

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

4041

2001 SENATE INDUSTRY, BUSINESS AND LABOR

SCR 4041

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SCR 4041

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date February 28, 2001.

Tape Number	Side A	Side B	Meter #
1	x		4.9 to 32.1
2	x		14.7 to 17.0
Committee Clerk Signature <i>Doris E. Perez</i>			

Minutes:

The meeting was called to order. All committee members, except Senator Tollefson, present.

Hearing was opened on CSR 4041 to study the financial impact of credit card fees imposed on public institutions of higher education and the social effects of credit card debt on young adults.

**Senator Tim Mathern**, District 11, co sponsor. In 1988 eighty one percent of students had received their first credit card by the end of their freshman year, seventy percent of all undergraduate students have at least one credit card. Revolvers ( those who carry balances on their cards ) have an average balance of over \$2,000 and twenty percent have debts of over twenty thousand dollars. The study will show how credit card use is impacting college students and the university system, and determine those areas that might b negative and what can be done about that. Presented amendment to delete lines 7 to 12 on page one so as not to misinform regarding the dollar amounts.

**Senator Espgaard:** I see this as two studies, one on the impact on the institution' business office

and the other has to do with the social responsibilities of the students. These two issues are combined here.

**T Mathern** : Both issues are so enmeshed both need to be studied together to get the broader picture.

**Jeff Hoffman**, on his own behalf. Written testimony attached. Distributed copies of White Paper on Credit Card Usage and Debit. Urges do pass.

**Senator D. Mathern**: Main focus should be stopping the marketing of the mailing lists in campus? Are you looking at any kind of educational process regarding credit card usage?

**J Hoffman**: Three main areas to study: impact on public institutions of higher education budget and the ND taxpayer, social effect on young adults and the soliciting practices of credit card companies on campus.

**Senator Espegard**: Public demands credit cards, question is how long you have to watch them before they get a credit card? When do you stop protecting them?

**J Hoffman**: As far as protection is concerned: soliciting practices on campus should be studied. Students, senior citizens, newlyweds are targeted, everybody without money.

**Senator Espegard**: If study finds that there is a lot of debt and solicitation, what legislation would you propose?

**J Hoffman**: Possible appropriation of funds from general school trust fund for the initiation of high school education programs.

**Duane Emmel**, Financial Counselor, The Village Family Service Center, in favor. Written testimony attached.

**Senator Espegard** : I think key is education, where and when do we start.

Page 3

Senate Industry, Business and Labor Committee

Bill/Resolution Number SCR 4041

Hearing Date February 28, 2001.

**D Emmel:** There is also a problem with solicitation practices.

No opposing testimony. Hearing closed.

Tape 2-A- 14.7 to 17.0

Discussion held. **Senator Mathern:** Motion: do pass. **Senator Klein:** Second.

Roll call vote: 6 yes; 0 no; 1 absent, not voting. Motion carried.

**Senator Krebsbach:** Motion: do pass as amended. **Senator Mathern:** Second.

Roll call vote: 6 yes; 0 no; 1 absent, not voting. Motion carried.

Floor assignment: **Senator Every.**

PROPOSED AMENDMENTS TO SCR #4041

Prepared for Senator T. Mathern

Page 1, remove lines 7 through 12

Renumber accordingly

Date: Feb 28/01  
Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 4041

Senate Industry, Business and Labor

Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Adopt amendment

Motion Made By Sen. Mathern Seconded By Sen. Klein

Senators	Yes	No	Senators	Yes	No
Senator Mutch - Chairman	✓		Senator Every	✓	
Senator Klein - Vice Chairman	✓		Senator Mathern	✓	
Senator Espgaard	✓				
Senator Krebsbach	✓				
Senator Tollefson	A				

Total (Yes) 6 No 0

Absent 1

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

So as not to misinform regarding dollar amounts

Date: Feb 28/01  
Roll Call Vote #: 2

**2001 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 4041**

## Senate Industry, Business and Labor

Committee

☐ Subcommittee on \_\_\_\_\_  
or  
☐ Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DPA

Motion Made By Sen Krebsbach Seconded By Sen Matheson

[illegible]

Total (Yes) 6 No 0

Absent /

Floor Assignment Sen. Bury

**If the vote is on an amendment, briefly indicate intent:**



**REPORT OF STANDING COMMITTEE (410)**  
February 28, 2001 4:16 p.m.

Module No: SR-34-4553  
Carrier: Every  
Insert LC: 13123.0101 Title: .0200

**REPORT OF STANDING COMMITTEE**

**SCR 4041: Industry, Business and Labor Committee (Sen. Mutch, Chairman)**  
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends  
**DO PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SCR 4041 was placed  
on the Sixth order on the calendar.

Page 1, remove lines 7 through 12

Renumber accordingly

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

SCR 4041

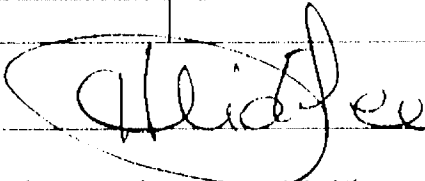
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SCR 4041

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date March 13, 2001

Tape Number	Side A	Side B	Meter #
1	X		13.5-28.6
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Sen. Tim Mathern: Sponsoring bill for the Legislative Council to study the financial impact of credit card fees imposed on public institutions of higher education. We want to look at dollar amounts and effects of this. We don't want to change this, just study it. This is a mode of convenience for registration on both the administration and the students. Convenience is worth an extra charge. The problem is student management of money to pay off credit cards. We need to make sure this doesn't cause a social effect.

Rep. Ruby: This takes people's responsibility for money out of their hands.

Chairman Berg: We'll close the hearing on SCR 4041.

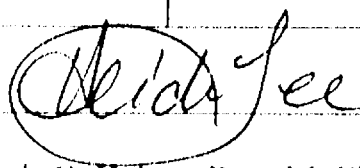
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SCR 4041(B)

House Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date March 14, 2001

Tape Number	Side A	Side B	Meter #
2	X		32.4
		X	-25.5
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Rep. Lemieux: I move a do not pass.

Rep. Ruby: I second.

13 yea, 2 nay, 0 absent Carrier Rep. M. Klein

Date: 3-14-01  
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SCR 4041

House Industry, Business and Labor Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By Lemieux Seconded By ~~Edwards~~ Ruby

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper	✓	
Vice-Chairman George Keiser	✓		Rep. Matthew M. Klein	✓	
Rep. Mary Ekstorm		✓	Rep. Myron Koppang	✓	
Rep. Rod Froelich	✓		Rep. Doug Lemieux	✓	
Rep. Glen Froseth	✓		Rep. Bill Pietsch	✓	
Rep. Roxanne Jensen		✓	Rep. Dan Ruby	✓	
Rep. Nancy Johnson	✓		Rep. Dale C. Severson	✓	
			Rep. Elwood Thorpe	✓	

Total (Yes) 13 No 2

Absent 0

Floor Assignment Rep M. Klein

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
March 14, 2001 2:46 p.m.

