

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1349

2005 HOUSE POLITICAL SUBDIVISIONS

HB 1349

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1349

House Political Subdivisions Committee

Conference Committee

Hearing Date January 20, 2005

Tape Number	Side A	Side B	Meter #
3	x		0.2 to 35.4
Committee Clerk Signature <i>Lauren L. Fife</i>			

Minutes: **Rep. Devlin, Chairman** opened the hearing on HB 1349, A Bill for an Act to restrict the marketing of credit cards to students.

Rep. Gulleon representing District 26 and prime sponsor for the bill explained the intent and background of the bill. A copy of her written remarks are attached.

Much of the discussion and questions centered around whether the schools should be doing a better job of teaching financial responsibility, personal responsibility, freedom of speech, contracts with the institutions of higher learning --- the universities often have their own credit cards --- whether a student is an adult; how to restrict sales persons --- cost of credit counseling. Questions arose as to how to control sales through newspapers, mail and other media off campus.

Kate Bleth representing Consumer credit counseling Services testified about their experiences with student credit. A copy of her written statements is attached.

Jack McDonald representing the North Dakota Broadcasters Association, the North Dakota Newspaper Association, the North Dakota Cable Television Association and DeHart & Darr, a direct marketing firm appeared to testify in opposition to the bill. A copy of his written remarks is attached.

Pat Seaworth representing The North Dakota University system appeared in opposition to HB 1349. The basis of their concern is that the State Board of Higher currently has the authority to deal with the problem, if it is deemed a problem; the is limit to the authority they would have too restrict commerce on the campuses; and, while they could perhaps restrict marketing (sales) in certain areas of the campus but there is question whether anyone could restrict commerce in the halls, apartments, and dormitories any more than you could in private homes.

Dr. Hillman, Vice Chancellor of Student Affairs addressed questions regarding the University contracts to have credit cards issue with the Universities' names on them. While Dr. Hillman did not have details to the financial and contractual arrangements Rep. Herbal, Vice Chairman did acknowledge that these credit cards do exist. In most cases they were issue through Alumni and Athletic and University foundations.

There being no further testimony for or against HB 1349, **Rep.Devlin, Chairman** closed the hearing. (35.4) .

During committee action the power cord near the Intern's desk was bumped and a portion of the proceedings was not recorded. In action on HB1349, **Rep. Wrangham** moved an amendment to delete line 7 thru 12 and to retile the bill. The motion died for lack of a second. **Rep. Herbal, Vice Chairman** moved a 'Do Not Pass' motion for HB 1349. **Rep. Pietsch** seconded the motion. On a roll call vote the motion carried **9 ayes 1 nay 2 absent. Rep. Herbal, Vice Chairman**

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House Political Subdivisions Committee
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was designated to carry HB 1349 on the floor. The record is incomplete on the tape from about
(54.4) to the end.

Date: January 20, 2005
Roll Call Vote:

2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1349

House POLITICAL SUBDIVISIONS Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do NOT Pass

Motion Made By Rep. Herbel Seconded By Rep. Pietsch

Representatives	Yes	No	Representatives	Yes	No
Rep. Devlin, Chairman	✓		Rep. Ekstrom	✓	✓
Rep. Herbel, Vice Chairman	✓		Rep. Kaldor	✓	
Rep. Dietrich	✓		Rep. Zaiser	A	
Rep. Johnson	✓				
Rep. Koppelman	✓				
Rep. Kretschmar	✓				
Rep. Maragos	A				
Rep. Pietsch	✓				
Rep. Wrangham					

Total (Yes) 9 No 1

Absent 2

Floor Assignment Rep. Herbel

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

REPORT OF STANDING COMMITTEE (410)
January 21, 2005 8:17 a.m.

Module No: HR-14-0820
Carrier: Herbel
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1349: Political Subdivisions Committee (Rep. Devlin, Chairman) recommends DO NOT PASS (9 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). HB 1349 was placed on the Eleventh order on the calendar.

2005 TESTIMONY

HB 1349

HB 1349
Testimony submitted by
Representative Pam Gulleason

Good Morning Chairman Devlin and members of the committee. I have submitted HB 1349 today to address concerns relating to the increasing use of credit cards and the corresponding issues regarding debt and its affect on the credit ratings and financial futures of our young adults. Undergraduate and graduate students use of credit cards is at an all-time high. A recent report published nationally outlined findings from a series of studies on credit card use among college and graduate students that were conducted in 1998, 2000 and 2003. The easy availability of credit cards, limited income while in school, and intense marketing efforts by credit card companies have combined to create a situation where more and more of our young people between the ages of 18-24 years are facing credit difficulties. A situation which will haunt them for most of their adult lives.

