

March 4, 2014

Ms. Carney McCullough
U.S. Department of Education
Office of Postsecondary Education
1990 K Street, N.W.
Washington, DC 20006

Dear Ms. McCullough:

Enclosed please find information intended to help the Department as you consider drafting proposed changes to regulations governing cash management of funds awarded through Title IV, HEA Federal Student Aid programs. This information has been developed and reviewed by various members of the "Lenders, Community Banks, and Credit Unions" constituency. Typically members of our constituency seek to serve the financial services needs of consumers throughout their lifetimes. As a result, our account offerings reflect the intent to create goodwill in the hope of retaining the customer relationships of student consumers long after they graduate. We typically serve college students with the same full-service financial product offerings and terms made available to the entire consumer audience, and shaped through the give-and-take of a competitive marketplace.

The information is provided in the enclosed **Appendices A through C**, including:

Appendix A: Overview of student banking services

Appendix B: How campus banking services provided by banks and credit unions may relate to disbursement of Title IV funds

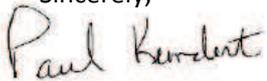
Appendix C: Recommended guiding principles for rulemaking

1. Informed choice
2. Equal prominence
3. Unencumbered selection
4. Neutral enrollment communications

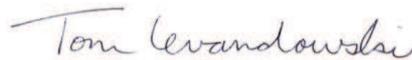
Please do not hesitate to contact either of us if you have any questions concerning the information we are providing; we would welcome an opportunity to discuss these details further if that would be of assistance.

We look forward to continuing to work with you and the committee through the remainder of the negotiations.

Sincerely,



Paul Kundert
President and CEO
University of Wisconsin Credit Union



Tom Levandowski
Senior Company Counsel
Wells Fargo Bank, N.A.

Cc: Tony Gargano

APPENDIX A

Overview of student banking services

ATM cards: cards NOT branded with a national payment network (Visa, MasterCard, etc.) used to access funds in checking or savings accounts; typically allow cash withdrawals at ATMs and purchases with PIN (but not signature) at merchants; may be used to access Title IV funds if a student or parent elects to have such funds deposited into an underlying checking or savings accounts, typically via EFT, check, or cash deposit. Terms and conditions, including account opening and transaction disclosures, governed by the Federal Truth in Savings Act and implementing regulation DD, EFTA/Regulation E and Card Network Rules.

Debit cards: cards branded with a national payment network (Visa, MasterCard, etc.) used to access funds in checking or savings accounts; typically allow cash withdrawals at ATMs and purchases with signature or PIN at merchants; may be used to access Title IV funds if a student or parent elects to have such funds deposited into underlying checking or savings accounts, typically via EFT, check, or cash deposit. Terms and conditions, including account opening and transaction disclosures, governed by the Federal Truth in Savings Act and implementing regulation DD, EFTA/Regulation E and Card Network Rules.

Co-branded cards: debit cards or ATM cards featuring logos and/or imagery of both a higher education institution and the card-issuing financial institution; may be used to access Title IV funds if a student or parent elects to have such funds deposited into underlying checking or savings accounts, typically via EFT, check, or cash deposit. Terms and conditions, including account opening and transaction disclosures, governed by the Federal Truth in Savings Act and implementing regulation DD, EFTA/Regulation E and Card Network Rules.

Campus cards: A higher education institution's official campus identification card is made available with the option to link to a checking/savings/prepaid account; the student can opt-in to link the ID card to an existing bank account, or, follow standard account opening procedures to open a bank account and then elect to link the ID card to the bank account; if linked, the ID Card can function as an ATM card, debit cards or prepaid card; access to Title IV funds varies by card type as described previously; campus card programs operate entirely separately from Title IV refund operations, offering ATM card or debit card functionality that may be used to access title IV funds if a student elects to have such funds deposited into the underlying checking or savings accounts, typically via EFT, check, or cash deposit. It is possible that a financial institution may participate in a campus card program and provide refund disbursement services at the same school; although parallel, each service is free-standing. If a student elects to link the campus ID card to a savings/checking/interest-bearing prepaid account, terms and conditions, including account opening and transaction disclosures, governed by the Federal Truth in Savings Act and implementing regulation DD, EFTA/Regulation E and Card Network Rules.

