

BankMobile's Refund Management[®] Service Compliance Handbook



Introduction and Process Overview

The disbursement of federal financial aid and other refunds to students is a process directly regulated by the U.S. Department of Education. BankMobile Technologies, a wholly owned subsidiary of Customers Bank (“BankMobile”) has developed this compliance handbook to help ensure that your institution is fully aware of the policies/procedures and roles/responsibilities associated with administering the disbursement program.

The student disbursement process has historically been paper-based, costly and inefficient at most higher education institutions. With BankMobile’s disbursements service, institutions can improve administrative efficiency and the quality of service provided to students, while both assisting with regulatory compliance with respect to financial aid refunds and reducing overall expenses.

The BankMobile service is a turnkey solution that provides higher education institution clients with a comprehensive technology service for streamlining the student refund disbursement process. After the institution identifies the eligible student population and sends a demographic file to BankMobile, BankMobile will provide each eligible student with a “Personal Refund Code” required to establish their refund delivery preference. To disburse refunds to students, the institution simply sends a refund file to BankMobile with an identifier for each student and the amount of his or her respective disbursement and wires the total disbursement amount to BankMobile. Immediately upon receipt, BankMobile processes and delivers the refund payments to students in accordance with their individual refund preferences. The institution can view the status of any individual refund disbursement in real-time via our proprietary comprehensive online reporting database.

Institution sends refund information to BankMobile



Institution wires the total disbursement amount to BankMobile



BankMobile disburses funds based on students’ individual preferences



BankMobile handles all exceptions and all customer service

For students, the BankMobile disbursements service is completely free and offers choice in terms of how to receive their respective refunds. The student is asked to log into a secure program website, authenticate their identity and select how they would like to receive their refunds. Students have up to three choices: electronic deposit into any bank account in the United States; electronic deposit to an account offered by BankMobile; or paper check mailed to the address on file. Students can log into the program website and change their refund preference at any time. Students receive email and/or mobile alerts informing them that their refunds are available.

Students and administrators receive BankMobile’s full service refund disbursement program— a variety of service touch points, such as a dedicated relationship manager, BankMobile Admin Support, our client support for managers and administrative staff at our higher education institutions.

BankMobile's Title IV¹ Cash Management Compliance

The BankMobile disbursements service is designed to be compliant with applicable federal regulations providing support for the institution's administrative and regulatory responsibilities. The U.S. Department of Education published Cash Management regulations, most of which went effective July 1, 2016, governing the disbursement of title IV funds (the "Regulations"). The Regulations included, among others, provisions related to how disbursement options and financial products can be marketed to students, the delivery of debit cards to students, the sharing of student information under certain arrangements, prohibitions on the incurrence of certain types of account fees to student accountholders and requirements related to ATM access for student accountholders.

14 day rule: direct payment and notification to all students

BankMobile directly pays and notifies all students receiving refunds in full compliance with the 14 day rule. The process begins when an institution "disburses" federal financial aid funds, which it does by crediting a student's account at the institution with title IV funds.² If the amount credited to a student's account exceeds the amount of tuition and fees, room and board, and other authorized charges assessed, the institution must make a "direct payment" to the student within 14 days of the "disbursement," or crediting of the student's account.³ In order to satisfy this requirement, the institution sends a flat file containing student identifiers and a corresponding wire transfer to BankMobile no later than 14 days after it credits student accounts. Upon receipt, BankMobile notifies and provides payment to students that are eligible for financial aid refunds in accordance with their respective refund preferences: ACH transfer to any bank account, electronic deposit to an account offered by BankMobile or paper check sent via mail, if the institution chooses to offer this option.

In the event that a student fails to select a refund preference and the funds are received by BankMobile for distribution, BankMobile notifies the student via email, and/or mobile alert that his or her refund money is available for immediate pick up and provides instructions on how to pick it up at a location at the institution. This notice constitutes a "direct payment" to the student, defined by the Department of Education in its Regulations as "issuing a check" to the student, which is satisfied by "notifying the student that the check is available for immediate pickup at a specified location at the institution."⁴ The 14 day rule is therefore met in all instances, as long as the institution sends the file and funds to BankMobile before the expiration of the 14 day period.

¹ Title IV ("title IV") of the Higher Education Act of 1965 ("HEA") governs the administration of federal student financial aid programs. The regulations discussed in this paper were promulgated by the U.S. Department of Education pursuant to rulemaking authority granted to it by title IV.

² "Except as provided under paragraph (a)(2) of this section, a disbursement of title IV, HEA program funds occurs on the date that the institution credits the student's ledger account or pays the student or parent directly with—(i) Funds received from the Secretary; or (ii) Institutional funds used in advance of receiving title IV, HEA program funds." 34 C.F.R. § 668.164(a)(1)(i)&(ii)

³ "(1) A title IV, HEA credit balance occurs whenever the amount of title IV, HEA program funds credited to a student's ledger account for a payment period exceeds the amount assessed the student for allowable charges associated with that payment period as provided under paragraph (c) of this section. (2) A title IV, HEA credit balance must be paid directly to the student or parent as soon as possible, but no later than—(i) Fourteen (14) days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or (ii) Fourteen (14) days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period." 34 C.F.R. § 668.164(h)(1)&(2)

⁴ Under the applicable regulation, "[a]n institution makes a direct payment— (A) Initiating an EFT of that amount to the student's financial account; (B) Issuing a check for that amount payable to, and requiring the endorsement of, the student ". 34 C.F.R. § 668.164(d)(1)(i)(A)&(B) "An institution issues a check on the date that it— [n]otifies the student or parent that the check is available for immediate pick-up at a specified location at the institution." 34 C.F.R. § 668.164(d)(2)(ii). The Department briefly addressed the 14-day rule in a Dear Colleague Letter published on April 26, 2012 (the "DCL"), reiterating in general terms that an institution must still directly pay or issue a check to a student that fails to comply with the institution's established policy within the 14-day timeframe, which BankMobile satisfies by providing notice under 34 C.F.R. § 668.164(d)(2)(ii) and then adhering to the prescribed 21-day rule, as described below in this paper.

