CONSUMER FINANCIAL PROTECTION BUREAU | SEPTEMBER 2023

Tuition Payment Plans in Higher Education

Consumer Financial Protection Bureau

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Executive summary

Many Americans have their first experiences with lending, debt collection, and credit reporting while in college. While federal student loans from the U.S. Department of Education and private financial institutions are the major ways in which students borrow, this report examines a financial product that is less familiar to many students and families: a tuition payment plan.

Many colleges allow students to pay for postsecondary education in installments using tuition payment plans. When colleges do so, they allow students to obtain their education now and pay for it over time; in other words, they become lenders. While tuition payment plans are generally marketed as alternatives to loans, many tuition payment plans should be understood as at a type of loan. Typically, these plans allow students to spread the cost of tuition and other educational expenses across several payments over the course of a single semester or term. These tuition payment plans vary and may be paid in as few as two to four installments or in many installments stretching beyond the length of one year.

Products marketed as tuition payment plans have a wide range of product structures. School-provided payment plans may be managed by the schools or administered by third-party payment processors (e.g., Nelnet, Transact, or TouchNet). Typically, tuition payment plans are interest-free, but colleges (along with the third-party service providers that facilitate payments) commonly charge enrollment fees, late fees, and returned payment fees.

This report builds on the CFPB's recent work including a report on deposit and credit products offered by colleges or in college settings;[1] recent supervisory examinations of institutional student lenders;[2] publications on buy now, pay later (BNPL) products;[3] and other work on products offered by trusted intermediaries.[4]

The wide variation in terms that are offered by tuition payment plans, and the terminology that schools use to describe them, may confuse consumers about the nature of the financial

[1] Consumer Financial Protection Bureau, *College Banking and Credit Card Agreements: Annual Report to Congress*, (Oct. 2022), https://files.consumerfinance.gov/f/documents/cfpb_college-banking-report_2022.pdf.

[2] Consumer Financial Protection Bureau, *Supervisory Highlights: Student Loan Servicing Special Edition Issue 27, Fall 2022*, (Sep. 2022), https://files.consumerfinance.gov/f/documents/cfpb_student-loan-servicing-supervisory-highlights-special-edition_report_2022-09.pdf.

[3] Consumer Financial Protection Bureau, *Buy Now, Pay Later: Market Trends and Consumer Impacts*, (Sep. 2022), https://files.consumerfinance.gov/f/documents/cfpb_buy-now-pay-later-market-trends-consumer-impacts_report_2022-09.pdf.

[4] Consumer Financial Protection Bureau, (May 2023), *Data Point: Pitfalls of Medical Credit Cards and Financing Plans*, https://www.consumerfinance.gov/data-research/research-reports/medical-credit-cards-and-financing-plans/.

arrangement they are entering into. For instance, some schools market tuition payment plans as an alternative to student loans.[5] Further, information about fee levels and terms are often spread across several different documents and/or webpages, which may make it difficult for consumers to find complete information. Overall, these practices could obscure the nature of the product, the cost of credit, and what entity owns or services the product.[6] And because tuition payment plans are often offered to students by their schools after they have already enrolled, the circumstances might result in a captive market in which students may not be able compare the products to other options.

To assess the types of installment loan plans that are offered directly by colleges, the CFPB performed a review of nearly 450 college websites to gather publicly available data on tuition payment plans and related contracts.[7] In addition to the review of school and program websites and contracts, the CFPB analyzed consumer complaints, met with industry participants, and conducted interviews with current consumers.[8]

Findings include:

- **Almost all colleges offer some sort of tuition payment plan, and millions of students use this product each year**: Existing research suggests that as many as 98 percent of colleges offer tuition payment plans,[9] and the CFPB estimates that up to 3.9 million borrowers might use them each term.[10]

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5 While some tuition payment plans are marketed this way, many tuition payment plans are considered private student loans under the Truth in Lending Act (TILA), although whether and how different disclosure regulatory requirements may apply depend on each tuition payment plan's individual features. *See* section 2.1. *See, e.g.,* Transact Holdings Inc., 2022, *Payment Plans: An alternative to student loans*, https://transactcampus.com/resources/infographics/request/an-easier-way-to-process-payment-plans. Accessed January 11, 2023.

6 In interviews conducted in March 2023 with current students, the CFPB observed that some students did not understand that some tuition payment plans could be forms of credit, and some did not understand that the tuition payment plan they were using was offered by their school and not by the federal government. Others thought that a tuition payment plan was simply a plan to repay their federal student loan debt.

7 Data collection occurred from December 2022 to April 2023. This report presents new data and analysis to build upon the analysis conducted for the CFPB's 2022 college banking report. For more information on that report, *see* Consumer Financial Protection Bureau, *College Banking and Credit Card Agreements: Annual Report to Congress*, (Oct. 2022), https://files.consumerfinance.gov/f/documents/cfpb_college-banking-report_2022.pdf.

8 *Id.*

9 The National Association of College and University Business Officers (NACUBO) estimated that 98 percent of public and private non-profit colleges offer tuition payment plans. This estimate is based on a survey conducted between October and December 2019 and included data from 454 public and private nonprofit colleges and universities. NACUBO, *2019 Student Financial Services Policies and Procedures Report*.

10 CFPB estimates that 20 to 25 percent of students use payment plans at schools that offer them based on discussions with market participants. Based on this utilization rate estimate, NACUBO's estimate of the percent of colleges offering TPPs (*see supra* note 10), and total undergraduate enrollment (at schools participating in the Title IV federal aid program) data from College Scorecard, the CFPB estimates that 2.9 to 3.9 million students use a payment plan each term. U.S. Dep't of Education, (Sep. 14, 2022), *College Scorecard*, https://collegescorecard.ed.gov/data. Data used for this analysis was last updated in September 2022 and reflects enrollment totals from Fall 2020.

- **The CFPB observed varied and sometimes inconsistent disclosure of terms and conditions**: Unlike traditional private education loans, which are subject to a common set of disclosure requirements stipulated under federal law,[11] disclosures of tuition payment plan terms and conditions can vary widely. In part, this may be because the tuition payment plan label can encompass a wide range of product structures, and the plans may differ with regard to the duration of the contract and the number of payments required, in addition to other terms, which may impact a school's disclosure obligations. In other cases, similarly structured products are disclosed differently.
- **The CFPB observed terms and conditions that may allow automatic enrollments and forced use**: In some cases, borrowers may become enrolled in a tuition payment plan without knowingly signing up for one or because institutional disbursement practices of students' federal student loan funds may create a situation where a student is unable to meet the school's tuition deadlines without enrolling in a payment plan.[12] When these situations occur, the use of the product could lead to fees and financial difficulties for students.
- **Some colleges may impose high costs when students miss payments**: Based on the fees in the tuition payment plans reviewed by the CFPB, the average amount of a late payment fee is $30. However, it appears that in some cases, late fees can be over $100 per missed payment, and in other cases, some colleges may charge late and returned payment fees on the same transaction. The CFPB also observed terms that may allow colleges to convert no-interest payment plans into interest-bearing loans when payments are missed.[13] These practices can lead to a high cost for late payment on tuition payment plans.

[11] *See* 12 CFR §§ 1026.46-48; 34 CFR part 601. Generally, private student loan disclosure requirements can cover arrangements that schools label as "tuition payment plans" if the arrangements meet the definition of "private education loan" under 12 CFR 1026.46(b)(5). However, there is an exception to those requirements for such plans that do not charge interest and the term of the extension of credit is one year or less. *See id.* Even if the exception applies to a specific tuition payment plan, though, the plan may still be subject to other disclosure requirements for closed-end credit, as also discussed in Section 2.1.

[12] *See, e.g.,* Arizona State University, *Tuition and Aid Webpage* (accessed Apr. 23, 2023), https://tuition.asu.edu/billing-finances/payment-plan#webspark-anchor-link--19. This website states that "If you have outstanding charges of $500 or more after the payment deadline, you'll be automatically enrolled in the ASU Payment Plan and be billed an ASU Payment Plan fee [of $100 for resident students or $200 for nonresident students]." *See also, e.g.,* Oklahoma Community College, *Bursar Webpage*, (accessed Jan. 11, 2023), https://www.occc.edu/bursar/. This website states that "If you miss your designated due date for an in-full payment, we'll automatically place you on a monthly payment plan that lets you pay off your tuition and fees over time. The payment plan incurs a $25 set-up fee per term."

[13] *See, e.g.,* Franklin University, *Tuition Payment Plans & Options Webpage*, (accessed Apr. 23, 2023), https://www.franklin.edu/tuition-financial-aid/payment-options. This website states that "There is a 7 day grace period for all balances; thereafter past due balances are subject to an 18% APR finance charge."

- **At least one in three colleges reserve the right to withhold transcripts as a debt collection practice, and students may be subject to other intrusive forms of debt collection**: Once an unpaid balance is sent to collections, the borrower may become subject to transcript withholding, which under certain circumstances the CFPB has found to be an abusive act or practice.[14] Additionally, in some cases, students could risk removal from classes, meal plans, and campus housing when they miss a payment on a tuition payment plan.[15] In some cases, these consequences may be more severe than students might face if they used a different option to cover tuition, such as a federal student loan, a private student loan, or even general-purpose financial products like credit cards.[16]
- **Some contracts and agreements purport to waive certain consumer rights**: Some contracts and agreements related to student financial obligations, including tuition payment plan contracts as well as enrollment and student financial responsibility agreements, include terms and conditions that purport to waive consumers' legal protections or limit how consumers can enforce their rights. In some cases, important terms and conditions may be included in contracts that are signed only once when a student initially enrolls in the school and may not be re-disclosed at the point-of-enrollment for the payment plan.

[14] Consumer Financial Protection Bureau, *Supervisory Highlights: Student Loan Servicing Special Edition Issue 27, Fall 2022*, (Sep. 2022), https://files.consumerfinance.gov/f/documents/cfpb_student-loan-servicing-supervisory-highlights-special-edition_report_2022-09.pdf, at 8.

[15] *See*, *e.g.*, Rivier University, *Payment Policies Webpage*, (accessed May 25, 2023), https://www.rivier.edu/financial-aid/student-resources/payment-policies/. This webpage states that students who pay late may be subject to a late payment penalty, the accrual of interest on unpaid balances, deactivation of their campus ID cards, residence hall dismissal, suspension of meal plan, suspension of participation with athletic teams, and more.

[16] The CFPB recommends that students consider federal student loans first and does not recommend that consumers use credit cards to pay for college. It can be a much more expensive way to finance an education and credit cards do not provide the flexible repayment terms or borrower protections offered by federal student loans. *See, e.g.*, Consumer Financial Protection Bureau, *Paying for College: Choose a loan that's right for you*, (accessed Aug. 27, 2023), https://www.consumerfinance.gov/paying-for-college/choose-a-student-loan/.

1. Market overview

This market overview is based on a mixed-methods analysis that uses both quantitative and qualitative data. The CFPB collected and analyzed publicly available information on tuition payment plans from nearly 450 college websites during the period from December 2022 through April 2023. The sample used in this report is the same sample of colleges used in the CFPB's 2022 college banking report,[17] and all quantitative analysis in this report is based on this data, unless otherwise noted. To add a qualitative overlay to our data analysis, we also reviewed consumer complaints submitted to the CFPB and the Department of Education (ED), met with industry participants, and conducted interviews with consumers using tuition payment plans.

