



Illinois Department of Financial & Professional Regulation

Manuel Flores, Acting Secretary

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FOR IMMEDIATE RELEASE

July 1, 2014

State Regulators and Federal Reserve Take Action Against Cole Taylor Bank

Bank to pay combined \$4.11 million penalty for deceptive practices impacting nearly 440,000 students nationwide

CHICAGO – The Illinois Department of Financial and Professional Regulation (IDFPR), working with the Federal Reserve System's Board of Governors issued an order on June 26, 2014, requiring Cole Taylor Bank ("Cole Taylor") to pay millions in fines for participating in deceptive banking practices through its agent, Higher One, Inc., of New Haven, Connecticut ("Higher One"), impacting hundreds of thousands of college students across the country.

Under Cole Taylor's oversight, Higher One engaged in deceptive banking practices when processing student financial aid payments on behalf of colleges and universities nationwide. From May 4, 2012 to August 14, 2013, Cole Taylor provided deposit accounts in connection with Higher One's student financial aid refund disbursement process. Cole Taylor failed to properly monitor Higher One's activities which resulted in unlawful banking practices. In a joint order, the IDFPR and the Federal Reserve ordered Cole Taylor to pay a \$600,000 fine to IDFPR and a \$3,510,000 civil money penalty to the Federal Reserve – totaling \$4.11million in penalties.

The Federal Reserve is pursuing remedial actions against Higher One, which includes the payment of restitution for Higher One's past practices. In the event that Higher One cannot pay the restitution amounts required by any Federal Reserve enforcement action, the IDFPR and the Federal Reserve's Order requires Cole Taylor to assume backup liability of up to a maximum amount of \$30 million.

"It is unconscionable for any company to seek profit by misleading customers about the terms of their financial accounts," said Manuel Flores, Acting Secretary of the IDFPR. "Too many students and their families end up with a massive burden of education debt, so it is especially important to protect students from deceptive practices. I'm gratified by our efforts to protect these students' finances by holding a bank accountable for its unlawful business conduct."

"Holding Cole Taylor accountable and ensuring that the bank makes a financial commitment to support restitution to these students should send a clear message that we take this situation seriously," said Sheila Saegh Henretta, Acting Director of the Division of Banking. "We will not tolerate any deceptive banking practices in Illinois."

Higher One is a non-bank entity that provides assistance to institutions of higher education with financial aid payments for students. The IDFPR and Federal Reserve found that Higher One and Cole Taylor Bank misled students at various points in the financial aid payment process, including by:

- Failing to disclose on all relevant documents how students could access their financial aid payment without having to open an online "OneAccount." Higher One and Cole Taylor Bank benefited from students directing their financial aid payments to the OneAccount, instead of to an alternative bank account or paper check. During the timeframe of IDFPR's consent order, approximately 440,000 new OneAccounts were opened at Cole Taylor.
- Failing to disclose the fees, features, and limitations of the OneAccount. Higher One required unusual fees, such as a 50-cent fee for not using the debit card as a credit card and a fee of 3.5 percent for withdrawing cash at a bank teller. Higher One earned income from all fees paid by students in connection with the accounts. Cole Taylor received benefits from holding and deploying the funds held in the non-interest bearing accounts.
- Failing to disclose information about the locations of ATMs where students could access their OneAccounts without incurring costs; and
- Prominently displaying the school logos, which may have erroneously implied the schools endorsed the OneAccount product.

In August of 2013, Cole Taylor ended its association with Higher One. A copy of the IDFPR's order is available on the IDFPR's website by [clicking here](#).

To report suspected unlawful banking or lending practices, call the IDFPR toll-free Consumer Hotline at 800-532-8785.

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