Failure to select a refund preference and exception handling

If a student fails to select a refund preference, the Regulations provide that the institution, or BankMobile on its behalf, may hold the check for up to 21 days after the date it notifies the student that the check is available for immediate pickup at a specified location at the institution.⁵ During this time, if the student visits the appropriate location at the institution to pick up his or her check, a check must be issued to the student.⁶ For institutions that do not have the ability to immediately issue checks to students due to internal process or technology constraints, BankMobile provides its Instant Issue Check service. Institutions utilizing this service are given paper checkbooks that can be used by authorized administrators to issue a check to any student that visits the business office to pick up a refund.

If the student has not picked up his or her check within 21 days after being notified the funds are available for immediate pick-up, the Regulations require that the check be either immediately mailed to the student or parent, electronically deposited (“EFT”) into the student or parent’s bank account, or returned to the Department of Education.⁷ BankMobile ensures compliance with this requirement by automatically mailing a default check to the student before the expiration of the 21-day period. If the default check is returned, BankMobile attempts re-delivery, which it may do within 45 days of its receipt of the returned check.⁸ As necessary, BankMobile will make additional attempts at re-delivery up to 90 days after the check was first issued. If no delivery attempt is successful within such a 90-day period, BankMobile returns the funds to the institution, which then has up to 150 days to return the funds to the Department of Education.⁹

In the event that a student opts to have his or her refund deposited to a third party bank account via ACH and the ACH transfer is returned or unsuccessful, BankMobile attempts re-delivery for up to 35 days from the date the ACH was initiated, but no longer than 90 days from the initial transfer attempt. After such a 90 day period, BankMobile returns the funds to the institution for timely return to the Department of Education. Similarly, if a student receives his or her refund via paper check and the check is not cashed within 90 days, BankMobile returns the funds to the institution, which then has up to 150 days to return the funds to the Department of Education.¹⁰ Thirty (30) days prior to the stale check date, BankMobile contacts the student via email that the check will be cancelled and the funds returned to the institution if the check is not cashed within the next 30 days.

Student Choice Process

The Regulations require that an institution that makes “direct payments” to students by EFT and has entered into a “Tier One Arrangement” and/or “Tier Two Arrangement” as defined in the Regulations is required to establish a “selection process”.¹¹ Further, the Department of Education has established specific requirements related to the “selection process” itself¹² and how the disbursement options are described

⁵ “The institution may hold the check for no longer than 21 days after the date it notifies the student or parent. If the student or parent does not pick up the check, the institution must immediately mail the check to the student or parent, pay the student or parent directly by other means, or return the funds to the appropriate title IV, HEA program.” 34 C.F.R. § 668.164(d)(2)(i)

⁶ *Id.*

⁷ *Id.*

⁸ “If an EFT to a student’s or parent’s financial account is rejected, or a check to a student or parent is returned, the institution may make additional attempts to disburse the funds, provided that those attempts are made not later than 45 days after the EFT was rejected or the check returned. In cases where the institution does not make another attempt, the funds must be returned to the Secretary before the end of this 45-day period.” 34 C.F.R. § 668.164(l)(2)

⁹ “If a check sent to a student or parent is not returned to the institution but is not cashed, the institution must return the funds to the Secretary no later than 240 days after the date it issued the check.” 34 C.F.R. § 668.164(l)(3)

¹⁰ *Id.*

¹¹ “An institution located in a State that makes direct payments to a student by EFT and that enters into an arrangement described in paragraph (e) or (f) of this section, including an institution that uses a third-party servicer to make those payments, must establish a selection process under which the student chooses one of several options for receiving those payments.” 34 C.F.R. § 668.164(d)(4)(i)

¹² “In implementing its selection process, the institution must— (1) Inform the student in writing that he or she is not required to open or obtain a financial account or access device offered by or through a specific financial institution; (2) Ensure that the student’s options for receiving direct payments are

and displayed.¹³ As part of the disbursement program, BankMobile will manage compliance with the Tier One Arrangement requirements associated with how the selection process is designed and implemented, and any required disclosures related to the disbursement options.

Tier One Arrangements

Under the Regulations and as it relates to an institution's disbursement program, BankMobile is considered a third party servicer operating a "Tier One Arrangement" with the institution.¹⁴ As such, the account offered by BankMobile is subject to required Department of Education consumer protections, fee prohibitions and transparency provisions that may not be associated with general consumer checking accounts.

