

## HOUSE OF REPRESENTATIVES STAFF ANALYSIS

**BILL #:** HB 1217 Credit Card Solicitations on College Campuses

**SPONSOR(S):** Bracy

**TIED BILLS:** **IDEN./SIM. BILLS:** SB 1202

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR or BUDGET/POLICY CHIEF
1) Higher Education & Workforce Subcommittee	13 Y, 0 N	Thomas	Sherry
2) Insurance & Banking Subcommittee			
3) Education Committee			

### SUMMARY ANALYSIS

Currently, the federal Credit Card Accountability Responsibility and Disclosure (CARD) Act provides guidelines for colleges and universities regarding marketing of credit cards to students attending an postsecondary institution of higher education. The Credit Card Act prohibits a credit card issuer from offering a student at an institution of higher education any tangible item to induce a student to apply for or participate in an open end consumer credit plan.

The bill expands on the Credit CARD Act by prohibiting advertising, marketing, or merchandising credit cards on the campus of a Florida College System institution or state university.

The bill prohibits:

- Advertising or soliciting at campus vendor tables;
- Posting or distributing applications, fliers, posters, and handbills and signage, electronic or otherwise, in an institution or university facility; and
- Using a college's e-mail system or web page for the purpose of advertising or soliciting credit cards to students.

The bill also prohibits banks, credit unions or other businesses approved to be present at student orientations during the weeks leading up to the opening of the institution or university or other campus activities, from providing credit card applications to students during those events.

The bill does not appear to have a fiscal impact on state or local government. See FISCAL COMMENTS.

The bill provides an effective date of July 1, 2013.

# FULL ANALYSIS

## I. SUBSTANTIVE ANALYSIS

### A. EFFECT OF PROPOSED CHANGES:

#### Present Situation

Current law does not regulate credit card issuer on Florida College System or State University System institution campuses. Postsecondary institutions may enter into a credit card agreement with a credit card issuer. Credit card agreements may be entered into by universities, colleges, or affiliated organizations, such as alumni associations, sororities, fraternities, and foundations. An agreement may include royalty arrangements where the institution will receive funds for each card issued and/or a percentage of all retail purchases generated. Under such agreements, institutions may authorize the credit card issuer to solicit students by mail, direct promotion, internet, advertisements and/or telephone.<sup>1</sup>

#### Student Debt

While Florida college students graduate with an average debt of \$23,054,<sup>2</sup> a growing percentage incur additional debt through of credit cards. Many college students are relying on credit cards for college expenses, which may include: tuition, textbooks, computers, school supplies, and other direct education expenses. Students also purchase other types of goods and services such as clothing, cosmetics, gas, and travel. A large percentage (84%) of undergraduate students had at least one credit card in 2009, carrying an average balance of \$3,173. Direct postal mail dominates as a solicitation channel and is a major source for students to obtain cards.<sup>3</sup> Most students have a limited understanding of interest rates, credit reporting, and annual fees associated with credit cards.

#### Credit Card Accountability Responsibility and Disclosure (CARD) Act<sup>4</sup>

The Credit CARD Act of 2009 was created to establish fair and transparent practices relating to the extension of credit under an open end consumer credit plan. The Credit CARD Act has several provisions aimed at protecting young consumers, including:

- Prohibiting a credit issuer or creditor from issuing a credit card to a consumer who has not attained the age of 21;
- Prohibiting a card issuer or creditor from offering a student at an institution of higher education any tangible item to induce a student to apply for or participate in an open end consumer credit plan; and<sup>5</sup>
- Requiring an institution of higher education to publicly disclose any contract or other agreement made with a card issuer or creditor for the purpose of marketing a credit card.

The Credit CARD Act requires the Consumer Financial Protection Bureau (CFPB) to submit to Congress an annual report that includes any credit card agreement between the issuer and institution of higher education and an alumni organization or foundation affiliated with an institution of higher education. Credit card issuers are required to submit to the CFPB each year the terms and conditions

---

<sup>1</sup> Consumer Financial Protection Bureau, *College Credit Card Agreements*, <https://data.consumerfinance.gov/Government/College-Credit-Card-Agreements/r963-hvsf>. (last visited March 13, 2013).

<sup>2</sup> These figures reflect the percentage of 2010-11 bachelor's degree recipients with student loan debt at public and private nonprofit four year colleges and the average cumulative debt level for those with loans. The Institute for College Access & Success, *Student Debt and the Class of 2011*, October 2012. <http://ticas.org> (last visited March 14, 2013).

<sup>3</sup> SallieMae, Champions for Higher Education, *How Undergraduate Students Use Credit Cards*, [www.salliemae.com](http://www.salliemae.com) (last visited March 14, 2013).

<sup>4</sup> The Credit Card Accountability Responsibility and Disclosure Act of 2009, available at [www.gpo.gov/fdsys/pkg/PLAW-111publ24/pdf/PLAW-111publ24.pdf](http://www.gpo.gov/fdsys/pkg/PLAW-111publ24/pdf/PLAW-111publ24.pdf). (last visited March 14, 2013).

<sup>5</sup> The offer may not be made on the campus of an institution of higher education; near the campus of an institution of higher education, as determined by the Board; or at an event sponsored by or related to an institution of higher education.

of any credit card agreement that was in effect at any time during the preceding calendar year.<sup>6</sup> Credit card issuers must provide the following information:<sup>7</sup>

- The number of credit card accounts opened pursuant to the agreement that were open at year-end;
- The amount of payments made by the issuer to the institution or organization during the year; and
- The number of new college credit card accounts that were opened during the year.