Prepaid debit cards (or prepaid cards): cards branded with payment networks (Visa, MasterCard, etc.) used to access funds held at a financial institution on behalf of the cardholder; not a checking or savings account; funds deposited by/for a cardholder are held in a pooled (or omnibus) account, and purchases/withdrawals are taken against cardholder's deposited balance; can be reloadable or non-reloadable by the consumer. Terms and conditions, including account opening and transaction disclosures, governed by EFTA/Regulation E and Card Network Rules.

- **Reloadable (or general purpose reloadable) prepaid cards** allow cardholders to add funds to the account via various methods, such as direct deposit or point of sale "reloads"; may be used to access Title IV funds if a student or parent elects to have such funds deposited to the card, typically via EFT, check, or cash deposit (Not subject to Reg. E).

- **Non-reloadable prepaid cards** may be used to enable electronic funds transfer for recurring payments from a single payer to the cardholder; may be used to access Title IV funds if the school has contracted with a vendor to offer such a card program; common uses for non-reloadable prepaid cards include:
 - > Benefit payments (e.g., unemployment)
 - > Vendor payments
 - > Payroll
 - > Student refunds (Title IV or other)

Gift cards are typically for one-time use, such as gifts or rebates

Stored-value (or declining-balance) accounts: closed-loop payment accounts and merchant networks managed by campuses and their vendors; allows students/parents to add money to “campus cash” accounts and spend such funds at participating on- and off-campus merchants, typically by swiping the official campus identification card; may co-exist with campus card; may be used to access title IV funds if such funds are deposited into the stored value accounts, typically via online transfers or credits from other accounts made via value transfer stations

Checking accounts: deposit accounts offered by financial institutions, often with features and benefits designed specifically for students. Terms and conditions, including account opening and transaction disclosures, governed by the Federal Truth in Savings Act and implementing regulation DD.

Student disbursement programs: programs offered by financial institutions (and other service providers) to help higher education institutions efficiently deliver funds to students; programs typically involve the financial institution communicating with students to encourage refund preference selection, capturing upfront student refund preferences via a web site (e.g., most common options are direct deposit, check or prepaid card load), and processing payments according to student preferences. To select direct deposit, students/parents must provide a valid deposit account number (which can be a pre-existing account or a new/additional account opened immediately prior to electing the direct deposit option).

On-campus ATMs: automated teller machines (ATMs) that may be placed on campus by one or more financial institutions or 3rd party processors; Title IV funds may be deposited or withdrawn from these machines with ATM cards, debit cards, prepaid cards, and campus cards; agreements may be negotiated standalone or in conjunction with other services. Based on the practices of the ATM terminal owner and negotiated agreements with the campus, ATM terminal use fees (surcharges) may be imposed on all users, exempt some users (typically the customers of a specific bank, credit union), or impose no ATM surcharges on any user.

On-campus banking branches: bank or credit union branches that may be placed on campus; Title IV funds may be deposited or withdrawn from these branches; agreements may be negotiated standalone or in conjunction with other services.

APPENDIX B

How campus banking services provided by banks and credit unions may relate to disbursement of Title IV funds

Used for Title IV Cash Management?