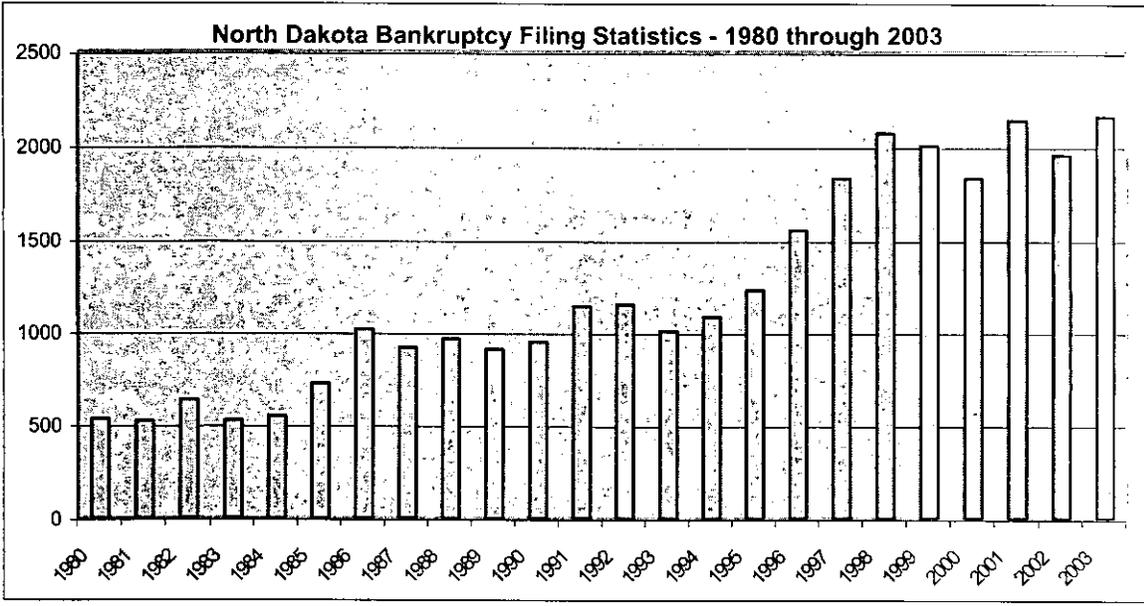
Below are some key findings from the Credit Card Report, published in May 2004

- Students double their average credit card debt and triple the number of credit cards in their wallets from the time they arrive on campus until graduation.
- 92% of college sophomores and 96% of college seniors have credit cards. The average number of cards for sophomores is 3.67 and the average for seniors is 6
- Only 14% of all students with credit cards had a zero balance, indicating that fully 86% are paying minimum amounts toward the balance and very high interest on the remaining balance.
- Median credit card debt has increased by 32% between 1998 and 2004, from \$2,834 to \$3,730 per student.
- Graduate students accrue more than twice the average balance of final-year undergraduate students: \$7,831 vs. \$3,262. Forty percent of graduate students with cards have average balances exceeding \$6,000, and 15% of graduate students have credit balances exceeding \$15,000, more than twice as many as in 1998.
- 16% of debt owed when an undergraduate leaves school is credit card debt. The student will pay a much higher percent of interest for this borrowed money than he/she will for the same amount in education loans. It is possible that credit card payments will make up 34% of the monthly payments student make upon graduation, and only 35% of the interest paid over time even though the credit card balance represents only 16% of the debt.

Once a student arrives on campus, there are many tempting incentives to sign up for the new credit cards, and many opportunities to use them. The fact that the average number of cards per student continues to increase is not surprising. Aggressive marketing tactics by credit card companies includes free gifts, bonus airline miles, and low introductory rates for each new card that the student applies for. The pattern of usage by age level is on a continuous upward climb. The 18-year-old student have the lowest card participation rate and debt levels while the 24-year-old students have the highest. The greatest cause for concern is among traditional undergraduates who have little experience balancing debt and income.

I believe that this raises a public policy concern. Credit cards are designed for people with income. Credit card users are expected to make payments every month. Payment deferral, graduated payment plans and interest subsidy are not part of the credit card package. Trends are showing increases in bankruptcies among consumer/non-business categories. North Dakota shows a steep increase in bankruptcies between 1997- 2003. In addition, credit counseling services indicate increasing trends among young people requesting help with consolidating and restructuring their debt. We know that credit ratings and credit scoring is used to determine insurance premiums, interest rates on loans, and eventually, home or business ownership. Poor credit ratings and scores early in life will negatively affect their financial decisions throughout most of their adulthood.

I believe this bill is a reasonable and fair minded approach to limiting the unlimited access to students by credit card companies on school and university property. Granted, this bill does nothing to stop the flow of offers coming through the mail or email, but it should effectively curb the open access that currently is the case in many situations. It establishes a policy for the marketing of credit cards and outlines a list of criteria that may be included in the official policy of the school or institution, including registration of the credit card marketers, limited dates, times and locations, the limiting of gifts and enticements; and educational literature or programs about sound credit management. I believe that the education component is especially important. Currently, we have no personal money management requirements in our high schools. If you think of any one skill that will be required of each of us throughout our lives, it will be the ability to effectively manage our finances. Thank You.



