

## Issue #4: Cash Management

### Comments and Recommendations to the U.S. Department of Education

March 5, 2014

#### Options for Disbursing Title IV Student Aid Credit Balances

Community colleges support the “principles” generally agreed to by negotiators on access to Title IV credit balances during the March 3rd conference call. In particular, community colleges concur with the idea that consumer choice is the best form of consumer protection, and that students should be able to choose to have Title IV credit balance refunds routed to the financial account or product of their own, unfettered selection.

While community colleges recognize that currently available payment choices may evolve over time and consumer preferences will inevitably change, we believe that recipients of federal aid should always have safe and convenient access to their full credit balance refunds. For many students this may be a deposit to a bank account to which they already have free and preexisting access. To this end, we support increased access to electronic options for credit balance refund disbursement via Automatic Clearing House (ACH) or Electronic Funds Transfer (EFT) to a bank account of the student’s choice, where permitted under state or local law.

According to a July 2012 survey by the National Association of College and University Business Officers (NACUBO) of institutional offerings of credit balance refunds, 58 percent of responding institutions offered EFT to a bank account of a student’s choosing, 10 percent offered EFT to a single bank selected by the institution, and **32 percent offered no electronic transfer option**.<sup>1</sup> Although electronic transactions have become the norm in many industries because they are generally faster, safer, and cheaper to issue than paper checks, some issues remain with campus adoption of this refund method.

According to informal surveys of community college bursars, the two largest barriers or concerns with EFT adoption are (1) ability to obtain fiscal authority for disbursements from the state or municipal government entity, and (2) ability to fully protect students’ electronic information in an era of increasingly aggressive cybersecurity breaches and data theft. To overcome these significant barriers, many campuses have established relationships with third-party vendors for payment processing, data management, and financial services for students. However, the Department can be helpful in encouraging states and municipal entities to offer secure and convenient EFT options to students.

***Recommendation: We hope the Department will encourage institutions, states, and municipal government entities to offer direct deposit options for credit balance disbursements where it is not otherwise prohibited.*** In particular, if a debit card disbursement option is offered, a direct deposit option should also be available as the first and recommended choice and debit cards should be the secondary option for those students who do not already have a bank account. These regulations should be designed to promote maximum flexibility with new digital and mobile technologies in financial services that may emerge in the future.

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<sup>1</sup> NACUBO. “Student Refunds and Personal Banking at Colleges and Universities.” October 2012. [http://www.nacubo.org/Documents/Initiatives/Campus\\_Card\\_Survey\\_Summary\\_FINAL.pdf](http://www.nacubo.org/Documents/Initiatives/Campus_Card_Survey_Summary_FINAL.pdf)