**Module No: HR-44-5629**  
**Carrier: M. Klein**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SCR 4041, as engrossed: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends DO NOT PASS (13 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SCR 4041 was placed on the Fourteenth order on the calendar.**

2001 TESTIMONY

SCR 4041

**North Dakota Senate  
Industry, Business and Labor Committee  
Chairman Duane Mutch  
February 28, 2001**

Thank you, Honorable Chairman and Honorable Committee Members:

This testimony will be brief, but I feel it is important to express to you, my concerns for the potential credit card problems our state's economy, state taxpayers, and young adults are facing or may be faced with in the future.

The Credit Card in America is one of the most commonly used methods of payment. Because of its popularity, the shareholders of the credit card companies are investing heavily in the business.

These card companies have now established student marketing offices, which aim to buy or skim what should be confidential student mailing lists or e-mail addresses, set up numerous booths during high traffic times during the school year, and even go as far as bargaining with local bookstores to insert applications in newly purchased textbooks.

A financial counselor will ask if it really is a financial business that offers a valuable service, or maybe suggest that it is a burden for some. National statistics state that the increase of credit card applications on the college campus is causing a growing problem. They are exhausting university budgets as well as the individual student.

According the North Dakota University System (NDUS) mission statement:

The primary objective of all campuses is to help individuals increase their intellectual, social, personal, career, and moral development. The institutions prepare students for productive activity, open their minds to alternative ways of



thinking and living, and acquaint them with ways of learning that they may use throughout their lives. The institutions aim to make a positive difference in peoples' lives and to improve society through the efforts of those they employ and educate.

Within the NDUS statement it does not promote the campus as a soliciting business center for what are mostly low-income students. Instead, the young adults living on or around the North Dakota campus are the future and they shouldn't be judged or looked upon as a credit score or profit making mailing target.

In our state we work together for each other to make it a comfortable community for all North Dakotans, this includes our Young North Dakotans!

There are so many innovative and dedicated rural and urban young men and women who are working and learning from each other the values of family, neighborly assistance, and friendship in our state.

It would be disheartening to watch something so valuable fade away because of further outside interests. We have already seen what these outside interests can do to our heritage, the family farmers.

To preserve our North Dakota values and to further investigate the impact of student credit card debt on all of us as taxpayers, I respectfully ask for your 'DO PASS' recommendation on this resolution.

Thank you, Committee Chair and Committee Members for your time and patience.

Respectfully submitted,  
Jeff Hoffmann

February 26, 2001

The attached information was compiled upon request by Julie Illich, NDSU Business Office Manager. Information reporting period is fiscal year 2000 (July 1999 through June 2000).

As indicated, total credit card receipts at NDSU were taken from HECN (Higher Education Computer Network) report UASRC530. This report compiles a subtotal by fund and a total of all receipts during the reporting period that contain a credit card transaction. A single receipt may contain a combination of a credit card payment and another form of payment (cash, check, etc.). UASRC530 reports the total of non-credit payments contained in the total receipts containing a credit card payment. This number (\$124,602.34) was divided by the total receipts reported to obtain a percentage of non-credit card payments (2.62%) in the total of receipts with credit card transactions (\$4,750,702.83). Therefore, credit card payments make up 97.38% of all receipts containing credit card transactions.

Based on the fund containing credit card receipt transactions, receipts were broken into student and non-student categories. Total student receipts were \$4,433,192.88.

The student category was further broken into different categories of student revenue generated by the University. The total for each category was multiplied by the percentage of credit card payments previously determined (97.38%) to obtain the actual credit card receipts by category.

For each student revenue category, total collections for the fiscal year were determined (total collected by any method). Then, a percentage of revenue collected by credit card was determined (actual credit card receipts divided by total collected by any method). For the other category, an estimate of 10% was used rather than compiling the total collections for numerous funds contained in the category.

Total student collections by credit card was determined to be 12.68% of all student collections.

For FY 2000, total credit card fees paid by the Business Office were \$96,808.74, of which \$90,338.59 can be attributed to fees for student collections by credit card ( $\$4,433,192.88 / \$4,750,702.83 * \$96,808.72$ ).

As a general observation, a large number of credit card payments for student charges are made by parents over the phone. This is a great convenience for them. Additionally, the large majority of international students living in University apartments pay their monthly rent by credit card. This simplifies the issue of these students obtaining money from their home country.

FY2000

From	NON CR CRD AMT OF RECEIPTS W/CREDIT CARD TRANSACTIONS	\$124,602.34
UASRC530	TOTAL RECEIPTS W/CREDIT CARD TRANSACTIONS	\$4,750,702.83
	% NON-CRED CARD	2.62%
	% CREDIT CARD	97.38%

Category of Student Revenue	Receipts w/Credit Cards	% of Credit Card Collections	Actual Credit Card Receipts	Total Collected by any Method	% Collected by Credit Card
Board	\$352,907.92	97.38%	\$343,651.78	\$ 4,539,085.80	7.77%
Other	\$85,604.85	97.38%	\$83,359.59	\$833,595.90	10.00%
Phone	\$125,841.58	97.38%	\$122,540.98	\$ 817,029.70	15.40%
Room/Rent	\$667,391.88	97.38%	\$649,887.40	\$ 4,386,629.80	15.21%
Tuition/Fees	\$3,201,446.65	97.38%	\$3,117,478.50	\$23,461,166.52	13.65%
Total	\$4,433,192.88		\$4,316,918.25	\$34,037,507.72	12.68%

TOTAL BUSINESS OFFICE CREDIT CARD FEE	\$ 96,808.74
TOTAL FEE FOR STUDENT CREDIT CARD RECEIPTS	\$ 90,338.59

# White Paper on Credit Card Usage and Debit

by  
Wanda Overland, Director of the Memorial Union, NDSU  
Prakash Mathew, Dean for Student Life, NDSU

submitted to  
Dr. George Wallman, Vice President for Student Affairs, NDSU  
April, 1999

# White Paper on Credit Card Usage and Debit

## Introduction

Credit card usage among the population of the United States is a standard practice. The average family has approximately seven to eight credit cards with an average credit card debt between 6,000.00 and 7,000.00 dollars. In the last ten years, nation wide debt has increased 14% while income has increased only 5%. While the current credit card debt is at 451 billion dollars, the average consumer debt is \$38,000.00, not including mortgage payments.

Given that credit card usage is a common societal practice and can be used today to pay for groceries, tuition, books, rent, and etc., it should not come as a surprise that college students' debit load is increasing. College students have always left college with debts, usually in the form of student loans, but today that debt is larger because of credit card usage. The National Student Loan Survey (1997) found that 20% of the students surveyed indicated that they did not know how much credit card debt they were accumulating. Nationwide statistics reveal that approximately 65% of all college students have credit cards. Of that percentage, 14% have four or more credit cards.

