

Bank deals for college ID debit cards draw criticism

By Anne Ryman
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PHOENIX — Arizona State University is poised to collect millions of dollars in the next decade as part of an exclusive contract with a bank to provide student ID cards that double as debit cards.

The university joins a growing number of colleges using campus debit cards to bring in money at a time when state financing has fallen.

The agreements are drawing criticism from a national consumer group questioning whether students are being manipulated into using a bank's services not because it's the best deal but because it benefits the school financially.

A recent report from the U.S. Public Interest Research Group found nearly 900 college part-

nerships with financial institutions. Thirty-two of the 50 largest public universities have contracts with banks to provide debit cards linked to bank accounts or prepaid cards.

The report found some arrangements subjected students to potentially high fees, such as for overdrafts on checking accounts. Other contracts obligated universities to market the program, giving the impression they endorse the bank.

"A checking account is a very personal, important decision to make. . . . Students should absolutely have a clear and unbiased choice of where to bank," said Rich Williams, the study's author.

ASU officials said the new 11-year partnership with Oklahoma City-based MidFirst Bank was entered with the best interests of students in mind. One of the biggest benefits, they say, is that students incur no ATM fees even if they use another bank's ATM.

Students don't have to accept the debit card. They can choose a traditional student ID that has no debit card feature or ties to a bank. "We want them to make an informed decision, and there's no pressure on either side of it," said Aaron Bryant, marketing manager for ASU's business services.

The agreement with MidFirst Bank guarantees the university a \$1 million signing bonus and at least \$3.5 million over the life of the contract.

For many years, some colleges signed agreements with financial institutions to place them on preferred lender lists for student loans in exchange for money. A 2007 investigation by then-New York Attorney General Andrew Cuomo caused many universities to stop the practice.

Many colleges also had contracts with banks to market credit cards to students, prompting consumer group complaints. In 2009, Congress restricted marketing credit cards to young people.