

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE

Senate Bill 470 (Senator Collins)
Finance

Consumer Protection - Extensions of Credit to Students - Limitations

This bill limits the amount of credit that a “credit card issuer” may extend to a student under age 23 at a higher education institution, unless a parent or legal guardian of the student assumes joint liability, to the greater of: (1) 20% of the student’s annual gross income; or (2) \$500 times the number of full years that the student’s account has been opened, up to \$2,000. If a parent or legal guardian of the student has assumed joint liability, then the credit card issuer may increase the limit if the parent or guardian approves the increase and assumes joint liability for the increase. The bill prohibits a credit card issuer from issuing a credit card to a student under age 23 at a higher education institution if the student has no annual income and already maintains a credit card account.

Violation of the bill is an unfair and deceptive trade practice under the Maryland Consumer Protection Act.

Fiscal Summary

State Effect: Any cost recovery by the Attorney General resulting from actions brought under the unfair and deceptive trade practices provision cannot be quantified beforehand.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: None applicable.

Background: The Consumer Protection Division within the Office of the Attorney General is responsible for pursuing unfair and deceptive trade practice claims. The division may attempt conciliation, issue cease and desist orders, or seek action in court, including an injunction, to enforce the Maryland Consumer Protection Act.

In a recent survey conducted by the National Association of Colleges and Employers, slightly over 28% of the college students who responded reported that they had credit card debt of less than \$1,000 and slightly over 22% reported credit card debt exceeding \$7,500. The rest of the respondents, approximately 50%, owed between \$1,000 and \$7,500.

On the federal level, two bills that would have restricted the marketing of credit cards to students were introduced in the 106th Congress, although neither bill passed. The Consumer Credit Card Protection Amendments of 1999, S. 787, would have restricted the circumstances under which a credit card may be issued to individuals under age 21. The College Student Credit Card Protection Act, H.R. 3142, would have imposed limits on credit cards issued to full-time, traditional college-aged students identical to the limits in this bill.

Additional Information

Prior Introductions: While no prior bills limiting the amount of credit a credit card issuer may extend to a student have been introduced, two bills restricting the marketing of credit cards to students at higher education institutions, HB 764 and HB 1155, were introduced in the 2000 session. HB 764 and HB 1155 received unfavorable reports from the House Commerce and Governmental Matters Committee.

Cross File: HB 45 (Delegate Boutin) – Commerce and Government Matters.

Information Source(s): Maryland Higher Education Commission, Office of the Attorney General, National Association of Colleges and Employers, Department of Legislative Services

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