1.1 Direct lending by colleges

While tuition payment plans offered by colleges differ in structure across schools, they tend to have a number of similar features. This section explores features including average loan amounts, plan length and number of installments, fee structures, and contract terms.

1.1.1 Colleges as lenders

Many colleges allow students to pay for postsecondary education in installments using tuition payment plans. When colleges do so, they allow students to obtain their education now and pay for it over time; in other words, they become lenders.[18] While tuition payment plans are generally marketed as alternatives to loans, many tuition payment plans should be understood as at a type of loan. These plans may help students pay tuition out of pocket or bridge the gap between the financial aid they have been offered and the total cost of attendance. For colleges, these plans may boost enrollment and generate income.[19]

In the 2022-2023 academic year, we found that roughly nine in ten schools in our sample that participate in the federal student aid program (referred to here as "Title IV" schools) appeared to offer tuition payment plans to their students, meaning that the school allows the tuition bill to be deferred and the student to pay the bill in installments.[20] Other estimates, including one

[17] Data collection occurred from December 2022 to April 2023. *See Appendix A* for more information on the methodology used in this report.

[18] *See, e.g.*, 12 U.S.C. § 5481(7).

[19] Turner, M.L., "The Payment Plan: Managing and marketing tuition installment plans for the benefit of students, families, and the institution," *University Business* (Oct. 2012).

[20] *See supra* note 18.

based on industry-wide survey data from 2019, suggest that as many as 98 percent of Title-IV schools offer payment plans.[21] Using this industry estimate and undergraduate enrollment data, the CFPB estimates that as many 2.9 to 3.9 million students use a payment plan each academic term.[22]

Over 60 percent of the schools offering installment products appear to outsource some functions to third-party financial service providers.[23] Among this group, three large service providers appear to administer almost all of the plans: Nelnet, Transact, and TouchNet (Figure 1). These companies primarily provide software that allows schools to embed tuition payment plan processing functionality into existing systems such as online "student portals" – and in some cases, they also provide payment processing services via a partner bank, such as Wells Fargo and U.S. Bank.[24] In some cases, third-party providers may also offer to fulfill certain compliance responsibilities on behalf of the university.[25] While some schools provide information to students about the third parties involved in their tuition payment plans,[26] others may not use third parties or not disclose these arrangements to students.[27]

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[21] National Association of College and University Business Officers (NACUBO), *2019 Student Financial Services Policies and Procedures Report*, https://www.nacubo.org/research/sfs%20benchmarking%20report, at 7.

[22] *See supra* note 11.

[23] This appears to be consistent with NACUBO's 2019 survey findings (based on a survey conducted between October and December 2019 including data from 454 public and private nonprofit colleges and universities). *See supra* note 22.

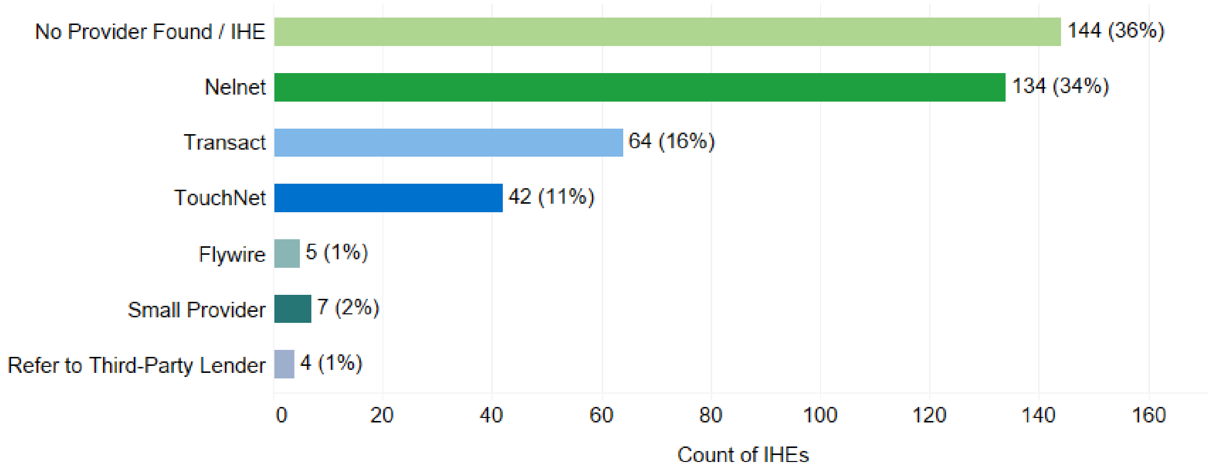
[24] Three out of the four largest service providers are structured as independent sales organizations, or ISOs (Nelnet), or subsidiaries of ISOs (TouchNet and Transact). ISOs provide front-end, customized services to a client population (e.g., payments software to colleges and universities, etc.) and sell their partner bank's merchant accounts, through which the client would set up their payment flow. This benefits the partner bank by bringing additional payments through the bank that can generate revenue (e.g., acquirer mark-up fees or ACH transaction fees). Where TPP third-party service providers are subsidiaries of ISOs, the third-party provider may not require the school to use that ISO or partner bank for payment processing. The other large service provider, Flywire, is not an ISO – and in cases where it processes payments, it does so via its own merchant account at a bank.

[25] *See supra* note 20. *See also, e.g.,* TouchNet, *Compliance Webpage*, (accessed Aug. 27, 2023), https://www.touchnet.com/merchant-services/compliance. This website states that "Achieving and maintaining compliance is a significant undertaking, especially given the size and complexity of today's campuses and the multiple payment points, methods, and channels involved. Our U.Commerce software solutions are compliant and built to stay compliant as standards evolve. By protecting sensitive data, we reduce scope, compliance overhead, and regulatory paperwork, giving you peace of mind that comes from having a secure, end-to-end compliance solution in place." *See also, e.g.* Nelnet Campus Commerce, *Long-Term Payment Plans Webpage*, (accessed Aug. 27, 2023), https://campuscommerce.com/payment-solutions/long-term-payment-plans/. This website states that "We manage disclosures so you don't have to. Maintaining compliance with HEOA and TILA can be costly and time-consuming. Nelnet relieves this burden from your business office, giving you more time to do what you do best – support student needs."

[26] *See, e.g.,* Fort State Valley University, *Nelnet Payment Plan FAQs*, (accessed Apr. 26, 2023), https://www.fvsu.edu/paymentplan. *See also, e.g.,* Georgia Southwestern University, *Nelnet Payment Plan*, (accessed Apr. 26, 2023), https://www.gsw.edu/student-account/nelnet-payment-plan.

[27] Some third-party providers, including TouchNet and Flywire, offer tuition payment plan software as a "white-label" product, using the college's branding rather than the third-party's branding. Colleges with these providers may be more likely to fall into the "No Provider Found / IHE" designation.

FIGURE 1: PROVIDER DISTRIBUTION, FOR SCHOOLS WITH PAYMENT PLANS



Schools were marked as having "No Provider Found / IHE" in cases where the CFPB observed the presence of a tuition payment plan but could not identify a third-party service provider. In these cases, the school may administer the plan directly or there may be a service provider that is not publicly identified. The "Small Provider" designation indicates that a third-party service provider was identified and services two or fewer schools.

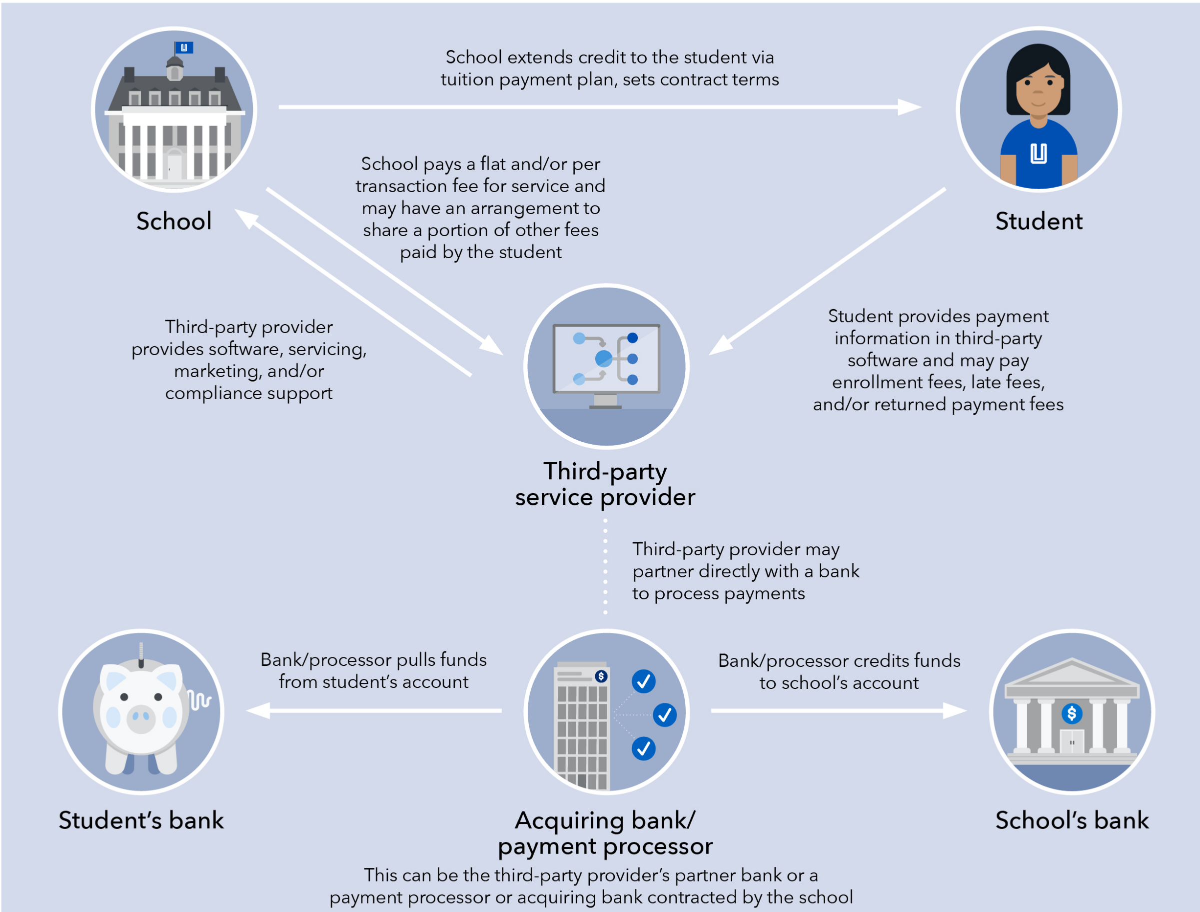
Financial relationships between schools and third-party service providers can differ. Schools typically pay the service provider an annual licensing fee for the use of the software and/or may also pay fees per transaction if the service provider is involved in the payments flow (Figure 2). Schools sometimes pay these fees on behalf of their students and other times pass these fees directly onto the consumers.[28] In some cases, the third-party providers may also receive a portion of fee revenue, with the school also retaining a portion. The CFPB identified third-party service providers in its sample that received fee revenue based on enrollment fees,[29] late and

[28] Throughout the data collection, the CFPB found that schools typically cover ACH fees but pass along transaction fees on cards to students.