According to the Institute for Higher Education Policy and The Education Resources Institute, 50% of college students surveyed stated that the top two reasons for using credit cards were to build a credit history and for emergency purposes. The average student credit card debt in 1997 was \$2,226.00 for undergraduates and \$5,800.00 for graduate students. According to a survey conducted by the Institute for Higher Education Policy and the Education Resources Institute, approximately 40% of college students nationwide have an outstanding credit card balance. While credit card delinquency rates are increasing for everyone, college students generally pay off their debts faster than adults.

## NDSU Student Community

It is difficult to assess student credit card usage at NDSU because of lack of local research data. Currently, the only information available is from national collegiate research studies and reported anecdotes. Therefore, it is important that a study be completed by NDSU to identify student usage and practices. According to Robert Neas, Director of the NDSU Financial Aid Office, a phone survey is in the process of being completed by the Financial Aid Office staff. This information would be helpful in identifying credit card usage by NDSU students and determining educational programming needs.

The probability that NDSU students are any different from students across the country is unlikely. However, they may be some regional and geographic variables that influence student credit card usage. Because students are able to use credit cards to purchase everyday needs, pay tuition, fees, room and board, and books, it is safe to assume that some students may have large credit card debts that may impact their academic progress. Additionally students are exposed to

credit card companies through promotional literature in Varsity Mart shopping bags, through campus and US mail, and by vendors in the Memorial Union.

According to a recent article in the Association of College Union publication, The Bulletin, a number of college unions are developing separate guidelines for credit card vendors that are different from other vendors. Institutions that choose to ban credit card vendors take the risk of facing a lawsuit because of the legal fairness of banning one type of vendor while allowing other vendors on campus. Others argue that students are adults and to go back to the days of "in loco parentis" is not in the best interest of students. Students will have to make decisions regarding credit card usage no matter where they live and work. Students are confronted with credit card promotions whether they are on campus, in their homes, or on the street. The best strategy is to teach students through seminars, handouts, and etc. how to manage their overall finances including credit card usage.

### Programs and Activities

A review of programs that address debt management at NDSU revealed that some activity is taking place to educate students. The debt management program at NDSU is designed to help students focus on a financial plan. It includes a number of programs that assist students in developing their own plan. The program includes:

- Individual counseling
- Debt management brochure; distributed during orientation and upon request
- Entrance and exit loan counseling
- Debt management presentations in the "First Year Experience Course"
- Campus programing; including the recently completed month long debt management program sponsored by Residence Life, Project Success, Financial Aid, and the Memorial Union.
- Financial aid information sessions

### Recommendations

- Conduct a local research study on student credit card usage and debt load
- Continue the development and implementation of educational programs; proposed programs by the Financial Aid Office include participating in the Living and Learning Program and the development of a video on debt management as well as information on the Financial Aid web site.
- Departments that allow credit card usage, including Varsity Mart, Dining Services, Residence Life, Business Office, should provide a flyer that provides facts and tips and hints regarding credit card usage to the students who use credit cards.
- Review and update policies regarding credit card vendors in the Memorial Union. Included in the review and update would be the development of a flyer that all credit card vendors would be required to give to each student that comes to their contact table.

## References

Institute for Higher Education Policy and The Education Resources Institute (1998). Credit Risk or Credit Worthy?

Neas, R. (1999). Debt Management Plan. Fargo, ND: NDSU, Department of Financial Aid.

NDSU Office of Student Financial Aid. This time you have to pay to play (Brochure). Fargo, ND: Author.

Rueger, L. (1998). Campus credit card vending brings revenue, responsibility. The Bulletin, March 1998, 2-8.

**CREDIT CARD EDUCATION PROGRAM (CCEP)**

**CLOSER TO CAMPUS**

*by*

Jeffrey Hoffmann  
Chair, State & Legislative Affairs Committee  
North Dakota Student Association (NDSA)

*submitted to*

Mr. Prakash Mathew  
Associate Dean for NDSU Student Life

English 320: Practical Writing

June 1, 1999



## MEMORANDUM

June 3, 1999

To: Mr. Prakash Mathew, Associate Dean  
North Dakota State University (NDSU) Student Life

From: Jeff Hoffmann, Chair, State & Legislative Affairs Committee (SLAC)  
North Dakota Student Association (NDSA)

Subject: Feasibility report evaluating the need for a specific credit card education program on the NDSU campus.

Credit Card Education Program (CCEP): Closer to Campus is being submitted as a feasibility report for the NDSU Student Life Office.

The purpose of the report is to evaluate the need for a program on the NDSU campus. According to national statistics, the credit card is beginning to affect not only the students, but also the economical feasibility of the campus budget. With a recent budget controversy in the 1999 North Dakota State Legislature, I think it may be useful to study the impact the credit card fees may have on the North Dakota University System (NDUS) annual budget. The state of Kansas and its Board of Regents have already banned the use due to the impact the fees have on the taxpayer. In addition to the school, the students are also subject to personal budgets that are sometimes based on a credit limit, without understanding or conversing with their parents on what it really means to own a credit card.

Despite the small percentage of students surveyed, there was only one student who claimed he/she did not have a credit card. With an age group ranging from 18 to over 26, the average balance ranged anywhere from \$0 to over \$1,500 in credit card debt. Some other findings through research and interviews have also suggested that the credit card is a reality and the debt burden has started to take its toll on the college student at NDSU.

This report includes valuable information derived from multiple personal and telephone contacts, and library and Internet research. I want to thank you, Mr. Scott Aabye, and Mr. Bob Neas for assisting me with the compilation of appropriate statistics and other material to include in this report. In addition, the Center for Writers has also contributed in the editing of this report.

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### Abstract

The credit card in America is one of most commonly used methods of payment. Because of its popularity, the shareholders of the credit card companies are investing heavily in the business. A financial counselor will ask if it really is a financial business that offers a valuable service, or maybe suggest that it is a burden for some. National statistics state that the increase of credit card applications on the college campus is causing a growing problem. They are exhausting university budgets as well as the individual student. This report provides a summary of different statistics and views. Starting with an overview of the national perspective, it further discusses local opinions and surveys that are unique to North Dakota State University (NDSU). The goal of the report is to express the concerns of local professionals supported by the national overview in hopes that it will be taken into serious consideration as a possible foundation for a larger study of the students at NDSU. To conclude the report, I have provided recommendations that have been shared by other individuals and some that are already in progress. These suggestions include a specific credit card site linked to the NDSU Financial Aid Office homepage, and the creation and disbursement of flyers that only include specific information on the credit card. As the credit card applications and continue to flow freely to the college students, the problem may only increase in size and percentage. As a result, there may need to be the use of a Credit Card Education Program (CCEP) on not only the NDSU campus, but also the North Dakota high school and college student campus.

