

November 12, 2014

Jeff Appel
Federal Student Aid Division
U.S. Dept. of Education
1990 K St. NW
Washington, DC 20006

Re: Campus banking product features; impact of proposed regulations

Dear Jeff:

As you may recall, Consumer Reports released a report in late August entitled “Campus Banking Products: College Students Face Hurdles to Accessing Clear Information and Accounts that Meet Their Needs.” The report examined the terms and conditions of a number of campus banking products offered to college students at campuses around the country.

Our investigation reviewed 16 products offered by nine financial firms, and found that account fees and other practices varied substantially. However, many account offerings came with features that are largely consistent with the Department’s draft minimum standards for “sponsored accounts” under 34 C.F.R. § 668.164, pertaining to cash management, particularly with respect to monthly fees, PIN fees and ATM access. Therefore, **most campus banking providers would have to make only minor changes to their fee schedules, mostly regarding overdraft/NSF/decline transactions, in order to meet the minimum standards for sponsored accounts in the Department’s draft proposal.**

The chart on the next page summarizes the applicable fees for the 16 products we examined, listed in order according to their approximate level of compliance with the Department’s draft proposal. The products higher up on the list already comply with the proposed restrictions on fees for monthly maintenance and common activities such as point-of-sale and ATM PIN transactions.

Account	No Monthly Fee	No Point of Sale PIN Fee	Reasonable Fee-Free ATM network	Two or More ATM Fees Reimbursed per Month	No Overdraft/NSF/Decline Fees for Any One-Time Transactions	No Inactivity Fee
Citibank: Student Account Package	yes	yes	yes	yes	no	yes
U.S. Bank: Basic Campus Card	yes	yes	yes	yes	no	no
U.S. Bank: Maxx Card	yes	yes	yes	yes	no	no
U.S. Bank: Student Checking	yes	yes	yes	yes	no	no
PNC: Virtual Wallet Student	waiver	yes	yes	yes	no	yes
SunTrust Student Checking	waiver	yes	yes	varies	no	varies
TCF Bank: Campus Checking	yes	yes	yes	varies	no	no
Chase College Checking	waiver	yes	yes	no	no	yes
Wells Fargo: College Combo	waiver	yes	yes	no	no	yes
Heartland ECSI	yes	yes	no	varies	yes	no
Citibank: Student Choices	yes	yes*	yes	no	no	no
TCF Bank: Free Student Checking	yes	yes	yes	no	no	no
U.S. Bank: Contour Card	no	yes	yes	no	yes	no
Higher One: OneAccount Edge	no	yes	no	no	yes	yes
Higher One: OneAccount Premier	waiver	yes	no	no	no	yes
Higher One: OneAccount	waiver	no	no	no	no	yes

*PIN fees eliminated as of September 2014, after the publication of our report

The Department's third draft proposal¹ for cash management, dated May 12, 2014, includes the following fee restrictions for sponsored accounts:

- No fee to open an account or receive an access device associated with the account;
- No monthly maintenance or inactivity fees;
- No fee for the first two out-of-network ATM transactions conducted per monthly billing cycle;
- No in-network ATM fees;
- No point-of-sale fees;
- No fees for one-time debit transactions resulting in insufficient funds or declines; and
- Reasonable access to a surcharge-free national or regional network of ATMs, with locations on or near campus.

Of the 16 products we reviewed, none charged account opening fees or in-network ATM fees. What follows is our analysis of how these products fared against the Department's other proposed requirements.

- Monthly fees. Only half of the products we reviewed – 8 out of 16 – charge a monthly fee at all. Meanwhile, of those that charge a monthly fee, all but two provide ways to waive the monthly fee, such as having student status or setting up direct deposit. We have no data at this time as to how many students typically meet the requirements to waive applicable monthly fees.
- PIN fees. At the time we prepared our report, only two firms charged point-of-sale PIN fees: Higher One and Citibank. In September, we were told by a representative of Citibank that they have removed PIN fees from their campus banking products. None of the other products we reviewed charge a PIN fee.
- Out-of-network ATM fees. Most products charge out-of-network ATM fees. However, ten of the 16 products we reviewed provide ATM fee reimbursements on at least some campuses. Furthermore, it is worth noting that the banks included in our investigation – US Bank, Wells Fargo, SunTrust, TCF, Chase and Citibank – are large regional or national banks that already have substantial ATM networks.
- Overdraft/NSF/decline fees. Policies vary substantially across products. All but four of the products we reviewed charge overdraft and NSF fees. Citibank's Student Choices account is one of the four that does not charge for overdrafts/NSF, but it does charge for declined transactions. Many account providers charge less for the first negative balance event in a given billing cycle. Higher One indicates that it will not charge an overdraft fee for a one-time "debit card" transaction, but it may charge a fee for an ACH transaction that results in a negative balance. Accounts covered by Regulation E cannot be assessed an overdraft fee for a one-time debit transaction unless the account holder opts into the overdraft feature. We have no data at this time as to how many students typically opt into that feature.

¹ U.S. Dep't of Education, Negotiated Rulemaking 2013-2014, Program Integrity and Improvement, <http://www2.ed.gov/policy/highered/reg/hearulemaking/2012/programintegrity.html> ("Issue 4 - Cash Management" under "Session 4 Materials").

- Inactivity fees. Most products we reviewed charge an inactivity fee, but practices vary widely from product to product and even campus to campus. Where fees are charged, they range from \$2 to \$15, and are charged after anywhere from 6 to 13 months of inactivity.

We hope this information is helpful. Please do not hesitate to contact us with further questions. We look forward to continuing to work with the Department on this important regulation – a strong rule will keep more financial aid money in students' pockets, and promote meaningful consumer choice in the market for campus banking products.

Sincerely,

A handwritten signature in black ink, appearing to read 'Suzanne Martindale', written in a cursive style.

Suzanne Martindale
Staff Attorney

Cc: Nathan Arnold, FSA
John Kolotos, FSA