

**ASSEMBLY, No. 1675**

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**STATE OF NEW JERSEY**

**219th LEGISLATURE**

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PRE-FILED FOR INTRODUCTION IN THE 2020 SESSION

**Sponsored by:**

**Assemblywoman ANNETTE QUIJANO**

**District 20 (Union)**

**SYNOPSIS**

Prohibits academic degree-granting institutions from entering into revenue sharing arrangements with financial institutions for consumer financial products or services and regulates consumer financial products or services marketed to students.

**CURRENT VERSION OF TEXT**

Introduced Pending Technical Review by Legislative Counsel.



1   **AN ACT** concerning certain contractual agreements between  
2       academic degree-granting institutions and financial institutions  
3       and supplementing chapter 3C of Title 18A of the New Jersey  
4       Statutes.

5  
6       **BE IT ENACTED** *by the Senate and General Assembly of the State*  
7       *of New Jersey:*

8  
9       1.   As used in this act:

10       “Academic degree-granting institution” means an institution of  
11       higher education or a proprietary school which has been authorized  
12       to offer licensed degree programs.

13       “Affiliated” means an association between an academic degree-  
14       granting institution and a consumer financial product or service  
15       resulting from:

16       (1) the use of the name, emblem, mascot, or logo of the  
17       institution in respect to a consumer financial product or service;

18       (2) the use of some other word, picture, or symbol, which is  
19       readily identifiable with the academic degree-granting institution, in  
20       the marketing of the consumer financial product or service in any  
21       way that implies that the academic degree-granting institution  
22       endorses the consumer financial product or service; or

23       (3) the academic degree-granting institution communicating  
24       information directly to its students regarding a consumer financial  
25       product or service and how students may access the consumer  
26       financial product or service.

27       “Financial institution” means a bank, savings association, credit  
28       union, or any other entity that directly or indirectly holds, provides,  
29       or issues a financial account or any other consumer financial  
30       product or service to a student of an academic degree-granting  
31       institution.

32       “Revenue sharing arrangement” means an arrangement between  
33       an academic degree-granting institution and a financial institution  
34       under which:

35       (1) the financial institution provides or issues a consumer  
36       financial product or service to students attending the academic  
37       degree-granting institution;

38       (2) the academic degree-granting institution recommends,  
39       promotes, sponsors, or otherwise endorses the financial institution  
40       or a consumer financial product or service offered by the financial  
41       institution; and

42       (3) the financial institution pays a fee or provides other material  
43       benefits, including revenue or profit sharing, to the academic  
44       degree-granting institution in connection with a consumer financial  
45       product or service provided to students of the academic institution.

- 1       2. a. An academic degree-granting institution shall not enter  
2 into any revenue sharing arrangement with a financial institution to  
3 offer an affiliated consumer financial product or service.
- 4       b. Nothing in this act shall be construed to deem an association  
5 between an academic degree-granting institution and a consumer  
6 financial product or service to be affiliated if such association is  
7 solely based on an advertisement by a financial institution that is  
8 delivered to a wide and general audience consisting of more than  
9 enrolled students at the academic degree-granting institution.
- 10      c. Nothing in this act shall be construed to deem an  
11 arrangement between an academic degree-granting institution and a  
12 financial institution to be a revenue sharing arrangement if the  
13 arrangement is based solely on a financial institution paying a fair  
14 market price to an academic degree-granting institution for the  
15 academic institution to advertise or market the financial institution  
16 to the general public.
- 17
- 18      3. The terms and conditions of a consumer financial product or  
19 service offered, provided, issued, recommended, promoted,  
20 sponsored, or otherwise endorsed by an academic degree-granting  
21 institution pursuant to a contractual agreement between the  
22 institution and a financial institution shall not be inconsistent with  
23 the best financial interests of the students accessing or using the  
24 consumer financial product or service. An academic degree-  
25 granting institution shall ensure that the terms and conditions of the  
26 consumer financial product or service are not inconsistent with the  
27 best financial interests of students by:
- 28      a. documenting that it conducts reasonable due diligence  
29 reviews at least every two years to ascertain whether the fees  
30 assessed by the consumer financial product or service under the  
31 contractual agreement are, considered as a whole, at or below  
32 prevailing market rates;
- 33      b. making provision in the contractual agreement for  
34 termination of the agreement based on complaints received from  
35 students or a determination by the academic degree-granting  
36 institution that the fees assessed by the consumer financial product  
37 or service under the agreement are not at or below prevailing  
38 market rates;
- 39      c. ensuring that the consumer financial product or service does  
40 not charge overdraft fees or other nonsufficient funds fees; and
- 41      d. ensuring that a student's consent to access and use a  
42 consumer financial product or service has been obtained before  
43 providing, or permitting a financial institution to provide, any  
44 personally identifiable information about the student, other than  
45 directory information, to the financial institution or its agents.



1 or its products or services; and the financial institution pays a fee or  
2 provides other material benefits to the academic institution in  
3 connection with the consumer financial products or services  
4 provided to students. The bill does not consider consumer financial  
5 products or services to be affiliated if the association with an  
6 academic institution is based solely on a financial institution  
7 advertising its products to a wide and general audience. It also does  
8 not prohibit arrangements based solely on the financial institution  
9 paying a fair market price to an academic degree-granting  
10 institution for the academic institution to advertise or market the  
11 financial institution to the general public.

12 The bill also requires an academic degree-granting institution to  
13 ensure that the terms and conditions of a consumer financial  
14 product or service offered, provided, issued, recommended,  
15 promoted, sponsored, or otherwise endorsed pursuant to a  
16 contractual agreement between the institution and a financial  
17 institution are not inconsistent with the best financial interests of  
18 the students using the consumer financial products or services.  
19 Under the bill, an academic degree-granting institution is required  
20 to take certain steps to ensure that the consumer financial products  
21 or services are not inconsistent with the best financial interests of  
22 students. These provisions of the bill are modeled on similar  
23 language contained in the 2015 federal Department of Education  
24 regulations, often referred to as “cash management regulations.”

25 The bill requires an academic institution to post on its Internet  
26 website the contracts it enters into with financial institutions and to  
27 submit the contracts to the Office of the Secretary of Higher  
28 Education (OSHE) to be posted on OSHE’s Internet website.

29 This bill is in response to national reports, which found that  
30 certain agreements between colleges and banks can expose students  
31 to aggressive marketing tactics, high or unusual fees, and restricted  
32 choices for managing their money. A 2018 U.S. Consumer  
33 Financial Protection Bureau review of such agreements found that,  
34 under contracts in which banks pay colleges to promote the banks’  
35 financial products and accounts, students typically pay more in fees.  
36 It is the view of the sponsor that these arrangements lead to  
37 increased debt burdens for many students. In prohibiting revenue  
38 sharing arrangements and requiring the contracts to be publicly  
39 posted, this bill is intended to increase transparency and promote  
40 college affordability.