

Congress of the United States
Washington, DC 20515

April 22, 2014

The Honorable Arne Duncan
Secretary
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

Dear Secretary Duncan:

We write to express our support for changes to the Department of Education's Title IV cash management rules that would preserve the integrity of our federal student aid programs and protect students from unfair banking practices.

The cost of college tuition is out of reach for many low and middle-income families, and the federal government is committed to providing the financial aid that can help these students achieve their dream of a college education. But recent investigative reports have shown that financial aid dollars are being diverted away from students through high fees and high-pressure marketing.

In February, the Government Accountability Office (GAO) released the results of an investigation showing that about 40 percent of all college students are enrolled in institutions that have agreements with financial institutions to market debit cards to students. The GAO and the Department of Education's Inspector General have both raised concerns that campus-sponsored debit cards may not always be good for students. The reports conclude that action is needed to address high fees charged by some financial institutions, students' access to ATM's, and the undue influence that colleges exert in pushing students to opt into a school-endorsed debit card or checking account. An ABC News investigative report suggested that financial institutions are paying multi-million dollar kickbacks to some colleges for exclusive access to market their financial products on campus.

Federal financial aid is there to help students. When colleges partner with financial institutions and push students into putting their federal student aid refunds into high fee accounts, it puts our federal investment at risk. Students should be able to make unbiased choices about the financial products that work best for them. Colleges should be recommending the financial products that provide the best deal to students, not the biggest financial reward for the institution.

The Department of Education has the authority to issue rules related to the disbursement of student aid refunds, and it should use that authority to mandate contract transparency, prohibit

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aggressive marketing, and ban high fees when colleges partner with banks to sponsor debit cards, prepaid cards, or other financial products used to disburse student aid.

The Secretary should work to establish rules that:

1. Ensure students can easily deposit federal financial aid into their personal accounts without delay or penalty. Direct deposit into a student's own account should always be an easy option.
2. Prohibit colleges from entering into a preferred relationship with a bank or financial firm to offer debit cards or other financial products that charge fees associated with the disbursement and use of Title IV aid.
3. Ensure that students receive neutral and unbiased information about how best to access their federal student aid.
4. Ban revenue sharing deals so that colleges select financial products based on their merits alone, not revenue to the college or other considerations.
5. Require that colleges post agreements with banks on their websites and annually report them to the government for review by relevant agencies, including the Consumer Financial Protection Bureau.
6. Ensure these new rules are applicable to any college-sponsored account into which Title IV funds are transferred or deposited.

We commend your efforts to address this important issue and we look forward to the resolution of this rulemaking process.

Sincerely,

ELIZABETH WARREN
United States Senator

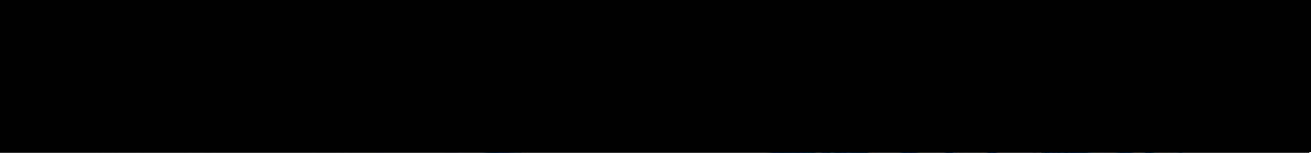
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Member of Congress

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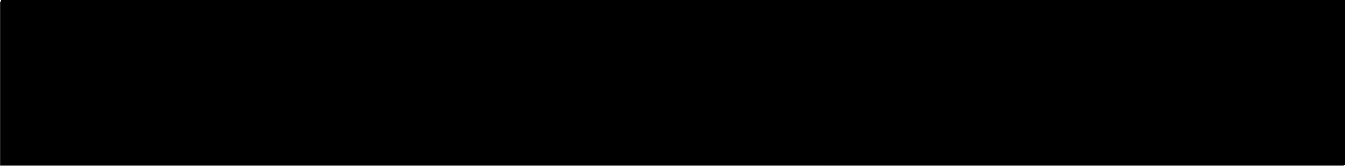
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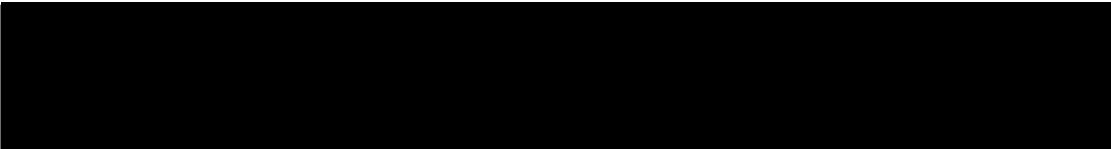
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