[29] *See, e.g.,* Dutchess Community College, (Apr. 2019), *Setting Up a Payment Plan YouTube Tutorial,* (accessed Apr. 26, 2023), https://www.youtube.com/watch?v=K3MGHqLGdmE. This payment plan enrollment tutorial video noted: "$25 of this [enrollment] fee is retained by Nelnet Campus Commerce for proving the software and support necessary to administer your plan. The remainder of the fee is remitted to your institution." *See also, e.g.,* Victor Valley College, (Jun. 2018), *Video Tutorial: How to Set Up Your Payment Plan*, (accessed Apr. 26, 2023), https://www.vvc.edu/fees-refunds.

returned payment fees,[30] and transaction fees.[31] Third-party service providers may also earn interest on any balances that they hold before remitting to the appropriate school.[32]

FIGURE 2: EXAMPLE TUITION PAYMENT PLAN MODEL



[30] *See, e.g.,* University of Wisconsin – Stevens Point, *Pay My Bill Webpage*, https://www3.uwsp.edu/SFS/Pages/Pay-My-Bill.aspx. This website states that "If you enroll in a payment plan but you do not make installment payments by the due date, you will be subject to late fees assessed by UW-Stevens Point and Transact Payments separately." It also says that if electronic checks are returned, a $25 charge "will be assessed by Transact Payments [and additionally the payment] by NSF check will be treated as nonpayment of tuition and fees and a $75.00 administrative fee may be added to your account."

[31] *See, e.g.,* University of Pennsylvania, *Penn Payment Plan Webpage*, (accessed Apr. 26, 2023), https://srfs.upenn.edu/billing-payment/penn-payment-plan. This website states that: "Our vendor…assesses a 2.85% convenience fee on credit card payments."

[32] *See, e.g.,* Nelnet, *10-K Annual Report*, (Feb. 28, 2023), https://d18rn0p25nwr6d.cloudfront.net/CIK-0001258602/760b5395-99df-474d-87da-7ba1fc76031d.pdf, at pages 10-11. In 2022, Nelnet reported almost $9.4 million in net interest income on tuition funds held in custody for schools and states that "Nelnet Bank's deposits are interest-bearing and consist of…intercompany deposits [among other sources]…. The intercompany deposits are deposits from the Company and its subsidiaries…[including] NBS custodial deposits consisting of tuition payments collected which are subsequently remitted to the appropriate school."

In certain cases, federal regulations apply when schools recommend financial products to students, in recognition of the critical role that colleges play as trusted sources of information for their students. For instance, when colleges recommend deposit accounts, private student loans, or credit cards to students, various regulations govern the process to ensure that schools disclose their financial interests to students.[33] However, these requirements do not apply to all types of financial products, and some tuition payment plans may fall outside of the scope of these regulations. Further, state law can also impact disclosure obligations.[34]

1.1.2 Loan amounts

Because colleges and private lenders rarely report publicly on their installment plan portfolios and because tuition payment plans may be reported differently by different schools, data on tuition payment plans is limited and the average size of tuition payment plans is unknown.

Available sources of data suggest that the amount students may take on through tuition payment plans can reach into the thousands of dollars and that the loan amounts can also vary widely. For instance, the State of California's Department of Financial Protection & Innovation collects information from licensed private student loan servicers about state and national retail installment contract volumes under the state's Student Loan Servicing Act.[35] According to this reporting, California's licensees had over 40,000 retail installment loan contracts in the state representing almost $215 million outstanding at the end of 2022.[36] Although it is not clear whether all tuition payment plans reviewed for this report would meet California's retail installment loan contract definition, these data indicate that for tuition payment plans meeting that definition and reported by licensed providers in California, such plans have an average

33 *See, e.g.*, Regulation Z, 12 CFR part 1026, subparts C (regarding closed end credit), F (regarding private student loans) and G (regarding open-end credit offered to college students). *See also* 34 CFR part 601 (regarding school and lender requirements for private and federal education loans); *id.* at 668.164 (disclosures related to certain campus financial account arrangements). The Truth in Lending Act also prohibits private student loan lenders from directly or indirectly offering or providing any gift to a school in exchange for any advantage or consideration provided to the lender related to its private student loan activities and from engaging in revenue sharing with a school. 15 U.S.C. 1650(b).

34 Some states are considering regulations that would explicitly provide that education financing products, including but not limited to installment contracts, qualify as private student loans under existing state regulations. *See* note 39.

35 *See* Cal. Fin. Code § 28100 *et seq.* The definition of "retail installment contract" is provided at Cal. Civ. Code § 1802.6 (2022). The California Department of Financial Protection and Innovation recently proposed an updated definition. *See, e.g.,* California Dep't of Fin. Prot. & Innovation, (Jan. 6, 2023), *Proposed Regulations Under the California Consumer Financial Protection Law*, available at https://dfpi.ca.gov/wp-content/uploads/sites/337/2023/03/PRO-01-21-TEXT.pdf?emrc=cf5bce.

36 California Department of Financial Protection & Innovation, *Annual Report of the Student Loan Ombudsman for 2022*, (July 2023), https://dfpi.ca.gov/wp-content/uploads/sites/337/2023/07/StudentLoanOmbudsman_AnnualReport.pdf, at 26.

installment loan size of roughly $5,300.[37] However, this data point is limited because it relies on data submitted only by private education loan servicers licensed in the State of California about relationships with consumers in the state. It also excludes installment contracts that are serviced by non-licensed providers such as public schools, products that may not fit the definition of retail installment loan under California law, and contracts not reported by licensees.[38]

Other estimates, based on data sources assessing all debts students owe to their institutions—of which tuition payment plans can be considered one type—suggest that the average amount could also include relatively low balances. According to the most recent National Postsecondary Student Aid Survey, institutional loans received (by students who received that type of loan) ranged from $10 to almost $37,000 (with an average amount just over $4,000).[39] Another estimate based on institutional debts at select colleges in California suggests that average institutional debts could be significantly lower (around $525), but these data sources may not include tuition payment plans and thus may not reflect balances owed on these products.[40]

1.1.3 Plan terms and number of installments

Almost all payment plans observed by the CFPB are structured to cover a student's tuition and other expenses for a single academic term (e.g., semester or quarter) and typically require borrowers to pay off their outstanding balance in three to six installments.[41] Installments are typically equal in size, with the exception of the first payment, which generally also includes the full enrollment fee. Installment amounts also automatically adjust throughout a student's term

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[37] This calculation takes the dollars outstanding in the retail installment contract portfolio ($214,195,000) and divides by the total number of borrower relationships (40,238) to arrive at an average loan amount of $5,323.

[38] See State of California, Dep't of Financial Protection & Innovation, Directory of Student Loan Servicers Licensed and Non-Licensed (covered) by the Department of Financial Protection and Innovation, (accessed Apr. 23, 2023), https://dfpi.ca.gov/student-loan-servicer-licensees/.

[39] U.S. Department of Education, National Center for Education Statistics, National Postsecondary Student Aid Study: 2020 Undergraduate Students (NPSAS:UG). Institutional loan amount (INLNAMT) represents the total amount of institutional loans (funded by the educational institution) that were received during the 2019-2020 academic year. Weight used in frequency: WTA000. The range of loan amounts received was $10 to $36,981 and the average amount receive was $4,006.57.

[40] Institutional loan data provided by a subset of public universities in California concluded that a total of almost 375,000 students in California took on institutional debt annually in the amount of $195 million, meaning that the average institutional loan size in that sample was roughly $525 per student per year. However, it is not clear how the schools in this dataset define and tracks institutional loans in their data and, thus, the inclusion of tuition payment plans in the totals may vary or may exclude payment plans altogether. Thus, this data is of limited use for the purpose of understanding average TPP loan amounts. For more information, see: Eaton, C., Glater, J.; Hamilton, L.; & Jiménez, D., (Apr. 1, 2022), *Creditor Colleges: Canceling Debts that Surged during COVID-19 for Low-Income Students*, available at https://ssrn.com/abstract=4072193. Data used for this estimate reflect institutional debts accrued in the 2020-2021 academic year.

[41] The number of installments a student pays can vary both within a school and across schools. The number of payments is influenced by the length of the academic term, when the student enrolls in the plan, the due date for the full tuition payment, and the payment frequency (e.g., every two weeks, monthly).

if they receive additional financial aid or incur additional expenses. Although most tuition payment plans cover an academic term, schools have varying start dates and due dates, which can result in different plan durations.[42]

1.1.4 Fee structures

Based on the observed sample, typical plans include three types of fees: enrollment or set-up fees, late fees, and returned payment fees (which do not include any separate insufficient funds fee charged by the student's financial institution). These fees are prevalent (Table 1). For example, 89 percent of the plans the CFPB identified publicly disclosed an enrollment fee and 80 percent of observed payment plans disclosed charging a late fee and/or a returned payment fee.[43] Typically, students also pay transaction fees if they pay using a credit or debit card, which is a common practice on many types of consumer payments.

TABLE 1: TUITION PAYMENT PLAN FEE OVERVIEW[44]

Fee Type	Description	Share of Plans with Fee Type Disclosed	Median / Average
Enrollment or Set-Up Fees	Charged to student for each plan they enroll in, typically per academic term; may be disclosed as finance charges	89%	$30 / $37
Returned Payment Fee	Charged if payment is returned due to insufficient funds or for any other reason	60%	$30 / $29
Late Fee	Charged if a student misses a payment deadline	44%	$30 / $46

Schools often have the ability to set fee amounts, which are sometimes split with third-party service providers. In cases where the school and third-party service provider split fees, the third-party service provider often sets a baseline fee that the school can add onto. While schools

[42] At all colleges where the CFPB identified a TPP offering (n=400), the CFPB observed 377 colleges (94 percent) at which publicly disclosed TPP terms aligned with academic terms such as semesters or quarters, 7 colleges (2 percent) with a TPP option up to 12 months, and 16 colleges where duration could not be found (4 percent).

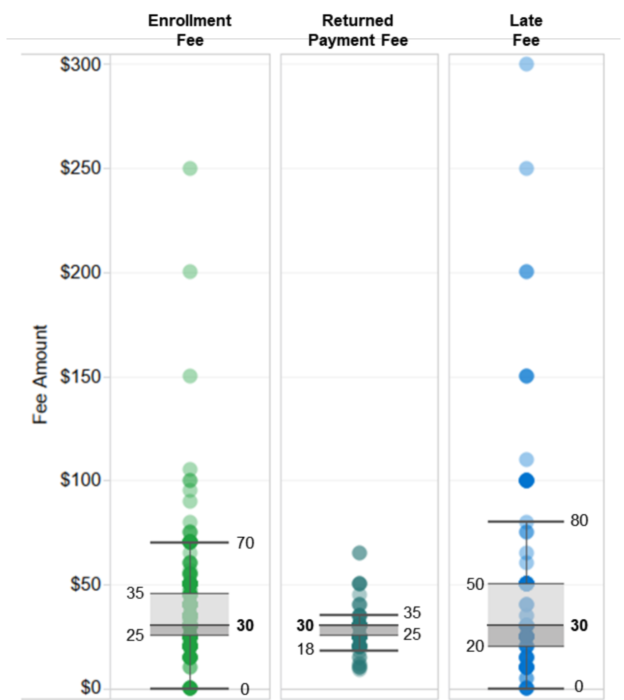
[43] The CFPB found 354 out of 400 payment plans publicly disclosed that they charged an enrollment fee. For the remaining 43 plans, no publicly available information on an enrollment fee could be found (meaning that some of these plans could charge enrollment fees). The CFPB added the 237 colleges that publicly disclose charging a returned payment fee and the 174 colleges that publicly disclose charging a late fee and divided by the total number of colleges with publicly disclosed TPPs (n=400) to arrive at a total of 80 percent of colleges charging a late fee, a returned payment fee, or both. One provider (Nelnet) automatically drafts students accounts on pre-set dates, so returned payment fees may function as late fees in certain cases.

