

Higher One®

A shared course for success

March 25, 2014

Via E-Mail (chipbloc@[REDACTED] & craigbagemihl@[REDACTED])

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U.S. Department of Education
1990 K Street NW., Room 8017
Washington, DC 20006

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RE: Issue #4- Cash Management Rules, Department of Education Negotiated Rulemaking on Program Integrity and Improvement

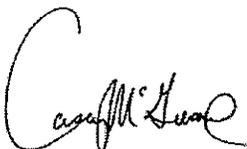
Dear Sirs:

We respectfully submit the following documentation for review by the Department of Education and the Committee as reference materials for discussion regarding the draft proposed rules on Issue #4 Title IV Cash Management under the Program Integrity and Improvement negotiated rulemaking.

- 1) Higher One Clarification Questions on ED Draft Proposed Cash Management Regulations (34 CFR 668.164)
- 2) Regional and National Bank Fee Comparison Chart
- 3) Sample of Student Testimonials

We hope the information contained herein is helpful to the Department of Education and the Committee in evaluating the proposed rules. We appreciate your consideration of the aforementioned information. If you have any questions or require clarification, please feel free to contact me.

Sincerely,



Casey McGuane
CC: Pam Moran, U.S. Department of Education

Sample of Student Testimonials Received by Higher One

- Third party providers who offer checking accounts help students who cannot get bank accounts elsewhere, and are thus forced to use check-cashing services (with high fees) to get their Financial Aid Refund.
- According to a 2014 GfK study commissioned by Higher One, 16% of college students do not have a bank account
- Following are a sample of testimonials of a few Higher One customers explaining how this affects them (obtained through a customer survey sent on March 21 via email, sample attached)

I am a older student that decided to go back to school during the failing economy after losing everything. I am in check systems and unable to get a checking account through a bank. I am now employed w/ a full time well known Medical Insurance company/ finally wrapping up my schooling but I am still crippled by my past failures. And unable to repay all my debt unfortunately to raise my one child. It's life. So I depend on this account to conduct needed banking business. The only thing that I can tell the younger generations is to plan wisely....save, save, save... No job is promised tomorrow, and material can be replaced.

Meisha

Sanford Brown/Estrella College
Arizona

My name is Erika and I currently attend Fullerton College in Fullerton CA. I use Higher One at the moment because it's hard for me to get a bank account due to my bad credit. With Higher One I feel at ease and have no trouble with it. Unfortunately I don't have a job but I rely with this account to attain my financial aid refund.

Erika

Fullerton College
California

My name is Barbette and I am a graduate student at Troy University. I use Higher One as my primary any only banking account. I haven't had a regular banking account at a bank in about four years. Once the recession hit in 2008, I became overwhelmed with my finances and in order to put food on the table for my family and myself I did incur some charges that were in excess. Because of what I did in the past I am not able to get a banking account. I don't owe a lot of money but once you are put in the Chex systems, you can basically forget about it. Every-time I go to a bank with my friends and I m asked if I 'd like to open an account I ask them do they do the chex sytem and they do and they just look at me. I feel as though I am stigmatized because of decisions that I made that I thought were necessary.

Barbette

Troy University
Alabama

Hi, my name is Linda, and my Higher One account is my only account due to my troubles of opening an account at any other bank. I would first like to thank Higher One, for allowing me this opportunity that I am unable to receive anywhere else. Not only because I am a student, but also because I am a single mother living in a high tech world, (where not having a checking account closes a lot of doors, as well as the inconvenience of having to physically be present to pay bills or shop, among many other things, which swallows up what little time there is for someone like me), are some of the reasons why my Higher One Account is so important to me. A couple of years ago, I was living in another state, seeing a man who turned out to be very bad for my son and I. We ended up relocating because of him, but not before finding out he had gotten a hold of my previous bank card and put me in a position of owing this bank over \$300 dollars! It might have well been a thousand dollars-I had no money to cover that. Having very little income, I live on a strict budget. Being a student and head of my household leaves no extra money by the months end, so I have never been able to pay that debt off. Because I owe one bank money, I am not allowed to open an account at any bank. Thanks again Higher One for this opportunity. In so many ways, having a check account has actually helped me to improve my life, and it certainly has made my day to day living a lot more convenient!

