

ASSEMBLY BILL 1162: CAMPUS DEBIT CARDS

Assemblymember Jim Frazier

IN BRIEF

Ensure that students are protected from banks and financial firms that contract with colleges and universities for campus-affiliated banking services.

THE ISSUE

As college and university budgets have shrunk, many have begun to use third-party servicers to disburse financial aid and issue credit balance refunds to students on debit cards. While many schools are obtaining revenues and reducing costs by outsourcing these services, the relationships between schools and financial institutions have raised questions because students end up bearing some costs directly, including per-swipe fees, inactivity fees, PIN based fees, ATM fees and more.

Other issues include aggressive marketing strategies by partnering companies on student choice and weaker consumer protections on certain cards that hold student aid funds.

BACKGROUND

A recent U.S. PIRG report identified almost 900 card partnerships between colleges and banks or other financial firms at schools with over 9 million students, or 42% of all students nationwide.

There are two types of cards that are typically used on campuses close-loop and open-loop. A close-loop card is a card that can be pre-loaded with funds but can only be used on-campus for books, food, etc. These cards are often referred to as “campus bucks” or “campus cash”.

There are two basic types of open-loop cards. First, there are reloadable prepaid cards which are not connected to a checking or deposit account. This card allows the student to use the card until it declines to \$0 and allows for reloading the card

with funds at any point. The second type are debit/ATM cards linked to a checking account. Many checking accounts offered include additional features a student can opt into. Both types of open-loop debit cards offer the potential for schools or their contracted partners to load financial aid disbursements and campus refunds.

When schools contract out financial services, banks and financial firms use this access to student information to send university branded solicitations about financial aid disbursements. Often, the debit card, which includes the school logo, is mailed to the student when they apply for admission.

Students are encouraged to sign up for the card, even if they do not expect a financial aid disbursement, because refunds from over-payments, such as when a student drops a class that they have already paid for, are disbursed this way. Some schools have taken away all choice and mandate that all funds be disbursed into a checking account chosen by the college.

THE SOLUTION

Colleges and universities must set in place regulations for campus debit card programs to ensure that students are not unfairly targeted or have marketing forced upon them.

To accomplish this, AB 1162 requires the Trustees of the California State University and the Board of Governors of the California Community Colleges, and request the Regents of the University of California and the governing bodies of accredited private nonprofit and for-profit postsecondary educational institutions, to adopt policies when negotiating contracts with financial institutions that best serve the needs of the students. At a minimum

the policies adopted shall be consistent with federal law.

Specifically, postsecondary educational institutions are encouraged to consider all of following in adopting their policies:

- Whether to provide a clear choice of how a student can receive their student financial aid:
 - Personal bank
 - Check
 - Third party contract
- Whether to require an adequate number of regularly replenished ATMs on participating campuses or satellite campuses.
- Whether to prohibit the debit cards from imposing the following fees, including but not limited to:
 - Account balance inquiry fees
 - PIN-based transaction fees
 - Inactive account fees
 - Replacement card fees
 - Transfer or wire fees
 - Dispute fees
 - Account closure fees
- Whether to require all debit card fees are to be prominently displayed on partnering bank or financial institution's Internet Web site or information mailed to students.
- Whether to prohibit the debit cards from being cobranded with logos from the college or university.
- Whether to require the debit card the same level of consumer protection provided to ATM customers under the federal Electronic Fund Transfer Act.
- Whether to prohibit debit card contracts from including mandatory arbitration clauses.

SUPPORT

California State University
Community College League of California
California Federation of Teachers

CALPIRG
Consumers Union
Consumer Action
California State Student Association
University of California Student Association
The Institute for College Access & Success
Student Senate for California Community Colleges
Center for Responsible Lending
California Teacher Association
California Student Aid Commission
Contra Costa Community College District
Faculty Association of California Community Colleges
Chancellor Raul Rodriguez of Rancho Santiago Community College District
Coast Community College District Student Council
Associated Students of University of California Santa Ana College President Erlinda Martinez
CALPIRG UC Riverside Chapter
CALPIRG UC Davis Chapter
CALPIRG UC Irvine Chapter
CALPIRG UC Santa Barbara Chapter
CALPIRG UC Berkeley Chapter
Napa Valley College Student Trustee
Student Senate of California Community College Region IV
Santa Rosa Junior College Associated Students
California Community College Association of Student Trustees
San Jose City College Student Senate President Michael Casas
Associated Students of Modesto Junior College

OPPOSITION

California Bankers Association
Higher One
Civil Justice Association of California

FOR MORE INFORMATION

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