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Deceptive Marketing, High Fees, and Conflicts of Interest: Harkin, Miller Lead Effort to Clean Up Campus Banking

Banks and financial institutions have long sought to forge partnerships with colleges and universities as a way to gain access to young consumers. However, in order to access this lucrative market, some banks use tactics such as financial payouts to colleges that recommend specific financial products.

Recent investigations into campus banking, including a February 2014 report from the Government Accountability Office (GAO), have revealed that too often, banks and financial firms are using questionable methods to steer students into bank accounts that appear to be endorsed by their college, but carry high fees. In some cases, this leads students to be guided into needlessly expensive accounts that end up chipping away at their federal student aid and making college more expensive—while schools receive multi-million dollar kickbacks from the banks.

About 40 percent of college students are enrolled at schools that have banking agreements, according to the GAO.

This is not the first time that Congress has stepped in to protect students from deceptive marketing and high fees from financial products offered on campus. In 2008 and 2009, Congress extended critical consumer protections to prevent students from being steered into high-cost credit cards and student loans on campus.

Adopting recommendations from the GAO and the Department of Education's Office of the Inspector General, Senator Tom Harkin (D-IA), chairman of the Senate Health, Education, Labor, and Pensions (HELP) Committee, and Congressman George Miller (D-CA), senior Democrat on the House Education and the Workforce Committee, along with their colleagues, have introduced legislation that would protect federal student aid dollars, reduce the number of students subject to excessive fees, and clean up campus banking via safeguards that:

1. Ensure that students are in control of their financial aid and banking products

- ✓ Ensures that students have real choices about where their financial student aid is disbursed.
- ✓ Prevents schools from delaying the disbursement of aid based on which financial institution students choose.
- ✓ Requires the Department of Education to establish a pilot program to examine additional low-cost alternatives for students to receive their aid.

2. Remove conflicts of interest between financial institutions and schools

- ✓ Bans revenue sharing and kickbacks between financial institutions and colleges that provide an economic incentive to promote products that may be harmful to students.
- ✓ Bans staffing of school departments by employees of financial institutions.
- ✓ Bans gifts to college administrators for preferred treatment.

3. Ensure transparency in campus marketing arrangements

- ✓ Requires financial institutions to publicly post the contracts of campus-based products.
- ✓ Requires financial institutions to submit details of their arrangements to the Consumer Financial Protection Bureau.

The Senate legislation is titled *Protecting Aid for Students Act for 2014;* the House bill is the *Curbing Abusive Marketing Practices with University Student Debit Cards Act* (CAMPUS Debit Cards Act).

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