Card Issuance Restrictions for Tier One and Tier Two Arrangements

All service providers for both Tier One and Tier Two arrangements must obtain the student's consent to "open the financial account" before an access device can be sent to the student.¹⁵ Cards used for "institutional purposes" (such as ID or library cards) are exempt from this provision.¹⁶ Institutions that utilize BankMobile debit cards for "institutional purposes" are required to complete an Institutional Purpose Verification form. BankMobile will be responsible for issuing all students a "Personal Refund Code" to access the disbursement website and to verify the student's identity. Further, BankMobile will be responsible for issuing debit cards and/or "institutional purpose" cards in accordance with the Regulations.

Student Data Limitations for Tier One Arrangements

Under Tier One Arrangements, institutions may share certain personally identifiable information with a third party servicer prior to the student selecting a refund preference.¹⁷ However, the use and sharing of such personally identifiable information is limited per the Regulations. The institution will be responsible for ensuring that any personally identifiable information transmitted to BankMobile in administering the disbursement program complies with state and federal regulations.

described and presented in a clear, fact-based, and neutral manner; (3) Ensure that initiating direct payments by EFT to a student's existing financial account is as timely and no more onerous to the student as initiating an EFT to an account provided under an arrangement described in paragraph (e) or (f) of this section; (4) Allow the student to change, at any time, his or her previously selected payment option, as long as the student provides the institution with written notice of the change within a reasonable time; (5) Ensure that no account option is preselected; and (6) Ensure that a student who does not make an affirmative selection is paid the full amount of the credit balance within the appropriate time-period specified in paragraph (h)(2) of this section, using a method specified in paragraph (d)(1) of this section." 34 C.F.R. § 668.164(d)(4)(i)(A)(1)-(6)

¹³ "In describing the options under its selection process, the institution— (1) Must present prominently as the first option, the financial account belonging to the student; (2) Must list and identify the major features and commonly assessed fees associated with each financial account offered under the arrangements described in paragraphs (e) and (f) of this section, as well as a URL for the terms and conditions of each account. For each account, if an institution by July 1, 2017 follows the format, content, and update requirements specified by the Secretary in a notice published in the Federal Register following consultation with the Bureau of Consumer Financial Protection, it will be in compliance with the requirements of this paragraph with respect to the major features and assessed fees associated with the account." 34 C.F.R. § 668.164(d)(4)(i)(B)(1)-(2)

¹⁴ "(1) In a Tier one (T1) arrangement— (i) An institution located in a State has a contract with a third-party servicer under which the servicer performs one or more of the functions associated with processing direct payments of title IV, HEA program funds on behalf of the institution; and (ii) The institution or third-party servicer makes payments to— (A) One or more financial accounts that are offered to students under the contract; (B) A financial account where information about the account is communicated directly to students by the third-party servicer, or the institution on behalf of or in conjunction with the third-party servicer; or (C) A financial account where information about the account is communicated directly to students by an entity contracting with or affiliated with the third-party servicer." 34 C.F.R. § 668.164(e)(1)(i)-(ii)

¹⁵ 34 C.F.R. § 668.164(e)(2)(i) and 34 C.F.R. § 668.164(f)(4)(i)(B)

¹⁶ *Id.*

¹⁷ "(ii) Ensure that any personally identifiable information about a student that is shared with the third-party servicer before the student makes a selection under paragraph (d)(4)(i) of this section— (A) Does not include information about the student, other than directory information under 34 CFR 99.3 that is disclosed pursuant to 34 CFR 99.31(a)(1) and 99.37, beyond— (1) A unique student identifier generated by the institution that does not include a Social Security number, in whole or in part; (2) The disbursement amount; (3) A password, PIN code, or other shared secret provided by the institution that is used to identify the student; or (4) Any additional items specified by the Secretary in a notice published in the Federal Register;" 34 C.F.R. § 668.164(e)(2)(ii)(A)(1)-(4)

Both the institution and BankMobile will be responsible for managing, storing and sharing any applicable personally identifiable information under the program. Under no circumstances shall the institution transmit Social Security numbers to BankMobile, in whole or part, throughout the life of the program. BankMobile will provide guidance and technical specifications to the institution to properly configure its student data and refund file(s) to comply with the Regulations.

ATM Requirements under Tier One Arrangements

As it relates to ATM access, the Regulations require that students that open a financial account offered by BankMobile under a Tier One Arrangement must have “convenient access to the funds... through a surcharge-free national or regional Automated Teller Machine (ATM) network”.¹⁸ As a standard part of our disbursements program, BankMobile will be responsible for providing student account holders access to a national or regional surcharge-free ATM network in compliance with this provision of the Regulations.

Account Fee Restriction under Tier One Arrangements

Accounts offered to students under Tier One Arrangements are prohibited from charging the following fees: (i) an account opening fee and/or fee for receiving a debit card; (ii) point-of-sale transaction fees; and (iii) in-network ATM balance inquiry and withdrawal fees.¹⁹ BankMobile will be responsible for ensuring that the account offered under the Tier One Arrangement is compliant with all of the fee restrictions outlined in this section.

Required and Prohibited Account Features under Tier One Arrangements

Accounts offered to students under Tier One Arrangements must include certain features and prohibit others to ensure compliance with the Regulations.²⁰ Features that are prohibited include: (i) marketing, portraying or converting the financial account into a credit card; and (ii) extending a line of credit associated with the financial account and/or allowing for overdraft fees to be charged on card transactions. In addition, the financial account must provide at least one (1) free method to transfer/withdrawal “title IV, HEA program funds in part and in full up to the account balance”. BankMobile will be responsible for prohibiting or providing certain functionality as outlined in this section.