## CREDIT CARD EDUCATION PROGRAM (CCEP) CLOSER TO CAMPUS

### INTRODUCTION

Imagine a student walking down the hallway of the NDSU Memorial Union a few weeks short of Spring Break. As the student passes by a booth, she receives a free T-shirt that would look beautiful on a beach. Along with the T-shirt, she also receives an application stating that if she signs at the x and sends it in before the deadline she will receive a credit limit of up to \$1,500. In addition, she will also receive a discount package for airfare to any destination in the United States. A few weeks later, she receives in the mail a plastic card along with four other letters offering similar offers with different incentives.

This is an example of what is happening on our NDSU campus. The situation is real and is growing in popularity. The result of the fictitious example above portrays the student's easy ability to obtain \$1,500 dollars. A consequence of her acceptance of the credit card could have included her request for leave at work, the purchase of an airline ticket minus \$20, the purchase of clothes and other items needed for her trip, and a cash advance for deposit money for a hotel. After having completed all of these transactions, she finds that she had already spent \$800 of her \$1,500 and has not taken into consideration the other \$100 for cash advance fees and accumulated interest. She is now burdened with a debt that will continue to escalate unless she pays above her minimum monthly payment or receives unexpected income to bail her out.

Consumer borrowing has changed since its birth in the postwar 1960's. The "classic model" for consumer behavior is that when times are good, people borrow in expectation of more good times." Today, in contrast, "when times are bad, people

borrow to make up the gap between expectation and reality (CQ Researcher). This statement can confuse many. We continually hear that the economy is in the midst of a good time and that it is in a surplus, but where is the income from the consumer? The financial counselor will tell you that some of the income from the consumer is under a debt management program. The Credit Card Company will tell you the consumer listed on their purchased mailing list deserved the credit according to their credit scoring guidelines. The factual statistics in 1994 stated that Americans used more than 350 million credit cards, purchasing over more than half a trillion dollars for goods and services (The New York Times, 1995).

We are now entering the year 2000 and other statistics say that more than half of the college students in America will have received their first card before their freshman year. Many university officials, financial counselors, and other professionals are concerned about this growing problem. As a result, regulative legislation has been threatened, campuses have strained budgets due to credit card fees, and credit card education programs (CCEP's) have been developed and disbursed to support the fear of an out-of-control problem the credit card maybe causing.

#### **COLLEGE CREDIT CARD USAGE: A NATIONAL PERSPECTIVE**

In addition to the non-college statistical use of credit cards, high school and college students are now the targets of credit card applications. Credit card companies, which now have student-marketing offices, focus on the needs of the everyday college student. Due to the recent interest in the study of the credit card on the campus, there are few statistics and reports that provide relevant information. As a result, large populations of borrowing students continue to spend, which only rely on the opinions of remote survey specialists, without the formal education of what it really means to accept one.

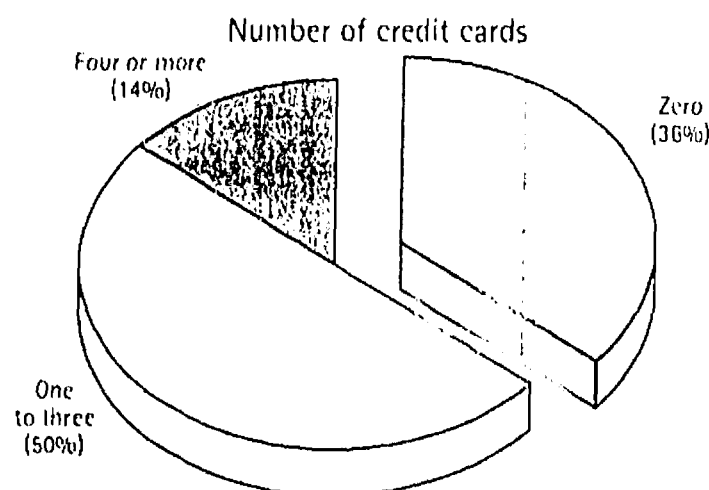
### 1998 National Survey Results

There are growing problems and the issue is being taken on a more serious level of consideration. In June 1998, a national survey was conducted by The Education Resources Institute (TERI), and The Institute for Higher Education Policy, which are both non-for-profit organizations that pursue issues to promote an economical and successful postsecondary education. In their report, *Credit Risk or Credit Worthy*, one of the conclusions was that current knowledge of national trends in student's reliance on credit cards is fairly limited. It later concluded that the majority of students now have credit cards and many carry substantial monthly balances. Keep in mind, these balances are in addition to the student loans that are acquired each semester.

The report also describes five major findings. The first is that credit card usage is reality for today's college students. Nearly two-thirds of the students have at least one credit card and one in five have four or more with their own name (Figure 1.1).

#### Student Credit Card Ownership

Of all survey respondents

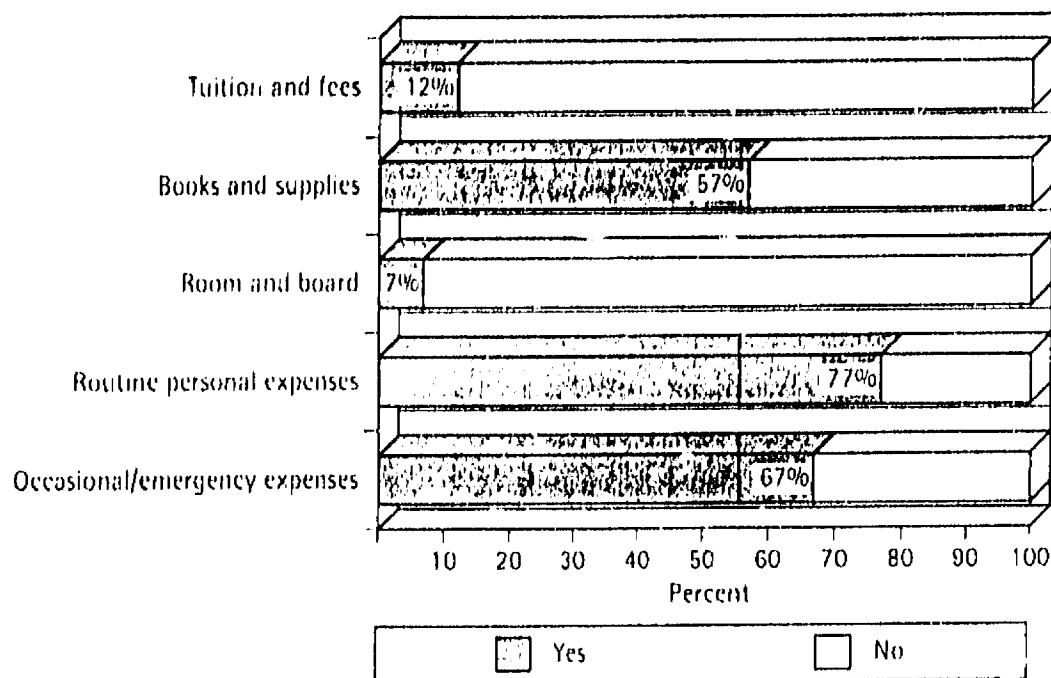


**Figure 1.1** This pie chart is based on 750 surveys that were completed out of two million undergraduate/graduate students.

