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Assembly California Legislature



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Bill Profile

AB 262

College Student Credit Protection Act

Quick Facts

- According to student lender Nellie Mae, in 2004 more than 75% of college students nationwide had credit cards, and more than 40% of students had at least four credit cards.
- Student credit card debt increases significantly over college years; on average, senior college students owe nearly double that owed by freshmen students in credit card debt.
- Interest rates are generally higher on credit cards marketed on college campuses.
- Minority students are less likely to take out loans than white students, and are therefore more likely to depend on credit cards to finance their education and living expenses.

Background

Many California public university students, of all incomes and backgrounds, are graduating into severe credit card debt. The wide availability of student credit is directly due to the aggressive marketing tactics of credit card companies. In 2001, the California state legislature passed the Student Financial Responsibility Act (AB 521 – Koretz), which urges the three segments of California's public university system to enact policies governing the marketing of credit cards to students. While each campus in the California university system has its own policy, because of the legislative requirement to only *consider* these actions, the Student Financial Responsibility Act has realized only limited effectiveness overall.

Solution

AB 262 would urge the regents of the University of California and require the trustees of the California State University and board of governors of the California Community Colleges to:

- Annually direct each campus to disclose exclusive credit card marketing arrangements with banks and financial institutions on those campuses
- Prohibit card companies on each campus from offering gifts to students who complete credit card applications.
- Urge the regents to revise the University of California Policy on the On-Campus Marketing of Credit Cards to Students as it relates to specified future contractual agreements.

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