

June 8, 2017

U.S. Department of Education
c/o Ashley Higgins
400 Maryland Ave., SW, Room 6W234
Washington, DC 20202

RE: Request for Information Regarding Disclosures for Student Financial Accounts [Docket ID: ED-2015-OPE-0020; RIN 1840-AD14]

Dear Ms. Higgins:

Consumers Union, the policy and mobilization arm of Consumer Reports,¹ as well as the Center for Responsible Lending² and the National Consumer Law Center³ appreciate the opportunity to comment on the Department's proposed short form disclosure for campus banking products to continue implementation of the cash management rule.⁴

We appreciate the Department's commitment to coordinating with the CFPB in order to implement the new rule, and approve of using the CFPB's model short form for prepaid cards as a template for campus-sponsored accounts. However, we recommend a few changes that would more clearly and prominently explain students' right to choose other financial aid disbursement options that may better serve their needs.

Cash Management Rulemaking

We were closely involved in the development of the cash management rule. During the rulemaking process, we advocated for reforms that would ensure students can access

¹ Consumers Union is the public policy and advocacy division of Consumer Reports. Consumers Union works for a fair, just, and safe marketplace for all consumers and to empower consumers to protect themselves, focusing on the areas of telecommunications, health care, food and product safety, energy, and financial services, among others. Consumer Reports is the world's largest independent product-testing organization. Using its more than 50 labs, auto test center, and survey research center, the nonprofit organization rates thousands of products and services annually. Founded in 1936, Consumer Reports has over 8 million subscribers to its magazine, website, and other publications.

² Center for Responsible Lending (CRL) is a non-profit, non-partisan policy and research organization dedicated to building family wealth through the elimination of predatory lending practices. CRL is affiliated with Self-Help Credit Union, a national community development financial institution that provides access to safe, affordable financial services to low-income communities and borrowers.

³ The National Consumer Law Center (NCLC) is a nonprofit organization specializing in consumer issues on behalf of low-income people. We work with thousands of legal services, government and private attorneys and their clients, as well as community groups and organizations that represent low-income and older individuals on consumer issues. Additionally, NCLC's Student Loan Borrower Assistance Project provides information about student rights and responsibilities for borrowers and advocates. We also seek to increase public understanding of student lending issues and to identify policy solutions to promote access to education, lessen student debt burdens and make loan repayment more manageable. See the Project's web site at www.studentloanborrowerassistance.org. NCLC also publishes and annually supplements practice treatises which describe the law currently applicable to all types of consumer transactions, including Student Loan Law (5th ed. 2014), updated at www.nclc.org/library. NCLC joins these comments on behalf of its low-income clients.

⁴ 34 C.F.R. §§ 686.161-686.167 (2016).

all of the disbursement options to which they are entitled, including clear and conspicuous disclosures that better inform them of those options.⁵

We also supported parallel efforts by the Consumer Financial Protection Bureau (CFPB) to develop informational tools that help students and schools evaluate campus banking products,⁶ and encouraged the Department to work in consultation with the CFPB to improve transparency around campus-sponsored accounts. Consumers Union's past research, which was shared with the Department during the rulemaking process, has shown troubling inconsistencies from school to school as to how account information is presented.⁷

Recommended Changes to the Form

In its own recent rulemaking related to prepaid cards, the CFPB published a short form that it developed with extensive research and consumer testing. We support the Department's proposal to mirror the CFPB form, which we also supported in the prepaid card rulemaking.⁸

However, we believe that the model short form should be amended to better ensure that students are aware of their right to choose from multiple options for receiving their aid. While we appreciate the language at the top of the form, which tells students that they have "other ways to receive your money," we believe the statement should clearly state examples of what those options are – in particular, direct deposit to an existing account and/or a paper check. We also recommend adding a phone number or URL for the school's financial aid office, so that students have key information in real time should they want to explore their options before making their disbursement selection. For example:

"You do not need to open this account to receive your Federal student aid. You have the right to request [direct deposit to an existing account, and/or a check] instead.

For more information, ask the financial aid office at [URL] or [phone number]."

We also recommend that this language appear in bold font, so that it is more visually prominent.

⁵ Comment from Consumers Union to U.S. Dep't of Educ., Program Integrity and Improvement (July 2, 2015), available at http://consumersunion.org/wp-content/uploads/2015/07/CUcomment_cashmgmt_0615.pdf.

⁶ Comment from Consumers Union to Consumer Fin. Protection Bureau, Request for Information Regarding an Initiative on Safe Student Banking (Mar. 30, 2015), available at http://consumersunion.org/wp-content/uploads/2015/03/CU_Ltr_CFPB_Safe_Student_Account_Scorecard.pdf.

⁷ CONSUMER REPORTS, CAMPUS BANKING PRODUCTS: COLLEGE STUDENT FACE HURDLES TO ACCESSING CLEAR INFORMATION AND ACCOUNTS THAT MEET THEIR NEEDS (2014), available at https://consumersunion.org/wp-content/uploads/2014/08/Campus_banking_products_report.pdf.

⁸ See Letter from Consumers Union to Consumer Fin. Protection Bureau 1 (Mar. 19, 2015), available at <http://consumersunion.org/wp-content/uploads/2015/03/signed-final-CU-CFPB-proposed-prepaid-rules-comment.pdf>.

For Tier 2 accounts that carry overdraft fees, the model form should also include the following statement:

“This account carries overdraft fees on [as applicable, checks, electronic payments, point-of-sale purchases, and ATM withdrawals]. Other accounts you have the right to choose may not carry overdraft fees on some or all of these types of transactions.”

We recommend this language due to our ongoing concerns that many Tier 2 accounts come with high overdraft fees.⁹ In its Safe Student Account Scorecard, the CFPB indicates that an account is “safer” if there is no overdraft feature.¹⁰

Conclusion

We appreciate the opportunity to comment, and look forward to working with the Department on these and other important financial aid issues facing college students.

Sincerely,

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Consumers Union

Whitney Barkley
Policy Counsel
Center for Responsible Lending

Carolyn Carter
Deputy Director
National Consumer Law Center (on behalf of its low-income clients)

⁹ See, e.g., CTR. FOR RESPONSIBLE LENDING, OVERDRAFT U (2015), *available at* <http://www.responsiblelending.org/research-publication/overdraft-u-student-bank>.

¹⁰ CONSUMER FIN. PROTECTION BUREAU, SAFE STUDENT ACCOUNT TOOLKIT: RESOURCES FOR SELECTING ACCOUNTS THAT MEET STUDENTS’ NEEDS – SAFE STUDENT ACCOUNT SCORECARD 5 (2015), *available at* http://files.consumerfinance.gov/f/201512_cfpb_safe-student-account-toolkit.pdf (defines no overdraft as “safe account feature”; advises schools to ask vendors for more information about overdraft fees if included).