

The Department of Education (the Department) proposes to amend the Student Assistance General Provisions regulations issued under the Higher Education Act of 1965, as amended (HEA), to implement the changes made to the Student Assistance General Provisions regulations – Subpart K – Cash Management §668.164 – Disbursing funds. These proposed regulations are a result of negotiated rulemaking and would add new requirements to the current regulations. These proposed regulations are intended to ensure students and parents have convenient access to their Title IV, HEA program funds, do not incur unreasonable and uncommon financial account fees on these title IV funds and are not led to believe that they must open a particular financial account to receive their Federal student aid.

Section 668.164(d)(4): Selection process

Under the proposed regulations, an institution that makes direct payments to a student or parent by EFT and that chooses to enter into an arrangement described in 668.164(e) or 668.164(f) must establish a selection process under which the student or parent chooses one of several options for receiving those payments. The institution must inform the student or parent in writing that he or she is not required to open or obtain a specific financial account or access device in order to receive a Title IV credit balance. The institution must ensure that the options listed are presented in a clear, fact-based, and neutral manner and indicate that the use of any pre-existing account or access device must be listed as the first and default option. The institution must ensure that initiating direct payments to an existing account be as timely as and no more onerous than initiating direct payments to an account offered pursuant to a T1 or T2 arrangement. The institution must allow the student or parent the option to change his or her account preference with reasonable written notice. The institution must list and identify major features and commonly assessed fees associated with all accounts offered pursuant to a T1 or T2 arrangement, as well as provide a URL linked to the terms and conditions of these accounts. Finally, the institution must list issuing a check as an option for a student or parent to receive payments.

Of the 914 institutions with such arrangements, the data show that 685 institutions would be public institutions. On average, we estimate the burden associated with developing and implementing the proposed student and parent choice options would increase burden by 20 hours per institution.

# of Respondents:	# of Responses:	# of Burden Hours:
685	685	13,700

Section 668.164(e): Tier 1 (T1) Arrangements

Under the proposed regulations in §668.164(e), when an institution enters into a contract with a third-party servicer to make direct payments of Title IV, HEA program funds on behalf of the institution to one or more financial accounts that are offered under the contract or by the third-party servicer to students and their parents, this would be considered a T1 arrangement between the institution and the third-party servicer.

The data indicate that there were 541 public institutions with a T1 arrangement. Under these proposed regulations, we expect that institutions would have to modify their systems or procedures to ensure compliance with these proposed regulations. In addition, it is likely that institutions would make other modifications regarding how institutions plan to conduct their proposed periodic due diligence and updating of third-party contracts to allow for termination of the contract based upon student complaints or the institution's assessment that third-party fees have become excessive.

# of Respondents:	# of Responses:	# of Burden Hours:
541	541	29,755

Section 668.164(f): Tier 2 (T2) Arrangements

Under the proposed regulations in §668.164(f), when an institution enters into a contract or marketing agreement with a financial institution under which financial accounts, into which Title IV, HEA program funds will be transferred or deposited, are offered and marketed directly to students or their parents, the agreement would be considered a T2 arrangement. The Secretary considers that Title IV, HEA program funds would be transferred or deposited into financial accounts that are offered under a contract between an institution and a financial institution if students or parents that receive credit balance funds are subject to the direct marketing. The Secretary considers that a financial account is marketed directly if the institution communicates information directly to its students or their parents about the financial account and how it may be opened; the financial account or access device is co-branded with the institution's name, logo, mascot, or other affiliation; or a card or tool that is provided to the student or parent for institutional purposes, such as a student ID card, is linked with the financial account or access device.

The data showed that there would be 144 public institutions having a T2 arrangement. Under these proposed regulations, we estimate that an institution would have to modify its systems or procedures to ensure compliance with these proposed regulations. In addition, other modifications would be likely with regard to how the institution plans to conduct its proposed periodic due diligence and updating of third-party contracts to allow for termination of the contract based upon student complaints or the institution's assessment that third-party fees have become excessive.

# of Respondents:	# of Responses:	# of Burden Hours:
144	144	6,480

TOTALS

Responses	1,370
Respondents	1,370
Burden Hours	49,935