

# Exhibit 9

## Information/Action Item

### Update on debit card issues

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#### **Background**

As staff has noted in previous meetings, many Cal Grant participating institutions have entered, or are entering, into agreements that allow banks and financial services companies to disburse students' financial aid funds, including Cal Grants, using debit cards. While the institutions have emphasized the benefits, including administrative savings and efficiencies to institutions and convenience for students, these agreements have not been without controversy.

Responding to concerns voiced by students, the Legislature recently prohibited public institutions from entering into bank agreements that require students to open accounts with the banks as a condition to receiving their financial aid disbursements. The Legislature also required the public institutions to offer students the option of receiving financial aid disbursement by direct deposit into an account of each student's choosing.

Although students have the option of receiving funds through debit cards, direct deposit to their bank accounts, or checks paid directly to them, many do not understand that they have a choice. Many financial aid students receive the debit cards at the beginning of the term and must take additional steps with the third-party banks to activate the cards once their financial aid is processed and loaded to the cards. Some institutions provide additional information related to their disbursement process to make students aware of the payment options.

To make sure students receive notice of disbursement options for their Cal Grant awards, staff updated the California Aid Report (CAR) to inform students of the most common options and that they have a choice on how their disbursements are made. Information on Cal Grant payment disbursements has also been updated on the WebGrants for Students site where students can find information to better understand their Cal Grant award. We will continue to identify ways of communicating to Cal Grant and Specialized Programs students the various disbursement options available to them and ensure that participating Cal Grant institutions are disclosing those options and giving students choices in receiving the most out of their financial aid.

#### **Advisory committee on debit cards**

Staff convened an advisory committee comprised of campus administrators, students and other interested parties to explore more options to ensure students are maximizing the benefits of their Cal Grant award. The first debit card advisory committee meeting was held on January 22, 2014, and included participants

# California Student Aid Commission

representing the CCC, CSU, private colleges and community outreach coordinators. We have invited student organization representatives as well as Cal Grant students to participate on the committee.

The committee's general discussion accommodated a variety of viewpoints, including:

- Students require more financial education regarding financial aid, banking, and specifically debit cards
- Student debit cards are not all bad: they enable disbursement to students faster
- Contracts with companies offering debit cards should be scrupulously constructed, with colleges understanding that they have more power to set terms and conditions that are favorable to them
- Student involvement in the decision making process is critical
- Particular attention needs to be paid to the unbanked and undocumented students
- Concerns regarding bad publicity over certain debit card companies along with the potential harm to students
- Suggestions for student financial education
- Involvement from all segments and organizations
- Best practices and education
- Using financial institutions based in California

The committee agreed to focus first on the best practices and education to ensure students understand their choices before making them. As students become aware of the costs of choosing a debit card compared to getting the funds deposited directly to their account or getting a check, they will most likely choose another option. Although students like to get their funds faster and sometimes think the best option is a debit card, they do not realize how quick the fees add up and how it reduces their financial aid.

## **Institutional Participation Agreement (IPA) Amendments**

Staff is exploring the option of amending the Cal Grant Institutional Participation Agreement (IPA) to include that students receive clear notification on their choices of their Cal Grant financial aid disbursements, in addition to the notification provided by any bank or other disbursement servicer. Clear communications on their options for student aid disbursements will at least partially mitigate misunderstandings regarding the consequences of their choices. Staff will discuss this option with the advisory committee members and will continue to report out and present any recommendations at future Commission meetings.

Further, we will provide an oral update at the February 20-21 meeting on pending relevant legislation.

### ***Responsible Person(s):***

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