

Item 17

Information Item

Discussion of student debit cards

Background and Summary:

On October 27th, 2015 the United States Department of Education announced final regulations regarding campus debit cards and prepaid cards. These regulations, that take effect in July 2016, will provide students the option to freely choose how to receive their federal student aid refunds. Students will be given objective and neutral information about their financial aid disbursement options, and they will no longer be forced to pay excessive fees to access their Federal student aid.

These regulations have received support from student advocacy groups and other vested organizations throughout the country.

California had acted earlier in responding to concerns regarding campus debit and prepaid cards by enacting Chapter 120 of the Statutes of 2014 (SB 845). Governor Brown signed SB 845 (Correa) into law in July 2014. The law establishes requirements for the higher education segments to follow upon entering into agreements with financial institutions. It requires the higher education segments to develop one or more model contracts for use by their respective systems to disburse a financial aid award, scholarship aid, campus-based aid award, or school refunds onto debit cards, prepaid cards or other preloaded cards issued by a financial institution, and to post model and actual contracts on their respective internet websites.

These federal and state actions raise questions of how Cal Grant participating institutions are disbursing aid to their students. The questions include:

How are the debit cards promoted to students?

Are students able to select other financial aid disbursement options (direct deposit, check)?

Are undocumented students unable to have this option because they are not able to establish a checking account?

Where are the segments with the implementation of the model contracts?

Are campuses with contracts before SB 845 grandfathered?

How many Cal Grant participating institutions have entered into these contracts?

Are there any student tutorials for financial management and system management of the debit cards?

California Student Aid Commission

Recommended Action:

That the Student Impact Committee work with higher education segments, student associations, and any other vested organizations to organize a presentation at the April 2016 Commission meeting focusing on the status of debit card use and the implementation of SB 845 by Cal Grant participating institutions.

Responsible Person(s): Devon Graves, Committee Chair
Student Impact Committee