[44] CFPB analysis of information provided on college websites. For more information about the methodology, see *Appendix A*.

primarily set late fees, returned payment fees are often set by the third-party service provider. In most cases, these fees are fixed sums and in other cases they are based on a percentage of a borrower's outstanding balance.

The median amount for flat fees was $30 each for enrollment fees, returned payment fees, and late payment fees. However, the CFPB observed instances of much higher fees such as enrollment fees as high as $200 on a plan offered directly by a school[45] and late payment fees as high as $300 for a single instance of late payment. In other cases, late fees are expressed as a percentage amount,[46] and the CFPB saw examples where schools may impose APR finance charges of up to 18 percent[47] to past due balances.

FIGURE 3: ENROLLMENT, RETURNED PAYMENT, AND LATE FEE DISTRIBUTIONS[48]



45 *See, e.g.,* Arizona State University, *Tuition and Aid Webpage* (accessed Apr. 23, 2023), https://tuition.asu.edu/billing-finances/payment-plan#webspark-anchor-link--19. This website states the "ASU Payment Plan fee" is $100 for resident students and $200 for nonresident students.

46 *See, e.g.,* Ferris State University, *Student Account Payment Options and Due Dates*, (accessed Jul. 21, 2023), https://www.ferris.edu/administration/businessoffice/payments.htm. This website states that "Accounts are subject to a 2% late fee for each missed payment.""

47 *See, e.g.,* Franklin University, *Payment Options Webpage*, (accessed Jul. 21, 2023), https://www.franklin.edu/tuition-financial-aid/payment-options. This website states that "There is a 7 day grace period for all balances; thereafter past due balances are subject to an 18% APR finance charge."

48 The CFPB's analysis tracked fees across different colleges. This figure reports results at all colleges where tuition payment plan flat fee *amounts* were publicly available. If multiple fee amounts were reported, the CFPB selected the maximum (n=344 for enrollment fees, n=221 for returned payment fee, and n=125 for late fees).

1.1.5 Contract terms

Typically, colleges require students to sign contracts at the point of enrollment in order to establish that students agree at the point of registration to pay for tuition, fees, and other associated costs.[49] Colleges sometimes embed terms related to the payment of tuition and fees into college enrollment documents that students are required to sign, some of which they may sign before the term begins – such as registration agreements[50] and student financial responsibility agreements.[51] The frequency at which schools present these types of contracts to students varies and can be as infrequent as once at time of enrollment.[52]

These enrollment documents govern tuition non-payment and may also govern late payment and nonpayment of tuition payment plans"[53] In many cases, borrowers also sign contracts provided at the point-of-enrollment in the tuition payment plan.[54] In some cases, provisions about the consequences of late payments are not disclosed when students enter into the tuition payment plan, which could lead to consumer confusion, and the presentation of consequential contract terms in separate agreements could make it more difficult for consumers to students to understand the product.

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49 NACUBO and Flywire, *Best Practices for Student Financial Responsibility Agreements: Advisory Report 21-02*, (2021), https://www.nacubo.org/Publications/Advisories/AR-21-02-Best-Practices-For-Student-Financial-Responsibility-Agreements, at 1 and 5.

50 *See, e.g.,* Prairie View A&M University, *Fee Payment Plans Webpage*, (accessed Apr. 23, 2023), https://www.pvamu.edu/fmsv/treasury-services/payments/fee-payment-plans/. This webpage states that "All students must accept the promise to pay payment agreement through Panthertracks that is presented at the time of online registration[, which states that] 'I agree that if I have not paid 100% of my current tuition, fees, and charges by the last business day before the first class day, that PVAMU has my permission to automatically enroll me in the installment method for payment of my current tuition….'"

51 NACUBO and Flywire, 2021. *See also, e.g.,* Northwest Missouri State University, *Statement of Financial Responsibility*, (May 15, 2023), https://www.nwmissouri.edu/studentaccounts/PDF/Statement-of-Financial-Responsibility.pdf. This statement discloses terms related to transcript and registration holds, debt collection, and credit reporting. *See also, e.g.,* University of Rhode Island, *University of Rhode Island Student Financial Responsibilities Agreement,* (accessed Aug. 27, 2023), https://web.uri.edu/tuition-billing/university-of-rhode-island-student-financial-responsibilities-agreement/.

52 National Association of College and University Business Officers (NACUBO), *2019 Student Financial Services Policies and Procedures Report*, https://www.nacubo.org/research/sfs%20benchmarking%20report, at 21.

53 NACUBO and Flywire 2021, at 3. "A student financial responsibility agreement provides relevant information about official institutional policies to students and contractually binds them to these policies. It is intended to properly disclose and set the contractual parameters between the creditor and consumer for the duration of the contractual relationship and to outline the relevant remedies available if there is a material breach of the terms…. NACUBO recommends use of a comprehensive student financial responsibility agreement as a student service best practice, to clearly outline the creditor/consumer relationship, to protect the school, and to comprehensively disclosure student obligations…. [The] legal goal [is] a clear contract that binds the student to the most current policies of the institution and covers all the amounts that become due and owing during a student's tenure with the institution."

54 *See, e.g.,* Bowling Green State University, *BGSU – How to enroll in the Installment Payment Plan Video Tutorial*, (accessed May 24, 2023), https://www.youtube.com/watch?v=Rj_Aohy2Oa8&t=78s.

Contract terms and conditions can vary widely. The CFPB identified instances of the following terms and conditions in agreements that appear to govern the use of tuition payment plans:

- **Waivers of consumer rights**: In some cases, tuition payment plan contracts require students to waive their right to participate in any class action or representative lawsuit and to only seek remediation through mandatory arbitration.[55]
- **Balance acceleration and changes**: In some cases, a student's entire balance could be accelerated if they miss a single payment.[56] In other cases, late payments may convert a no-interest installment plan into an interest-bearing loan.[57]
- **Transcript and registration holds**: If a student has outstanding debt (i.e., from missing a scheduled payment), some schools may place the student on an academic hold, barring them from attending classes or withholding their official transcript or diploma.[58]
- **Debt collection and credit reporting**: Some colleges send the student's outstanding obligations to a debt collector and report the debt to a credit bureau. In these cases, the school typically adds any fees associated with debt collection to the student's bill.[59]

1.2 Third-party private installment loans

The CFPB recognizes that other installment loan options are offered by third-party private lenders that are not colleges. However, because these products are not offered directly by colleges, they are outside of the scope of this report.

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55 *See, e.g.,* Valencia College, *Nelnet Business Solutions Terms & Conditions*, (accessed Jan. 31, 2023), https://valenciacollege.edu/students/business-office/tuition-installment-plan/nelnet-terms.php.

56 *See, e.g.,* Thomas Jefferson School of Law, *Student Handbook*, (accessed May 24, 2023), https://www.tjsl.edu/sites/default/files/student_handbook_jd_program_-_cals_-_january_23_2022.pdf, at 55. This handbook states that "If [a student fails] to make any payment on time, the entire unpaid balance including service charges, plus any applicable penalty charges may, at the sole option of the School, become immediately due and payable."

57 *See, e.g.,* Franklin University, *Tuition Payment Plans & Options Webpage*, (accessed Apr. 23, 2023), https://www.franklin.edu/tuition-financial-aid/payment-options. This website states that "There is a 7 day grace period for all balances; thereafter past due balances are subject to an 18% APR finance charge."

58 *See, e.g.,* Bethel University, *Holds & Student Billing Policies*, (accessed May 24, 2023), https://www.bethel.edu/business-office/student-billing-policies. This website states that "When payments have not been received by the appropriate due date, a hold will be placed on your account" and links to additional information about registration and transcript holds.

59 *See, e.g.,* Salisbury College, *Penalties for Late Payment and Non Payment Webpage*, (accessed Feb. 1, 2023), https://www.salisbury.edu/administration/administration-and-finance-offices/financial-services/accounts-receivable-cashiers-office/payment-penalties.aspx. *See also, e.g.,* Chicago State University, *Payment Deadlines & Plans Webpage*, (accessed Apr. 23, 2023), https://www.csu.edu/financialoperations/bursar/payment_deadlines.htm.

States and consumer advocates have noted that these types of installment products may be prevalent among non-accredited programs and have raised concerns about the growth of installment lending enabling students to attend high-cost non-accredited and/or low-quality programs, including those offered by buy now pay later (BNPL) providers (who traditionally have provided installment lending in the retail space).[60] For example, a 2022 report highlighted that BNPL providers such as PayPal, Affirm, Klarna, Sezzle, Shop Pay, Uplift, and Zip have partnered with bootcamp programs to offer education installment loans.[61] The CFPB recently estimated, based on newly-available data, that private sector lending for education by BNPL lenders increased by 1,028 percent between 2019 and 2021, indicating rapid growth in recent years.[62] Other third-party private lenders for education include Meratas, Climb Credit, TFC Tuition Financing,[63] and Meritize.

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[60] State Attorneys General of Illinois *et al.*, *Comment Letter on Notice and Request for Comment Regarding the CFPB's Inquiry Into Buy-Now-Pay-Later Providers*, Docket No. CFPB-2022-0002 (Mar. 25, 2022), https://www.regulations.gov/comment/CFPB-2022-0002-0025.

[61] *See, e.g.,* Student Borrower Protection Center, (Mar. 2022), *Point of Fail: How a Flood of "Buy Now, Pay Later" Student Debt is Putting Millions at Risk*, https://protectborrowers.org/wp-content/uploads/2022/03/SBPC_BNPL.pdf.

[62] Consumer Financial Protection Bureau, (Sep. 2022), *Buy Now, Pat Later: Market Trends and Consumer Impacts*, https://files.consumerfinance.gov/f/documents/cfpb_buy-now-pay-later-market-trends-consumer-impacts_report_2022-09.pdf. This report specifies that the "Services" vertical, which includes education (alongside insurance, pet care, services, and subscription fees), represented only 2.6 percent of total BNPL loan volume in 2021 [and that] In 2021, the five lenders surveyed [by the CFPB] originated $59.8 million in BNPL loans to retailers in the Education sub-vertical."

[63] *See, e.g.,* Circle of Love Academy, *Student Information Webpage* (accessed Apr. 25, 2023), https://circleofloveacademy.com/student-information. This website states that "To get started with TFC Tuition Financing, you simply contact your management team and ask them to help you set up a payment plan that works for you." *See also, e.g.,* The Academy of Pet Careers, *TFC Tuition Loans Webpage*, (accessed Apr. 25, 2023), https://www.theacademyofpetcareers.com/loan-application/. This website states that "The APC is partnered with TFC Tuition to provide our students with customized payment plans designed for success after graduation."

