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WHAT'S YOUR SCORE? EDUCATING COLLEGE STUDENTS ABOUT CREDIT CARD DEBT

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Robert Manning's recent book, *Credit Card Nation*,[1] and his earlier study for the Consumer Federation of America, *Credit Cards on Campus: Costs and Consequences of Student Debt*,[2] dramatically detail the rapid expansion of credit card usage by college students, and the problems raised by this phenomenon. Observers have expressed concern about burgeoning credit card debt loads which, when combined with already-high student loan burdens, can force students into quitting college, declaring bankruptcy, and even, in a few tragic cases, suicide.[3] Reports of these problems have caught the attention of

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1. ROBERT D. MANNING, CREDIT CARD NATION: THE CONSEQUENCES OF AMERICA'S ADDICTION TO CREDIT 159–93 (2000) (describing credit card usage by students and consequences of student credit card dependency).

2. Robert D. Manning, *Credit Cards on Campus: Costs and Consequences of Student Debt* (1999), http://www.creditcardnation.com/reports.html (last visited April 18, 2005).

3. *See generally* MANNING, *supra* note 1, at 159–93 (providing background information as to the problem of student credit card debt and its consequences, including suicide). *See also The Importance of Financial Literacy Among College Students: Hearing Before the Senate Comm. on Banking, Housing, and Urban Affairs*, 107th Cong. 11–12 (2002) (statement of Louise Slaughter, Rep., N.Y.) (discussing student bankruptcy brought on by credit card debt); *Kiddie Credit Cards: Hearing Before the House Comm. on Banking, Fin. and Urban Affairs*, 103rd Cong. 2 (1994) (statement of Chairman Joseph P. Kennedy) (describing scope of student credit card debt problems and specific instances of the impact such debt has "on the lives of many students and their families"). *But see, e.g.,* Michael McNamara, *Conventional Wisdom on Student Debt Inaccurate*, AM. BANKER, Jan. 27, 2003, at 5 (describing study sponsored by the Credit Research Center concluding that college student credit card debt is at lower levels than reported in other studies and that most college students use credit cards responsibly); MICHAEL E. STATEN & JOHN M. BARRON, CREDIT RESEARCH CENTER, GEORGETOWN UNIVERSITY, MCDONOUGH SCHOOL OF BUSINESS, *College Student Credit Card Usage: Working Paper* #65 iii (June 2002), http://www.msb.edu/prog/crc/pdf/WP65.pdf (last visited April 18, 2005) (finding that "student-

both federal and state legislators. However, this attention has resulted in little substantive regulation. At the federal level, repeated attempts to pass legislation have failed, and the federal regulators have evinced little concern about this issue.[4] At the state level, more attempts to pass legislation have failed than have succeeded, and the laws that have been enacted contain little substantive restriction on the issuance of credit cards to college students.[5]

This increased attention, the few state statutes that have been passed, and the continuing threat of additional legislation do appear to be having some effect though. Both credit card issuers targeting college students and colleges themselves are increasingly emphasizing financial education about the risks of irresponsible credit card use.[6] Is this merely an empty gesture on the part of issuers to preclude substantive regulation? Or is there real merit to the educational efforts—do they help students manage debt more responsibly? Among the efforts being made to answer the question about the efficacy of financial education of college students about responsible use of credit cards are the initiatives of the Credit Card Project of The Saint Paul Foundation (the "Credit Card Project" or the "Project"), an intra-industry group to which both authors of this Article belong.

In Part I of this Article, the authors will analyze the consequences of some basic characteristics of two of the major participants in this phenomenon—the debtors are college students and the creditors are banks. While this may seem self-evident, aspects of the attributes of these two players, on the one hand, raise the question of whether special regulation is appropriate, and, on the other hand, dictate some of the limits on such regulation. In Part II, the authors will explore the efforts that have been made to regulate credit card lending to college students. On the federal level, both legislative and regulatory actions

marketed accounts have smaller balances, lower credit limits, and lower utilization rates than accounts of similar age that were opened by young adults through issuers' conventional (non-student) marketing programs").

4. *The Importance of Financial Literacy Among College Students: Hearing Before the Senate Comm. on Banking, Housing, and Urban Affairs*, 107th Cong. 4 (2002) (statement of Sen. Dodd, Member, Comm. on Banking, Housing, and Urban Affairs) (stating that attempts to pass "reasonable legislation" aimed at solving the problem of students' credit card debt has frequently failed to amass enough votes). *See* discussion *infra* Part II.A.