	Chap. 7	Chap 11	Chap. 12	Chap. 13	Totals
1980	530	14		17	561
1981	519	23		30	572
1982	636	48		25	709
1983	522	98		30	650
1984	546	84		20	650
1985	725	68		17	810
1986	1016	75	9	29	1129
1987	917	38	146	20	1121
1988	965	26	77	31	1099
1989	910	26	45	34	1015
1990	949	24	46	54	1073
1991	1139	20	48	25	1232
1992	1149	10	47	34	1240
1993	1006	11	39	30	1086
1994	1083	5	25	52	1165
1995	1227	3	25	46	1301
1996	1552	2	48	65	1667
1997	1829	9	38	72	1948
1998	2069	1	32	78	2180
1999	2003	5	34	90	2132
2000	1828	14	5	62	1909
2001	2137	5	11	57	2210
2002	1953	9	8	87	2057
2003	2156	6	20	97	2279

**Statement of
Consumer Credit Counseling Service
Of The Village Family Service Center
Bill 1349
January 20, 2005**

Chairman Devlin and members of the Political Subdivisions Committee, it is my pleasure to present our statement of support regarding Bill 1349 to you today.

As Representative Gulleon mentioned, my name is Kate Bleth. I am a certified Consumer Credit Counselor with Consumer Credit Counseling Service (CCCS) of The Village. I'm currently employed at their Bismarck office. CCCS of The Village has been providing financial education and counseling for over 29 years throughout North Dakota. Our mission is to help clients be financially responsible adults and make positive choices to achieve their financial goals.

For the past 5 years, we have seen a steady increase in the number of college students we counsel. In 2003, we conducted approximately 350 counseling sessions with college students who had issues with credit card debt.

Many times in our sessions, students indicate to us that they applied for the cards to receive the promotional item (t-shirt, mug etc). They initially had no intention of utilizing the credit line. However, many end up utilizing lines of credit they cannot afford and do not know how to manage.

As the cost of a college degree has dramatically increased, the strain of paying for higher education makes the use of credit cards more tempting than ever. It is not uncommon for clients we counsel to be faced with the alternative of dropping out of school before completing their degree to get a job to support their debt payments.

The problem of credit card debt only seems to get worse when students graduate. For 90% of recent college graduates, they have other debt besides credit cards. Most have student loans, perhaps a car loan, and are in need of a place to live after graduation. Graduates often have a serious cash flow problem.

CCCS of The Village strongly supports the financial literacy component of this bill as personal money management is not a high school graduation requirement in Minnesota or North Dakota. When the National Council on Economics Education tested adults and high school students on their knowledge of basic economic principles, 66% failed. Many college students have had no formal training or parental guidance on money management. Without essential information, many will experience financial failure as they learn these skills "on the job".

The premise of informing students about good credit management practices should equip students to be better prepared to manage their finances. The concept used could be similar to the well-known driver's education course. When teenagers take driver's

education, they learn the rules of the road and necessary driving skills. As a result, they are considered to be better drivers than those who have not taken the course. Auto insurance companies recognize them as better driving risks and grant discounts on insurance premiums. The same concept applies to individuals who receive information on good credit management practices. They should be better risks in the eyes of lenders, and better prepared to handle their personal finances in the future.

Thank you for your time. I would be happy to entertain any questions the committee may have.

January 20, 2003

HOUSE POLITICAL SUBDIVISIONS COMMITTEE
HB 1349

CHAIRMAN DEVLIN AND COMMITTEE MEMBERS:

My name is Jack McDonald. I'm appearing here today on behalf of the North Dakota Newspaper Association, the North Dakota Broadcasters Association, the North Dakota Cable Television Association and DeHart & Darr, a direct marketing public relations firm. We oppose HB 1349 and respectfully request a DO NOT PASS.

We respect the intentions of the bill and its sponsors, but nevertheless believe the bill not only is an unnecessary restriction on commercial speech, but also is impractical and impossible to enforce.

No need has really been shown for the bill. The students range in age probably from about 17 or 18 to the older than average students in their 50s or 60s, and beyond. They work, own homes, raise families and pay taxes. Why do they need to be protected from credit card advertising and marketing anymore than they need protection from any other type of advertising?

Does the bill mean a newspaper couldn't be sold on campus that would have credit card advertising unless it met all of these restrictions? There couldn't be any broadcast advertising that was seen or heard on campus without following these rules? How about the internet? The bill appears to set up restrictions that can't possibly be enforced in any fair or equitable manner. Its provisions are vague and I believe would be found unconstitutional under not only the First Amendment, but also under interstate commerce provisions since it attempts to control marketing by national and international means.

And, isn't it a bit hypocritical for the universities to accept payments by credit card, but not allow credit card marketing on campus? Or to endorse credit cards and accept promotional fees through their alumni associations while at the same time saying the cards are so evil and dangerous they need to be heavily regulated on campus?

Therefore, we respectfully request a DO NOT PASS on this bill. If you have any questions, I will be happy to try to answer them. THANK YOU FOR YOUR TIME AND CONSIDERATION.