

SENATE BILL REPORT

SB 5476

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, February 15, 2001

Title: An act relating to issuing credit cards to persons under the age of twenty-one.

Brief Description: Issuing credit cards to persons under the age of twenty-one.

Sponsors: Senators Patterson and Prentice.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 2/12/01, 2/15/01 [DPS].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: That Substitute Senate Bill No. 5476 be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Gardner, Vice Chair; Benton, Franklin, Hochstatter, Patterson, Rasmussen, Regala and Winsley.

Staff: David Cheal (786-7576)

Background: Credit card debt and personal bankruptcies have increased dramatically in recent years. Low income debtors, including young people, are the fastest growing segment of people with credit and debt problems.

College age young people may be especially vulnerable to the pitfalls of the abuse of credit, particularly when faced with aggressive marketing campaigns by credit card issuers on campus.

Summary of Substitute Bill: Credit cards may not be issued to persons under 21 without obtaining a written application that includes a statement by the applicant listing all existing available credit. This available credit must be listed by source and amount. The applicant must qualify for credit under reasonable and prudent industry standards.

Credit card issuers may not offer gifts for the completion of credit card applications, except for educational material on the responsible use of credit. Colleges and universities may not sell or transfer lists of student names to credit card issuers.

Substitute Bill Compared to Original Bill: The substitute bill prevents the under-21 card holder from escaping repayment of amounts advanced by giving false or incomplete information on their existing lines of credit. The substitute bill also makes it clear that card issuers may give away educational information on the responsible use of credit without violating the prohibition against giving gifts for completed applications.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: The bill will help young people avoid overwhelming credit card debt. It will prevent credit card issuers from issuing cards to young people based on lesser creditworthiness standards than people over 21. Credit card debt is a major cause of student drop-out from college. Anything that will help students avoid this predicament is good.

Testimony Against: The bill is based on a faulty assumption that individuals under 21 are ill-prepared to manage the responsibility of credit and are somehow more susceptible than the general population to incurring onerous debt or defaulting on their debts.

Testified: Mark Minickiello, Washington Credit Union League; Kelly Sims, Cowlitz Credit Union, WYIB; Tina Hall, WYIB; Chad Savailie; Denny Eliason, WA Bankers Assn. (concerns); Camille Schulte; Tim Greeff, WashPIRG (pro); Molly Schulte; Phillip Ginsberg, American Express (written testimony, con).