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March 30, 2015

Monica Jackson
Office of the Executive Secretary
Consumer Financial Protection Bureau
1700 G Street NW
Washington, DC 20552

Re.: Request for Information Regarding an Initiative on Safe Student Banking

Dear Ms. Jackson,

I am writing on behalf of Woodstock Institute in response to the Consumer Financial Protection Bureau's (CFPB) request for information on its proposed Safe Student Account Scorecard (docket number CFPB-2015-0001). Woodstock Institute strongly supports the initiative to help institutions of higher education transparently select banking partners that offer accounts that are safe and affordable for students. If adopted by institutions of higher education, the Scorecard can increase the availability of wealth-building financial products for students and improve the reputations of colleges and universities that support safe college accounts. We believe that the CFPB can further improve the Scorecard by:

- Including low minimum balance and opening deposit requirements, rapid funds availability, one free ATM withdrawal per month, free point-of-sale transactions, and a prohibition on deposit advance products as Safe Student Account features.
- Asking prospective financial institution partners to report how they encourage Student Account holders to save and build credit, and what other products they plan to market to students.
- Documenting the impact of the Safe Student Account Scorecard in order to make improvements based on lessons learned and encourage other institutions of higher education to adopt the Scorecard in their competitive bidding processes.

In addition to these comments, we also support the comments submitted by the Center for Responsible Lending.

About Woodstock Institute

Woodstock Institute is a leading nonprofit research and policy organization in the areas of fair lending, wealth creation, and financial systems reform. Woodstock Institute works locally and nationally to create a financial system in which lower-wealth persons and communities of color can safely borrow, save, and build wealth so that they can achieve economic security and community prosperity. Our key tools include: applied research; policy development; coalition building; and technical assistance. Woodstock Institute has been a recognized economic justice leader and bridge-builder between communities and policymakers in this field since it was founded in 1973 near Woodstock, Illinois. Now based in Chicago, we work with community and philanthropic groups, financial institutions, and policymakers.

Responses to Questions

I. How can institutions of higher education and students benefit from soliciting information on the features and costs of financial products marketed through a partnership with a financial institution?

The potential benefits to institutions of higher education from soliciting information on the features and costs of financial products marketed through a partnership with a financial institution include: improving their understanding of the bank accounts' value propositions for their students and how they compare to competitors; bolstering their reputations as institutions that look out for the best interests of their students; and increasing their students' disposable incomes and economic security by reducing fees and charges, which ultimately makes it easier for students to pay for tuition, fees, and living expenses.

The potential benefits to students if their institutions adopt the Safe Student Account Scorecard are that students will: have a safe place to receive student loan and financial aid disbursements, deposit paychecks, make transactions, and earn interest; have a way to automatically build savings for an emergency fund; avoid wealth-stripping financial products such as overdraft; be able to monitor their spending; and, build savings for longer-term asset goals such as attending graduate school, retirement, starting a business, or buying a home.

II. How can the draft scorecard based on the FDIC Model Safe Accounts template be adapted to meet the needs of this specific market and to other types of products that institutions of higher education seek to offer to their students?

Woodstock Institute agrees with the CFPB that the following Safe Account features would be in the best interests of students: free card-based electronic account, free deposit insurance, free direct deposit, free online and mobile banking and bill pay, free electronic statements, no overdraft or NSF, and two free money orders or e-checks per month. We particularly applaud the CFPB for recommending that overdraft features be prohibited on Safe Student Accounts. These features ensure that students will be able to conduct most transactions free of charge, insure their deposits against bank failure, and avoid high-cost overdraft credit.

We believe the CFPB should expand the list of Safe Account features to include other features that ensure that students can sustain an affordable account relationship. First, Safe Student Accounts should not have minimum balance requirements that exceed \$1 or opening deposit requirements that exceed \$25. Students are often on limited budgets and are unlikely to be able to sustain high ongoing balances. Second, point-of-sale transactions should be free. Third, students should be able to have at least one free ATM withdrawal per month at an ATM in the vicinity of campus(es). This will give students the opportunity to access their full paycheck or student aid disbursement at least once a month without fees. Fourth, deposit advance products should not be associated with any Safe Student Account. These payday-loan-like products can start students off on the wrong foot by trapping them in a cycle of unaffordable debt. Some credit products, such as credit cards or lines of credit, may be appropriate to link to a Safe Student checking account, as long as they are reasonably priced and banks assess students' ability to repay their loans. Finally, funds should generally be available on the same day or next day from an established customer. This standard is included in the FDIC Model Safe Account and will help students on limited budgets access their funds in a timely manner.