5. *See* discussion *infra* Part II.B.

6. John Bryant, *Wanted: Bankers to Help Teach*, AM. BANKER, Jun. 22, 2004, at 2A (describing education initiative of community bankers); Mickey Meece, *Citi Clues in College Kids on Personal Finance*, AM. BANKER, Jan. 3, 1993, at 12; John C. Ninfo II, *Credit Education for Young People Works*, AM. BANKR. INST. J. 32 (Jun. 23, 2004) (describing education initiative of bankruptcy court system); Miriam Kreinin Souccar, *Card Marketers Initiating a Soft Sell on Campus*, AM. BANKER , Sept. 3, 1999, at 1 (describing education initiatives of card issuers); U.S. GEN. ACCOUNTING OFFICE, REPORT TO CONGRESSIONAL REQUESTERS, *College Students and Credit Cards* 25–28, 31–33 (2001) [hereinafter GAO REPORT] (describing education initiatives of colleges).

(or, more appropriately, inactions) will be examined. On the state level, the authors will discuss legislation that has been enacted by a handful of states, mostly focusing on encouraging financial education by colleges. Finally, in Part III, the authors will describe the financial education initiatives being pursued by the Credit Card Project of The Saint Paul Foundation, and the interesting results beginning to be generated by some of these initiatives.

I. COLLEGE STUDENT DEBTORS AND BANK ISSUERS – A TRICKY COMBINATION

A. *College Student Debtors*

The college student population is by definition a peculiarly vulnerable creditor population for two simple reasons. First, the traditional college student is young, under twenty-one for most of her college years.[7] While the age of competency for contracting in most states is eighteen,[8] people under the age of twenty-one are generally considered appropriate subjects of paternalistic protection from the adverse health effects of alcohol and cigarettes.[9] The age of most college students thus places them within a population that might be considered an appropriate subject of special protections from the potential risks of credit card debt.[10] Second, the traditional college student not only lacks a significant, steady source of income from which to repay debt incurred on credit cards,[11] but she has also most likely already incurred substantial student loans as a result of the escalating costs of college tuition.[12]

It is this combination of being arguably too young to be trusted to make responsible financial decisions, and being unlikely to have current income to support credit card debt in addition to significant student loan debt, that raises the question of whether some regulation of the credit being extended to this population is appropriate. It is this same combination that initially made banks

7. Laurie A. Lucas, *Integrative Social Contracts Theory: Ethical Implications of Marketing Credit Cards to U.S. College Students*, 38 AM. BUS. L.J. 413, 422 (2001).

8. E. ALLAN FARNSWORTH, CONTRACTS § 4.3, 221–22 (4th ed. 2004).

9. *See, e.g.*, National Minimum Drinking Age Amendment, 23 U.S.C. § 158 (2001) (highway funds to be withdrawn from states in which a person under twenty-one years of age can lawfully purchase an alcoholic beverage); ARIZ. REV. STAT. ANN. § 36 l–798.04 (West 2003) (packages of cigarettes with fewer than twenty cigarettes sold only to patrons in establishments licensed to sell alcohol to patrons aged twenty-one years or older).

10. Lucas, *supra* note 7, at 423.

11. *See* GAO REPORT, *supra* note 6, at 38.

12. MANNING, *supra* note 1, at 164–66. TRACEY KING & ELLYNNE BANNON, THE STATE PIRG'S HIGHER EDUCATION PROJECT, THE BURDEN ON BORROWING: A REPORT ON THE RISING RATES OF STUDENT LOAN DEBT 1 (2002), *at* http://www.pirg.org/highered/BurdenofBorrowing.pdf (last visited April 18, 2005).

reluctant to issue credit cards to college students.[13] Since 1978, however, when American Express issued the first "student" credit card, there has been a dramatic transformation in credit card issuers' attitudes toward the student market.[14] As described in an article published ten years ago in the banking industry daily newspaper, *American Banker*,

> bankers were not always attracted to this market, believing that it was not profitable since students tend to have limited funds and revolve small amounts. However, as the importance of establishing early relationships with customers and issuing a person's first card became apparent, bankers began to view college students as long-term investments. Also, students represent one of the last unsaturated markets.[15]

Banks have clearly overcome their initial hesitations about the potential profitability of the college student credit card market.[16] Some of this profit is shared with colleges, which can enter into lucrative arrangements with card issuers in exchange for exclusive campus marketing rights.[17] However, it is important to understand that the *issuers* of credit cards to college students are the banks, not the colleges—a fact which significantly impacts the ability of state lawmakers to effectively regulate in this area, for reasons that will be discussed in the next section of this Article.