According to the CFPB report, eight public postsecondary institutions within the State University System and one within the Florida College System<sup>8</sup> had college credit card agreements. The agreements were either between a credit card issuer and an alumni association, foundation, or other organization affiliated with an institution of higher education.<sup>9</sup>

The chart below provides information on Florida's credit card agreements.<sup>10</sup>

Florida's College Credit Card Agreements <sup>11</sup>			
Institution or Organization	Institution Type	Open Accounts;	Payments to the institution by issuer
Florida Atlantic University Foundation, Inc.	Foundation	3,325	\$120,000
Florida International University Alumni Association <sup>12</sup>	Foundation	6,988	\$315,000
Florida State University - Seminole Boosters, Inc. <sup>13</sup>	Other	7,667	\$115,524
University of Central Florida Alumni Association <sup>14</sup>	Alumni Association	9,486	\$300,000
University of Florida Alumni Association, Inc., <sup>15</sup> University of Florida Foundation, Inc. and University Athletic Association, Inc.	Alumni, Foundation & Others	9,410	\$400,000

<sup>6</sup> Consumer Financial Protection Bureau, October 2012 Annual Report to Congress: College Credit Cards <http://www.consumerfinance.gov> (last visited March 14, 2013).

<sup>7</sup> Consumer Financial Protection Bureau, College Credit Card Agreements, October 2012, <http://www.consumerfinance.gov/>

<sup>8</sup> Palm Beach State College (PBSC) was not reported in the CFPB October 2012 report, but the PBSC Foundation has an agreement with PNC Bank to advertise banking packages, including credit cards. The Foundation receives an annual upfront fee of \$15,000 from PNC Bank. The fee is not commission based or contingent upon any number of sales. Vendor tables are set up several times during the year around the campus. PBSC is unaware of any e-mailing, mailing or other contact with students. Email, Florida Department of Education, Division of Florida Colleges (March 15, 2013).

<sup>9</sup> Consumer Financial Protection Bureau, October 2012 Annual Report to Congress: College Credit Cards <http://www.consumerfinance.gov> (last visited March 14, 2013).

<sup>10</sup> Some or all of the accounts opened pursuant to these college credit agreements may have been opened by individuals who are not students (such as alumni, faculty, and staff of an institution of higher education). Furthermore card issuers' submissions do not include information regarding credit card accounts opened by students independent of a college credit card agreement (such as when a student responds to an offer made to the general public).

<sup>11</sup> Consumer Financial Protection Bureau, College Credit Card Agreements, <https://data.consumerfinance.gov/Government/College-Credit-Card-Agreements/r963-hvsf> (last visited March 13, 2013).

<sup>12</sup> The Florida International University provides financial education to students, which includes a focus on fiscal responsibility and credit management. Email, Board of Governors, State University System of Florida, Governmental Relations (March 15, 2013).

<sup>13</sup> The Florida State University Seminole Boosters, Inc., has an agreement with Bank of America and no student information is included as part of this agreement. Email, Board of Governors, State University System of Florida, Governmental Relations (March 15, 2013).

<sup>14</sup> The University of Central Florida has an affinity agreement with Bank of America whereby the Alumni Association provides names and addresses of alumni and in return the UCF Foundation receives \$300,000 annually. This agreement does not allow for solicitation of students and they are not allowed to promote a credit card on campus. Email, Board of Governors, State University System of Florida, Governmental Relations (March 15, 2013).

<sup>15</sup> The University of Florida prohibits non-university groups from solicitations other than distributing printed materials at five specified areas on campus. Email, Board of Governors, State University System of Florida, Governmental Relations (March 15, 2013).

Florida's College Credit Card Agreements <sup>11</sup>			
Institution or Organization	Institution Type	Open Accounts;	Payments to the institution by issuer
University of North Florida	Alumni Assoc.	1,700	\$0
University of South Florida Alumni Association	Alumni Assoc.	3,129	\$596,885
University of West Florida Foundation Inc.	Foundation	20	\$29
Lake Sumter Community College Education Fund	University	1	\$53
<b>Total</b>		<b>41,726</b>	<b>\$1,847,491</b>

### Effect of Proposed Changes

The bill expands on the Credit CARD Act by prohibiting advertising, marketing, or merchandising credit cards on the campus of a Florida College System institution or state university.

The bill prohibits:

- Advertising or soliciting at campus vendor tables;
- Posting or distributing applications, fliers, posters, and handbills and signage, electronic or otherwise, in an institution or university facility; and
- Using a college's e-mail system or web page for the purpose of advertising or soliciting credit cards to students.

The bill also prohibits banks, credit unions or other businesses approved to be present at student orientations during the weeks leading up to the opening of the institution or university or other campus activities, from providing credit card applications to students during those events.

#### B. SECTION DIRECTORY:

Section 1. Creates an unnumbered section of law; relating to prohibiting the solicitation of credit cards on Florida College System or state university institution campuses.

Section 2. Provides an effective date of upon becoming law.

## II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

#### A. FISCAL IMPACT ON STATE GOVERNMENT:

##### 1. Revenues:

None.

##### 2. Expenditures:

None.

#### B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

##### 1. Revenues:

None.

##### 2. Expenditures:

None.

#### C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

The bill has the potential to reduce the amount of debt that a student may accumulate while attending a public postsecondary institution.

D. FISCAL COMMENTS:

According to information provided by the Consumer Financial Protection Bureau (CFPB) institutions or organizations affiliated with an institution could lose an estimated \$1.8 million.

**III. COMMENTS**

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not appear to require a city or county to expend funds or to take any action requiring the expenditure of funds.

The bill does not appear to reduce the authority that municipalities or counties have to raise revenues in the aggregate.

This bill does not appear to reduce the percentage of state tax shared with counties or municipalities.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

**IV. AMENDMENTS/ COMMITTEE SUBSTITUTE CHANGES**

Not applicable.