2. Consumer risks

The CFPB's research has identified several features of tuition payment plan products offered by colleges that may pose consumer risks. These include inconsistent product definitions and disclosures, hidden or non-elective enrollments, high costs related to late payment, potentially deleterious debt collection practices, and waivers of consumer rights.

2.1 Inconsistent disclosures

The wide variation in terms that are offered by tuition payment plans, and the terminology that schools use to describe them, may confuse consumers about the nature of the financial arrangement they are entering into. For instance, some schools market tuition payment plans as an alternative to student loans.[64] Others describe very similar no-interest products as loans (Table 2).[65] Further, information about fee levels and terms are often spread across several different documents and/or webpages, which may make it difficult for consumers to find complete information. Overall, these practices could obscure the nature of the product, the cost of credit, and what entity owns or services the product.[66] And because tuition payment plans are often offered to students by their schools after they have already enrolled, the circumstances might result in a captive market in some situations in which students may not be able compare the products to other options.

[64] While tuition payment plans are generally marketed this way, many tuition payment plans are in fact private student loans under TILA, generally as non-Title IV loans issued for postsecondary educational expenses to a borrower that does not include an extension of credit under an open-end consumer credit plan, a reverse mortgage transaction, a residential mortgage transaction, or other real-estate or dwelling secured loan. *See* 15 U.S.C. 1650(a)(8). And, depending on their structure, some may still be closed-end credit under Regulation Z, at 12 CFR part 1026. Specifically, Regulation Z excludes tuition payment plans from its definition of "private education loan" if no interest is applied and the term of the extension of credit is one year or less. 12 CFR 1026.46(b)(5)(iv)(B). As a result, such tuition payment plans are not required to comply with Regulation Z's private education loan disclosure and timing requirements. However, such tuition payment plans might still be considered closed-end credit – and colleges offering the plans may be considered creditors – under Regulation Z and be subject to the regulation's general advertising, disclosure, and timing requirements that apply to closed-end credit. This could be the case, for example, if a tuition payment plan has more than four installments or is subject to a finance charge, which may mean that the school is a creditor subject to the disclosure and timing requirements for closed-end credit under Regulation Z. *See* 12 CFR §§ 1026.2(a)(17), 1026.17, 1026.18, and 1026.24.

[65] *See, e.g.,* Transact Holdings Inc., 2022, *Payment Plans: An alternative to student loans*, https://transactcampus.com/resources/infographics/request/an-easier-way-to-process-payment-plans. Accessed January 11, 2023.

[66] In interviews conducted in March 2023 with current students, the CFPB observed that some students did not understand that some tuition payment plans could be forms of credit, and some did not understand that the tuition payment plan they were using was offered by their school and not by the federal government. Others thought that a tuition payment plan was simply a plan to repay their federal student loan debt.

Key differences in tuition payment plan descriptions observed by the CFPB include (Table 2):

- Whether a non-interest-bearing payment plan was called a loan;[67]
- Whether product costs and fees were publicly disclosed on college websites;
- Whether the cost of credit was clearly disclosed and whether fees were treated as finance charges. Across schools, similar products were found to have inconsistent APR disclosures;[68] and
- Whether the TILA requirements for closed-end credit advertising under Regulation Z are being applied.[69]

TABLE 2: TUITION PAYMENT PLAN PRODUCT DESCRIPTION EXAMPLES

Institution	Product Description
Georgia Southwestern State University[70]	"This is not a loan program. You have no debt, there are no interest or finance charges and there is no credit check."
Harford Community College[71]	"The enrollment fee is considered a finance charge … To make it easy for consumers to compare this cost to other forms of credit, Transact provides the equivalent annual percentage rate (APR) … Maximum APR limits may be subject to applicable state usury laws."
Colorado Mesa University[72]	"These services and benefits constitute educational loans or benefits extended to me to finance my education [and] may not be discharged in bankruptcy."

These inconsistencies in product definitions and disclosures could make it difficult for students to understand the true cost of credit, compared to other education financing options. While

[67] This is further complicated by the examples of interest-bearing private loan products being advertised as "payment plans."

[68] *See* 12 CFR 1026.4 (regarding finance charges) and 1026.24 (regarding closed-end credit advertising requirements).

[69] This report does not comment on the applicability of these requirements for any specific tuition payment plan because such a determination would be fact-specific and is outside of the scope of this report and the information reviewed.

[70] Georgia Southwestern State University, *Nelnet Payment Plan Webpage*, (accessed Feb. 15, 2023), https://www.gsw.edu/student-account/nelnet-payment-plan.

[71] Harford Community College, *Payment Plan Webpage*, (accessed Feb. 15, 2023), https://www.harford.edu/admissions/tuition/payment-plan.php;

[72] Colorado Mesa University, *Student Financial Responsibility Agreement*, (accessed Feb. 15, 2023), https://www.coloradomesa.edu/student-accounts/documents/financial-responsibility-agreement.pdf.

some schools provide sample TILA disclosures, others do not. And when TILA disclosures are provided, rates can vary widely based on plan details such as the size of the enrollment fee.[73]

Despite rarely charging interest, tuition payment plans are still a form of credit that may subject consumers to various fees. The cost of credit can vary widely based on the terms of the specific plan, the amount financed, and the size of the enrollment fee. Some tuition payment plans have relatively low costs of credit (around 2 percent APR).[74] Other payment plans that are used to finance smaller amounts, charge higher than median fees, and/or plans that compel repayment over shorter durations can lead to relatively high APRs: The CFPB estimates that some plans, under certain circumstances (e.g. for students who borrow small amounts and pay high enrollment fees) could have annual percentage rates up to 237 percent.[75]

In addition to inconsistent terms and disclosures among tuition payment plans, students may face further risk because some schools and bootcamps use terms similar to those used in tuition payment plans, like "payment plans"[76] and "financing plans"[77] to describe private, interest-

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73 For example, some schools offer sample annual percentage rate (APR) disclosures in videos or documents that provide instructions for students who are interested in enrolling in a tuition payment plan. The CFPB observed sample rates as low as zero percent and as high as 182 percent. *See, e.g.,* University of Texas at Tyler, *Enroll in a Payment Plan How-to Video*, (accessed May 25, 2023), https://www.uttyler.edu/enroll/tutorial-library/payment-plan/. *See also, e.g.,* Baton Rouge Community College, *How to Make a Payment Tutorial*, (accessed May 25, 2023), https://docs.google.com/document/d/1QRNMcVY1qpbQkzf1JRgqCqrOEKCAEYVUY3aQxryfTpg/edit, at 16.

74 CFPB analysis using the Federal Financial Institutions Examination Council's (FFIEC) APR Tool, https://www.ffiec.gov/examtools/FFIEC-Calculators/APR/#/accountdata. This analysis models APRs for tuition payment plans with a semester term (defined as three months) that are paid with four payments (with the first payment made at the time of consummation and the finance charge incurred on the first payment), assuming that payments were due monthly. The plan that resulted in an APR of 2 percent assumed a finance charge of $30 and a loan amount of roughly $5,500. *See* Section 1.1.2 for additional detail on and about the sources and limitations of these tuition payment plan average loan amount estimates.

75 CFPB analysis using the Federal Financial Institutions Examination Council's (FFIEC) APR Tool, https://www.ffiec.gov/examtools/FFIEC-Calculators/APR/#/accountdata. This analysis models APRs for tuition payment plans with a semester term (defined as three months) that are paid with four payments (with the first payment made at the time of consummation and the finance charge incurred on the first payment), assuming that payments were due monthly. The plan that resulted in an APR of 237 percent was modeled to include the highest observed enrollment fee of $200 and a small amount financed of $525. The highest observed enrollment fee on a tuition payment plan offered by a college was $200 at Arizona State University. *See* Section 1.1.2 for additional detail on and about the sources and limitations of these tuition payment plan average loan amount estimates. *See also, e.g.,* Carter, C., (2022), "Predatory Installment Lending in the States: How Well Do the States Protect Consumers Against High-Cost Installment Loans?," *National Consumer Law Center*, https://www.nclc.org/resources/predatory-installment-lending-in-the-states-2022/ (describing state interest rate caps and noting a median 39.5% APR limit for $500, six-month installment loans and a 32% APR limit for $2,000, two-year installment loans in 2022). *See also* 10 U.S.C. § 987(b) and 32 CFR 232.4(b) (setting 36 percent limit for military annual percentage rates (MAPRs)). We do not comment in this report as to the applicability of any state interest rate or MAPR limits to the tuition payment plans reviewed.

76 *See, e.g.,* Aviation Institute of Maintenance – Atlanta, (Jun. 2022), *A Guide to Our Financial Aid Programs and Consumer Information*, https://aviationmaintenance.edu/wp-content/uploads/2022/08/FA-Guide-for-Students-07132022.pdf, at 10. This guide states that "We may be able to provide interest bearing monthly payment plans for students who are not eligible for other financial aid plans or sufficient financial aid."

77 *See, e.g.,* San Joaquin Valley College, *Financial Aid at San Joaquin Valley College Webpage*, (accessed Apr. 25, 2023), https://www.sjvc.edu/guides/financial-aid/.

bearing education loans. This overlap in terminology could lead to consumer confusion about the nature of the product. For instance, one boot camp program's "deferred tuition" option (structured as a 12.5 percent interest rate loan with an additional 5 percent origination fee) was advertised using the slogan "learn now, pay later," which may lead borrowers to wrongly believe the product is structured like a typical no-interest BNPL loan or tuition payment plan.[78]

2.2 Automatic enrollments and forced use

In some cases, borrowers may become enrolled in a tuition payment plan without knowingly signing up for one or because institutional Title IV disbursement practices leave students without viable alternatives. Sometimes, students do not receive their federal financial aid disbursements in time to meet their school's tuition payment deadlines, due to a delay or differences between disbursement dates and tuition payment deadlines. In other cases, students may withdraw from school and may be on the hook to repay the school for all or some of a previously disbursed financial aid award such as a Pell Grant, the amount of which has been based on the student's enrollment for the full academic term. When this occurs, the use of tuition payment plans may lead to the accumulation of fees (such as enrollment fees and late fees).

Enrollment due to financial aid delays

In the CFPB's review of complaints submitted to the Department of Education, we observed that several students indicated in complaints that they felt they had no option but to enroll in tuition payment plans, most often in cases where their tuition due date did not line up with their federal financial aid disbursement date. For instance, one school states on its website that students who don't know if they are getting financial aid yet or who think it will come at some point during the academic term should enroll in a payment plan.[79] In an unrelated complaint from a student, a Pell Grant recipient called the Department of Education's Office of Federal Student Aid (FSA) about processing delays related to her disbursement and said that she was told by her school that if she did not sign up for a payment plan she would be dropped from classes.[80]

Another student complained about the high cost of the tuition payment plan offered by their school and stated that:

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[78] *See, e.g.,* Bloom Institute of Technology, *Deferred Tuition Webpage*, (accessed Apr. 25, 2023), https://www.bloomtech.com/tuition/deferred-tuition.

