College Students Getting Hit with Debit Card Fees to Receive Financial Aid

October 12, 2012 - Just a few years ago, students who applied for financial aid would receive a check for the non-tuition portion of their aid. This portion of financial aid is meant to pay for books, room & board, and other education related expenses that aren't included in tuition payments. That check could be deposited into the bank account of their choice. But as schools across the country have been trying to cut costs, more and more of them have been partnering with outside firms to manage financial aid. As a result, much of this aid is now distributed using debit cards. And some of those cards come with high fees every time they are used.

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Debit card fees are nothing new. But students are traditionally strapped for cash and often don't understand the financial options that are available to them. Many students simply sign financial aid forms wherever ad signature line appears. That can be a costly mistake because they may be signing up to have a portion of their aid distributed via a debit card that comes from a partner of the school they are attending.

As you will see in the video below, these debit cards often lack the convenience of easy access that is provided by larger financial institutions. There may be very few ATMs available to student to withdraw cash and incur per-transaction fees on every single purchase made using the card.

But students are not actually locked in to using their school's partner for these banking services. Federal financial aid can be moved to a traditional banking institution by the student. And those traditional banking institutions frequently offer incentives to students to open accounts. These incentives may include free or low cost checking account, elimination of debit card fees on purchases, and much larger ATM networks.

At ACCESS this is a real concern. Student loan debt now exceeds $1 Trillion and it impacts 20% of American households. It is the fastest growing debt category, and has an extremely high default rate. Students simply don't need to be borrowing money from the government simply to pay banking fees.

Take a look at the following video. We'd be interested in your comments.

byJim Malmberg

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