison and Sharon Reinhardt were contacted by Higher One five years ago; unclear who actually chose to adopt HO.
3. Was there research done about Higher One's claims regarding value, choices, convenience; including the fact that Higher One settled out of court two law suits brought on behalf of student complaints? Not one felt there was a risk after reading articles, and one was told by a Higher One representative that they did not pay (law suits). Most administrators admit that the student verification process was not successful.
4. All administrators believe that Higher One is in the best interest of students, or could be once problems are fixed. However, there was no consideration about how to determine customer satisfaction: there was no input by students in the original choice, and there were no plans to conduct customer satisfaction surveys.

President's Interview:

President Taylor claims that he did not do research into Higher One because the process was in place before he took office, and he trusted his subordinates.

He agrees that charging students fees if they do not swipe the card as a credit card after informing students it is not a credit card on the activation sticker could be called “aggressive marketing”, but he believes this is typical for banks and credit card companies and that HO is not different in this regard.

He believes that Higher One is “... a learning experience just as going to class is a learning experience.”

He believes that the primary motivator was to streamline college operations and that it will take a while for students to benefit.

He shared that he was eager to hear the results of the student's research.

Professor's analysis and evaluation:

- What we know about the student population being targeted by HO marketing:
 - The students are low-income and in need of financial assistance.
 - Most of the students at Merced College are remedial and still taking preparatory courses in math and English.
 - Most college students (75% two year students) cannot handle common complex tasks, that included figuring out if a car had enough gas to get to a service station, **or comparing credit card offers.**
- National Survey of America's College Students (NSACS), report is posted on American Research Institute's web site.

Question: To save processing costs, is Merced College taking advantage of low income students who we should be educating about financial literacy?

Unethical Treatment of Students:

Administrators and Higher One's reps state that students are learning by this experience; however, colleges and universities are not allowed to harm students for the sake of providing a learning experience. Stress over homework or a test is justified; a loss of income to teach a lesson about banking is not.

Ethical considerations before exposing students to undue or unusual harm include:

- Informed consent of students involved.
- No excessive physical or emotional distress
- No deception
- Right of student to withdraw

Higher One claims that it will provide financial literacy training for students, but this breaks rules governing conflict of interest:

Companies do not fund objective academic research or course content that will include the analysis of its products for sale.

HO's marketing uses sophisticated rhetorical techniques:

1. The flyers on campus are tools for “push” marketing: over 2/3 of the information comprises advertising for Higher One.
2. “Higher One” - Does this name invoke the heavens, or what?
3. Merced College’s logo on the card implies an endorsement when Trustees have not officially endorsed HO.
4. It is emphasized that choosing the Higher One card is the only way to get money the same day.
5. An attempt is made to associate the sophisticated wealthy owners of HO with our mostly remedial and low income student population.
(next slide)

The first paragraph of one flyer identifies Higher One as:

“... a company started by three college students who believed in a better way to help students receive and manage money...we’ve never forgotten our pledge to offer more choices and better value to those who are still working to get there.”

In a recent interview, (Yale News 3/26/12) HO Chairman and President Miles Lasater emphasizes his personal experience as a basis for starting Higher One.

This strategy suggests an affinity between HO’s co-creators and our students. However, all three met as students at Yale, and Miles Lasater is on the Who’s Who list at Phillips Andover Academy along with George Bush and his two sons. Andover is a \$47K per year preparatory high school.

This suggests that HO’s co-creators have little in common with low-income Merced College students.

Higher One Representatives, Ray Parris and Barbara Smith, Presentation to the Board of Trustees 1/7/14

- Declined to respond to students questions and refused to make available for analysis copies of their presentation.
- Parris and Smith claims:
 - ATM breakdown is #1 student complaint (?) However, at MC and online, excessive fees and deceptive information are the top complaints; there were no complaints about broken ATM machines.
 - \$49 in fees per student is less than some other banks. (?) However, it is more than a free check.
 - Financial aid money is needed for books, etc.; and now tax payer money is being diverted to HO profits rather than education costs.
 - HO has a stable system that was built right the first time(?) However, they changed practices after a FDIC law suit.
 - Students are learning the value of a bank account(?) However, it is unethical to harm students to teach a lesson, and students should be free to choose if they want to bank.
 - HO improves customer services for students(?) However, student surveys show otherwise.
 - HO's card is designed to be used for free(?) However, if this was the case, then HO would not make a profit and would not exist.
 - HO's 3 million account holders are happy(?) However, we can't know this as students don't choose HO in an open market, and there are no planned satisfaction surveys.
 - HO frees payroll staff to give more attention to students(?) However, our payroll staff does not work with students.

Questions left unanswered by HO reps, Parris and Smith:

How does Higher One explain the apparent disparity between the claim that serving students is their number one focus and the fact that students seem to be the most dissatisfied group? (relative to college HR departments and investors)

How would you respond to someone who argues that the complaints described above (excessive fees, etc.) indicate that Higher One's main business is to profit from rather than help students?

