

BILL ANALYSIS

C.S.H.B. 85
By: Branch
Business & Industry
Committee Report (Substituted)

BACKGROUND AND PURPOSE

According to Nellie Mae, a major provider of student loans, 76 percent of all college undergraduates started the 2004 school year with credit cards. Most college students haven't developed a credit history; they have very little income, if any; and in many cases, they have student loans as well. Still, students are a prime marketing targeting for banks. A number of states have made it harder for credit card companies to market on college campuses, and a growing number of colleges have begun to impose restrictions on their own.

C.S.H.B. 85 prohibits marketing outside times and locations, if any, that are approved by school governing boards, requires credit counseling during new student orientation and ensures students receive additional credit usage information before filing an application.

RULEMAKING AUTHORITY

It is the committee's opinion that this bill does not expressly grant any additional rulemaking authority to a state officer, department, agency, or institution.

ANALYSIS

C.S.H.B. 85 amends the Business & Commerce Code to prohibit a credit card issuer from engaging in campus credit marketing activities outside of a campus location designated by the governing board of the postsecondary educational institution (governing board) for that purpose or at a time other than a time designated by the governing board. The bill authorizes the governing board to designate one or more locations on campus where a credit card issuer may engage in campus credit card marketing activities and one or more times during which a credit card issuer may engage in campus credit card marketing activities. The bill prohibits a credit card issuer from offering any gift or other incentive in exchange for the completion of a credit card application as part of a campus credit card marketing activity unless the credit card issuer, at the time the credit card issuer provides a credit card application to an individual, provide certain financial educational material to the individual.

C.S.H.B. 85 requires a credit card issuer who conducts campus credit card marketing activities to develop financial educational material in consultation with or subject to approval by the postsecondary educational institution. The bill sets forth the required contents of the educational material. The bill sets forth the times at which the credit card issuer that conducts campus credit card marketing activities is requires to make available or provide the educational materials to students, and requires the credit card issuer to make similar financial information available on the Internet.

C.S.H.B. 85 requires a governing board to adopt a policy requiring a credit card and debt education and counseling session to be included in any orientation program for new students. The bill requires the postsecondary education institution to use existing educational materials prepared by nonprofit entities for purposes of the credit card and debt education counseling session.

C.S.H.B. 85 sets forth a civil penalty for an intentional violation, and authorizes the attorney general or prosecuting attorney in the county in which the violation occurred to bring suit. The bill defines "campus credit card marketing activity," "credit card," "credit card issuer," "governing board," and "postsecondary educational institution."

C.S.H.B. 85 80(R)

EFFECTIVE DATE

September 1, 2007.

COMPARISON OF ORIGINAL TO SUBSTITUTE

The substitute differs from the original by allowing governing boards the discretion to set multiple approved marketing locations on their individual campuses instead of limiting the marketing activity to one location or banning it on campus. The substitute authorizes the governing board to designate specific times for credit card marketing activity on campus. The substitute requires credit counseling for all new student orientation attendees. The substitute provides that postsecondary educational institutions may use existing materials from nonprofit institutions.

The substitute requires credit card issuers to develop educational materials in conjunction with or for approval by postsecondary institutions. The substitute requires credit card issuers to present educational materials at all on campus marketing events, on the internet and when the student receives his or her credit card.

The substitute prohibits incentives and giveaways unless issuers also provide credit education materials, rather than just prohibiting all incentives and giveaways in exchange for the completion of a credit card application as part of a credit card marketing activity.

The substitute deletes provisions requiring a credit card issuer to offer an educational program on the responsible use of credit and deletes the requirement that students show proof of attendance at the educational program in order to be issued a credit card.