



# Cash Management Regulations Overview

Zack Goodwin  
US Department of Education

IASFAA Conference, Johnston, IA  
April 7, 2016

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## Agenda

- History
- Key cash management regulations
  - Tier 1 school requirements
  - Tier 2 school requirements
  - Additional provisions
- Other regulations

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## Why?



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### Program Integrity

- Negotiations held in early 2014
- Notice of Proposed Rulemaking published in May 2015
- Public comment period closed July 2, 2015
  - Received over 200 comments

*Final regulations published on October 30, 2015*



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### Consumer and Government Investigations

- 2012 USPIRG report identified several troubling practices in debit and pre-paid card market
- Confirmed by Government Accountability Office, ED Inspector General, and Consumers Union
- Enforcement actions by FDIC, Federal Reserve
- Troubling practices included unfair fees, misrepresentation, and transmission of private student information without consent



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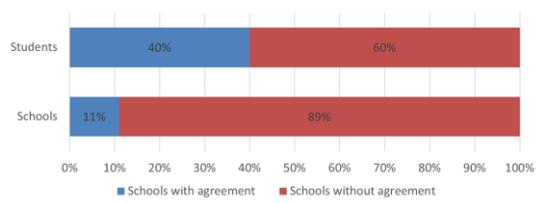
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### Impact



Source: Government Accountability Office



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# Overview

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## Overview of Regulations

Require convenient access to aid	Prohibit fees uncommon in market	Require disclosures
Require updates to modernize	Most provisions effective July 1, 2016	Two provisions delayed until July 1, 2017

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## Who Is Covered?

<b>Tier 1 (T1) Arrangement</b> <ul style="list-style-type: none"> <li>US school with third-party servicer</li> <li>Servicer processes Title IV aid, and</li> <li>Aid is disbursed to contracted account or information about the contracted account is provided to students</li> </ul>	<b>Tier 2 (T2) Arrangement</b> <ul style="list-style-type: none"> <li>US school that has a contract with a provider</li> <li>Provider is <u>not</u> a third-party servicer</li> <li>One or more Title IV credit balance recipients, and</li> <li>Product is marketed to students through school communication, student IDs, or cobranded cards</li> </ul>
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### Tier Requirements

All T1 and T2	All T1	T2 (more than de minimis)
<ul style="list-style-type: none"> <li>Student choice menu</li> <li>No automatic opening of accounts</li> <li>Privacy restrictions</li> <li>Contract disclosure</li> </ul>	<ul style="list-style-type: none"> <li>ATM network</li> <li>Fee restrictions</li> <li>Contracts negotiated in best interest of students</li> <li>Average student cost disclosure</li> </ul>	<ul style="list-style-type: none"> <li>Fee-free ATM</li> <li>Contracts negotiated in best interest of students</li> <li>Average student cost disclosure</li> </ul>

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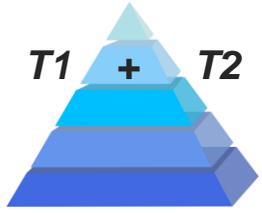
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### Student Choice Menu

- Menu of options required
- Tell student in writing that no specific account is required
- Menu options must be presented neutrally with no default option
- Existing bank account must be first and most prominent option
- Paper checks don't need to be listed, but can be at school's option

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### Student Choice Menu

All T1 and T2 accounts must be listed	Other accounts may be listed
Major features and fees of T1 and T2 accounts must be disclosed	Link to full terms and conditions of T1 and T2 accounts

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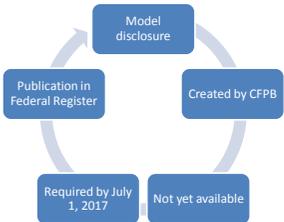
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### Student Choice Menu



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### Student Consent

**Requirements**

- Student consent to open account is required before PII can be shared
- Once shared, information can only be used for disbursement, not marketing
- Consent required before sending a card to students, except for unlinked student ID
- Consent required before linking a student ID to financial account

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## Fees

### Requirements

- Only T1 arrangements are subject to fee restrictions
- No fees charged to students for point-of-sale transactions or overdrafts are allowed
- School must provide national or regional ATM network that is fee-free for balance inquiries and withdrawals
- School must provide at least one convenient way for a student to access a Title IV credit balance

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## Contract Disclosures

### Requirements

- School must post full contract (excluding security and IT information) to school website
- School must send up-to-date URL to Department
- Department will create an aggregate list of websites and publish list for public and government review

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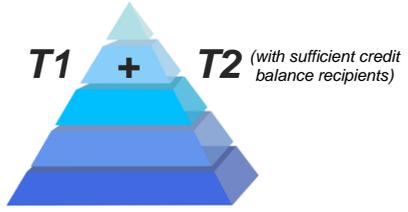
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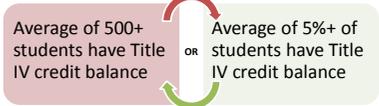
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## T2 De Minimis Threshold

Some regulatory provisions limited to T2 arrangements with a sufficient number of credit balance recipients.