B. Bank Credit Card Issuers

Banks are subject to a complex panoply of federal and state regulation.[18] This significant regulatory burden is accompanied by some special powers, the

13. *See* MANNING, *supra* note 1, at 167–68 (describing the beginnings of credit card companies' marketing efforts aimed at college students and the early struggles faced by such companies).

14. Lisa Fickenscher, *Lenders Defend Marketing Cards to Students*, AM. BANKER, Apr. 18, 1994, at 16.

15. *Id.* at 17.

16. MANNING, *supra* note 1, at 166–68; Lavonne Kuykendall, *M&I Seeking Growth in College Student Market*, AM. BANKER, Jul. 15, 2004, at 5; W.A. Lee, *Citi Wants to Be a Big Bank on Campus*, AM. BANKER, Sep. 14, 2000, at 1; Mickey Meese, *Looking to Enroll New Customers, AT&T Woos the College Crowd*, AM. BANKER, Aug. 23, 1994, at 14.

17. MANNING, *supra* note 1, at 192–93; GAO REPORT, *supra* note 6, at 29–31 (also noting that independent bookstores operated on campus and alumni organizations can benefit financially); Rhea R. Borja, *Colleges Profiting from Credit Debts; Are They at Fault? Schools Receiving Shares of Charges*, RICHMOND TIMES-DISPATCH, Mar. 12, 2001, at A5.

18. *See* MICHAEL P. MALLOY, PRINCIPLES OF BANK REGULATION 14–20 (2d ed. 2003) (illustrating the complexity of overlapping jurisdictions of various banking agencies for various types of depository institutions); Kenneth E. Scott, *The Patchwork Quilt: State and Federal Roles in Bank Regulation*, 32 STAN. L. REV. 687, 695–734 (1980) (explaining state and federal roles in regulating banks). In this Article, the term "bank" is used to include both banks and savings and loan institutions, or thrifts. For most purposes relevant to this Article, these two types of depository institutions are not distinguishable. Different sources of the regulations discussed will be noted in the footnotes to this Article.

most relevant for our purposes being those bestowed under a banking law doctrine known as the Exportation Doctrine. The Exportation Doctrine gives a state or federally chartered bank the power to "export" the interest rate laws of the state where the bank is located to borrowers in all other states.[19] Thus, a bank located in a state that does not restrict the interest rate that can be charged on a credit card can export that *lack* of any restriction to borrowers living in other states, including states that might restrict the interest rate that can legally be charged on a credit card. For example, imagine a bank located in a state such as Delaware or South Dakota, which has no restrictions whatsoever on the interest that can be charged on a credit card.[20] Imagine this bank is soliciting college students in the State of Missouri. Even if the Missouri Legislature passes a law stating that banks are forbidden from charging more than 8% interest on credit cards issued to college students, that bank located in Delaware or South Dakota could utterly ignore the Missouri law, and charge whatever it wanted to college students in Missouri.

Over the years, an increasing number of credit-related features, in addition to the numerical interest rate, have come to be considered "interest"—and thus immune from regulation by states where credit card holders live or make purchases. "Interest" also includes late fees, returned check fees, overlimit fees, annual fees, cash advance fees, and membership fees.[21]

Thus, the Exportation Doctrine takes away from states the power to regulate interest rates and other significant credit charges imposed on students if the issuer of the credit is a bank located in an unregulated state. In contrast to some other types of credit—such as payday loans offered predominantly though check-cashing outlets and pawnshops[22]—all significant issuers of credit

19. Elizabeth R. Schiltz, *The Amazing, Elastic, Ever-Expanding Exportation Doctrine and Its Effect on Predatory Lending Regulation*, 88 MINN. L. REV. 518, 544–600 (2004) (detailing the evolution of the Exportation Doctrine).

20. DEL. CODE ANN. tit. 5, § 945 (2004); S.D. CODIFIED LAWS § 54-3-1.1 (West 2004).

21. *See* Schiltz, *supra* note 19, at 560–65, 567–68 (describing expansion of the definition of "interest"). The Office of the Comptroller of the Currency (the "OCC"), the primary regulator of national banks, has even taken the position that disclosure requirements imposed by California on credit card issuers, requiring specific warnings about the effect of making only minimum payments on credit cards, should be considered a feature of "interest," and thus be exportable. *Id.* at 563–64 (discussing position taken by the OCC in *American Bankers Ass'n v. Lockyer*, 239 F. Supp. 2d 1000 (E.D. Cal. 2002)).