[79] Lane Community College, *College Account Payment Plans Frequently Asked Questions*, (accessed Apr. 25, 2023), https://inside.lanecc.edu/sites/default/files/collfin/ways-to-pay-faq.pdf.

[80] Complaint submitted to the U.S. Department of Education, Office of Federal Student Aid on August 10, 2021.

[My institution's] inability to process student's financial aid in a timely manner [forces] students and parents to sign up for [a] payment plan which is more expensive*.... I feel that if it is the school that cannot process financial aid or deal with the amount of students then the students should not have to pay for their mistakes.... The school's financial aid practices should be investigated.*[81]

In another example, a student at a large public university complained to ED that they were enrolled in a tuition payment plan due to a disbursement delay:

Due to system issues that delayed receiving my aid by weeks [at my school and despite being told by several financial aid representatives] that I wouldn't be enrolled in the payment plan…I was charged this fee and enrolled into the plan [emphasis added]. *Additionally, I'm entering the 3rd week of classes for the semester and still haven't received my student loans.... I filled out any additional tasks required promptly – often that same day.... I have to use the remainder of the student loans for textbooks, housing, and other related educational expenses. This delay by them has cost me extra fees, stress, and grief.*

The student received their financial aid disbursement three days after they submitted the complaint.[82]

Another similar complaint from a Pell Grant recipient at a community college stated that:

[Every] semester I try to take classes [at my school], they try to force me into setting up [a] payment plan to pay out of pocket when my [Pell Grant] has not been issued*. I then had to drop several classes due to the fact that I couldn't afford the next payment and my [Pell Grant] never came.*

FSA advised this student to work with the school to pay any balance owed.[83]

Another similar complaint from a Pell Grant recipient at a community college stated that:

I have received the Pell Grant, but my school doesn't seem to be dispersing [sic] any payments to me. They put me on a payment plan, and I had to pay about $800 out of pocket*. I looks like they are going to make me pay another $800 out of pocket in the next couple of weeks (money that I don't have).... They just keep telling me*

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[81] Complaint submitted to the U.S. Department of Education, Office of Federal Student Aid on August 22, 2018.

[82] Complaint submitted to the U.S. Department of Education, Office of Federal Student Aid on August 31, 2022.

[83] Complaint submitted to the U.S. Department of Education, Office of Federal Student Aid on February 22, 2019.

that things are "processing." I suspect I am not the only student who is having this problem here. I don't know what to do anymore.

The student asked FSA to help them receive their full disbursement to help them avoid making future out-of-pocket payments and wanted a refund for their prior payment. After researching the student's situation, FSA concluded that the student's institution has a practice of disbursing the Pell Grant in multiple payments, which is in compliance with federal regulations.[84]

Enrollment due to withdrawal from classes

The CFPB observed that some schools may enroll students in tuition payment plans automatically if they miss a tuition payment deadline.[85] In other cases, students who withdraw from school after the school's tuition refund deadline has passed may have their previously disbursed Pell Grant, other federal student financial aid, or federal student loan disbursement revoked and converted into a balance or debt owed to the school. When this occurs, some schools may automatically convert this financial obligation into a tuition payment plan (sometimes called a past-due payment plan).[86] This practice has been highlighted as one that may have a disproportionate impact on low-income students who withdraw from school due to emergencies such as family needs or health crises.[87]

These automatic enrollment and forced use practices may present harms to students by adding fees to the cost of attending school or by compelling out-of-pockets payments during the school year.

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[84] Complaint submitted to the U.S. Department of Education, Office of Federal Student Aid on September 5, 2019. Under the Department's regulations, an institution may pay a student Federal Pell Grant funds at such times and in such installments as it determines will best meet the student's needs. 34 CFR 690.76(a).

[85] *See, e.g.,* Arizona State University, *Tuition and Aid Webpage* (accessed Apr. 23, 2023), https://tuition.asu.edu/billing-finances/payment-plan#webspark-anchor-link--19. This website states that "If you have outstanding charges of $500 or more after the payment deadline, you'll be automatically enrolled in the ASU Payment Plan and be billed an ASU Payment Plan fee [of $100 for resident students or $200 for nonresident students]." *See also, e.g.,* Oklahoma Community College, *Bursar Webpage*, (accessed Jan. 11, 2023), https://www.occc.edu/bursar/. This website states that "If you miss your designated due date for an in-full payment, we'll automatically place you on a monthly payment plan that lets you pay off your tuition and fees over time. The payment plan incurs a $25 set-up fee per term."

[86] *See* 34 CFR 668.22; U.S. Dep't of Education, Office of Federal Student Aid, *Return of Title IV Funds (R2T4)*, (accessed Feb. 2, 2023), https://fsapartners.ed.gov/knowledge-center/library/functional-area/Return%20of%20Title%20IV%20Funds%20%28R2T4%29#:~:text=R2T4%20refers%20to%20the%20calculation,which%20the%20recipient%20began%20attendance. *See also, e.g.,* Eaton, C., Glater, J.; Hamilton, L.; & Jiménez, D., (Apr. 1, 2022), *Creditor Colleges: Canceling Debts that Surged during COVID-19 for Low-Income Students*, available at https://ssrn.com/abstract=4072193.

[87] Eaton, C., Glater, J.; Hamilton, L.; & Jiménez, D., (Apr. 1, 2022), *Creditor Colleges: Canceling Debts that Surged during COVID-19 for Low-Income Students*, available at https://ssrn.com/abstract=4072193.

2.3 High costs related to late payment

If students fall behind on their payments, they are typically assessed late fees, and may sometimes also be subject to a returned payment fee if their automatic payment was declined. Even students who miss just one payment may be subject to balance acceleration, where the entire balance of the loan becomes due in full, or may have their non-interest-bearing loan converted into an interest-bearing loan.[88] These practices can impose high costs on students who make late payments.[89]

The CFPB found that four out of five plans publicly disclose that they impose late fees, returned payment fees, or both.[90] Median returned payment and late fees were both $30 and the average fees were of $29 and $47 respectively.[91] However, a 2019 industry survey established that, among a different sample of schools charging late fees, the average maximum late fee was almost $110.[92] The CFPB observed 19 plans that had late fees of $100 or more.[93]

In addition, almost 30 of the schools researched by the CFPB, representing 18 percent of the total sample, imposed late payment penalties that were calculated as percentages of outstanding

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88 *See, e.g.,* Franklin University, *Tuition Payment Plans & Options Webpage*, (accessed Apr. 23, 2023), https://www.franklin.edu/tuition-financial-aid/payment-options. This website states that "There is a 7 day grace period for all balances; thereafter past due balances are subject to an 18% APR finance charge."

89 Industry groups estimate that an average of 32 percent of current and former students had unpaid balances owed to their colleges at the end of FY20. *See* National Association of College and University Business Officers, *2021 Student Financial Services Benchmarking Report*, at 3. This report is based on survey responses collected between 2017 and 2021 and this data point is based on 2021 survey responses from hundreds of participating institutions. This report also states that in FY20, approximately 4 percent of student accounts were placed into internal or external collections, but this percentage includes only students who were "enrolled in credit-earning courses" and thus is unlikely to include students who were dropped from courses due to non-payment.

90 To determine this, the CFPB added the 237 colleges that publicly disclose charging a returned payment fee and the 174 colleges that publicly disclose charging a late fee, then subtracted the 93 colleges that publicly disclose charging *both* fees – and divide by the total number of colleges with publicly disclosed TPPs (n=400). More colleges may charge late and returned payment fees but may not disclose them publicly (i.e., colleges may include them in point-of-sale disclosures to students).

91 In many cases, the fees observed by the CFPB were higher than comparable fees charged on other consumer products such as credit cards. In the credit card context, TILA section 149, requires, among other things, that the amount of any penalty fee with respect to a credit card account under an open-end consumer credit plan in connection with any omission with respect to, or violation of, the cardholder agreement, including any late payment fee or any other penalty fee or charge, must be "reasonable and proportional" to such omission or violation. 15 USC 1665d(a). The Bureau issued a proposed rule on credit card late fees pursuant to this provision on March 29, 2023 and is currently reviewing comments. 88 FR 18906

92 National Association of College and University Business Officers, *2019 Student Financial Services Policies and Procedures Report*, at 9. This average amount is based on responses from 454 schools and refers to the maximum, or "capped," late fee that those schools charge in their late fee policy for undergraduates (see page 42 of the NACUBO report for exact survey language).

93 *See, e.g.,* The Ohio State University, *Pay Tuition and Fees Webpage*, (accessed Apr. 23, 2023), https://busfin.osu.edu/bursar/paytuition. This webpage discloses that "Failure to pay by the due date listed for each installment may result in late fees being assessed to your account [of] up to $300 for the first installment [and] $25 per installment for subsequent installments."

balances,[94] with the average amount being nearly 11 percent.[95] In one case, after a seven-day grace period, one school imposed an 18 percent APR finance charge, which was the highest APR observed.[96]

One student complained about fees on their payment plan and stated that:

> *My [loan and grants] are dispersing in October [and] these are enough to cover the coming semester.... However,* ***they are not being applied to my balance and the school is demanding I pay them in full or enroll in their payment plan and as a consequence have late fees + the enrollment fee added to my balance until the loans and grants disperse****. If I did not do this I was told my classes would be dropped. I do not believe this is fair and have never been subject to this in past years....*[97]

Finally, in cases where payments are sent to debt collectors, some schools charge additional fees that, in some instances, can add up to 50 percent of a student's unpaid balance to their outstanding balance to cover collection costs.[98] This fee is significantly higher than the contingency fee of almost 16 percent that is typically paid to third-party debt collectors who work with credit card issuers.[99]

When students fall behind on payments, they might face multiple fees in the event of late payment and experience other negative consequences. Because fees vary widely, a student with identical payment behavior could pay very different amounts on tuition payment plans at different colleges (Table 3). For instance, if a student enrolled in a four-installment payment plan to finance a tuition gap of $525,[100] the student could end up paying between $69 and $399 in fees if the student paid with a credit or debit card online, had insufficient funds in their account one time, and missed two payments (Figure 4). Late payment penalties of this

94 *See, e.g.,* Red Rocks Community College, *Payment Policy Webpage*, (accessed Apr. 23, 2023), https://www.rrcc.edu/tuition/payment-policy#PAST%20DUE%20ACCOUNTS.

95 National Association of College and University Business Officers, *2019 Student Financial Services Policies and Procedures Report*, at 9.

96 Franklin University, *Tuition Payment Plans & Options Webpage*, (accessed Apr. 23, 2023), https://www.franklin.edu/tuition-financial-aid/payment-options. This website states that "There is a 7 day grace period for all balances; thereafter past due balances are subject to an 18% APR finance charge."

97 Complaint submitted to the U.S. Department of Education, Office of Federal Student Aid on August 4, 2022.

98 *See, e.g.,* Salisbury College, *Penalties for Late Payment and Non Payment Webpage*, (accessed Feb. 1, 2023), https://www.salisbury.edu/administration/administration-and-finance-offices/financial-services/accounts-receivable-cashiers-office/payment-penalties.aspx. *See also, e.g.,* Chicago State University, *Payment Deadlines & Plans Webpage*, (accessed Apr. 23, 2023), https://www.csu.edu/financialoperations/bursar/payment_deadlines.htm.

