

BILL ANALYSIS

Senate Research Center
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S.B. 817
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S/C on Higher Education
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As Filed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Every year, thousands of students head off to college ready for new experiences. They make friends, learn new things, and too often start down the road to credit card debt and a bad credit rating. Debt and bad credit can dismantle a bright future.

Many higher education institutions are having problems with credit card solicitation on campus. The credit card companies/issuers come on campus with give-away items, food, and other gifts in exchange for filling out a credit application. Most incoming freshman, as well as other students, are unaware of the adverse effects of bad financial practices on their credit ratings.

Various states, including West Virginia and Kansas, have adopted legislation requiring schools to create policies to regulate marketing practices on campuses by credit card companies/issuers. Several Texas institutions, including The University of Texas at Austin, The University of Texas at San Antonio, the University of North Texas, Texas State University, and Rice University, have adopted some form of financial safety measures.

As proposed, S.B. 817 requires each institution of higher education to devise a plan to educate students about financial safety and warn them about unsafe solicitation practices. This education would be funded by credit card companies/issuers who would be required to pay an annual fee to conduct credit card solicitations on campus. This bill requires credit card companies/issuers to distribute information about financial safety with the credit application, prohibits companies from collecting completed applications on-site, and limits free giveaways, thus affording students the opportunity to make informed financial decisions.

RULEMAKING AUTHORITY

This bill does not expressly grant any additional rulemaking authority to a state officer, institution, or agency.

SECTION BY SECTION ANALYSIS

SECTION 1. Amends Subchapter Z, Chapter 51, Education Code, by adding Section 51.955, as follows:

Sec. 51.955. FINANCIAL TRANSACTION AWARENESS PLANS. (a) Defines "credit card issuer" and "governing board."

(b) Requires the governing board of each institution of higher education to develop and implement a financial transaction awareness plan to educate students concerning safe and unsafe practices in financial transactions and protect students from financial situations that may negatively affect student financial security or credit scores.

(c) Sets forth the requirements for the plan developed under Subsection (a)[sic].

SECTION 2. Requires each public institution of higher education, not later than January 1, 2006, to develop a financial transaction awareness plan as required by Section 51.955, Education Code, as added by this Act.

SECTION 3. Effective date: upon passage or September 1, 2005.