*SOURCE: The Institute for Higher Education Policy, Credit Card Survey, March/April 1998.*

In addition to owning them they are also used frequently. In the survey, 77% of the students said they have charged routine personal expenses (Figure 1.2).

### Credit Card Purchases in the Current Year Of survey respondents with credit cards



**Figure 1.2** This bar graph represents the frequent credit card usage from the college students.

*SOURCE: The Institute for Higher Education Policy, Credit Card Survey, March/April 1998.*

A second finding stated was that students do have reasonable attitudes about how credit cards should be used, but it also mentions that the common perception is to have the ability to purchase items they normally wouldn't be able to afford while in school. Another finding supports the third, in that a majority of the students use the cards responsibly and do not accumulate large amounts of credit card debt. However, a news article in *U.S. News and World Report* talked about a freshman at the University of Texas-Austin who went from having no credit cards to a balance of \$2,800 by the end of one school year. The fifth finding also states that a student's credit card behavior could lead to high debt levels and misuse. This finding could be a direct result of the fourth



finding, which states the majority of the usage is to pay for education-related expenses, which had increased more than 80% from 1980 to 1988 (NACUBO Business Officer). This increase in education expense has forced a high demand for students who are ineligible for financial aid to charge the cost of their tuition, books, and room and board.

### **Problems on Other Campuses**

In addition to the high demand of students having to use their credit cards, the universities themselves are finding that the cost of allowing the students to use their cards is depleting the campus budget. The situation is so real that Harvard University doesn't even accept credit cards for payment. In 1997, a VISA credit card company estimated a \$4.3 billion in payments for college tuition and board, and an additional \$1.4 billion in trade schools. Along with Visa, Mastercard estimated another \$3.2 billion for education-related expenses (The New York Times, 1997). The article also stated that 30% of the colleges and universities in America accept credit card for payment.

Despite the average 2% fee the colleges have to pay, it does add up in the end. An example of this would be if a school had only \$100,000 in credit card receipts. The interest payable would only be \$2,000. Compare this to \$10 million in receipts having to pay \$200,000 for fees. Many schools like Southern Methodist University continue to allow a large percentage of their fees to be paid by a credit card, but other state-supported universities in Kansas have banned their use. This happened after the state and its Board of Regents decided the credit card fees of \$850,000 a year subsidized by the taxpayer was not efficient for its economical and educational future (The New York Times, 1997).

### **Credit Card Companies vs. the Financial Counselors**

Do the incentives pay off? This is a question that can be answered in two different ways.

The credit card companies will say yes. In fact, they are even promoting the Barbie doll from the Mattel Corporation getting her first credit card. I may be wrong, but the last time I saw a Barbie doll was in my younger sister's bedroom. She isn't even close to being 18. Well, guess what, Capitol One Credit Card Company has now introduced a credit card for children 16 years or older. In addition to a co-sign from the parents who have an average of 7-8 cards themselves, the card has a 19.8% fixed interest rate (Money Magazine).

On the other side of the financial spectrum, Candace Acevedo, a counselor from the San Francisco Consumer Counseling Service financial service said, "no, the incentives do not pay off. Five years ago, we weren't seeing anybody still in college with as much debt as we are seeing now." She goes on to say that 5% of the students in her debt management program are at least \$5,000 in debt due to the use of their credit cards (The New York Times, 1995). In Raleigh, North Carolina, Allen Cary, a credit counselor figures the average student in his program averages \$10,000 in credit card debt.

### **Legislative Issues**

Who is right? The statistics are astonishing and they are not remote. States across the nation are beginning to view this issue. Representative Joseph P. Kennedy 2d, a Democrat of Massachusetts, threatened to pass legislation that would limit the credit card company's ability to provide applications to the students. A phone call to Senator Edward Kennedy on May 25, 1999 also hinted the issue is a week old. During a 1994 House Banking, Finance and Urban Affairs Subcommittee, there was testimony that was contested between a Consumer Action Director and a representative of VISA U.S.A. Inc. The question asked if the credit card industry has made credit too easily available to

teenagers and college students (CQ Quarterly). In addition to what is happening in Congress, other reports of Credit Card reform, specific to the college campus, are developing within the Department of Education and the General Accounting Office.

### **PERSONAL INTERVIEWS**

In addition to the national overview, I also pursued the gathering of information at a local level. To do this I interviewed an individual from a local financial counseling service and the ~~Associate~~ Dean for NDSU Student Life. The NDSU Financial Aid Office has also expressed some concern and according to Bob Neas, the director, their office has implemented a telephone survey, developed a brochure produced by U.S. Bank, and has added a financial responsibility portion to the freshman orientation.

#### **Prakash Mathew, ~~Associate~~ Dean for NDSU Student Life**

According to Mr. Mathew, and the White Paper he drafted, NDSU does not have enough information to assess the student credit card usage on campus. He does state that "The probability that NDSU students are any different from students across the country is unlikely (White Paper, 1999)." He believes the students should be able to make their own choices, but he also believes the students should not be persuaded to have only one choice. A third point he made is that the students should be offered some sort of education on credit card usage.

#### **Scott Aabye, Financial Counselor from the Village Family Service Center**

Mr. Aabye couldn't agree more with Mr. Mathew. In his interview, he stated that on many days he sees an average of four clients. Two of them are college students in the tri-college area. He mentioned that some of the reasons students use the cards are to buy something they normally couldn't afford which provides a student instant satisfaction. He also added that they are used to supplement working employment wages with a credit

limit while attending school. He agrees with the CCEP and feels that the Credit Card representatives should express more responsibility when handing an application to a student.

### **QUESTIONNAIRE RESULTS**

To further evaluate the credit card usage on our campus, I conducted a survey with eight questions that focused on the age group, number of credit cards, balance range, and on-campus use locations. I also asked the students what level of importance they would use their card for, how many contacts they receive from card companies a week or if they have received a call for late payment, and if they wish they knew more about their credit cards.

I was able to only acquire 33 students due to the time constraint and limited enrollment. The idea of my survey was to set a foundation for a larger version that can survey over 5,000 students. Despite the small number, there was only one student who stated he/she did not own a credit card. The others averaged a \$0 - \$500 balance with five stating they were over \$1,500 and two stating they had received phone calls for being behind on payments. The age group ranged anywhere from 18 to over 26. A majority of the students were in the 21-25 range. Similar to the national survey, the students at NDSU felt establishing future credit and having money for new tires on a car, which represents an emergency reason, were most important when using a credit card (Figure 1.3). In addition to the off-campus use, the students also frequently used their credit card at the NDSU Book Store and the Varsity Mart the most (Figure 1.4).

