

New Education Rules Will Protect Students from High Fee Campus Prepaid and Debit Cards

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(WASHINGTON) New rules announced today by the U.S. Department of Education will protect students who are offered prepaid and debit cards through their colleges and universities. "The new rules will stop schools and prepaid card companies from using unfair and deceptive tactics to push students into using cards that are heavy on fees," said National Consumer Law Center Associate Director Lauren Saunders.

Under the final rules, colleges and universities must allow students to receive their financial aid funds conveniently into their own accounts without delay. Any prepaid or debit card account linked to the financial aid disbursement process must meet minimum standards, including reasonable free ATM access and no overdraft fees. "The financial aid process should not be used to steer students into costly prepaid and debit card accounts that are not right for them," said Saunders.

All contracts between banks and colleges will also be publically available for the first time, along with the fees received by the schools and the average fees charged to students. "Greater transparency will help fix a broken system where some schools put revenue-sharing deals ahead of the interests of their students," Saunders said.

The rules add less robust protections for accounts that are not offered by the financial aid disbursement servicer but are linked to student ID cards and in some cases may be promoted during the aid process as a way to receive funds. Those accounts also must provide reasonable access to free ATM withdrawals, but the accounts are not required to be free from costly and unnecessary overdraft fees.

"Students must still be wary and check the fees before activating a debit card tied to their student ID card," explained Saunders. "Some campus card programs charge high overdraft fees on electronic transactions, unlike most prepaid card or checkless checking accounts."

The Consumer Financial Protection Bureau is considering rules aimed at overdraft fees on all debit and prepaid cards. "We applaud the Education Department for taking strong steps to protect campus cards and urge the CFPB to ban overdraft fees on all prepaid and debit cards," Saunders added.

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