HB 2832: Student Debit Cards.   Testimony to House

Over the past decade, Oregon students have borrowed more than 12.2 billion dollars to finance their education, and well over half graduate with more than $26,000 in debt. The financial burden is well known.

Lots of our students depend on financial aid. At many colleges across Oregon, to access their financial aid, students are stuck using a debit card, arranged by their school contracting with a third party financial firm.

Students often believe that these debit cards are the only way to receive their financial aid to cover books and living expenses. Cards often carry the school logo or are linked to student ID cards. This can give the impression that these cards are official, or required for distribution of financial funds.

The federal Government Accountability Office (GAO) released a report noting that student debit card contracts often include payments to schools from card providers based on the number of card accounts or transactions. As a result, schools encourage students to enroll in these card programs rather than present neutral information on all payment options.

By accepting these debit cards, students expose themselves to fees that can be both ***steep*** and ***frequent*** as they use their financial assistance. Common fees charged to students, depending on the contract at that particular school, include variety of fees – like a “swipe fee” of 50 cents each time they use the card. $25 to transfer money to another account, like one without swipe fees.   Two large providers charged a fee for card purchases using a personal identification number (PIN) rather than a signature. A fee to reload a prepaid card. $2.50 to use another system’s ATM, like when you’re off campus or back at home. And to simply transfer the money to another, regular bank account: a $19 inactivity fee, for *not* using the card.

What the bill does

1. This bill requires public and private higher education institutions, when entering into college card contracts with third party financial firms, to consider federal guidelines issued by U.S. Consumer Financial Protection Bureau and the U.S. Department of Education.

2. It prohibits a few of the most troubling practices:

    - Revenue sharing with the higher education institution;
    - A transaction fee for debit or PIN transactions; and
    - An inactivity fee.

3. It also allows the student to receive the initial disbursement of the financial aid each term in a paper check or an electronic funds transfer, if the student prefers, without being charged a fee to access the financial aid.

4. Transparency: It brings these contracts to light. The contract must be made available for public inspection and published on the higher education institution's website.

5. Redress: It ensures that an enrolled student who uses a college card has a means of enforcing the law by using the court system if necessary.

6. And finally, looking for a better deal, and encouraging competition: public universities and community colleges must make reasonable efforts to establish collaboration agreements with other public universities and community colleges to negotiate contracts for these services, with the idea that collaboration is a means of yielding a bigger pool of potential customers and attracting competitive bids.

Closing

This bill will bring these contracts to light, and result in better deals for the student's pocketbook.

Thank you.