

SENATE BILL REPORT

SB 6258

As of January 24, 2000

Title: An act relating to marketing credit cards to college students.

Brief Description: Marketing credit cards to college students.

Sponsors: Senators Patterson, Prentice, Shin, Eide, Heavey, Costa, Gardner, Deccio, Brown, Kline, McAuliffe, Franklin, Goings, Bauer and Kohl-Welles.

Brief History:

Committee Activity: Commerce, Trade, Housing & Financial Institutions: 1/25/2000.

SENATE COMMITTEE ON COMMERCE, TRADE, HOUSING & FINANCIAL INSTITUTIONS

Staff: Dave Cheal (786-7576)

Background: Credit card debt doubled between 1993 and 1997 to more than \$422 billion. Debtors with low incomes, including college students, are among the fastest growing new users. College students are an attractive target for credit card issuers because of their lifetime earning potential, and perhaps because their youthful naivete that includes a willingness to amass a great amount of debt.

Citibank and Optima each market credit cards on approximately 1,000 campuses. Selling is aggressive. Gifts are often passed out just for filling out an application that takes as little as five minutes. We lose more students to credit card debt than academic failure,— said John Simpson, Indiana University administrator. (*The Chicago Tribune*, August 16, 1998.)

Summary of Bill: Credit card issuers that market credit cards on college campuses in Washington must provide students and their families with a program of counseling and education on the responsible use of credit. Credit cards must not be issued to college students without proof that the student has attended such a program. Credit card issuers must not offer gifts in exchange for the completion of a credit card application as part of a campus marketing activity.

An education program that meets the requirements of the bill must include the following components: an explanation of the financial consequences of not paying off the balance each month, including the method used for calculating interest on the unpaid balance; an explanation of the impact of any shift from an introductory interest rate to an ongoing interest rate, including a description of acts that will trigger that shift; an explanation of credit-related terms; an explanation of how long it would take to pay off various illustrative balances by paying the minimum monthly payments required by the issuer at the current rate of interest charged; and a discussion of generally accepted prudent uses of credit.

A civil infraction may be imposed against any officer, agent, or employee of an issuer who violates this chapter.

A violation of the act is a violation of the Consumer Protection Act.

The sale or transfer of lists of student names and addresses or other identifiers to credit card issuers by institutions of higher education is prohibited.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.