### Credit Card Usage Importance

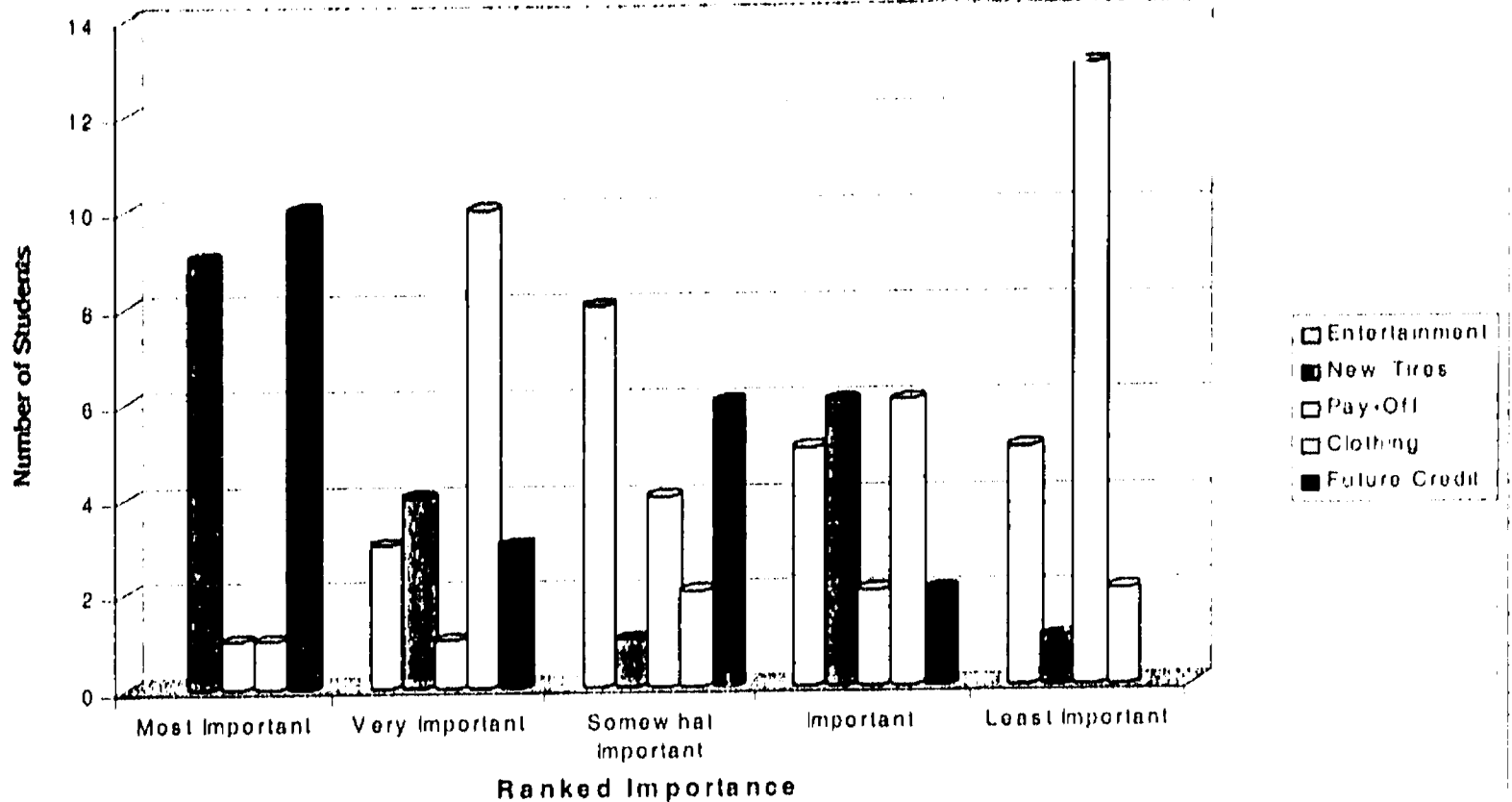


Figure 1.3 Due to incomplete data on some surveys, there were only 21 survey results used.

### On-Campus Credit Card Use

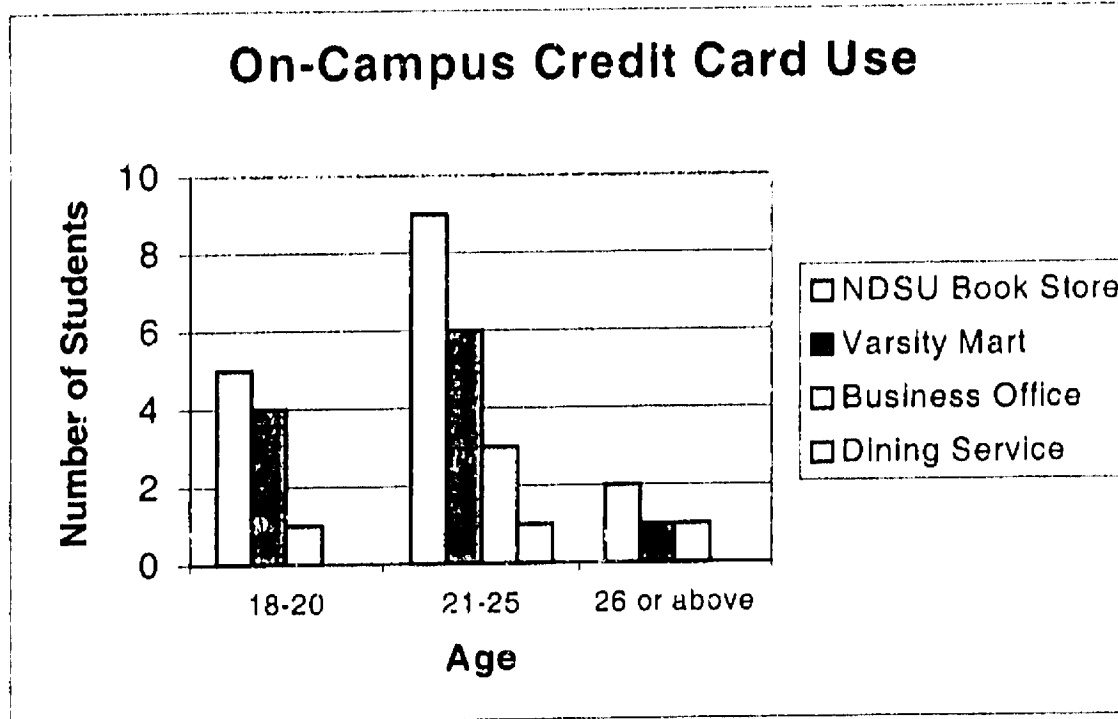


Figure 1.4 This survey is based on all 33 students.