The school must comply with the additional requirements if during the school's prior three award years, either:



T1 arrangements do not have a *de minimis* threshold

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## Summary Cost Disclosures

- Requirement effective on July 1, 2017
- If the institution had 30 or more credit balance recipients in the prior award year, it must publish the following on the same website as contract disclosure:

The total consideration paid, monetary and non-monetary, by the parties under the contract during the past award year

Number of students with financial accounts under the contract at any time during the past award year

Mean and median annual costs to student account holders

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## Best Interest of Students

*Future contracts, fees, and technological changes must occur without harming students*



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## Reminder

All T1 and T2	All T1	T2 (more than de minimis)
<ul style="list-style-type: none"> <li>Student choice menu</li> <li>No automatic opening of accounts</li> <li>Privacy restrictions</li> <li>Contract disclosure</li> </ul>	<ul style="list-style-type: none"> <li>ATM network</li> <li>Fee restrictions</li> <li>Contracts negotiated in best interest of students</li> <li>Summary cost disclosures</li> </ul>	<ul style="list-style-type: none"> <li>Fee-free ATM</li> <li>Contracts negotiated in best interest of students</li> <li>Summary cost disclosures</li> </ul>

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## Direct Disbursement to Students

- Other Federal agencies already make benefit payments directly (e.g. Treasury Direct Express Card for Social Security benefits)
- The regulations do not establish a direct payment system, but give notice of the Secretary's authority in this area
- If we determine that a direct payment system would be more beneficial, we would provide advance notice by a notice in the Federal Register

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## Additional Cash Management Provisions

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## Cash Management

Prohibit practices that risk loss of Federal funds, sweeps	Reimbursement/HCM: must pay credit balances before requesting funds	Eliminate investment accounts	Adopt OMB guidance for interest-bearing depository accounts
Provide flexibility for foreign school depository accounts	Credit account to pay only for allowable charges associated with the payment period	Cost of books and supplies can be included as part of tuition and fees	Provide flexibility for prior-year charges
	Third party servicers must confirm eligibility if they conduct certain activities	Reimbursement/HCM: cannot hold credit balances, even with authorization	

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## Reimbursement and HCM

HCM1	HCM2/Reimbursement
<ul style="list-style-type: none"> <li>Must pay any credit balances due to students prior to drawing down funds</li> <li>May not obtain authorization to hold credit balance funds</li> </ul>	<ul style="list-style-type: none"> <li>Must pay any credit balances due to students prior to seeking reimbursement</li> <li>Must provide documentation as part of its request that the credit balances were paid</li> <li>May not obtain authorization to hold credit balance funds</li> </ul>

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## Disbursement by Payment Period

- School must disburse the Title IV funds for the current payment period during that payment period
- Exceptions:* late disbursements, retroactive payments, and payments for prior-year charges
- School may credit a student's account with Title IV funds to pay only for charges associated with the current payment period

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## Disbursement and Upfront Costs

For programs with substantially equal payment periods:

$$\frac{\text{Total Institutional Charges for Program}}{\text{Number of PP in Program}}$$

For all other programs:

$$\left( \frac{\text{Credit or Clock in PP}}{\text{Credit or Clock in Program}} \right) \times \text{Total Institutional Charges}$$

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## Prior-Year Charges

Amount	When allowed	Current year
No change	In one or more payment periods in the current year	Student receives DL: The current loan period
Still \$200		Student does not receive DL: The current award year
		Student receives DL + other: Either the current loan period or award year

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## Books/Supplies in Tuition and Fees

**Allowed if:**

School has arrangement with book publisher or other entity	Books/supplies available to students for prices below competitive market rates	Provides a way for students to obtain the books and supplies by the seventh day of the payment period, <b>and</b>	Has a policy permitting students to opt out
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### Books/Supplies in Tuition and Fees

**Also allowed if:**

The books and supplies are not available elsewhere or accessible by students from sources other than those provided or authorized by the school, <b>OR</b>	The school documents there is a compelling health or safety reason
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### Retaking Coursework

*For term-based programs, Title IV aid may be provided for the repetition of previously passed coursework that is required because the student failed other coursework.*

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### Book Allowances

- Currently, a process must be in place to allow Federal Pell Grant recipients to purchase books by the 7<sup>th</sup> day of a payment period
  - Applies to those students who would be due a Title IV credit balance as of 10 days prior to the start of the payment period
- This provision will be expanded to include *all* Title IV recipients, not just those receiving Federal Pell Grants

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### Clock Hour Programs

*Programs offered in clock hours due to a Federal, State or other requirement that such programs be in clock hours will be able to offer the programs in credit hours for Title IV purposes.*

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**Thank you!**

Zack Goodwin  
zachary.goodwin@ed.gov  
617.289.0051




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## We Appreciate Your Feedback

To ensure quality training we ask all participants to please fill out an online session evaluation:

<https://www.surveymonkey.com/s/ZacharyGoodwin>

This evaluation tool provides a means to inform us of areas for improvement, and to support an effective process for listening to our customers.

Additional feedback about training can be directed to Joann.Borel@ed.gov.

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## Department of Education Contacts

### Region VII Training Officers



David Bartlett  
david.bartlett@ed.gov  
816.268.0434

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## Department of Education Contacts

Research and Customer Care Center  
800.433.7327  
fsa.customer.support@ed.gov



Reach FSA  
855.FSA.4FAA -- 1 number to reach 10 contact centers!

- |                          |  |
|--------------------------|--|
| Campus Based Call Center | eZ-Audit                                 |
| COD                      | School Eligibility Service Group         |
| CPS/SAIG                 | Foreign Schools Participation Division   |
| NSLDS                    | Research and Customer Care Center        |
| G5                       | Nelnet Total & Permanent Disability Team |

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