On October 30, 2015 the US Department of Education (USDOE) released final cash management regulations under Federal Register Vol. 80 No. 2010 which amends sections of the Student Assistance General Provisions regulations under the Higher Education Act of 1965, as amended. The final regulations are intended to ensure students have convenient access to their Title IV (Pell, Direct Loans, SEOG) program funds, do not incur unreasonable or uncommon account fees, and are not led to believe they must open a particular financial account in order to receive these funds.

Under the new rules, the USDOE defines arrangements with a third-party servicer as either Tier One (T1) or Tier Two (T2) arrangements. Valencia College’s current arrangement with Higher One falls under the T1 category because they perform one or more of the functions associated with processing direct payments of Title IV funds on behalf of the institution and offer one or more financial (bank) accounts under our arrangement.

Unless otherwise noted, the following provisions are effective July 1, 2016.

1. Students must be informed in writing that they are not required to open an account with a certain provider.
2. When either Valencia or Higher One describes refund choices, a student’s existing bank account must be listed as first option, and there can be no preselected disbursement method.
3. Although checks do not have to be offered as a refund choice, Valencia must be able to pay student Title IV funds within 14 days once the credit balance is posted to student account. Consequently, if student does not select an electronic payment method (i.e. student does not supply bank account information), a check must be issued.
4. Student choosing an existing bank account may not be subjected to a process that is any more cumbersome than the one used to select bank account tied to third party servicer.
5. For Higher One bank accounts only:
   a. Valencia must acquire a student’s written consent to open bank account before Valencia Debit Card (access device) is mailed to student.
   b. Valencia may only share with Higher One directory information (important to define institution’s elements of “directory information”), VID, disbursement amount, and a “shared secret” such as birthdate. However, rule states that this information can only be shared to support making direct payments of Title IV program funds which raises concerns since Title IV disbursements may be comingled with other types of refunds payments.
   c. Valencia must inform students of terms and conditions of Higher One bank accounts, including major features and commonly assessed fees by linking to URL, before account is opened. Note: USDOE is working in conjunction with Consumer Financial Protection Bureau to develop a uniform disclosure template, so this provision is not effective until July 1, 2017.
   d. Student must have convenient access to their Title IV funds in part and up to the entire credit balance through a surcharge-free ATM network with a “sufficient number of machines” so funds are “reasonably available” to students. This means that a student must be able to withdraw entire Title IV credit balance,
regardless of the amount, from the Higher One ATMs. Students may not be redirected to other ATMs, such as Central Florida Credit Union, to obtain Title IV funds since ATM fees may be charged.

e. A student may not be charged any fees by Higher One until amount of Title IV funds in account has been depleted, a considerable challenge, since student disbursement may be a mixture of Title IV and non-Title IV program funds.

6. Valencia must publish Higher One contract on website and provide USDOE with URL of contract, so agency can include in a centralized public database. Effective September 1, 2016.

7. Valencia must report on website number of students with Higher One bank accounts during the most recently completed award year, as well as the mean and median costs incurred by the account holders. Effective July 1, 2016.

8. Valencia must conduct due diligence reviews every two years to determine that fees charged to Higher One account holders are “consistent with or below prevailing market rates”.

9. Higher One contract must allow for termination of arrangement by Valencia based on complaints received from students or a determination by the school that the account fees are not consistent with or higher than market rates.

Given that the USDOE requires that Valencia take a proactive approach to ensure that Higher One is complying with the new regulations for T1 financial arrangements, it is recommended that a group including representatives from Legal Counsel, Financial Aid, Student Services, Accounting, OIT, and any other key stakeholders convene in January 2016 to determine action items needed. Some of the items for consideration are listed below.

1. Review terms of Higher One contract.

2. Determine if another method of disbursing student funds should be implemented to comply with new rules by July 1, 2016 given system and time constraints.

3. Document how student disbursements beginning July 1, 2016 will meet new cash management regulations.