## RECOMMENDATIONS

Without a question, it is apparent that credit card use on the NDSU campus is a reality. Based on the facts, which include national and local statistics, it is my belief that North Dakota State University ought to review the possibility of initiating and disbursing a CCEP on our campus. After surveying only 33 students, there was only one student that wasn't subject to credit card usage. The student did; however, state he/she received 10-20 contacts from a creditor a week.

If I were to make specific suggestions, I would suggest the following:

- Review the questions on the survey, changing a few of the questions to be more specific and indirect rather than a direct question, such as to establish future credit.
- Suggest the university follow Mr. Mathew's ideas, which include the development of a flyer to be passed out by the credit card representatives and the on-campus facilities that allow credit card usage.
- Develop a specific credit card site linked to the Financial Aid Office homepage.
- Draft articles in the NDSU spectrum newspaper.
- Most importantly, initiate a specific study on the impact of the credit card on not only the student but also the university's annual budget. Is it financially feasible to allow a higher percentage of students to use the card creating a greater strain on the NDSU budget, rather than increase the already below average salary for faculty and staff?

These are questions I believe need to be answered and it may not be just at the NDSU level. We may need to evaluate the goals of the six-year plan to see if the credit card will affect certain provisions that appear as if they will or won't work. The North Dakota University System (NDUS) and the governor have expressed their concern for an "education excellence" environment. Now is the time for North Dakota to observe the

larger student populations and at least evaluate a need for a specific CCEP that will allow the continuance of a financially stable, safe, educational university environment.

# NDSU Student Credit Card Usage Survey

*This survey, authored by Jeff Hoffmann, will be used for the NDSU Student Life Office. When completed, please bring to the front of the classroom at the end of class. Thank you.*

1. Please circle your age group.                      18-20                      21-25                      26 or above

2. How many credit cards do you own?

   1    2    3 or more

2. If you own a credit card, do you know your combined total balance?

   yes    no

3. If you know your combined balance, what is the range?

   \$0 - \$500    \$500 - \$1,000

   \$1,000 - \$1,500    \$1,500 or more

4. Have you used a credit card at any of the following places?

NDSU Bookstore  
Varsity Mart  
Business Office  
(This includes any tuition, room & board, telephone, etc....)  
Dining Services  
Other \_\_\_\_\_

5. Which of the following would you use your credit card for? Please rank 1-5.

1-most important, 2-very important, 3-somewhat important, 4-important, 5-least important

\_\_\_\_\_ Entertainment (Spring Break, dinner, concert tickets, etc...)

\_\_\_\_\_ New tires for your vehicle

\_\_\_\_\_ Pay off another credit card

\_\_\_\_\_ Clothing (shirts, jeans, shoes, etc...)

\_\_\_\_\_ Establish future credit

6. On the average week, how many telephone calls and mailings do you get from credit card companies?    0-10    10-20

7. Have you ever received a phone call from a credit card company because you were behind on a monthly payment?    yes    no

8. Do you wish you knew more about your credit cards?    yes    no

**Thank you for taking this survey.**



**FUTURE OUTLOOK OF CREDIT CARD USAGE TALKING POINTS**

In addition to the local recommendations, I also would ask the United States of America to do a survey on the credit card usage and how it has affected our lives. Families across the nation are burdened with higher disheartening statistics, and the credit card companies will continue to pursue their own self-interest. In a Discover Financial Services 1998 Annual Report it stated, "credit card account acquisition and customer utilization are driven by offering credit cards with competitive and appealing features such as no annual fees, low introductory interest rates, and other customized features targeting consumer groups and by having broad merchant acceptance." It is my belief that we, as citizens of our American Constitution need to start asking questions such as, "Who are those targeted consumer groups, and can they afford it?" The Rockefeller of the 90's is more ruthless and has access to more acceptances to include the click of a button on the Internet and what should be, confidential school listings. This will create unregulated monopolies and it is already starting to take its toll on the financially unconscious humankind. Individuals of today are being judged as fit or unfit according to a credit score. The sources used to evaluate the score is managed by multiple bureaus that on the average claim to have mistakes 30-40% of the time.

A time will come in the near future when regulation and reform will affect the wrong interest group and Allen Greenspan's positive figures will have run out of creditable income. We need to be cautious with the credit card. To create a warning, we need to educate the future leaders of our nation, the high school and college students of the United States of America.

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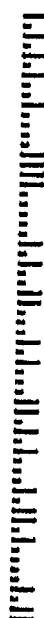
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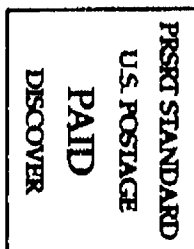
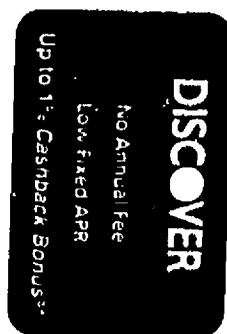
\*Fixed 5.9% APR on purchases the first six months your account is opened. After that, the APR may vary. (As of December 31, 2000, that variable APR was 13.99%). The APR for cash advances may vary. (As of December 31, 2000, that variable APR was 21.82%). For all credit information on credit terms, see the "Summary of Credit Terms" enclosure.

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# **Bill Subject Index**

**Kansas Legislative Services**



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INK Home > Government > Legislative > Bill Subject Index > House Bill Subject No. 2578

## **BILL NUMBER: H2578**

Year of Introduction: 1997

**Description:**

An act relating to credit cards; prohibiting solicitation on college campuses.

**Author(s):** Representative Jim D. Garner

**Subjects:**

**Credit Cards**

Prohibiting credit card issuers from solicitation on college campuses

**Solicitation**

Prohibiting credit card issuers from solicitation on college campuses

# **Bill Subject Index**

**Kansas Legislative Services**



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[INK Home](#) > [Government](#) > [Legislative](#) > [Bill Subject Index](#) > House Bill Subject No. 2851

## **BILL NUMBER: H2851**

Year of Introduction: 2000

**Description:**

An act relating to credit card solicitation; prohibiting certain practices regarding solicitation thereof at institutions of higher learning.

**Author(s):** Representatives Rocky Nichols, Jim D. Garner and Ralph M. Tanner

**Subjects:**

**Procedure, Civil**

Crimes and punishments; credit card solicitation at an institution of postsecondary education

**Consumer Credit**

Crimes and punishments; credit card solicitation at an institution of postsecondary education

**Credit Cards**

Crimes and punishments; credit card solicitation at an institution of postsecondary education

**Educational Institutions**

Crimes and punishments; credit card solicitation at an institution of postsecondary education

**Students**

Crimes and punishments; credit card solicitation at an institution of postsecondary education

**Postsecondary Institution**

Crimes and punishments; credit card solicitation at an institution of postsecondary education

**Punishment**

Crimes and punishments; credit card solicitation at an institution of postsecondary education

# **Bill Subject Index**

**Kansas Legislative Services**



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INK Home > Government > Legislative > Bill Subject Index > House Bill Subject No. 2896

## **BILL NUMBER: H2896**

Year of Introduction: 2000

**Description:**

An act enacting the internet privacy protection act; prohibiting certain internet service providers from disclosing personally identifying information about certain subscribers.

