

BILL ANALYSIS

Senate Research Center
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C.S.H.B. 85
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Business & Commerce
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Committee Report (Substituted)

AUTHOR'S / SPONSOR'S STATEMENT OF INTENT

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 have not 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 post secondary educational institutions' governing boards, requires credit counseling and financial educational materials to be provided during new student orientation at a postsecondary educational institution that has designated a location for a campus credit card marketing activity, and ensures that students receive additional credit usage information. C.S.H.B. 85 provides a civil penalty for persons who intentionally violate the provisions of Subchapter L.

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 Chapter 35, Business & Commerce Code, by adding Subchapter L, as follows:

SUBCHAPTER L. CREDIT CARD MARKETING AT POSTSECONDARY EDUCATIONAL INSTITUTIONS

Sec. 35.131. DEFINITIONS. Defines "campus credit card marketing activity," "credit card," "credit card issuer," "governing board," and "postsecondary educational institution."

Sec. 35.132. CAMPUS CREDIT CARD MARKETING ACTIVITY OUTSIDE DESIGNATED LOCATION OR TIME PROHIBITED. (a) Prohibits a credit card issuer from engaging in campus credit card marketing activities outside of a campus location designated by the governing board of the postsecondary educational institution (board) for that purpose in accordance with Subsection (b) or at a time other than a time designated by the board in accordance with Subsection (b).

(b) Authorizes the 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.

Sec. 35.133. CREDIT CARD ISSUER TO DEVELOP FINANCIAL EDUCATIONAL MATERIAL. 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. Requires the financial education material to include a clear and practical explanation of certain information.

Sec. 35.134. CREDIT CARD ISSUER TO PROVIDE FINANCIAL EDUCATIONAL MATERIAL. Requires a credit card issuer that conducts campus credit card marketing activities, during the time that the credit card issuer conducts the credit card marketing activity on the campus, to make available to students, on the campus, financial educational material developed under Section 35.133; make financial educational material similar to material developed under Section 35.133 available on the Internet; and provide to a student to whom a credit card is issued, at the time the credit card is provided to the student, financial educational material developed under Section 35.133.

Sec. 35.135. RESTRICTION ON GIFTS OR INCENTIVES FOR COMPLETING CREDIT CARD APPLICATION. Prohibits a credit card issuer from offering a 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, provides financial educational material developed under Section 35.133 to the individual.

Sec. 35.136. CREDIT CARD AND DEBT EDUCATION AT NEW STUDENT ORIENTATION. Requires a board that has designated a location for campus credit card marketing activities under Section 35.132(b) to also adopt a policy requiring a credit card and debt education and counseling session to be included in any orientation program for new students. Authorizes the postsecondary educational institution to use existing educational materials prepared by nonprofit entities for purposes of the credit card and debt education and counseling session.

Sec. 35.137. CIVIL PENALTY. Provides that a person who intentionally violates this subchapter is liable to the state for a civil penalty in an amount not to exceed \$2,500 for each violation. Authorizes the attorney general or the prosecuting attorney in the county in which the violation occurs to bring suit to recover the civil penalty imposed under this section.

SECTION 2. Effective date: September 1, 2007.