22. *Id.* at 582. Although payday lenders have attempted to partner with banks to take advantage of the Exportation Doctrine, these attempts have been thwarted by most of the federal regulators. *Id.* at 593–96. Only the Federal Deposit Insurance Corporation continues to tolerate such partnerships with state-chartered banks within its jurisdiction. JEAN ANN FOX, CONSUMER FEDERATION OF AMERICA, UNSAFE AND UNSOUND: PAYDAY LENDERS HIDE BEHIND FDIC BANK CHARTERS TO PEDDLE USURY 19 (2004), *available at* http://www.consumerfed.org/pdl rentabankreport.pdf.

cards are banks.[23] In part, this is due to a provision in banking law that permits any type of business to establish a special-purpose bank, as long as the sole business of the bank is issuing credit cards.[24] Because it is relatively easy for any sort of enterprise that wishes to be in the credit card business to establish a bank, and because the advantage of the Exportation Doctrine in the preemption of state consumer credit laws is so significant, for all practical purposes, the credit card market has become uniquely the province of banks.[25] Accordingly, credit card loans are essentially invulnerable to attempts by states to regulate credit rates or terms.

The federal banking regulators have also forcefully asserted even more broadly-based sources of power for nationally-chartered banks to disregard state laws governing a wider range of activities. In essence, the regulators argue that nationally-chartered banks are not subject to any laws enacted by states that "obstruct, impair, or condition" a bank's ability to fully exercise *any* powers granted by federal law—including lending—except where such state laws are expressly made applicable by federal law.[26] The regulators base their authority to preempt state laws so broadly in the comprehensive responsibility given to them by federal law to enable national banks to operate on a nationwide basis to the full extent of their powers,[27] and in the comprehensive rulemaking power that Congress gave them to pursue these responsibilities.[28] The regulators argue that, under the operation of the Supremacy Clause of the U.S. Constitution,[29] state laws that conflict with the exercise of a federal bank's federally-authorized powers are preempted.[30]

23. Largest Credit Card Issuers at Yearend, AM. BANKER, Apr. 23, 2004, at 15.

24. 12 U.S.C. § 1841(c)(2)(F) (2001). *See* Schiltz, *supra* note 19, at 572–75.

25. MARTIN MAYER, THE BANKERS: THE NEXT GENERATION 130–33 (1997) (describing the evolution of merchant-issued charge cards, which could be used only to make purchases from the particular merchant issuing the card, to general-purpose credit cards accepted by multiple merchants).

26. 12 C.F.R. §§ 7.4007(b)(1), 7.4008(d)(1), 7.4009(b) (2005); 12 C.F.R. § 34.4(a) (2004); 12 C.F.R. § 560.2(a) (1996) (regulations of the primary regulator of federal thrifts, the Office of Thrift Supervision (the "OTS")).

27. Bank Activities and Operations, 69 Fed. Reg. 1904, 1904–08 (Jan. 13, 2004) (OCC's supplementary information published with notice of final rule); Lending and Investment, 61 Fed. Reg. 50951, 50965–67 (Sept. 30, 1996) (OTS's supplementary information published with notice of final rule).

28. 69 Fed. Reg. at 1908–11; 61 Fed. Reg. at 50965.

29. "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof . . . shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding." U.S. CONST. art. VI, cl. 2.

30. The OCC relies on *Barnett Bank of Marion County v. Nelson*, 517 U.S. 25 (1996). *See* 69 Fed. Reg. at 1910. The OTS relies on *Fidelity Fed. Sav. & Loan Ass'n v. De la Questa*, 458 U.S. 141 (1982). *See* 61 Fed. Reg. at 50965.

In its regulation setting forth its preemption standards for non-real estate lending by national banks,[31] the Office of the Comptroller of the Currency ("the OCC") first articulates its general standard for state laws that would be preempted—that is, "state laws that obstruct, impair, or condition a national bank's ability to fully exercise its federally authorized non-real estate lending powers."[32] Then, the OCC goes on to list the following types of state laws that a national bank can ignore:

> (i) Licensing, registration (except for purposes of service of process), filings, or reports by creditors;
>
> (ii) The ability of a creditor to require or obtain insurance for collateral or other credit enhancements or risk mitigants, in furtherance of safe and sound banking practices;
>
> (iii) Loan-to-value ratios;
>
> (iv) The terms of credit, including the schedule for repayment of principal and interest, amortization of loans, balance, payments due, minimum payments, or term to maturity of the loan, including the circumstances under which a loan may be called due and payable upon the passage of time or a specified event external to the loan;
>
> (v) Escrow accounts, impound accounts, and similar accounts;
>
> (vi) Security property, including leaseholds;
>
> (vii) Access to, and use of, credit reports;
>
> (viii) Disclosure and advertising, including laws requiring specific statements, information, or other content to be included in credit application forms, credit solicitations, billing statements, credit contracts, or other credit-related documents;
>
> (ix) Disbursements and repayments; and
>
> (x) Rates of interest on loans.[33]

However, the regulation specifically provides that state laws on contracts, torts, criminal law, debt collection, property acquisition and transfer, taxation, and zoning *do* apply to national banks, provided such laws are not inconsistent with the lending powers of national banks and to the extent they only incidentally affect the exercise of those powers.[34]

31. The OTS's parallel regulation for federal thrifts is almost identical to the OCC's regulation described here. *See* 12 C.F.R. § 560.2 (2004).

32. 12 C.F.R. § 7.4008(d)(1).

33. *Id.* at § 7.4008(d)(2) (i-x).

34. *Id*. at § 7.4008(e)(1-7).

In summary, certain characteristics of college students and credit card issuers on the one hand, potentially justify regulatory intervention, and, on the other hand, make such intervention difficult. College students, by virtue of their youth and lack of current income, constitute a group of debtors that arguably merit special protection from the potential dangers of credit card debt. However, credit cards are issued almost exclusively by banks, which are essentially immune from regulation by lawmakers of states where the debtors live. This does not, however, mean that the area is entirely unregulated. Let us now examine the extent to which federal and state lawmakers do regulate college student credit cards.

II. REGULATION OF COLLEGE STUDENT CREDIT CARDS

A. Federal Regulatory and Legislative Efforts

Because it is the federal regulators and lawmakers who (pardon the pun) hold all the cards with respect to regulating credit cards, let us begin by examining what they have done with that power. Although the aggressive marketing of credit cards on college campuses has been the subject of significant scrutiny in Congress,[35] this attention has not prompted much in the way of concrete regulation.

1. Federal Legislative Initiatives

Because the Exportation Doctrine and the more expansive preemption powers asserted by the regulators all derive from specific federal statutes, they could clearly be limited by amending the federal statutes from which they were derived. However, Congress has not shown any inclination to do so. The last Congress rejected an attempt to give expedited consideration to legislation to overturn the OCC's preemption regulations, and adjourned without taking any action on this issue.[36]

Past attempts to impose some restrictions on credit cards to college students have not had any success. The two most persistent attempts are those spearheaded by Representative Louis Slaughter (D-NY) and Senator

35. Two congressional hearings have been held on this topic. *See supra* note 3. The issue of student credit card debt is also often raised in related debates, such as the debate about bankruptcy reform. *See, e.g.*, 145 CONG. REC. 29110 (daily ed. Nov. 9, 1999) (statement of Sen. Kennedy, in discussion of Bankruptcy Reform Act). It was also the subject of a report by the General Accounting Office, at the request of Reps. Louise M. Slaughter, John J. Duncan, and Paul E. Kanjorski. *See* GAO REPORT, *supra* note 6.

36. *See* Rob Blackwell, *Full Financial Slate Awaits House, Senate*, AM. BANKER, Dec. 27, 2004, at 1 (describing unsuccessful efforts to curb the OCC's preemption powers in the last congressional session); *Legislative Update*, AM. BANKER, Sep. 16, 2004, at 5 (describing congressional measures that would have allowed resolutions to curb the OCC's preemption powers to skip committee approval and be immune from filibusters).

Christopher Dodd (D-CT).[37] Representative Slaughter has been trying for years to enact the College Student Credit Card Protection Act.[38] Her proposal would cover all credit card accounts opened for or on behalf of any "full-time, traditional-aged, college student."[39] It would impose three major restrictions. First, unless a parent or guardian co-signs on the account, the total amount of credit extended to any such college student could not exceed the greater of either 20% of the student's most recent annual gross income, or $500 for each year in which the account has been maintained (up to $2000).[40] Second, all credit line increases on co-signed accounts would require the written approval of the parent or guardian co-signer.[41] Third, card issuers would be prohibited from issuing more than one credit card to students without annual gross income.[42]

Senator Dodd's proposal would prohibit credit card issuers from issuing credit cards to any borrower under age twenty-one unless the borrower has a co-signer, can verify an independent ability to repay their debt, or has completed a certified credit-counseling course.[43]

Neither of these legislative proposals has come close to passage. However, the lawmakers are not the only sources of regulation at the federal level. The federal banking regulators have significant power over the behavior of the institutions under their jurisdiction through specific regulations and through the ways in which they use their authority to interpret the laws they are charged with administering. Let us examine the actions of the federal banking regulators in this regard.

