DOE Proposed Cash Management Regulations for Title IV Payments to Campus Debit and Prepaid Cards

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The purpose of the DOE proposed regulations is to ensure that students have convenient access to Title IV program funds, do not incur unreasonable and uncommon account fees on these funds, and are not mandated to open a particular financial account to receive Federal Student Aid. If adopted as proposed, a school (by means of a third party provider) or a financial institution that, by arrangement with the school, markets products directly to students and their parents, may not mandate that a student receive Title IV payments through a designated card or open an account with a specified financial institution; must offer options for receiving payment and allow a student to change the option at any time; and, for accounts offered by the school, not charge any point-of-sale fees or overdraft charges or a fee to access the account balance for at least 30 days after funds are paid to the account.

Schools must obtain consent from a student or parent before sharing personal information with a financial account provider or before linking a student identification card with a financial account. DOE proposed rules would require that all contracts with third party providers and financial institutions for these arrangements be publicly disclosed, will be posted on the DOE website, and would impose on schools ongoing obligations for due diligence review of its arrangements and compliance with regulations.

Client Tip: *This is not a new area of inquiry by the DOE. In preparation for the regulations, review your contracts with third party providers and financial institutions for any of the practices proposed to be prohibited. The proposed rules and commentary are here. (Amendment to 34 CFR 668.161-167; comment period ends July 2)*

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