

Thursday, May 22, 2014

Consumers Union endorses new bills in Congress to restrict deals between banks, colleges that put students at risk

WASHINGTON – Consumers Union, the policy and advocacy arm of Consumer Reports, today endorsed bills introduced in Congress that would restrict deals between colleges and banks that may steer students – and their federal aid dollars – toward risky financial products.

The bills take aim at problems such as high-fee debit cards and checking accounts that are offered on campus because of revenue-sharing deals and other questionable arrangements between the bank and the school.

Leading the effort on Capitol Hill are Sen. Tom Harkin of Iowa and Rep. George Miller of California. The lawmakers said their bills would provide transparency over campus-sponsored financial products, put a stop to conflicts of interest and kickbacks between financial institutions and colleges, and ensure students are in control of their own financial aid and bank products.

Pamela Banks, senior policy counsel for Consumers Union, said, "Some banks make deals with colleges to push students toward financial products that carry high fees and hidden charges. These harmful products chip away at your student aid and make college even more expensive. Congress has cracked down on similar practices in the past, like sketchy credit cards and private student loans that were marketed on campus. This new legislation would extend the same kind of protections to debit cards, checking accounts, and other products."

Suzanne Martindale, staff attorney for Consumers Union, said "This legislation would put a stop to strong-arm tactics, like delaying the disbursement of federal student aid for students who opt out of their college's preferred bank partner. The arrangements between banks and schools would be more transparent, and it would get rid of a lot of the gifts and incentives that are used to pull students and schools into these bad deals."

The Senate bill introduced today is titled the Protecting Aid for Students Act for 2014. The House bill is the Curbing Abusive Marketing Practices with University Student Debit Cards Act, or CAMPUS Debit Cards Act.

Earlier this year, Sen. Harkin and Rep. Miller released [a GAO report](#) that exposed a variety of disturbing practices involving the marketing of debit cards to students through partnerships between their schools and financial institutions. Lawmakers asked the U.S. Department of Education to tighten the rules governing debit cards on campus. Harkin and Miller said this new legislation follows recommendations from the GAO and the Inspector General of the Department of Education, and it extends current protections that exist for marketing credit cards and private student loans on campus.

Media contact: David Butler, dbutler@consumer.org, 202-462-6262

Consumers Union is the public policy and advocacy division of Consumer Reports. Consumers Union works for health reform, food and product safety, financial reform, and other consumer issues in Washington, D.C., the states, and in the marketplace. Consumer Reports is the world's largest independent product-testing organization. Using its more than 50 labs, auto test center, and survey research center, the nonprofit rates thousands of products and services annually. Founded in 1936, Consumer Reports has over 8 million subscribers to its magazine, website, and other publications.