

SENATE HIGHER EDUCATION COMMITTEE

STATEMENT TO

SENATE, No. 804

with committee amendments

STATE OF NEW JERSEY

DATED: JANUARY 30, 2020

The Senate Higher Education Committee reports favorably Senate Bill No. 804 with committee amendments.

As amended, this bill would prohibit institutions of higher education and proprietary institutions authorized to offer licensed degree programs from entering into revenue sharing arrangements with financial institutions for consumer financial products or services, which are affiliated with the academic institution.

Under the bill, an academic institution is prohibited from entering into revenue sharing arrangements under which: the financial institution provides or issues a consumer financial product or service to students; the academic institution recommends, promotes, sponsors, or otherwise endorses the financial institution or its products or services; and the financial institution pays a fee or provides other material benefits to the academic institution in connection with the consumer financial products or services provided to students. The bill does not consider consumer financial products or services to be affiliated if the association with an academic institution is based solely on a financial institution advertising its products to a wide and general audience. It also does not prohibit arrangements based solely on the financial institution paying a fair market price to an academic degree-granting institution for the academic institution to advertise or market the financial institution to the general public.

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

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

The committee amended the bill to clarify that an academic degree-granting institution must ensure that a student's consent to access and use a consumer financial product or service has been obtained before providing, or permitting a degree-granting institution or third-party service or contractor to provide, any personally identifiable information about the student, other than directory information, to the financial institution or its agents.

This bill was pre-filed for introduction in the 2020-2021 session pending technical review. As reported, the bill includes the changes required by technical review, which has been performed.