

Banking and Finance Law Daily Wrap Up, TOP STORY—Schools and banks scolded for not putting students first, (Dec. 14, 2016)

Banking and Finance Law Daily Wrap Up

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Colleges continue to maintain deals with large banks to market products with costly features that are not in the best financial interests of their students, according to a Consumer Financial Protection Bureau [report](#) analyzing marketing deals for school-sponsored accounts. The CFPB also reminded colleges and universities they are required to publicly disclose marketing agreements with credit card companies ([CFPB Bulletin 2016-04](#)).

"Deals between big banks and schools can drive students into accounts that contain high fees," [said](#) CFPB Director Richard Cordray. "Today's report shows that many schools are more focused on their bottom line than their students' well-being when they agree to sponsor financial accounts. Many young people struggle to manage money while at school and we urge schools to put students' financial interest first."

Key findings. The CFPB's analysis of roughly 500 college marketing deals for prepaid and debit accounts found that many deals allow for risky features that can lead students to rack up hundreds of dollars in fees per year. The analysis revealed:

- Dozens of deals with banks for school-sponsored accounts do not place limits on account fees, such as overdraft fees, out-of-network ATM fees, or other common charges.
- College students may pay hundreds per year in overdraft fees when using student banking products.
- Marketing agreements between colleges and banks often contain extensive details about how the school and the bank can profit, but offer few financial benefits for students.

Some schools have not complied with Department of Education requirements to disclose key details of marketing deals with banks. The CFPB found some agreements publicly announced by banks or colleges missing from the DoE's public database of agreements.

College credit card agreements. The report also examines trends in the school-sponsored credit card market, showing a continuing market decline, with a shift to college-sponsored checking and prepaid accounts. The CFPB noted its concern about the lack of transparency in these contracts. A prior year review of 25 colleges and universities with active credit card agreements found most did not provide copies of these agreements on their websites or provide ways to access the agreements.

The CFPB bulletin outlines options for disclosing this information and warns that marketing agreements with credit card issuers must be disclosed publicly without delay. Schools are advised to begin publishing these agreements on their websites if they are not already doing so.

The CFPB promised that it will continue to monitor the accessibility of college student credit card agreements. Industry participants are encouraged to contact the CFPB if not in compliance, with the bureau promising that self-reporting and cooperation "will be taking into account when resolving such matters."

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