

SENATE BILL REPORT

SB 6369

As Reported By Senate Committee On:
Labor, Commerce & Financial Institutions, February 7, 2002

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 Kohl-Welles, Prentice, Winsley, Gardner, Deccio and Rasmussen.

Brief History:

Committee Activity: Labor, Commerce & Financial Institutions: 1/28/02, 2/7/02 [DPS].

SENATE COMMITTEE ON LABOR, COMMERCE & FINANCIAL INSTITUTIONS

Majority Report: That Substitute Senate Bill No. 6369 be substituted therefor, and the substitute bill do pass.

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

Staff: Joanne Conrad (786-7472)

Background: Credit card debt load and bankruptcies have increased significantly in recent years with low income debtors, including many young people, particularly vulnerable to credit and debt problems. In addition, many of today's college students graduate with large student loan liabilities.

It is believed that aggressive or predatory credit card marketing practices may be partly to blame when young people, especially students, take on too much debt and run into credit problems that may take years to resolve.

Currently, many states are considering whether and how to regulate the marketing practices of credit card issuers, in order to curb what are perceived as abuses.

Summary of Substitute Bill: Legislative intent to curtail aggressive and predatory marketing of credit cards to children and young adults, and the inappropriate granting of credit is stated.

Credit card issuers may not issue credit cards to a Washington resident under the age of 21 unless meeting certain conditions, requiring the applicant to list other sources of credit. The applicant must qualify for credit under reasonable and prudent industry standards.

No gifts may be offered in exchange for the completion of a credit card application as part of a marketing program conducted on any college or university campus in Washington State; however, educational material regarding financial management may be provided, and marketing on campus is not prohibited.

Substitute Bill Compared to Original Bill: The requirements of cosigners, information on other credit sources, and in-person application are eliminated. The prohibition on sale or transfer of student information to card issuers is deleted.

Appropriation: None.

Fiscal Note: Not requested.

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

Testimony For: Students can get over-loaded with debt. Many owe too much on too many credit cards and student loans. Bankruptcies for young people are increasing.

Testimony Against: Consumer credit problems are not age-related. Cosigning does not help in establishing credit. "In-person" applications are impractical. Responsible credit issuers do not grant or deny based upon age criteria.

Testified: Senator Kohl-Welles, prime sponsor (pro); Jim Haase, Capital One; Mike Havers, American Express; Mark Minickiello, Washington Credit Union League (con).