99 Consumer Financial Protection Bureau, (Sep. 2021), *The Consumer Credit Card Market*, https://files.consumerfinance.gov/f/documents/cfpb_consumer-credit-card-market-report_2021.pdf, at 137.

100 This loan amount is based on the average loan size noted by researchers who estimated institutional debts in the State of California. *See supra* note 41.

magnitude can have an outsized impact on young consumers and other students. In some cases, these late payment penalties may lead to situations where a student owes more than they originally borrowed on a product that was marketed to them as no-cost.

TABLE 3: FEE STACKING EXAMPLES FOR LOAN SIZE OF $525 PAID IN FOUR INSTALLMENTS

	School With Lowest Observed Late Fee[101]	**Median Observed Fees**[102]	**School With Highest Observed Late Fee**[103]
Enrollment Fee	$30	$30	$30
Returned Payment Fee	$25	$30	$30
Late Fee (x2)	$0	$60	$325[104]
Transaction Fee (x4)[105]	$14.44	$14.44	$14.44
Total Amount Financed	$525	$525	$525
Total Fee Amount	**$69.44**	**$134.44**	**$399.44**
Total Amount Paid	**$594.44**	**$659.44**	**$924.44**

[101] This example is based on the terms and conditions of the payment plan at Mount Wachusett Community College. For more information, *see, e.g.*, Mount Wachusett Community College, *Payment Options Webpage*, (accessed May 2, 2023), https://mwcc.edu/financial-services/payment-options/.

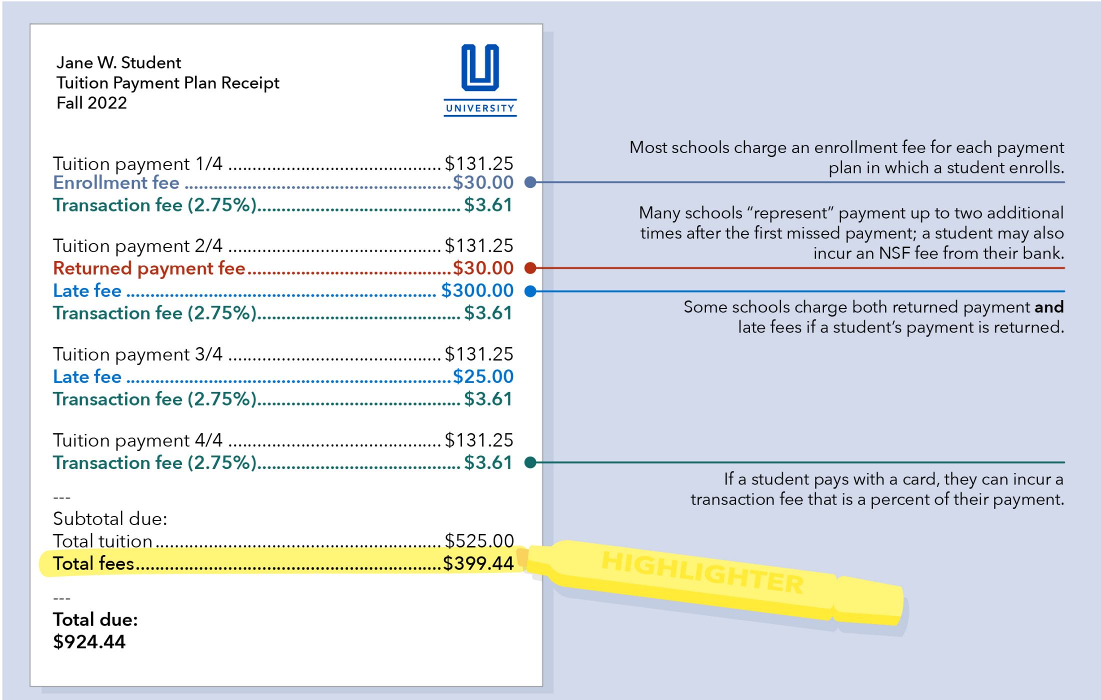
[102] This example is based on the median fee amounts in the CFPB's core dataset. For more information, see section 1.1.2.

[103] This example is based on the terms and conditions of the payment plan at The Ohio State University. For more information, *see, e.g.*, The Ohio State University, *Pay Tuition and Fees Webpage*, (accessed Apr. 23, 2023), https://busfin.osu.edu/bursar/paytuition.

[104] At this school, the first late payment incurs a fee of $300 and subsequent late payments incur fees of $25.

[105] The median transaction fee in the CFPB's core data set was 2.75%.

FIGURE 4: FEE STACKING EXAMPLE



In other cases, colleges may engage in practices that have been flagged as concerning in other contexts. For instance, the CFPB observed cases where schools appear to be mandating autopay and representing returned payments multiple times.[106] Students have little control over such practices, which may compound any negative effects from missed tuition payments.

Nearly one in five undergraduates (18.5 percent) report that they certainly, or probably, could not come up with $500 if they faced an unexpected financial need in the next month, indicating that many students could experience financial hardship due to the accumulation of late fees on tuition payment plans.[107] In addition, experiences with seemingly small fees can exacerbate the

[106] *See, e.g.,* Grand Rapids Community College, *Payment Plan Webpage,* (accessed Apr. 23, 2023), https://www.grcc.edu/pay-college/student-financial-services/payment-plan. *See also, e.g.,* Johnston Community College, *Tuition Payment Plan Webpage,* (accessed Feb. 6, 2023), https://www.johnstoncc.edu/payingforcollege/tuition-fees-expenses/tuition-payment-plan.aspxhttps://www.coloradomesa.edu/student-accounts/delinquent-accounts.html.

[107] *See, e.g.,* The Hope Center for College, Community, and Justice, (Aug. 3, 2023), *New Federal Data Confirm that College Students Face Significant—and Unacceptable—Basic Needs Insecurity,* available at https://hope.temple.edu/npsas.

financial situation of any consumer but can be particularly harmful for students from low-income households who may have difficulty meeting basic needs[108]

2.4 College debt collection practices

Where higher education institutions extend credit, the dual role of lender and educator provides institutions with a range of available collection tactics that leverage their unique relationship with students. For example, some postsecondary institutions withhold official transcripts as a collection tactic. Institutions often withhold transcripts from their students who are delinquent on debt owed to the institution, while also requiring new students to provide official transcripts from schools they previously attended. Collectively, this industry practice creates a circumstance in which a formal official transcript is necessary for students to move from one school to another, creating a powerful mechanism to enforce payment demands even when consumers seek to attend a competitor school. Consumers who cannot obtain an official transcript could be locked out of future higher education and certain job opportunities. Supervisory examinations conducted by the CFPB indicate that registration and transcript holds may constitute an abusive financial practice in certain circumstances.[109]

CFPB research suggests that transcript withholding may be used to collect past-due payments for tuition payment plans in many cases, alongside other concerning debt collection practices such as registration holds, removal of students from classes, revocation of meal plans, and eviction from campus housing. And external research indicates that hundreds of thousands of consumers may be subject to debt collection practices related to debts they owe to colleges each year.[110]

- **At least one in three schools in the CFPB's sample say that they withhold transcripts to collect past due tuition payments.**[111] CFPB data reveal that 32 percent of schools include blanket transcript withholding—which the CFPB has previously cited as an abusive practice—as a debt collection tool in publicly available written policies that appear to govern the collection of past-due tuition payment plan

[108] *See, e.g.,* The Hope Center for College, Community, and Justice, (Mar. 31, 2021), *#REALCOLLEGE 2021: Basic Needs Insecurity During the Ongoing Pandemic,* available at https://scholarshare.temple.edu/bitstream/handle/20.500.12613/6953/HopeCenter-Report-2021-03.pdf.

[109] Consumer Financial Protection Bureau, *Supervisory Highlights: Student Loan Servicing Special Edition Issue 27, Fall 2022*, (Sep. 2022), https://files.consumerfinance.gov/f/documents/cfpb_student-loan-servicing-supervisory-highlights-special-edition_report_2022-09.pdf.

[110] Eaton, C., Glater, J.; Hamilton, L.; & Jiménez, D., (Apr. 1, 2022), *Creditor Colleges: Canceling Debts that Surged during COVID-19 for Low-Income Students*, available at https://ssrn.com/abstract=4072193.

[111] Id.

balances. Prior industry studies have reported that as many as 98 percent of schools hold transcripts as a collection tactic.[112] The CFPB also observed cases where borrowers could be removed from classes and prevented from purchasing textbooks.[113] Some of these practices may be imposed as soon as a borrower has a payment returned or otherwise misses a payment.[114] In September 2022, the CFPB published a special edition of Supervisory Highlights detailing examiners' findings that servicers' blanket transcript withholding policies violated the prohibition on abusive acts and practices with respect to institutional loans.[115]

- **In some cases, schools reserve the right to remove students from housing or cancel meal plans due to late payments**.[116] In one case, the CFPB observed terms that included the imposition of "any and all" late payment penalties such as deactivation of campus identification cards (which would suspend access to campus facilities and city bus service), dismissal of students from residence halls, suspension of meals plans, and suspension of participation on athletic teams, along with late fee charges and interest charged on unpaid balances.[117]

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112 National Association of College and University Business Officers, *2019 Student Financial Services Policies and Procedures Report*, at 11.

113 *See, e.g.,* University of Minnesota, *Late Payment Consequences Webpage*, (accessed Apr. 23, 2023), https://onestop.umn.edu/finances/billing-and-payment/late-payment-consequences. This website states that if "the University does not receive the amount due on your student account by your billing due date[, you will be charged a late payment fee and we will place a hold on your student record, which] may have the following consequences: Your current registration may be canceled including classes you are already attending.... You may [also] be unable to make bookstore charges to your student account."

114 *See, e.g.,* University of Denver, *Cashier Services Webpage*, (accessed Apr. 26, 2023), https://www.du.edu/bursar/payment/cash-check-money-order. This website states that " A $20 fee will be assessed any returned item from the bank. This includes, but is not limited to, stop payments and insufficient funds. A hold will also be placed on your tuition account preventing registration, the release of official transcripts, the viewing of account information and the release of diplomas until the payment is resolved."

115 Consumer Financial Protection Bureau, *Supervisory Highlights: Student Loan Servicing Special Edition Issue 27, Fall 2022*, (Sep. 2022), https://files.consumerfinance.gov/f/documents/cfpb_student-loan-servicing-supervisory-highlights-special-edition_report_2022-09.pdf, at 8.

116 See, e.g., The University of West Florida, *Payment Plan Webpage*, (accessed Apr. 23, 2023), https://uwf.edu/finance-and-administration/departments/controllers-office/student-accounts-and-cashier/tuition-and-fees/payment-plan/. This webpage states that late payments will result in late fees of $50 to $100 and adds that "If a payment plan includes a meal plan, meals will be suspended until the account balance is paid in full."

117 Rivier University, *Payment Policies Webpage*, (accessed May 25, 2023), https://www.rivier.edu/financial-aid/student-resources/payment-policies/. This webpage states that student who pay late may be subject to a late payment penalty, the accrual of interest on unpaid balances, deactivation of campus ID card, residence hall dismissal, suspension of meal plan, suspension of participation with athletic teams, and more.

