

Safeguarding Student Finances: Guidance for Campuses Offering Student Debit Card Options



The availability of campus-based banking options for students has grown significantly in recent years. Based on recent public interest and concerns about student debit cards, and a survey conducted by the National Association of College and University Business Officers (NACUBO) about student debit card options on college and university campuses, NACUBO recommends the following best practices for colleges and universities.

- 1. Keep Students First.** In ongoing efforts to hold tuition and administrative expenses down, college administrators seek cost savings in a number of ways, including automating manual processes, contracting with private operators for support functions, and establishing new revenue streams. Institutions should put students' interests at the forefront, making business decisions to enhance services available to students—and not do so at their expense.
- 2. Encourage Students to Use Financial Institutions.** Many students enrolling for the first time at a college or university have not yet established personal checking or savings accounts. However, those with bank accounts can typically better manage their money, do not have to carry large amounts of cash, and can benefit from the convenience of debit cards and transaction records. Additionally, most bank accounts are insured and offer fraud protection. Therefore, institutions should encourage students to use financial institutions.
- 3. Offer Choices.** Students have the right to choose their banking relationships, and this should be unambiguous in campus communications. Campus communications should also clearly state that students who already have accounts can use them. Some students may not have or be eligible for a traditional bank account so may prefer a campus-affiliated debit card option. Institutions should ensure that students have sufficient information available to allow them to be informed consumers.
- 4. Encourage Electronic Refunds.** Electronic transactions have become the norm in all aspects of consumer finance—from government payments to retail transactions—because they are faster, safer, less expensive, and more convenient. Schools should encourage students to receive their refunds electronically.
- 5. Utilize a Competitive Process and Limit Exclusivity.** The financial services arena is a fast-changing world for both the industry and consumers, with new options regularly

Campus Debit Cards in Context

At colleges and universities, students who receive financial aid or make payments on their school account may receive credit balance refunds from the institution. After grants, loans, and payments are applied to tuition, fees, and other charges, the excess is refunded to students to use for books, off-campus housing, food, transportation, and other expenses. When a credit balance is created by federal aid, regulations strictly define when such credit balance payments must occur. Students may also be entitled to refunds when they drop classes or make other changes that affect their charges.

Many institutions have shifted these financial transactions from paper checks to electronic processes, often managed through third-party vendors. This allows students to receive refunds through electronic funds transfer (EFT), directly to their own bank accounts or, depending on specific options offered, to prepaid cards or new accounts with the vendor.

In addition, some institutions have opted to partner with financial institutions to associate checking or prepaid accounts with campus ID cards and allow the campus card to function as a debit card. Students are not required to enter into relationships with financial institutions, but many prefer the convenience of carrying only one card.

emerging in the marketplace. Students and institutions should not be limited by outmoded choices. When seeking a vendor for financial services, institutions should use a competitive selection or bidding process. Institutions should also limit contracts to no more than five years.

6. **Engage Students in the Vendor Selection Process.** Students are directly affected by campus contracts with financial institutions for student services, but are not always part of the decision-making process when a vendor is selected. Institutions should encourage student involvement in the process, which can include focus groups, representation on a selection committee, or consultation through student government.
7. **Comply with Federal and State Regulations.** Colleges and universities take seriously their compliance with the U.S. Department of Education's regulatory and administrative requirements for the Title IV federal student aid programs. Institutions should take steps to ensure that administrators, staff, and vendors comply with all applicable federal and state regulations.
8. **Negotiate Low or No-Fee Options and Convenient Services for Students.** Just as colleges and universities strive to provide high-quality academic experiences for their students, they must ensure that school-sanctioned services are also good consumer values. For example, school-endorsed financial institutions should provide adequate ATM access on campus or ensure that banking facilities are readily accessible on or near campus, offer low-cost student account options, educate students to be informed consumers of financial services, and publish clear and transparent fee schedules. Examples of fees and services institutions should pay particular attention to include:
 - Account fees—set-up, requesting a card, monthly service, minimum balance.
 - Spend fees—making a credit card or debit transaction at a point of sale.
 - Cash fees—ATM fees, available surcharge-free networks, cash back at point of sale.
 - Deposit fees—depositing money by ATM, ACH, direct deposit, teller.
 - Help fees and services—online help, voice help, live agent and/or teller options, balance inquiry.
 - Caution fees—inactivity, replacement, overdraft.
 - Bill payment options and fees—online pay anyone.
9. **Avoid Unscrupulous Marketing.** Institutions should use great discretion when agreeing to a communication plan to ensure that students are presented with a fair explanation of services and not with misleading, biased, or aggressive marketing schemes.
10. **Make Contracts Transparent.** Institutions should publicly disclose the terms of any agreements with third parties issuing debit cards to students.