Contract Disclosure

The Regulations require an institution to conspicuously disclose on its website the contract establishing a Tier One Arrangement “[n]o later than September 1, 2016, and then no later than 60 days following the most recently completed award year thereafter”.²¹ The institution may redact those portions of the contract that “if disclosed, would compromise personal privacy, proprietary information technology, or the security of information technology

¹⁸ “(A) Has convenient access to the funds in the financial account through a surcharge-free national or regional Automated Teller Machine (ATM) network that has ATMs sufficient in number and housed and serviced such that title IV funds are reasonably available to students, including at the times the institution or its third-party servicer makes direct payments into the financial accounts of those students;” 34 C.F.R. § 668.164(e)(2)(iv)(A)

¹⁹ “(B) Does not incur any cost— (1) For opening the financial account or initially receiving an access device; (2) Assessed by the institution, third party servicer, or a financial institution associated with the third-party servicer, when the student conducts point-of-sale transactions in a State; and (3) For conducting a balance inquiry or withdrawal of funds at an ATM in a State that belongs to the surcharge-free regional or national network;” 34 C.F.R. § 668.164(e)(2)(iv)(B)(1)-(3)

²⁰ “(v) Ensure that— (A) The financial account or access device is not marketed or portrayed as, or converted into, a credit card (B) No credit is extended or associated with the financial account, and no fee is charged to the student for any transaction or withdrawal that exceeds the balance in the financial account or on the access device, except that a transaction or withdrawal that exceeds the balance may be permitted only for an inadvertently authorized overdraft, so long as no fee is charged to the student for such inadvertently authorized overdraft; and (C) The institution, third-party servicer, or third-party servicer’s associated financial institution provides a student account holder convenient access to title IV, HEA program funds in part and in full up to the account balance via domestic withdrawals and transfers without charge, during the student’s entire period of enrollment following the date that such title IV, HEA program funds are deposited or transferred to the financial account;” 34 C.F.R. § 668.164(e)(2)(v)(A)-(C)

²¹ “(vi) No later than September 1, 2016, and then no later than 60 days following the most recently completed award year thereafter, disclose conspicuously on the institution’s Web site the contract(s) establishing the T1 arrangement between the institution and third-party servicer or financial institution acting on behalf of the third-party servicer, as applicable, except for any portions that, if disclosed, would compromise personal privacy, proprietary information technology, or the security of information technology or of physical facilities;” 34 C.F.R. § 668.164(e)(2)(vi)

or of physical facilities”.²² Further, the Regulations require that the institution provide to the Secretary (Department of Education) an up-to-date URL for the contact for publication.²³

To ensure compliance with this provision, BankMobile maintains a public website landing page that includes all legal documents related to the Tier One Arrangement with the institution. The institution is responsible for: (i) posting a link to such a landing page on its public website; and (ii) providing the Secretary with an up-to-date URL of the landing page. Through the BankMobileAdminSupport.com website, BankMobile provides the institution access to an up-to-date URL to the landing page containing the legal documents at all times. In the event that the institution elects not to post on its public website a link to the aforementioned contract disclosure landing page provided by BankMobile, the institution shall be responsible for posting the contract at its discretion.

Contract Data, Account and Fee Disclosures

The Regulations require an institution with a Tier One Arrangement to conspicuously disclose on its website, in a format established by the Department, the total monetary and non-monetary compensation paid or received by the parties under the contract for most recently completed award year.²⁴ Further, for the most recently completed award year, the institution must disclose on its website: (i) the number of students who had financial accounts under the contracts; and (ii) the mean and median actual costs incurred by those account holders.²⁵

To ensure compliance with this provision, BankMobile maintains a website landing page (the same landing page used for the aforementioned contract disclosure) that includes all of the contract data, account and fee disclosures outlined in this section of the Regulations related to the Tier One Arrangement with the institution. The institution is responsible for posting a link to the URL landing page on its website. BankMobile provides a link to the landing page containing the aforementioned disclosures available on the BankMobileAdminSupport.com website for use on the institution’s public website. In the event that the institution elects not to post on its public website a link to the aforementioned contract data, account and fee disclosures landing page provided by BankMobile, the institution shall be responsible for posting such information at its discretion. In order to facilitate accurate and timely reporting related to these disclosures, the institution shall be responsible for providing BankMobile with a monthly student enrollment file.

Due Diligence Requirements for Schools

The Regulations require that the terms of the financial account offered under the Tier One Arrangement “are not inconsistent with the best financial interests of the student opening them”. The Secretary defines this requirement is met in two ways: (i) the institution must conduct due diligence every two (2) years to determine whether the fees associated with the financial account offered under a Tier One Arrangement are “considered as a whole, consistent with or below prevailing market rates”; and (ii) the contract governing the Tier One Arrangement includes a provision for termination due to student complaints or if the institution determines the fees associated with the financial account offered under a Tier One Arrangement “are not consistent with or are higher than prevailing market rates”.²⁶ The required contractual language set forth in this provision is included in BankMobile’s standard contract with the institution. Further, BankMobile agrees to make available to the institution the data

²² *Id.*

²³ “(viii) Provide to the Secretary an up-to-date URL for the contract for publication in a centralized database accessible to the public;” 34 C.F.R. § 668.164(e)(2)(viii)