- **Public schools may also use debt collection tactics such as wage garnishment or tax refund offsets to collect past-due tuition payments.**[118] Several schools also state that debt collection practices include state income tax refunds being intercepted to offset against overdue balances at public schools and report that they send overdue accounts to state agencies for collection.[119]

2.5 Waivers of consumer rights

Some contracts and agreements related to student financial obligations include terms and conditions that purport to waive consumers' legal protections, limit how consumers enforce their rights, or misrepresent the rights or protections available to consumers under existing law.[120] Additionally, one industry group providing "best practices" guidance to colleges included model clauses related to mandatory arbitration, class action waivers, transcript withholding, waivers of infancy defenses, and bankruptcy in a 2021 best practices document.[121]

The CFPB observed terms and conditions in tuition payment plan contracts and student financial responsibility agreements including waivers of a consumers' right to a litigate certain claims in court or through a jury trial, including forced arbitration provisions[122] and class action/jury trial waiver provisions;[123] waivers of the consumers' right to seek discharge;[124]

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118 In many cases, state law may require public colleges to send past-due debts to the state for collection. *See, e.g.,* Office of the Ohio Attorney General Mike DeWine, *Ohio Attorney General's Student Loan Debt Advisory Group Report*, (Jun. 2017), https://www.ohioattorneygeneral.gov/Files/Publications-Files/Publications-for-Schools/Ohio-Attorney-General-s-Student-Loan-Debt-Collecti.aspx.

119 National Association of College and University Business Officers, *2019 Student Financial Services Policies and Procedures Report*, at 34. According to this industry survey, 41 percent of public institutions use state agencies as debt collectors.

120 NACUBO and Flywire, *Best Practices for Student Financial Responsibility Agreements: Advisory Report 21-02*, (2021), https://www.nacubo.org/Publications/Advisories/AR-21-02-Best-Practices-For-Student-Financial-Responsibility-Agreements. *See also, e.g.,* National Consumer Law Center, (Jan. 2011), *Piling It On: The Growth of Proprietary Schools and the Consequences for Students*, https://www.studentloanborrowerassistance.org/wp-content/uploads/File/proprietary-schools-loans.pdf.

121 NACUBO and Flywire 2021.

122 *See, e.g.,* Valencia College, *Nelnet Business Solutions Terms & Conditions*, (accessed Jan. 31, 2023), https://valenciacollege.edu/students/business-office/tuition-installment-plan/nelnet-terms.php.

123 *See, e.g.,* Tyler Junior College, *How to do a Payment Plan at TJC Video Tutorial*, (accessed May 25, 2023), https://www.youtube.com/watch?v=pkmQuCGfIUo.

124 *See, e.g.,* Northwest Missouri State University, *Statement of Financial Responsibility*, (accessed May 25, 2023), https://www.nwmissouri.edu/studentaccounts/PDF/Statement-of-Financial-Responsibility.pdf.

waivers of the consumers' ability to retain their own counsel;[125] misrepresentations regarding the legal right to discharge of private student loans in bankruptcy;[126] and waivers of death discharge.[127]

[125] *See, e.g.,* University of Arkansas, *Installment Plan*, (accessed Jan. 31, 2023), https://help-uaconnect.uark.edu/knowledge-centers/student/install-plan.php. The statement of understanding shown on this website states that "In the event you should seek to discharge any unpaid portion of your debt identified in this Agreement, then this Agreement shall serve as conclusive proof that you are indebted to the University, and you hereby appoint and authorize the University to act as your attorney-in-fact to dismiss any action you may file seeking to discharge your debt and/or obligations under this Agreement."

[126] *See, e.g.,* Colorado Mesa University, *Student Financial Responsibility Agreement*, (accessed May 25, 2023), https://www.coloradomesa.edu/student-accounts/documents/financial-responsibility-agreement.pdf. This agreement includes a "Promise to Pay" provision that includes the following language: "In the event that any financial obligation arising under or related to this Agreement is not timely paid in full by me, I agree that such failure to pay automatically results in an extension of credit to me by CMU [and that] these services and benefits are for educational purposes [and thus] may not be discharged in bankruptcy."

[127] *See, e.g.,* University of Texas at Tyler, *Enroll in a Payment Plan How-to Video*, (accessed May 25, 2023), https://www.uttyler.edu/enroll/tutorial-library/payment-plan/. This contract states that "This Note and the provisions thereof are to be binding on my heirs, executors, administrators, assigns, and successors. The provisions of this Note shall continue in force, notwithstanding my death."

3. Conclusion

Students are often encountering the consumer financial ecosystem for the first time when they attend college and may trust and rely on financial advice and products offered by their schools.[128] While school-offered tuition payment plans may be a good option for certain students, they may also be a risky option for others. In some cases, tuition payment plans could lead to debt accumulation and overextension. In the worst cases, late payments on tuition payment plans could even lead to disenrollment or eviction during the school term—consequences that would not be possible if the student used another type of debt financing such as a federal student loan, a traditional private student loan from a non-school lender, or another form of general-purpose financing. Fees, inconsistent disclosures, and automatic or forced use may harm consumers in ways that students are unlikely to anticipate when trying to cover their educational expenses. And because of the unique circumstances in which schools offer tuition payment plans—sometimes making no other option available for meeting tuition payment obligations—students might form a captive market in some situations. The CFPB will continue to gather and analyze information relating to tuition payment plans and to ensure that institutional lenders follow applicable consumer financial laws.

[128] *See, e.g.,* U.S. Dep't of Educ., *Program Integrity and Improvement* (Notice of Proposed Rulemaking) 80 FR 28484, 28499 (May 18, 2015) (in noting particular concerns with college co-branding of financial accounts stating, "Many students trust their schools and, as a result, may view co-branding as an endorsement and an indication their school has negotiated the best terms for them.").

APPENDIX A: TUITION PAYMENT PLAN DATASET METHODOLOGY AND DESCRIPTIVE STATISTICS

A.1 Methodology

A.1.1 Sample construction

This report used the same sample of schools that was used in the CFPB's 2022 College Banking Analysis to develop the 2022-2023 Tuition Payment Plan Core Dataset.[129] For each college in the dataset, the CFPB performed searches using a commercial internet search engine and the college websites, combining keywords in conjunction with the school name, including but not limited to "tuition payment plan," "installment plan," "payments," "tuition payments," "student financial responsibility," "late payments," "past due payments," and/or "debt collection." Once related links were identified, the CFPB reviewed the webpages to identify and record fees, terms, and disclosures and recorded the URL, as well as the date that the webpage was accessed.

A.1.2 Variables

Once a relevant webpage was identified, the CFPB recorded the institution name and unique identifier (i.e., OPEID), system affiliation (if applicable), whether a tuition payment plan was offered, the payment provider or other installment lender, the late fee maximum amount and category (e.g., flat fee or percentage), the enrollment fee maximum amount and category, the returned payment maximum fee and category, the transaction fee and category, whether the school disclosed that it withheld transcripts for late or missed tuition payments, plan length, date accessed, and relevant URLs. Then, the CFPB pulled in additional information by matching the institution name and unique identifier (i.e., OPEID) with publicly-available data in the College Scorecard, including the city and state in which the institution is located, the school type (e.g., public, non-profit, and for-profit), the institution's three-year cohort default rate, and the institution's Carnegie Classification.

[129] The total number of colleges in this sample (N=451) is slightly less than the number of colleges in the 2021-2022 College Banking Data (N=461) as: (1) CFPB did not include a second entry for 9 schools where those schools have multiple campus banking disclosures and (2) CFPB combined a community college system and a member community college since the system and school offered the same payment plan. Consumer Financial Protection Bureau, *2020-2021 College Banking Data*, (Oct. 2022), https://www.consumerfinance.gov/data-research/student-banking/deposit-product-marketing-agreements-and-data/

A.2 Descriptive statistics

Compared to all public institutions of higher education (IHEs), the IHEs in the primary CFPB dataset have a similar average three-year cohort default rate and roughly reflect the national instances of two-year and four-year institutions.[130] The CFPB dataset appears to overrepresent larger schools (which is likely the result of the fact that this dataset presents several community college districts at the system level instead of the branch level), HBCUs, and HSIs. The final database is therefore largely reflective of public Title IV institutions on these observable characteristics. However, this dataset unable to provide representative information about private and for-profit IHEs due to sample size.

FIGURE 5: DESCRIPTIVE STATISTICS, CFPB SAMPLE AND NATIONAL SAMPLE[131]

	Public IHEs from CFPB Sample	Public Title-IV Schools	CFPB Sample	Title-IV Schools
Total number of IHEs	349	2,081	449	6,681
Total undergraduate enrollment	3 million	10.8 million	3.6 million	14.6 million
Average undergraduate enrollment	8,838	5,175	8,084	2,178
Average three-year cohort default rate	9%	9%	9%	9%
Share of public IHEs	100%	100%	78%	31%
Share of private non-profit IHEs	0%	0%	18%	30%
Share of private for-profit IHEs	0%	0%	4%	39%
Share of Historically Black Colleges and Universities	3%	2%	4%	2%
Share of Hispanic Serving Institutions	25%	17%	21%	8%
Share of two-year institutions	50%	55%	40%	37%
Share of four-year institutions	50%	45%	59%	63%

Note: Data used for this analysis was pulled from the September 2022 version of the College Scorecard, which reflects enrollment totals from Fall 2020. Variables used include UGDS, CDR3, CONTROL, HBCU, HIS, and CCUGPROF (all institutions with values of -2, 0, and NULL excluded).

[130] The three-year cohort default rate (CDR) has historically been an important indicator of school quality and has been used to ensure school accountability. The CDR reflects the percentage of borrowers who enter repayment in a given federal fiscal year and default prior to the end of the second following fiscal year. The CDRs in this analysis reflect the repayment rate of the FSA FY2019 cohort measured in FY2021 and, thus, are low compared to prior years because members of this cohort benefited from the CARES Act payment suspension that began in March 2020.

[131] CFPB data was supplemented with data from the College Scorecard for this analysis. For more information, see: U.S. Dep't of Education, (Sep. 14, 2022), College Scorecard, available at https://collegescorecard.ed.gov/data. Data used for this analysis was last updated in September 2022 and reflects enrollment totals from Fall 2020.

APPENDIX B: GLOSSARY

DEFINED TERM	
TUITION PAYMENT PLAN (TPP)	Private installment plans typically offered by institutions of higher education, sometimes described as tuition financing, tuition installment loans, deferred tuition products, or “learn now pay later” products
INSTITUTION OF HIGHER EDUCATION (IHE)	A college, university, or similar institution, including a technical or business school, offering postsecondary level academic instruction
TITLE-IV SCHOOL	IHEs that participate in the federal student aid program under Title IV of the Higher Education Act of 1965 (HEA)
THIRD-PARTY SERVICE PROVIDER	A third-party company that typically provides software to facilitate the administration of a tuition payment plans. In some cases, they also provide payment processing services via a partner bank and/or compliance support to the school.
INDEPENDENT SALES ORGANIZATION (ISO)	ISOs provide front-end, customized services to a client population (e.g., payments software to colleges and universities, etc.) and sell their partner bank’s merchant accounts, through which the client would set up their payment flow. This benefits the partner bank by bringing additional payments through the bank that can generate revenue (e.g., acquirer mark-up fees or ACH transaction fees)