2. Federal Agency Actions

The federal banking regulators have not done anything to directly restrict the ability of credit card issuers to market credit cards on campus. However,

37. Representative Slaughter introduced proposals to amend the Consumer Credit Protection Act in 1999, 2001, and 2004. *See* 145 CONG. REC. 26703 (daily ed. Oct. 25, 1999); 147 CONG. REC. H1277 (daily ed. Mar. 25, 2001); 150 CONG. REC. H6997 (daily ed. Sept. 9, 2004). Sen. Dodd has proposed amendments to the Consumer Credit Protection Act as well as the Truth in Lending Act. *See* 145 CONG. REC. 29094 (daily ed. Nov. 9, 1999); 147 CONG. REC. S4940 (daily ed. May 15, 2001); 150 CONG. REC. S8688 (daily ed. July 22, 2004).

38. Rep. Slaughter first proposed the legislation in 1999. *See* 145 CONG. REC. 26703.

39. H.R. 5060, 108th Cong. § 2 (2004) (would have amended 15 U.S.C. § 1637 to add new (h)(1), permitting each college to define its age cohort of traditional-aged students).

40. *Id*. At least one study concludes that requiring parents or guardians to act as co-obligors on college students' credit cards results in significantly lower card balances for such students as compared to students whose parents are not co-obligors on their credit cards. Todd Starr Palmer et al., *College Students' Credit Card Debt and the Role of Parental Involvement: Implications for Public Policy*, 20 J. PUB. POL'Y & MKTG. 105, 110 (2001).

41. H.R. 5060.

42. *Id.*

43. S. 2755, 108th Cong. § 411 (2004).

some of their regulations and their guidance do arguably address some of the concerns raised by the proliferation of credit cards issued to college students.

On the most general level, in its preemption regulation, the OCC reminds banks that they are subject to the Federal Trade Commission Act's prohibition against unfair or deceptive practices.[44] Indeed, recent enforcement actions by the banking regulators for unfair or deceptive practices in connection with instances of particularly predatory credit card terms suggest that the regulators would enforce this law against issuers engaged in similar practices with respect to college students.[45] However, most of the concern about college credit cards is not about credit terms that rise to this level of deception or unfairness. Rather, the concern is about offering credit to people who might not understand the dangers of such credit at a time in their lives when they are unlikely to currently have sufficient income to keep the debt from escalating at high interest rates. Is there any suggestion that the banking regulators share any of those concerns?

Frankly, no. The general anti-predatory lending standard adopted in the same regulation seems to justify one of the practices of concern in the student credit card market—extending credit to people who lack current income. It states that:

> A national bank shall not make a consumer loan subject to this [regulation] based predominantly on the bank's realization of the foreclosure or liquidation value of the borrower's collateral, without regard to the borrower's ability to repay the loan according to its terms. A bank *may use any reasonable method to determine a borrower's ability to repay*, including, for example, the borrower's current and *expected* income, current and *expected* cash flows, net worth, *other relevant financial resources*, current financial obligations, employment status, credit history, or other relevant factors.[46]

This regulation seems to endorse lending to students based on their expected income, or their parents' ability to help them repay their credit card debt.

However, the federal banking regulators have issued some guidance on credit card policies that *could*, if taken seriously, be used to address these very concerns. The regulators recently issued guidelines on account management and loss allowance for credit card lending.[47] These guidelines caution lenders about some of the practices that have been identified as being of concern with

44. 12 C.F.R. §7.4008(c) (2005) (referring to section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45(a)(1) (2000)).

45. *See* Schiltz, *supra* note 19, at 589–90; *see also* Todd Davenport, *New Goals, New Methods: Consumer Focus Has Regulators Using FTC Act*, AM. BANKER, Dec. 15, 2004, at 1.

46. 12 C.F.R. § 7.4008(b) (emphasis added).