²⁴ “(vii) No later than September 1, 2017, and then no later than 60 days following the most recently completed award year thereafter, disclose conspicuously on the institution’s Web site and in a format established by the Secretary— (A) The total consideration for the most recently completed award year, monetary and non-monetary, paid or received by the parties under the terms of the contract; and (B) For any year in which the institution’s enrolled students open 30 or more financial accounts under the T1 arrangement, the number of students who had financial accounts under the contract at any time during the most recently completed award year, and the mean and median of the actual costs incurred by those account holders;” 34 C.F.R. § 668.164(e)(2)(vii)(A)-(B)

²⁵ *Id.*

²⁶ “(ix) Ensure that the terms of the accounts offered pursuant to a T1 arrangement are not inconsistent with the best financial interests of the students opening them. The Secretary considers this requirement to be met if— (A) The institution documents that it conducts reasonable due diligence reviews at least every two years to ascertain whether the fees imposed under the T1 arrangement are, considered as a whole, consistent with or below prevailing market rates; and (B) All contracts for the marketing or offering of accounts pursuant to T1 arrangements to the institution’s students make provision for termination of the arrangement by the institution based on complaints received from students or a determination by the institution under paragraph (e)(2)(ix)(A) of this section that the fees assessed under the T1 arrangement are not consistent with or are higher than prevailing market rates;” 34 C.F.R. § 668.164(e)(2)(ix)(A)-(B)

necessary to allow the institution to conduct its own due diligence related to the fees associated with the financial account under the Tier One Arrangement.

Compliance and Reporting Tools

BankMobile's proprietary BankMobileAdminSupport.com website enables administrators to manage nearly every element of the BankMobile disbursements service. Real time reports are time-stamped and downloadable into CSV (Excel) file format for easy searching, sorting, parsing and querying by college and university administrators. The comprehensive list of reports contained in BankMobileAdminSupport.com has been built over the years based on direct feedback from our clients. The reports provides institutions with easily searchable information to help give administrators more clarity and control over each aspect of the compliance process.

It is important to note that BankMobile's Disbursements service is also used by hundreds of campuses across the country to streamline the disbursement of funds to students. The Disbursements service has the ability to recognize between title IV funds and non-title IV funds if the institution would like to manage the funds independently. Campuses can do this by including an identifier in the flat file for the disbursement that is sent to BankMobile at the time of disbursement.

Tier Two Arrangements

Per the Regulations, if an institution enters into a contract with an entity that offers financial accounts through a financial institution under which financial account(s) are "marketed directly"²⁷ to students enrolled at the institution, the institution has entered into a Tier Two Arrangement.²⁸

The institution and/or the entity entering into a contract to offer financial accounts "marketed directly" to students shall be solely responsible for determining whether it has entered into a Tier Two Arrangement and shall be responsible for any and all Tier Two Arrangement compliance requirements under the Regulations. The institution shall notify BankMobile immediately of any existing or new Tier Two Arrangement. In no way shall BankMobile be responsible for any and all representations, warranties, liabilities or compliance related to the institution's Tier Two Arrangements. Upon notification to BankMobile that the institution has a Tier Two Arrangement and should compliance with the Regulations require any modifications to the BankMobile program due to such a Tier Two Arrangement, BankMobile, the institution and/or the entity entered into the Tier Two Arrangement may be required to execute a formal amendment that will govern such modifications to the program.

Assistance with Department of Education Program Reviews

The Regulations define a "third-party servicer" as an "organization that enters into a contract with an eligible institution to administer, through manual or automated processing, any aspect of the institution's participation in any title IV, HEA program."²⁹ Because of the services we provide to certain eligible institutions in connection with the disbursement of title IV credit balances, BankMobile is a "third-party servicer" under the Regulations.³⁰ As a third-party servicer, each year we submit a "Compliance Attestation Examination of the title IV Student Financial Assistance Programs" audit to the Department of Education, which includes a report by an independent audit firm. In addition to our own internal

²⁷ "(3) The Secretary considers that a financial account is marketed directly if— (i) The institution communicates information directly to its students about the financial account and how it may be opened; (ii) The financial account or access device is cobranded with the institution's name, logo, mascot, or other affiliation and is marketed principally to students at the institution; or (iii) A card or tool that is provided to the student for institutional purposes, such as a student ID card, is validated, enabling the student to use the device to access a financial account." 34 C.F.R. § 668.164(f)(3)(i)-(iii)

²⁸ "(1) In a Tier two (T2) arrangement, an institution located in a State has a contract with a financial institution, or entity that offers financial accounts through a financial institution, under which financial accounts are offered and marketed directly to students enrolled at the institution." 34 C.F.R. § 668.164(f)(1)

²⁹ 34 C.F.R. § 668.2.