Linda

Lane Community College
Oregon

I have poor credit from a divorce and bankruptcy almost ten years ago. There are so many errors on my credit report that I don't even know how to start to repair them, and I've heard that all credit repair services are fakes looking to take my money. I've been turned down for simple bank accounts, and rely very much on my higher one account, in addition to some prepaid credit cards. Higher One has been the best bank I've ever dealt with and I am in Wisconsin, far from any branches. I'm trying to figure out how to do mobile deposits with my new android tablet. Thank you for all of your help!

Mary

SUNY Empire State College
New York



Dear Friend,

We want to hear from you! If you've had difficulties opening a bank account and rely on the OneAccount as your only checking account, we would like to hear about your experience.

If this sounds like you, please email us at opinions@higherone.com with the following information by 12:00 midnight on Sunday, March 23, 2014:

1. Your Name
2. Your School Name
3. A one-paragraph description of your experience and how it affected you
4. A phone number and email address where you can be reached if we have further questions

Your feedback will help us continue to improve our services for college students. We're listening and appreciate your feedback.

Thank You,
The Higher One Team

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	Minimum Opening Balance	Monthly Fee	NSF/Overdraft Fee	Extended NSF Fee	Out-of-network ATM Fee	Domestic Outbound Wire	Domestic Inbound Wire	Intl Outbound Wire	Intl Inbound Wire	Official Check	Stop Payment	Return Deposited Item (when applicable)	Early Closing Fee (when applicable)	Intl Transaction Fee (when available)	Intl ATM Fee (when available)
Average Fee*	\$28.3	\$3.5	\$34.4	\$14.4	\$1.8	\$25.6	\$13.9	\$43.6	\$15.7	\$8.4	\$30.3	\$13.2	\$11.4	2.8%	\$4.4
Fee Range*	\$0-\$100	\$0-\$12	\$25-\$37	\$0-\$36	\$0-\$3	\$20-\$30	\$0-\$28	\$30-\$65	\$0-\$30	\$5-\$10	\$0-\$36	\$5-\$20	\$0-\$25	1%-3%	\$0-\$5

* Accounts included: Bank Of America MyAccessChecking; CitiBank Student Account; Wells Fargo College Combo; Chase College Checking; Schwab Basic Checking; US Bank Student Checking; USAA Secure Checking; PNC Virtual Wallet Student; TD Bank Student Checking; BB&T Student Banking; SunTrust Student Checking; Citizens Bank One-Deposit Checking; First Niagara StudentFirst Checking; People's United Student Plus Checking; Regions LifeGreen Checking Account for Students

HIGHER ONE CLARIFICATION QUESTIONS
ED DRAFT PROPOSED CASH MANAGEMENT REGULATIONS (34 CFR 668.164)

1. **GENERAL APPROACH.** ED's draft attempts to tread a fine line between maximizing consumer protections and triggering a sea change in the marketplace that could instead result in exacerbating the conditions it seeks to address. Specifically, it relies on the willingness of financial product providers to enter into arrangements with schools to promote "sponsored accounts" while at the same time drastically limiting if not eliminating altogether the ability of those providers to maintain financial sustainability. What is ED's plan if providers respond to these regulations by simply avoiding such arrangements, thus eliminating the need to comply with the draft's various consumer-oriented requirements?
2. **GENERAL APPROACH.** The draft can be read as imposing 3 separate gag rules on financial aid, business and bursar offices at schools. First, they could not recommend a particular disbursement option in the course of getting the student to choose one. Second, they could not tell the student that if he/she supplies info to the school on an existing bank account, he/she loses the ability to choose a disbursement option other than EFT to that account. Third, they could not recommend that the student open a sponsored account. Is there any precedent in ED regulations for imposing a restriction like this on what a financial aid, business or bursar office can say to students? Is this level of interference with the financial aid, business or bursar role as trusted adviser to students necessary to achieve the goals of the regulations?
3. **GENERAL APPROACH.** In what way does ED believe the draft addresses the 16% of college students who are unbanked, or students' pervasive use of nonbank check-cashing companies to get quick access to their money? Wouldn't the elimination of arrangements between schools and financial account providers exacerbate these problems?
4. **GENERAL APPROACH.** Has ED considered providing schools an alternative to operating under the restrictions on "sponsored accounts" in the draft? For example, would ED be willing to allow a school that agrees to forego any financial consideration from financial account providers to negotiate with such providers to get the best terms for its students on the products it decides to recommend? This is the approach Congress and ED took on alternative student loans and was cited with approval by the State AG negotiators. It would allow each school to determine whether, for example, its particular student body would benefit more from a full suite of online functionalities and more on-campus ATMs than from an across-the-board ban on overdraft fees. More generally, it would preserve and improve on the traditional role of schools as trusted advisors to students on financial matters.
5. **Subsection (d)(3).** Is it the intent of the Department that any product offered by the Secretary under this subsection will abide by the requirements for sponsored accounts set forth in section (e)?
6. **Subsection (d)(5)(i).** Is a school allowed to recommend a financial product, given the "neutral manner" requirement and prohibition on "steering" in (d)(5)(i)? If not, what reason would there be for providers to enter into any "sponsored account" arrangements with schools?
7. **Subsection (d)(5)(i).** Would it violate the "neutral manner" and "steering" provisions of this subsection if the school (or its third party disbursement services provider) lists as an option or otherwise mentions the financial product offered by a particular provider without giving equal treatment to the products offered by all other competing providers?
8. **Subsection (d)(4)(ii).** Is the school permitted to explain to the student what the consequences will be of complying with the school's request for information on the student's existing bank accounts? Put another way, may the school tell the student that if the student does not wish to