**Author(s):** State Legislature, Information Management, Select Committee on

**Subjects:**

Telecommunication Companies

Internet privacy protection act; violations outlined

Internet Privacy Protection Act, Kansas

Established

Electronic Data Processing

Internet privacy protection act; violations outlined

Consumer Protection

Internet privacy protection act; violations outlined

Personal Identification Number

In relation to internet privacy protection act; violations outlined

Social Security Number

In relation to internet privacy protection act; violations outlined

Credit Cards

In relation to internet privacy protection act; violations outlined

HR 184 IH

107th CONGRESS

1st Session

**H. R. 184**

To amend the Consumer Credit Protection Act to prevent credit card issuers from taking unfair advantage of full-time, traditional-aged, college students, to protect parents of traditional college student credit card holders, and for other purposes.

**IN THE HOUSE OF REPRESENTATIVES**

**January 3, 2001**

Ms. SLAUGHTER (for herself and Mr. DUNCAN) introduced the following bill; which was referred to the Committee on Financial Services

**A BILL**

To amend the Consumer Credit Protection Act to prevent credit card issuers from taking unfair advantage of full-time, traditional-aged, college students, to protect parents of traditional college student credit card holders, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

**SECTION 1. SHORT TITLE.**

This Act may be cited as the 'College Student Credit Card Protection Act'.

**SEC. 2. ISSUANCE OF CREDIT CARDS TO FULL-TIME, TRADITIONAL-AGED, COLLEGE STUDENTS.**

Section 127 of the Truth in Lending Act (15 U.S.C. 1637) is amended by adding at the end the following new subsection:

**“(h) PROVISIONS APPLICABLE WITH REGARD TO THE ISSUANCE OF CREDIT CARDS TO FULL-TIME, TRADITIONAL-AGED COLLEGE STUDENTS-**

**“(1) DEFINITIONS-** For purposes of this section, the following definitions shall apply:

**“(A) TRADITIONAL COLLEGE STUDENT CREDIT CARD ACCOUNT DEFINED-** For purposes of this subsection, the term 'traditional college student credit card account' means a credit card account under an open end consumer credit plan established or maintained for or on behalf of any full-time, traditional-aged, college student.

`(B) FULL-TIME, TRADITIONAL-AGED COLLEGE STUDENT- The term 'full-time, traditional-aged, college student' means an individual--

    '(i) who is a student described in subparagraphs (A) and (B) of section 484(b)(3) of the Higher Education Act of 1965 at an institution of higher education; and

    '(ii) whose age falls within the age cohort defined by such institution of higher education as the age cohort of traditional-aged students.

`(C) INSTITUTION OF HIGHER EDUCATION- The term 'institution of higher education' has the meaning given to such term in section 101(a) of the Higher Education Act of 1965.

`(2) MAXIMUM AMOUNT LIMITATION- Unless a parent or guardian of a full-time, traditional-aged, college student assumes joint liability for debts incurred by the student in connection with a traditional college student credit card account, the total amount of credit extended under a traditional college student credit card account to such student may not exceed the greater of--

    '(A) 20 percent of the annual gross income of the student in the most recently completed calendar year; or

    '(B) the product of \$500 and the number of full years which have elapsed since the traditional college student credit card account was opened, not to exceed \$2,000.

`(3) PARENTAL APPROVAL REQUIRED TO INCREASE CREDIT LINES FOR ACCOUNTS FOR WHICH PARENT IS JOINTLY LIABLE- No increase may be made in the amount of credit authorized to be extended under a traditional college student credit card account for which a parent or guardian of the consumer has assumed joint liability for debts incurred by the consumer in connection with the account before the consumer attains the upper limit of the age cohort described in paragraph (1)(B)(ii) with respect to such consumer, unless the parent or guardian of the consumer approves, in writing, and assumes joint liability for, such increase.

`(4) PROHIBITION ON MORE THAN 1 CREDIT CARD ACCOUNT FOR ANY FULL-TIME COLLEGE STUDENT WITHOUT INDEPENDENT INCOME- No creditor may open a credit card account for, or issue any credit card to, any full-time, traditional-aged, college student who--

    '(A) has no annual gross income; and

    '(B) already maintains a credit card account under an open end consumer credit plan.

### **SEC. 3. CREDIT CARD APPLICATIONS AND SOLICITATIONS.**

Section 127(c) of the Truth in Lending Act (15 U.S.C. 1637(c)) is amended--

(1) by redesignating paragraph (5) as paragraph (6); and

(2) by inserting after paragraph (4) the following new paragraph:



(5) **FORMAT-** The disclosures required under this subsection in any application, solicitation, or other document or paper (other than the information to which section 122(c) applies) shall be included in such solicitation, application, or other document or paper in a typeface that is at least as large as the largest typeface otherwise used in such solicitation, application, or other document or paper.'.

*END*



North Dakota Senate  
Industry, Business and Labor Committee

Mr. Chairman and Committee Members,

I am here today because I am concerned about the debt that young adults are building. In the five years of counseling I have seen the economic and social consequences of this debt. With the availability of credit cards, consumer debt continues to grow especially among young adults. The average college student now has four credit cards with an outstanding balance of \$2500. It is now estimated that 20% of college student having outstanding balances of \$10,000 or more. When this debt plus student loan debt is considered many young adults are financially challenged and will be for years as they begin their careers.

In 2000 the Village Financial Resource Center saw 729 married couples or individuals under the age of 25 in our five offices throughout the state. The average outstanding consumer debt of these clients was \$6600 with \$65,000 in unsecured debt being the highest. For many of these individuals it will take years to repay their debt causing financial struggles for them and their families.

For many of these young adults they started building their debt during their first year in college. As I have presented at local college classes it is rare for a student not to have a credit card and with some students having as many as 16 cards. At this time they have limited income and it is too easy to understand why the solicitation of the credit card industry is very appealing.

I would like to see three areas addressed:

1. Can the solicitation of students on campus by credit card companies be limited.
2. Can the selling of student's names and e-mail addresses be restricted.
3. Can a consumer finance education program be designed and offered to all high school juniors and seniors that would help them make more effective credit choices.

Respectfully submitted,  
Duane Emmel  
Financial Counselor  
The Village Family Service Center

NORTH DAKOTA  
Bismarck  
Fargo  
Grand Forks  
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Minot

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