³⁰ "[A] third-party servicer is an individual or organization that enters into a written contract with an institution to administer any aspect of the institution's participation in the title IV, HEA programs. This includes disbursing title IV funds, including paying or otherwise delivering credit balances to students or parents." Q&A6, DCL

rigorous review of Regulations, the yearly audit submission to the U.S. Department of Education provides another layer of comfort that the Disbursements service is compliant with the Department's regulations. We provide the audit report to client institutions upon request to help them fulfill their compliance audit obligations as title IV participating institutions. Further, BankMobile's agreements with client institutions contain the contractual provisions that the Regulations require to be included in contracts between third party servicers and institutions, including a provision that BankMobile will be jointly and severally liable with the institution for any violation by BankMobile of the HEA or the Regulations.³¹

The Family Educational Rights and Privacy Act of 1974 (FERPA)

FERPA prohibits educational institutions that receive any federal funding from disclosing certain personally identifiable information of any student to third parties without the student's consent, subject to certain exceptions. Institutions using the Disbursements service may disclose to us personally identifiable information of students, including contact information, student identification numbers and the amount of students' credit balances, pursuant to one or more exceptions to the FERPA disclosure prohibition and the Regulations. First, personally identifiable information may generally be disclosed without a student's consent to a "school official" whom an educational institution has determined to have legitimate educational interests.³² A contractor to whom a school has outsourced institutional functions or services may be considered a "school official" for purposes of FERPA under certain conditions.³³ Further, under certain conditions, schools can disclose personally identifiable information without student consent if the disclosure is in connection with financial aid for which the student has applied or received.³⁴

It's important to note that BankMobile does not use such personally identifiable information to open financial account for students; rather, students, at their sole discretion, may choose to open a financial account.³⁵ Additionally, since BankMobile as a contractor to institutions is subject to FERPA's restrictions on the reuse and redisclosure of personally identifiable information from education records, we do not permit the transfer of any personally identifiable information to another party other than in a manner in which an educational institution may disclose it. We have a robust set of policies and procedures in place to safeguard against the risk of unauthorized disclosure of this information to third parties, including a comprehensive written information security policy in accordance with the Gramm Leach Bliley Act.

Questions

BankMobile is pleased to answer any questions you may have concerning this compliance handbook. Please note this document may change from time to time should the Department of Education issue additional guidance related to the Regulations and/or if BankMobile's system requires operational/technical modifications. Please contact your dedicated relationship manager or sales executive with any questions.

³¹ 34 C.F.R. § 668.25(c).

³² "An educational agency or institution may disclose personally identifiable information from an education record of a student without the consent required . . . if the disclosure . . . is to other school officials, including teachers, within the agency or institution whom the agency or institution has determined to have legitimate educational interests." 34 C.F.R. § 99.31(a)(1)(i)(A).

³³ "A contractor, consultant, volunteer, or other party to whom an agency or institution has outsourced institutional services or functions may be considered a school official under this paragraph provided that the outside party . . . [p]erforms an institutional service or function for which the agency or institution would otherwise use employees. . ." 34 C.F.R. § 99.31(a)(1)(i)(B)(1).

³⁴ "An educational agency or institution may disclose personally identifiable information from an education record of a student without . . . consent . . . if . . . [t]he disclosure is in connection with financial aid for which the student has applied or which the student has received, if the information is necessary for such purposes as to (A) Determine eligibility for the aid; (B) Determine the amount of the aid; (C) Determine the conditions for the aid; or (D) Enforce the terms and conditions of the aid." 34 C.F.R. § 99.31(a)(4).

³⁵ BankMobile's approach to providing students with choice in terms of how to receive their refund and whether to open a BankMobile Vibe Account, as opposed to pre-loading cards mailed to students or directly opening accounts for students, complies with the Department's interpretive guidance on FERPA. See DCL Q&A7.

Policies – Procedures – Roles – Responsibilities

Items	Citation	Description	Institution	BankMobile
Title IV Eligibility	34 CFR 668.32	The institution must verify that the student is eligible to receive title IV funds.	X	
Disbursing FSA Funds to a Student Account	34 CFR 668.164(a)	There are two ways to disburse FSA funds: by crediting the student's ledger account for allowable charges, or by paying the student or parent directly.	X	
Notification of the Disbursement of FSA Funds	34 CFR 668.165(a)	Before an institution disburses title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each title IV, HEA program, and how and when those funds will be disbursed.	X	
Credit Balances	34 CFR 668.164(h)(1)	An FSA credit balance occurs whenever the institution credits FSA program funds to a student's account and the total amount of those FSA funds exceeds the student's allowable charges. The institution is responsible for determining how FSA funds are allocated for allowable charges.	X	
14 Day Timeline for Direct Payment	34 CFR 668.164(h)(2)(i)&(ii)	"Direct Payment" of an FSA credit balance must be made no later than 14 days after the balance occurs or 14 days after the first day of class of a payment period. The institution must transmit to BankMobile the refund data file and associated funds for all title IV credit balances prior to the 14 day deadline.	X	

Items	Citation	Description	Institution	BankMobile
Paying Credit Balances	34 CFR 668.164(d)(1)(i) (A)&(B) 34 CFR 668.164(d)(2) (i)&(ii)	With the exception of the student visiting the institution's business office to pick up a BankMobile paper check (Instant Check Issuance), BankMobile will be responsible for making "direct payment" to students.		X
Default Paper Check Issuance	34 CFR 668.164(d)(2)(ii)	For those instances where a student has not made a refund preference selection within 21 days after being notified of its availability, BankMobile automatically mails a default check to the student before the expiration of the 21-day period.		X
Student Choice Process	34 CFR 668.164(d)(4)(i)(A) (1)-(6)	BankMobile will manage compliance with the new Regulations regarding how the selection process is designed and implemented, and any required disclosures related to the disbursement options.		X
Tier One Arrangements	34 CFR 668.164(e)(1)(i)-(ii)	As it relates to an institution's disbursement program, BankMobile is considered a "third party servicer" operating a "Tier One Arrangement" with the institution. BankMobile will be responsible for communicating any change as to its status as a "third party servicer" operating a "Tier One Arrangement".		X
Card Issuance Restrictions for Tier One and Tier Two Arrangements	34 CFR 668.164(e)(2)(i)	BankMobile will be responsible for issuing students a "Personal Refund Code" to access the BankMobile disbursement website and to authenticate the student's identity. Further, BankMobile will be responsible for issuing debit cards and/or "institutional purpose" cards in accordance with the Regulations. If the institution elects to use the BankMobile debit card for "institutional purposes" (for example ID, library card, etc.), the institution shall be responsible for completing and signing an Institutional Purpose Verification form prior to card issuance.	X	X