47. OFFICE OF THE COMPTROLLER OF THE CURRENCY, OFFICE OF THRIFT SUPERVISION, CREDIT CARD LENDING: ACCOUNT MANAGEMENT AND LOSS ALLOWANCE GUIDANCE (Jan. 8, 2003), http://www/federalreserve.gov/boarddocs/press/bcreg/2003/20030108/attachment.pdf [hereinafter CREDIT CARD GUIDELINES].

college credit cards. For example, the following "Credit Line Management" guidelines are offered:

> When assigning initial credit lines and/or significantly increasing existing credit lines, lenders should carefully consider the repayment capacity of borrowers. When inadequately analyzed and managed, practices such as multiple card strategies and liberal line-increase programs can increase the risk profile of a borrower quickly and result in rapid and significant portfolio deterioration.
>
> Credit line assignments should be managed conservatively using proven credit criteria. The Agencies expect institutions to test, analyze, and document line-assignment and line-increase criteria prior to broad implementation. Support for credit line management should include documentation and analysis of decision factors such as repayment history, risk scores, behavior scores, or other relevant criteria.
>
> Institutions can significantly increase credit exposure by offering customers additional cards, including store-specific private label cards and affinity relationship cards, without considering the entire relationship. In extreme cases, some institutions have granted additional cards to borrowers already experiencing payment problems on existing cards. The Agencies expect institutions that offer multiple credit lines to have sufficient internal controls and management information systems (MIS) to aggregate related exposures and analyze performance prior to offering additional credit lines.[48]

If applied conservatively to college students, these credit line management guidelines could protect students from the dangers of engaging in the behavior described by Robert Manning as the "credit card shuffle" — spiraling credit card debt resulting from using multiple credit cards to pay off balances on other credit cards.[49]

The guidelines also address "Over-limit Practices" that have been noted as problematic to the college student credit card holder.[50] Manning illustrates this danger with the following statement from a student creditor, "Every time I began to bump against my limits, the banks would raise them. [Because of this practice,] it did not become a crisis early when I could have realized the seriousness of my situation."[51] The regulatory guidelines caution:

> Account management practices that do not adequately control authorization and provide for timely repayment of over-limit amounts may significantly increase the credit risk profile of the portfolio. While prudent over-limit practices are important for all credit card accounts, they are especially important for subprime accounts, where liberal over-limit tolerances and

48. *Id.* at 2.
49. MANNING, *supra* note 1, at 183.
50. CREDIT CARD GUIDELINES, *supra* note 47, at 3.
51. MANNING, *supra* note 1, at 183.

> inadequate repayment requirements can magnify the high risk exposure to the lending institution, and deficient reporting and loss allowance methodologies can understate the credit risk.
>
> Over-limit practices at all institutions should be carefully managed and should focus on reasonable control and timely repayment of amounts that exceed established credit limits. Management information systems for all institutions should be sufficient to enable management to identify, measure, manage, and control the unique risks associated with over-limit accounts. Over-limit authorization on open-end accounts, particularly those that are subprime, should be restricted and subject to appropriate policies and controls. The objective should be to ensure that the borrower remains within prudent established credit limits that increase the likelihood of responsible credit management.[52]

This portion of the guidelines emphasizes the particular importance of prudent over-limit practices for subprime accounts. The federal banking regulators consider subprime borrowers to be those with "weakened credit histories. . . . They may also display reduced repayment capacity as measured by credit scores, debt-to-income ratios, or other criteria that may encompass borrowers with incomplete credit histories."[53] Under this description, many college students might be considered subprime borrowers, for whom strict over-limit practices might be particularly appropriate.

In sum, although the federal banking regulators have the general tools to address many of the concerns raised by the issuance of credit cards to college students, they do not appear to see this area as one of particular concern,[54] and have not evinced any inclination to address it specifically.

B. State Laws Governing College Student Credit Cards

A handful of states have passed laws addressing student credit cards.[55] However, as explained above, states have very little authority over the banks that issue the credit cards. Thus, they have focused their attention on the entities over which they arguably do have some authority—the colleges.[56]

52. CREDIT CARD GUIDELINES, *supra* note 47, at 3.

53. *Expanded Guidance for Subprime Lending Programs*, 6 Fed. Banking L. Rep. (CCH) ¶ 63, 792 (Feb. 9, 2001).

54. The staff of both the Federal Reserve Board and the OCC have indicated that they do not consider college student credit card portfolios to pose any particular risks. GAO REPORT, *supra* note 6, at 7–8.

55. *See* Todd J. Pipitone, *U. Rochester: Legislation Attempts to Protect Students From Credit Card Debt*, CAMPUS TIMES (U. ROCHESTER), *available at* 2001 WL 18398498.

56. It should be noted that many colleges are taking steps to regulate on-campus credit card solicitation independent of any legislative mandate. GAO REPORT, *supra* note 6, at 25–28, 31–33, 53–66.