ATM cards	No – feature of a standard checking or savings account, which may or may not be used by student to access Title IV funds (i.e., can only be used to access Title IV funds if the student has elected to have refunds delivered to the associated checking/savings account). Not subject to 34 CFR § 668.164(c)(3).
Debit cards	No – feature of a standard checking or savings account, which may or may not be used by student to access Title IV funds (i.e., can only be used to access Title IV funds if the student has elected to have refunds delivered to the associated checking/savings account). Not subject to 34 CFR § 668.164(c)(3).
Co-branded cards	No – feature of a standard checking or savings account, which may or may not be used by student to access Title IV funds (i.e., can only be used to access Title IV funds if the student has elected to have refunds delivered to the associated checking/savings account). Not subject to 34 CFR § 668.164(c)(3).
Campus cards – ATM or Debit Integration	No – campus identification card that offers optional linkage to a checking or savings account, which may or may not be used by student to access Title IV funds (i.e., can only be used to access Title IV funds if the student has elected to have refunds delivered to the associated checking/savings account). Not subject to 34 CFR § 668.164(c)(3).
Campus cards – Prepaid Integration	Varies – may be offered as a standalone offering or expressly for the purpose of refund disbursement; in some cases, limits funding source to school (non-reloadable); in some cases other funds may also be deposited to the card (reloadable). Subject to 34 CFR § 668.164(c)(3) if offered for express purpose of facilitating delivery of Title IV credit balances..
Prepaid cards <ul style="list-style-type: none">- Reloadable- Non-reloadable- Gift	Varies – may be offered as a standalone offering or expressly for the purpose of refund disbursement; in some cases limits funding source to school (non-reloadable); in some cases other funds may also be deposited to the card (reloadable). Subject to 34 CFR § 668.164(c)(3) if offered for express purpose of facilitating delivery of Title IV credit balances..
Stored-value accounts	No – not typically offered as an option for disbursement of Title IV funds.
Checking accounts	Typically No – offered separate and apart from school cash management activity, requiring students to open accounts following standard account opening procedures directly with financial institution outside of disbursement process; delivery of Title IV funds to such accounts requires student/parent consent and preference selection involving separate enrollment in EFT. Checking accounts become subject to 34 CFR § 668.164(c)(3) only if a financial institution facilitates the delivery of Title IV credit balances for a school and requires, directly or indirectly, that the student open a checking/savings account with that institution for purposes of receiving such balances.

Student disbursement programs

Yes – systems and processes designed to support administration of school refund transactions to the extent the refund process includes delivery of Title IV proceeds; facilitates student preference capture and refund disbursement (e.g., most common preferences are direct deposit or check); to select direct deposit, students/parents must provide a valid deposit account number (which can be a pre-existing account or a new/additional account opened immediately prior to electing the direct deposit option). Subject to 34 CFR § 668.164(c)(3) to the extent Title IV credit balances are delivered via the refund process.

On-campus ATMs

Varies

- **Typically No** – standalone agreements between higher education institutions and financial institutions. Not subject to 34 CFR § 668.164(c)(3).
- **In some cases Yes** - If a financial institution facilitates the delivery of Title IV credit balances for a school and requires, directly or indirectly, the student to open a checking/savings account with that institution for purposes of receiving such balances, the financial institution must offer ATMs to meet convenient access requirements set forth in 34 CFR 668.164(c) (3) (v)).

On-campus branches

No – standalone agreements between higher education institutions and financial institutions. Not subject to 34 CFR § 668.164(c) (3).

APPENDIX C

Recommended guiding principles for rulemaking

The risk that should be addressed is the fact-pattern where a school directly, or indirectly through a service provider, operates a refund disbursement process that requires students to open an account with or use a specific payment mechanism from a specified financial institution for the purpose of receiving a refund of Title IV proceeds.

This can be addressed by requiring a disclosure to students on the first page of any online process for activating/designating the refund process, making it clear that students can choose to have Title IV refunds routed to a deposit account at any financial institution. Further, any process selected by the school must allow students to select/identify/designate the financial institution they choose to receive Title IV refund monies. Lastly, the preference selection process must honor the student's disbursement preference, effectuating that preference without delay (i.e., must be effectuated within commercially reasonable time-frames and without adding process/procedural steps that delay meeting commercially reasonable time-frames). These process features should be designed and implemented to meet the following principles:

Informed choice including factual representations of all choices within the disbursement services process (e.g. fact based presentation of the speed of payment delivery)

Equal prominence of all preference choices within the disbursement services process, recognizing that currently available payment choices may evolve over time and new options may emerge. Prohibit marketing claims within the selection process which promotes one choice over another (e.g. "Recommended", "Best")

Unencumbered selection of each option; so that processes do not discourage students in their selection choice through contrived inconvenience, or redundancy (e.g. no extra sign-up/preference designation steps based on the financial institution selected for direct deposit) within the disbursement services process

Neutral enrollment communications—limit co-branding within the disbursement services process to notification of a service provider's role in the process; limit communication/marketing practices that induce students to select a specific disbursement choice (e.g., failing to prominently disclose that students have a choice, or pre-mailing personalized debit or prepaid plastics for accounts designed to be opened as part of the refund preference selection process; or requiring such plastics to be used as credentials for initiating the refund preference selection process).