Items	Citation	Description	Institution	BankMobile
Student Data Limitations for Tier One Arrangements	34 CFR 668.164(e)(2)(ii)(A) 34 CFR 668.164(e)(2)(ii)(B) 34 CFR 668.164(e)(2)(ii)(C)	The institution will be responsible for ensuring that any personally identifiable information transmitted to BankMobile in administering the disbursement program complies with state and federal regulations. Both the institution and BankMobile will be responsible for managing, storing and sharing any applicable personally identifiable information under the program. Under no circumstances shall the institution transmit Social Security numbers to BankMobile, in whole or part, throughout the life of the program. BankMobile will provide guidance and technical specifications to the institution to properly configure its student data and refund file(s) to comply with the Regulations.	X	X
Student Data File Transfers	N/A	All data passed from the institution to BankMobile for the demographic, refund and enrollment files will be sent via SSH protocol in order to ensure a secure information exchange. BankMobile will work with the institution to configure SSH transfers associated with administering the program.	X	
ATM Requirements under Tier One Arrangements	34 CFR 668.164(e)(2)(iv)(A)	BankMobile will be responsible for ensuring that a "surcharge-free national or regional ATM network" is "reasonably available" to students accountholders throughout the academic year.		X
Account Fee Restriction on Tier One Arrangements	34 CFR 668.164(e)(2)(iv)(B)(1)-(3)	BankMobile will be responsible for ensuring that the financial account offered under the Tier One Arrangement is compliant with all of the fee restrictions outlined in the Regulations.		X
Required and Prohibited Account Features under Tier One Arrangements	34 CFR 668.164(e)(2)(v)(A)-(C)	BankMobile will be responsible for prohibiting or providing certain functionality associated with the financial account offered under the Tier One Arrangement to ensure compliance with the Regulations.		X

Items	Citation	Description	Institution	BankMobile
Contract Disclosure	34 CFR 668.164(e)(2)(vi)	<p>BankMobile will establish and maintain a website landing page that will include all legal documents related to the Tier One Arrangement with the institution. The institution will be responsible for posting a link to the contract disclosure landing page on its public website and for providing an up-to-date URL to such a landing page to the Secretary (Department of Education).</p> <p>*In the event that the institution elects not to post on its public website a link to the aforementioned contract disclosure landing page provided by BankMobile, the institution shall be responsible for posting the contract at its discretion.</p>	X*	X
Contract Data, Account and Fee Disclosures	34 CFR 668.164(e)(2)(vii) (A)-(B)	<p>BankMobile will be responsible for establishing and maintaining a website landing page that will include all of the contract data, account and fee disclosures required under this provision. The institution will be responsible for posting a link to such a landing page on its public website.</p> <p>**In the event that the institution elects not to post on its public website a link to the aforementioned contract data, account and fee disclosures landing page provided by BankMobile, the institution shall be responsible for posting such information per the Regulations.</p>	X**	X
Due Diligence Requirements for Institutions	34 CFR 668.164(e)(2)(x) (A)-(B)	<p>BankMobile and the institution shall be responsible for ensuring that the contract language required under these provisions is included in the contract governing the Tier One Arrangement. As it relates to the institution's due diligence obligation, BankMobile agrees to make available to the institution the data necessary to allow the institution to conduct its own due diligence related to the fees associated with the financial account under the Tier One Arrangement. Further, the institution shall be responsible for conducting the required due diligence every two (2) years as set forth in this provisions. BankMobile will provide the institution a reminder 90 days prior to the end of the previous two-year period.</p>	X	X

Items	Citation	Description	Institution	BankMobile
Student Enrollment Files	34 CFR 668.164(e)(3)	<p>The institution shall be responsible for providing BankMobile student enrollment files to facilitate disclosures required under 34 CFR 668.164(e)(2)(vii)(A)-(B). The policies and procedures related to the transfer of such student enrollment files shall be as follows:</p> <ul style="list-style-type: none"> • Enrollment files must be submitted to BankMobile once per month, however, sending files more frequently is encouraged. Similarly, we encourage the institution to automate file transfers to create consistency within the process. • Each student enrollment file should include students from your past, present and future terms to ensure all information in the file is accurate and up-to-date. • Files should be sent BEFORE the mutually agreed upon cutoff date to ensure timely processing. For example, if the predetermined cutoff date is on the 15th of the month, files should be sent between the 1st and 14th day. If the student enrollment file is sent ON the cutoff date, the institution may receive a notification that BankMobile has not received the file for that month. • BankMobile Admin Support will reach out to the institution's dedicated student enrollment file contact(s) when BankMobile has not received a monthly file or when BankMobile's system identifies a 25% or greater change in your enrolled student population between monthly files. 	X	X
Tier Two Arrangements	34 CFR 668.164(f)(1) 34 CFR 668.164(f)(3)(i)-(iii)	<p>The institution and/or the entity entering into a contract to offer financial accounts "marketed directly" to students under a Tier Two Arrangement shall be solely responsible for determining whether it has entered into a Tier Two Arrangement and shall be responsible for any and all compliance requirements under the Regulations. The institution shall notify BankMobile immediately of any existing or new Tier Two Arrangement. In no way shall BankMobile be responsible for any and all representations, warranties, liabilities or compliance related to Tier Two Arrangements.</p>	X	

