

Why GAO Did This Study

A growing number of colleges and universities have entered into agreements with financial firms to provide debit and prepaid card services for students. As the number of agreements has grown, questions have arisen over fees and issues such as student choice. This report examines (1) the functions of college cards and the characteristics of schools and card providers offering the cards; and (2) benefits and concerns regarding these cards. GAO reviewed relevant federal laws and regulations, developed a tally of card agreements by reviewing industry reports and school and provider websites, and analyzed data and interviewed officials from federal agencies, banks and other financial firms, students, and industry and consumer groups. GAO selected nine schools (which vary by program length and sector) for extended interviews and data collection.

What GAO Recommends

Congress should consider requiring that financial firms providing debit and prepaid card services to colleges file their agreements for public review and provide other relevant information. The Department of Education should (1) specify what constitutes convenient access to ATMs or bank branch offices for students receiving federal student aid funds and (2) develop requirements for schools and card providers to present neutral information to students about their options for receiving federal student aid funds. The Bureau of Consumer Financial Protection agreed with GAO's matter for Congress. Education agreed with GAO's recommendations to it and said it will address these issues in an upcoming process to develop new rules.

View [GAO-14-91](#). For more information, contact Alicia Puente Cackley at (202) 512-8678 or cackleya@gao.gov; or Melissa Emrey-Arras at (617) 788-0534 or emreyarrasm@gao.gov.

COLLEGE DEBIT CARDS

Actions Needed to Address ATM Access, Student Choice, and Transparency

What GAO Found

At least 852 schools, or 11 percent of U.S. colleges and universities, had agreements to provide debit or prepaid card services to their students as of July 2013, and most offered students the ability to receive federal student aid and other payments on a card. These schools were disproportionately large; their enrollments constituted about 40 percent of all postsecondary students. However, the percentage of students enrolled in their schools' college card programs was unknown. In the majority of agreements, the schools also outsourced to their card provider the process for paying financial aid and other funds via college cards and other methods. Some schools also used college cards as student identification. The dominant provider was Higher One, a nonbank financial firm that had a 57 percent market share in 2013, as measured by number of card agreements.

Benefits of college cards can include convenience for students and cost savings and efficiencies for schools, but concerns exist in a number of areas:

- **Fees.** GAO found that fees charged by college card providers generally were comparable with those for similar products provided by banks, although some college card fees were slightly higher than those of credit unions. However, two large providers charged a fee for card purchases using a personal identification number (PIN) rather than a signature—a fee mainstream debit cards typically do not charge. The total fees students pay are not known, and some providers declined or said they were unable to provide these data to GAO. In 2012, Higher One settled with the Federal Deposit Insurance Corporation, which alleged unfair and deceptive practices that resulted in consumers paying higher fees.
- **ATM access.** Officials at nine selected schools generally did not report significant issues with the availability of fee-free automated teller machines (ATM) on campus. Although Department of Education regulations for college cards require that schools ensure "convenient access" to fee-free ATMs or bank branches for students receiving federal student aid payments, the agency has not specified what constitutes this level of access. The lack of a more specific definition may make avoiding unnecessary fees difficult for students when making cash withdrawals of federal aid.
- **Neutrality.** GAO found instances in which schools or card providers appeared to encourage students to enroll in a college card rather than present neutral information about payment options. The financial marketplace functions best when consumers are fully informed and have unbiased information. However, schools may have incentives to influence student choice because some receive payments from card providers based on the number of card accounts or transactions, leading some consumer advocates to question whether schools always act in their students' best interests. Furthermore, the contracts between schools and card providers are not publicly available and data on these cards are limited, in contrast to another college-related product—affinity credit cards bearing the institution's name or logo—for which key information must be disclosed. Increased transparency for college card agreements could help ensure that the terms are fair and reasonable for students and the agreements are free from conflicts of interest.