

A BILL TO BE ENTITLED

AN ACT

relating to credit card marketing activities at postsecondary educational institutions; providing a civil penalty.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

SECTION 1. Chapter 35, Business & Commerce Code, is amended by adding Subchapter L to read as follows:

SUBCHAPTER L. CREDIT CARD MARKETING AT POSTSECONDARY EDUCATIONAL INSTITUTIONS

Sec. 35.131. DEFINITIONS. In this subchapter:

(1) "Campus credit card marketing activity":

(A) means any activity:

(i) conducted by an agent or employee of a credit card issuer on the campus of a postsecondary educational institution; and

(ii) designed to encourage students to apply for a credit card; and

(B) includes the act of placing a display or poster together with credit card applications on the campus, even if an employee or agent of the credit card issuer is not present at the display.

(2) "Credit card" means a card or device issued under an agreement by which the issuer gives to a cardholder the right to obtain credit from the issuer or another person.

(3) "Credit card issuer" means a lender, including a

1 financial institution, or a merchant that receives applications and
2 issues credit cards to individuals.

3 (4) "Governing board" means the body charged with
4 policy direction of any postsecondary educational institution,
5 including a board of directors, a board of regents, a board of
6 trustees, and an independent school district board that is charged
7 with policy direction of a public junior college.

8 (5) "Postsecondary educational institution" means:

9 (A) an institution of higher education as defined
10 by Section 61.003, Education Code;

11 (B) a private or independent institution of
12 higher education as defined by Section 61.003, Education Code; or

13 (C) a private postsecondary educational
14 institution as defined by Section 61.302, Education Code.

15 Sec. 35.132. CAMPUS CREDIT CARD MARKETING ACTIVITY OUTSIDE
16 DESIGNATED LOCATION PROHIBITED. (a) A credit card issuer may not
17 engage in campus credit card marketing activities outside of the
18 campus location designated by the governing board of the
19 postsecondary educational institution for that purpose in
20 accordance with Subsection (b).

21 (b) The governing board of a postsecondary educational
22 institution shall designate not more than one location on campus
23 where a credit card issuer may engage in campus credit card
24 marketing activities.

25 Sec. 35.133. GIFTS OR INCENTIVES FOR COMPLETING CREDIT CARD
26 APPLICATION PROHIBITED. A credit card issuer may not offer a gift
27 or other incentive in exchange for the completion of a credit card

1 application as part of a campus credit card marketing activity.

2 Sec. 35.134. CREDIT CARD ISSUER TO OFFER EDUCATIONAL
3 PROGRAM ON RESPONSIBLE USE OF CREDIT. (a) A credit card issuer
4 that conducts campus credit card marketing activities shall provide
5 to students and their families, on the campus, an educational
6 program on the responsible use of credit. The educational program
7 must be presented before or during the time that the credit card
8 issuer conducts any credit card marketing activity on the campus.

9 (b) An educational program offered by a credit card issuer
10 under Subsection (a) must be developed in consultation with the
11 postsecondary educational institution and must include a full
12 explanation of:

13 (1) the financial consequences of not paying off
14 balances in full within the time specified by the billing statement
15 to avoid interest charges, including how the issuer computes
16 interest on unpaid balances;

17 (2) the impact of a shift from an introductory or
18 initial interest rate to an ongoing interest rate that is higher,
19 including the time when the higher ongoing interest rate takes
20 effect and a description of acts by the cardholder that will cause
21 an immediate shift to the higher interest rate;

22 (3) how long it would take to pay off various balance
23 amounts by paying the minimum monthly payment required under the
24 credit card agreement at the interest rate charged by the issuer,
25 using examples;

26 (4) credit-related terms, including fixed rates,
27 variable rates, introductory rates, balance transfers, grace

1 periods, annual fees, and other fees; and

2 (5) the generally accepted prudent uses of credit and
3 the perils of imprudent uses, as presented by recognized consumer
4 credit counseling agencies.

5 Sec. 35.135. PROOF OF ATTENDANCE AT EDUCATIONAL PROGRAM
6 REQUIRED WITH CREDIT CARD APPLICATION. A credit card issuer may not
7 issue a credit card to a student enrolled in a postsecondary
8 institution unless the application submitted by the student
9 includes a certificate or other reasonable proof that the student
10 has attended the educational program required by Section 35.134.

11 Sec. 35.136. CIVIL PENALTY. A person who violates this
12 subchapter is liable to the state for a civil penalty in an amount
13 not to exceed \$2,500 for each violation. The attorney general or
14 the prosecuting attorney in the county in which the violation
15 occurs may bring suit to recover the civil penalty imposed under
16 this section.

17 SECTION 2. Section 35.135, Business & Commerce Code, as
18 added by this Act, applies only to an application for a credit card
19 submitted on or after the effective date of this Act. An
20 application for a credit card submitted before the effective date
21 of this Act is covered by the law in effect on the date the
22 application was submitted, and the former law is continued in
23 effect for that purpose.

24 SECTION 3. This Act takes effect September 1, 2007.