

Congress of the United States
Washington, DC 20515

June 7, 2012

The Honorable Arne Duncan
Secretary of Education
U.S. Department of Education
400 Maryland Avenue, SW
Room 7W301
Washington, DC 20202-1510

Dear Secretary Duncan:

We write to express our concern about the adverse financial impact debit card agreements between banks and institutions of higher education may be having on our nation's college students. Last week, the U.S. Public Interest Research Group (U.S. PIRG) Education Fund released the results of an investigation into the use of debit cards to disburse federal financial aid to students.¹ According to the investigative report, more than 9 million students across the country are at risk because debit cards may come with high user fees, hidden transaction costs and insufficient consumer protections. Almost 900 campuses participating in the federal financial aid program now have a bank-affiliated debit card partnership, including many of the country's largest colleges. Currently, 32 of the 50 largest public 4-year universities, 26 of the largest 50 community colleges, and 6 of the largest 20 private not-for-profit schools have debit or prepaid card contracts with a bank or a financial firm. These contracts and the fees charged to students generate significant revenues for financial institutions. For example, Higher One generated 80 percent of its revenue, totaling \$142.5 million², from account revenue.

At a time when total U.S. student loan debt is reaching the \$1 trillion mark, we should not allow costly and inappropriate debit card fees to add to that debt. Accordingly, we have opened inquiries into the use of these cards and urge you to examine actions the Department of Education can take swiftly to ensure students are adequately protected from the deceptive and predatory practices identified by U.S. PIRG. We understand that you recently held two hearings in advance of a negotiated rulemaking session that will address, among other topics, the use of debit cards and other banking mechanisms on campus. We are encouraged by this and hope that the negotiators will address the issues raised in U.S. PIRG's report.

We have also asked the Department's Inspector General and the Director of the Consumer Financial Protection Bureau to examine further the full-range of bank-affiliated student debit card practices at participating schools and to coordinate their work on this important issue.

¹ The Campus Debit Card Trap: Are Bank Partnerships Fair to Students?, U.S. PIRG Education Fund (May 2012).

² Securities and Exchange Commission. Higher One Holdings, Inc. Form 10-k.

<http://www.sec.gov/Archives/edgar/data/1486800/000148680012000015/one10k2011.htm#selected#nancialdata>

The Honorable Arne Duncan
June 7, 2012
Page 2

It is incumbent upon the Department to exercise its authority to stop and deter unscrupulous student aid practices and inform Congress whether and how such authority should be augmented. We appreciate your attention to this matter and look forward to working with you to protect our nation's students. Please contact us directly or direct your staff to contact Kate Ahlgren (202-225-3725) of Congressman Miller's staff and Joanna Serra (202-224-2152) of Senator Durbin's staff.

Sincerely,



GEORGE MILLER
Senior Democratic Member
Committee on Education and the Workforce
United States House of Representatives



RICHARD J. DURBIN
United States Senator
Assistant Majority Leader