

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1210
Economic Matters

(Delegate Krebs, *et al.*)

Finance

Higher Education - Credit Cards - Student Applicants

This bill requires an institution of higher education to develop policies regarding credit card marketing activities and merchandising conducted on its campus.

Fiscal Summary

State Effect: The bill would not directly affect State finances or operations.

Local Effect: The bill would not directly affect local finances or operations.

Small Business Effect: None.

Analysis

Bill Summary: The policies adopted by an institution of higher education have to include the following: (1) a requirement that credit card issuers inform students about good credit management practices through a program developed in conjunction with the institution; (2) a requirement that the policy be available to all students, upon request; and (3) consideration of registering credit card issuers conducting marketing activities, time and place limitations on credit card marketing activities, and prohibiting merchandising unless a student is provided credit card debt education literature.

The bill's provisions do not apply to any credit card marketing activities or merchandising conducted by credit card issuers in newspapers, magazines, or other similar publications or within a financial institution located on campus.

Current Law: State statutory law is currently silent on the restriction of credit card marketing to students. The Maryland Consumer Protection Act currently states that a person may not notify any other person by any means, as part of an advertising scheme or plan, that the other person has won a prize, received an award, or has been selected or is eligible to receive anything of value if the other person is required to purchase goods or services, pay any money to participate in, or submit to a sales promotion effort.

Background: Promotional “giveaways” are a common marketing technique often used by credit card issuers in order to obtain new customers.

According to the 2005 Nellie Mae report on credit card usage by undergraduate students, credit card use increases as undergraduates progress through school. For example, 91% of final year undergraduates have a credit card, compared to 42% of freshmen. In addition, 56% of final year students have four or more cards, compared to only 15% of freshmen. Final year students have an average outstanding balance of approximately \$2,900, compared to \$1,600 for freshmen. The overall average balance for undergraduates was \$2,169, a reduction of 7% from 2001 when the average balance was \$2,327, and the lowest average balance since 1998. The report noted that undergraduates surveyed indicated direct mail solicitation as the primary source for choosing a credit card, with parental referral as the second most common source. According to the report, more than 50% of undergraduates with credit cards carried balances lower than \$1,000. Overall, 76% of undergraduates in 2004 began the school year with credit cards, an 8% decrease from 2001.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): University System of Maryland; Department of Labor, Licensing, and Regulation; Office of the Attorney General (Consumer Protection Division); Department of Legislative Services

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