have his/her Title IV funds deposited into that account, he/she should decline to provide that information? If not, then isn't there a risk here of misleading unsuspecting students into "choosing" to have their credit balances deposited into existing accounts rather than a new sponsored account they might actually prefer and which, according to GAO, may well have lower fees? How is this consistent with the goals of choice and transparency?

9. **Subsection (d)(5)(ii)**. How will the "as timely" requirement work when an ACH deposit to an account at another bank has to go through the Fed while a deposit to a sponsored account administered by the school's servicer does not? Is this in effect a requirement that, if the student opts for the sponsored account provided by a third-party refund disbursement services provider that is also a financial product provider, the third-party servicer must artificially freeze the student's funds for some number of days? What would be the purpose of such a requirement?
10. **Subsection (e)**. What does "establish a process" mean? Is it intended to be synonymous with "assistance" and "assist" in (d)(4)(ii)? What do those terms include? What if the school merely recommends a financial product to students?
11. **Subsection (e)**. Does an account become a sponsored account if the school's arrangement with the financial account provider does not involve disbursement of Title IV funds? In other words, is this subsection intended to apply only to disbursement services providers who also offer financial accounts?
12. **Subsection (e)(3)**. Here again, is the school allowed to recommend the sponsored account product, given the "objective and neutral manner" requirement, and, if not, why would a financial product provider ever enter into a sponsored account arrangement with a school?
13. **Subsection (e)(3)**. Does this prohibit the product provider itself from providing any material about its own product that is not "objective and neutral"? Even after the student opens the account?
14. **Subsection (e)(4)**. What is the purpose of depriving students of the convenience of being able to access their funds via a debit card the same day they open a sponsored account? By definition, a sponsored account is one where the school has "established a process" for opening the account that maximizes the convenience for the student who opts for that account, as compared to the options of crediting another account or getting a check. So why deprive students of this particular convenience?
15. **Subsection (e)(5)**. Does the ban on co-branding and similar approaches effectively ban schools from linking their student ID cards to the bank accounts of a provider? If the school has decided to recommend that provider's product to its students, what purpose would this prohibition serve that would justify the substantial loss of convenience for students and schools? Note that FRB regulations allow co-branding of private education loans in such circumstances.
16. **Subsection (e)(6)**. How would a third-party refund disbursement servicer do its job without student information from the school being provided before the refund disbursement method is selected? Is this intended to effectively prohibit refund disbursement servicers from also being financial product providers? Even if the servicer could find a way to do its job without this information, wouldn't its lack of such information inhibit its ability to reduce Title IV fraud?
17. **Subsection (e)(8)**. Given that the proposal would continue to permit transaction fees for use of the debit cards for sponsored accounts, does ED intend that this will be where the provider's lost revenues from the other requirements are going to be recouped? If so, what is ED's basis for concluding that increased transaction fees are better for students than, for example, continuing to allow overdraft fees in some circumstances?
18. **Subsection (e)(11)**. Checking accounts with no overdraft fees and with no overdraft protection or monthly fees are exceedingly rare in the banking industry. Therefore, won't banning

overdraft fees make comparing sponsored accounts with other bank accounts much more difficult, thus interfering with the goals of choice and transparency?

19. **Subsection (f)(3)**: How does this section apply in a situation where the school has disbursed funds to an account overseen by its third-party disbursement services provider and thus has lost control of the funds? Would the school be required to somehow claw back the funds in the instances listed in (f)(3)? How would this affect whether a “disbursement” has occurred for purposes of Part 668?

3/25/14