How would you answer someone who argues that Higher One is taking advantage of our student's relative naiveté and poor literacy skills by presenting students with a complex fee structure and then informing them that they can figure out how to escape paying the fees if they, "...read the disclosures and do their homework before picking an account"? (Lauren Perry)

Do you believe some students feel compelled to sign up for a Higher One account because they are poor and need money as soon as possible to buy textbooks or even food?

Did any of the three gentlemen who created Higher One need financial aid in order to attain a higher education?

Third-party consumer systems create problems:

Third party consumer designates a case where the agency selecting a product is not the one using the product. Our HR department is the primary customer of HO, and students are third-party consumers.

This flips how private companies serve customer's needs, as the user is not the targeted customer; thus, the marketplace's "vote with your dollar" logic is not in effect.

Examples:

1. HR departments choose a 401(K) provider for employees, thus the providers (Fidelity, Charles Schwab. Etc.) marketing is geared toward making life easier for HR departments, and the amount employees pay in service fees may take a back seat.
2. Private contractors who market to prison and military commissaries may be selected by wardens and officers in charge. The contract company is more concerned with pleasing the primary consumer, and can't easily determine what the point-of-sale consumer would choose in an open market. Example: commissary chooses Dr. Pepper and Pepsi, so no way to tell if these would out-sell 7-Up or root beer.

In our case, the agency selecting Higher One is the college HR department, and Higher One is in the business of making them run more cheaply and efficiently. From the standpoint of the user of a HO debit card, it is hard to imagine choosing that in an open market where there are much better deals.

What exactly are we teaching students about financial responsibility in this arrangement?

“ Many observers of higher education in California attribute some of the problems to the trend among educators to imitate corporate America. Thus, students are too often referred to as “customers,” the “business” becomes top-heavy with bloated administrations, money is saved via outsourcing, and the “product” tends to be thought of as a vehicle for carrying costs and turning profits which are then plowed back into the system, usually in the form of a more expensive bureaucracy.”

- Eric Caine, The Valley Citizen

How the business model conflicts with scholarly principles:

- Students are not customers: Customers choose prefabricated products and services intended to bring relatively immediate gratification. Students participate in a challenging growth process that requires delayed gratification. Students do not know exactly what they want because education is a transformative experience. Students who self-identify as “customers” are more likely to feel entitled to grades they “paid for” rather than earned. Colleges that pander to “customer” demands (popularity) tend to inflate grades and dumb-down curriculum.
- HO at Board meeting will not allow academic analysis of their presentation.
- Can’t harm students unduly to teach them a lesson.
- HO cannot produce its own financial literacy material as this is a conflict of interest.

On September 6, California Governor Jerry Brown signed into law [Senate Bill 595](#) (SB 595). The bill stipulates, among other things:

*b) (1) Each campus of the California Community Colleges and the California State University shall offer a student the option of receiving his or her financial aid disbursement via direct deposit into an account at a depository institution of the student's choosing. Each campus...shall ensure that its contract or contracts for financial aid disbursement entered into on or after January 1, 2014, **provide that the contracting entity shall initiate the direct deposit within one business day of receipt of the financial aid disbursement moneys from each campus of the California Community Colleges and the California State University.***

The intention of the Bill was to stop the practice of making students wait longer for their money if they do not choose to do business with companies like Higher One; however, the way it was written this still may not occur.

In closing, some simple facts:

1. Prior to this year our students received financial aid disbursements free of charge in the form of a check.
2. This year the administration chose with no input from affected student groups, faculty members, or the Trustees to contract this service to Higher One which is a publically traded Wall Street for-profit company.
3. Higher One makes profits from our student's financial aid money.
4. This means that we have shifted the cost of disbursing checks from the District to our most vulnerable students. Also, tax-payer money is being diverted from education to Wall Street profits.

If anyone is to blame, then who is to blame?:

It is difficult to blame Higher One, aside from the legal cases they settled out of court, they are acting like most Wall Street profit-seeking companies. They have a difficult balancing act between their profit seekers, the payroll departments who are their primary consumers, and the students who are “third party consumers.”

1. Until suffering legal challenges that caused them to change their practices, and thus profit less per student, they have been a very profitable business. They may continue to be by expanding services.
2. College administrations are saving money, so are seemingly satisfied.
3. Students are the group who are complaining.
 - a. Survey results are not favorable.
 - b. Students at some schools are protesting.
 - c. Two legal cases brought on behalf of students.

If Higher One is not to blame, then who is?

The students? These are the people who are paying the fees and among whom there are many unhappy customers.

The faculty? These people were clueless about Higher One.

The administration? These are the leaders who chose Higher One and who are benefitting from less work and savings.

The Trustees? These are the leaders who are responsible for representing the public interest, and establishing policies that set prudent, ethical and legal standards for college operations.