

What Schools Need to Know About CFPB's Prepaid Accounts Regulation

Article By:

Labor and Employment Group

Counsel at schools and universities understandably don't follow legal developments in financial services very closely, but recent changes in regulations affecting prepaid accounts could impact institutions of higher education. On April 1, 2019, the Consumer Financial Protection Bureau's ("CFPB") Prepaid Accounts Rule will take effect. Under the new regulation, financial services utilizing prepaid accounts will be subject to a number of requirements related to disclosures and error resolution.

Institutions of higher education may encounter prepaid products in two ways: (i) the payment of employee wages by the institution onto payroll cards, and (ii) the disbursement of Title IV funds onto prepaid cards often called "campus cards." Schools that have payroll or campus card programs may see changes in those programs – especially around the disclosures that accompany the cards.

It's important to note that payroll cards have been regulated at the federal level for a number of years now. In addition, most states have laws or regulations governing payroll cards. You can review state requirements in your jurisdiction by navigating to our interactive [survey of state payroll card law](#).

While the Prepaid Accounts Rule does not directly place compliance obligations on colleges and universities, the CFPB does expect schools to conduct oversight of their prepaid account programs. In 2015, institutions became subject to requirements in partnering with issuers of campus cards. Among those requirements, institutions must ensure that the terms of the prepaid accounts "are not inconsistent with the best financial interests of the students opening them." In its Prepaid Accounts Rule, the CFPB cited the immense volume of funds disbursed onto campus cards (projected to reach \$3.98 billion in 2019) and noted the questionable practices of some institutions which could increase the likelihood of consumer harm.

In a February 2018 letter to the Department of Education, the CFPB shared an unpublished analysis of student use of college-sponsored deposit and prepaid accounts. In that report, the CFPB revealed that institutions that received compensation in exchange for selecting a certain campus card program chose programs that assessed significantly higher fees to the student cardholders. In their findings, the CFPB suggested the data may be useful in determining whether colleges and universities were faithfully discharging their obligations in selecting campus card programs.

While the Prepaid Accounts Rule may not fundamentally change the obligations for colleges and universities, it is a strong reminder that regulators have not forgotten about the role that institutions play in selecting campus card and payroll card programs, as well as the increased likelihood of consumer harm when they shirk their oversight obligations.

Copyright © 2025 Womble Bond Dickinson (US) LLP All Rights Reserved.

National Law Review, Volume IX, Number 91

Source URL: <https://natlawreview.com/article/what-schools-need-to-know-about-cfpb-s-prepaid-accounts-regulation>