

**LEGISLATIVE EDUCATION STUDY COMMITTEE
BILL ANALYSIS**

Bill No: CS/HB 175

49th Legislature, 1st Session, 2009

Short Title: College Student List Sales

Sponsor(s): Representative Nora Espinoza and Others

Analyst: David Harrell

Date: February 24, 2009

HOUSE EDUCATION COMMITTEE SUBSTITUTE FOR HOUSE BILL 175

Bill Summary:

CS/HB 175 creates a new section of law to prohibit public and private postsecondary educational institutions – including their agents, employees, students, alumni organizations, and affiliates – from:

- selling, giving, or transferring to any credit card issuer the name, address, Social Security number, date of birth, telephone number, or other contact or personal identifying information of any undergraduate student at the institution without the student’s consent; and
- entering into any agreement to market credit cards to undergraduate students at the institution that would provide any of the personal information listed above.

The bill also allows either the Attorney General or a person whose contact information was sold, given, or transferred in violation of these prohibitions to bring a civil action and to seek a civil penalty of up to \$10,000 for each violation, plus costs and reasonable attorney fees.

Finally, the bill specifies that the terms “credit card” and “card issuer” have the meanings given to them in the federal *Truth in Lending Act*.

Fiscal Impact:

HB 175 makes no appropriation.

Issues:

By narrowing the scope of the prohibited agreement between an institution and a credit card issuer and by imposing specific civil penalties, CS/HB 175 addresses the issues raised in the analysis of the original bill by the Office of the Attorney General.

Background:

An April 4, 2008 *USA Today* story reported that:

- according to a growing body of research, banks and financial institutions are growing increasingly aggressive and creative in their efforts to market credit cards to college

students by promoting cards on or near college campuses and striking exclusive partnerships with college alumni associations.

- In addition, a study released by the US Public Interest Research Group shows that 76 percent of students say credit cards have been marketed to them through tables set up on or near college campuses and nearly a third of these students have been offered a free gift to sign up. T-shirts were the most common gift given, but students also received frisbees, candy, pizza, and even iPods to fill out a credit card application.
- Finally, college students have long been an attractive demographic target of banks because they have few financial ties. Banks compete to provide students with credit cards and bank accounts in hopes that students will return to them later when they need mortgages and car loans. As a result of easy credit, however, some students lose control of their finances, only to begin their young adult lives deeply in debt.

According to the Higher Education Department analysis of the original HB 175, the need for credit cards to supplement paying for college, combined with aggressive marketing by financial institutions, contributes to the total debt a student can incur while in college.

- A study by the American Council on Education (2006) found that 56 percent of all dependant undergraduates owned at least one credit card with a median debt of \$1,000; and one out of four carried a balance from month to month.
- In addition, the likelihood of owning a credit card increased as students progressed through their academic careers. Forty-three percent of first-year undergraduates owned credit cards, compared to 74 percent of fourth- and fifth-year students.
- Approximately one out of four students with a credit card had used it to pay for tuition.
- Finally, students with credit cards were not significantly more or less likely to acquire student loans than those who did not have a credit card.

As used in the federal *Truth in Lending Act*, referenced in CS/HB 175:

- “The term ‘credit card’ means any card, plate, coupon book or other credit device existing for the purpose of obtaining money, property, labor, or services on credit.”
- “The term ‘card issuer’ means any person who issues a credit card, or the agent of such person with respect to such card.”

Related Bills:

None as of 02-24-2009.