Items	Citation	Description	Institution	BankMobile
Instant Checks	N/A	BankMobile offers the Instant Issue checkbook to allow the institution to make direct payment of a refund in cases where a student has not made a refund preference selection. Students who have not selected a refund preference will be notified via email that they have the option to pick up a check for their refund at a specific location at the institution. Institution administrators with the appropriate permissions will then be able to issue the student a refund check on the spot.	X	X
Customer Identification for Accounts	N/A	As required by federal law, BankMobile shall be responsible for verifying the identity of any student who opens a checking account with BankMobile.		X
Return of Title IV Funds to Institution	34 CFR 668.164(l) (2)-(3)	<p>If a title IV refund issued as a check or ACH transfer is returned to BankMobile as undeliverable, BankMobile's policy is to return the funds to the institution with 35 calendar days from the date the refund was returned providing the institution 10 calendar days to return the funds to the Department of Education. Multiple attempts to re-disburse the refund may be made, however, in accordance with the Regulations each attempt must be made no later than 45 calendar days from the last return. Regardless of the number of attempts, BankMobile's policy is to return the funds to the institution no later than 90 calendar days from the date of the initial delivery attempt. For stale checks, BankMobile will return the funds to the institution within 90 calendar days from the initial delivery attempt, which provides the institution 150 calendar days to return the funds to the Department of Education.</p> <p>*As it relates to BankMobile's return of title IV funds to the institution, in all instances and without exception, the institution shall be solely responsible for any reconciliation of funds between the institution, the student ledger/ account and the Department of Education.</p>	X*	X

Items	Citation	Description	Institution	BankMobile
Parent PLUS Disbursements	34 CFR 668.164(d)(1)(ii) 34 CFR 668.164(d)(2) (i)&(ii) 34 CFR 668.164(h)(2) (i)&(ii)	<p>If BankMobile is disbursing Parent PLUS loan credit balances directly to parents via paper check, the institution shall be responsible for sending the funds to BankMobile within the 14 day timeline set forth by the Department of Education. BankMobile shall not be responsible for obtaining, storing or managing authorization records associated with Parent PLUS credit balance disbursements. BankMobile shall be responsible for generating and mailing paper checks to parent receipts.</p>	X	X
Parent PLUS Disbursements Full-Service	34 CFR 668.164(d)(1)(i)&(ii) 34 CFR 668.164(d)(2) (i)&(ii) 34 CFR 668.164(h)(2) (i)&(ii)	<p>If the institution elects, in writing, to use BankMobile's full service Parent PLUS loan credit balance disbursement program and provides BankMobile a unique identifier for parents, BankMobile will process Parent PLUS credit balances on behalf of the institution. The initial Parent PLUS loan credit balance disbursement will be mailed directly to the parent receipt in the form of a paper check to the address BankMobile has on file as provided by the institution. Parent recipients will have the option to electronically authorize Parent PLUS loan credit balance disbursements to be disbursed to their respective student. BankMobile will capture such authorization on behalf of the institution and will make it available to the institution on the BankMobileAdminSupport.com administrative website. Parents shall have the option to change their election to have Parent PLUS loan funds disbursed directly to their respective student at anytime.</p> <p>If the parent chooses not to have the Parent PLUS loan funds disbursed directly to the student, BankMobile will continue to disburse the refunds to the parent receipt in the form of a paper check.</p>	X	X

Items	Citation	Description	Institution	BankMobile
BankMobile Processing Federal Work Study and non-Federal Institutional Payroll	34 CFR 668.164(h)(2)(i)&(ii) 34 CFR 668.164(d)(1)(i)(B) 34 CFR 668.164(d)(2)(ii)	<p>If the institution elects, in writing, to use BankMobile's disbursement platform to deliver payroll, the institution shall provide to BankMobile the same demographic and refund data used for disbursing credit balances. Students may elect to have payroll delivered in the same manner as their financial aid credit balances. Payroll files are similar to refund files with the exception of a pay date field. Payroll files must be sent to BankMobile with matching funds at least two (2) business days prior to the pay date in order to ensure ACH transfers and BankMobile Vibe Account deposits are made on the pay date. BankMobile shall not be responsible for obtaining, storing or managing authorization records associated with any and all payroll disbursements.</p>	X	X
W2 and Paystub Generation for Payroll	34 CFR 675.19(b)	<p>If BankMobile is disbursing Federal Work Study and/or non-Federal payroll on behalf of the institution, the institution shall remain responsible for any and all compliance requirements, including but not limited to, authorizations, timesheets, payroll vouchers and W2s, as set forth by applicable Federal regulations. BankMobile will only be responsible for disbursing the Federal and/or non-federal funds in the method selected by the funds recipient.</p>	X	X