In the event that the bank accounts do not meet the Safe Student Account features, banks will provide a list of features and fees to the institution of higher education. The institution of higher education will

presumably use this information to select the most competitively priced accounts. Depending on the accounts proposed by the pool of applicants, even the most competitively priced accounts may not be in the best interests of students. We urge the CFPB to advise institutions of higher education to partner only with banks that offer accounts that include free deposit insurance; free access to a debit or ATM card; free access to account balances through at least two of these methods: online, on the phone, via text message, or at ATMs; transparent disclosure of fees, terms, and conditions to students before they open accounts; free point-of-sale transactions; no high-cost credit products linked to the accounts, including deposit advance or overdraft; have an adequately-sized free ATM network in the vicinity of campus(es); and at least one free ATM withdrawal per month.

In addition to these protections, Woodstock Institute recently submitted comments regarding student prepaid cards to the CFPB on its proposed rule on Prepaid Accounts Under the Electronic Fund Transfer Act (Regulation E) and the Truth in Lending Act (Regulation Z). We urge the CFPB to adopt these recommendations so that all prepaid cards used by students will be safe and affordable. These recommendations include clear disclosure of all options to receive payments, a ban on compulsory usage of prepaid cards as a method of receiving student aid disbursements, and no preemption of stronger state rules.

V. What other information would be useful for institutions of higher education to solicit from potential marketing partners to assist them in determining whether financial product offerings are safe and affordable for their students?

Student checking and other transactional accounts can be among students' first interactions in the financial system and pose an opportunity to establish good financial habits throughout the rest of their lives. Institutions of higher education should inquire whether financial institutions will also offer savings accounts to students and how they interact with transactional accounts. For example, can the transaction and savings accounts be linked? Can students set up automatic transfers to savings for free? Institutions of higher education should give preference to financial institutions that offer linked savings and automatic savings options because these features can establish savings habits that will help students build wealth throughout their lifetimes.

In general, institutions of higher education should ask what products banks will actively market to students and what the costs and features of those products are. Cross-selling is a major source of revenue for banks, but the revenue generated from student consumers should not come from abusive or usurious products and practices. Instead, institutions of higher education should give preference to banks that will market wealth-building products to students, such as linked savings accounts and secured credit cards or credit-builder loans that help establish a good credit history.

Conclusion: Documenting the impact of Safe Student Accounts

Although the Safe Student Account Scorecard is voluntary, the CFPB is in a unique position as a federal regulator to encourage institutions of higher education to adopt practices in their competitive bidding processes that increase the likelihood that banking partners will serve the best interests of students. An important way to encourage broad adoption of the Scorecard is to document its impact for institutions of higher education and for students. The CFPB should look to the FDIC's reports on its Model Safe Account pilot for guidance on reporting on successes and lessons learned.

The Safe Student Account Scorecard recommends that institutions of higher education request an annual summary of fees from their banking partners. Any report on the impact of the Safe Student Account Scorecard should aggregate the fee reports from participating higher education institutions and compare them to similar, market-rate accounts to assess whether students are receiving a benefit from this

program. The report should also document the number of students who benefit from the Safe Student Accounts, the retention rates for students in the accounts, and the average monthly balance of Safe Student Accounts. The CFPB should survey both bank partners and institutions of higher education to understand the cost of administering Safe Student Accounts and whether they were profitable, how the Scorecard could be improved, and the benefits and challenges of administering the program.

Thank you for the opportunity to comment on the proposed Safe Student Account Scorecard. This program has the potential to encourage institutions of higher education to seek out banking partners that will help students manage their finances affordably.

Sincerely,

A handwritten signature in cursive script that reads "Dory Rand". The signature is written in black ink and is positioned below the word "Sincerely,".

Dory Rand
President, Woodstock Institute