The legislative activity of states dealing with marketing credit cards to college students falls into three categories. In the first category are legislative resolutions requesting the governing bodies of colleges located in their state to adopt policies addressing credit cards on college campuses.[57] In the second category are laws requiring colleges to adopt policies governing the marketing of credit cards on college campuses, and suggesting possible content for such policies.[58] In the third category are laws that restrict credit card solicitation on college campuses in some way, with legal penalties for violations.[59]

The resolutions falling into the first category range from requests that colleges provide some consumer credit education, to requests that colleges adopt policies restricting credit card solicitations on campus. The Virginia Senate and House of Delegates adopted the following resolution requesting colleges to provide financial education:

> RESOLVED . . . [t]hat institutions of higher education be requested to provide consumer credit information to college students and their parents. Along with other notices, bills, and information provided students and their parents during freshman orientation, institutions of higher education are requested to include consumer awareness information regarding good credit, sound money management, the potential impact of credit card debt on personal finances, further employment, obtaining student loans to complete undergraduate, graduate, and professional school, as well as reputable resources which offer consumer credit information or counseling without charge or for a modest fee. . . . Institutions are also requested and encouraged to disseminate this information on campus in a manner deemed appropriate by the institution."[60]

Chambers of legislatures in Hawaii, Louisiana, Missouri, and New Mexico have all adopted resolutions requesting some or all of the universities in their states to adopt policies both offering consumer credit education and regulating credit card solicitation on campus. A Hawaii House of Representatives resolution requests that the Board of Regents of the University of Hawaii "study the direct solicitation on campus of students for credit card accounts and offer consumer credit seminars as part of freshman orientation."[61] A Louisiana House of Representatives resolution urges each public postsecondary education management board, in consultation with the Board of Regents, to encourage institutions of higher education to develop policies

57. *See* GAO REPORT, *supra* note 6, at 53–66; *see also* S.J. Res. 421, 1998 Gen. Assem., Reg. Sess. (Va. 1999); H.R. Res. 32, 20th Leg. (Haw. 2000); H.R. Res. 23, 1999 Leg., Reg. Sess. (La. 1999); S.M. 7, 44th Leg., 1st Reg. Sess. (N.M. 1999).

58. *See* GAO REPORT, *supra* note 6, at 53–66; *see also* CAL. EDUC. CODE § 99030 (West 2002); N.Y. EDUC. LAW § 6437 (McKinney, effective July 1, 2005); PA. STAT. ANN. tit. 24, § 23-2302-A (West Supp. 2004); W. VA. CODE ANN. § 18B-14-10(b) (Michie 2004).

59. *See* GAO REPORT, *supra* note 6, at 53–66.

60. S.J. Res. 421, 1998 Gen. Assem., Reg. Sess. (Va. 1999).

61. H.R. Res. 32, 20th Leg. (Haw. 2000).

requiring education on the dangers of credit card debt as part of freshman orientation or the admissions process.[62] A Missouri House of Representatives resolution urges the Coordinating Board of Higher Education to require each publicly funded institution of higher education to establish a written policy on credit card solicitation of college students and to somehow address credit card debt issues experienced by students.[63] Finally, the New Mexico Senate adopted a resolution "that state post-secondary educational institutions be encouraged to eliminate or curtail companies' on-campus solicitations of credit card customers."[64]

Four jurisdictions—California, New York, Pennsylvania, and West Virginia—have passed laws, rather than simply passing resolutions, but these laws only go so far as to require or request universities to adopt policies regulating the marketing of credit cards on campuses and suggest appropriate features for such policies. California *requires* the Trustees of the California State University and the Board of Governors of the California Community Colleges, and *requests* the governing bodies of each accredited private or independent college or university in California, to adopt policies regulating the marketing of credit cards on campus.[65] New York prohibits "advertising, marketing, or merchandising of credit cards on college campuses to students" *except* pursuant to "an official college credit card marketing policy."[66] Pennsylvania requires all public and all accredited private institutes of higher education to adopt policies regulating the marketing of credit cards on campus.[67] West Virginia requires the governing boards of a specified list of community, technical, and state colleges within the state to propose marketing rules.[68]

62. H.R. Res. 23, 1999 Leg. Reg. Sess. (La. 1999).

63. H.R. Res. 51, 91st Gen. Assem., 2nd Reg. Sess. (Mo. 2002). Information about this resolution comes from two descriptions of it found in secondary sources. One is a Missouri university's guidelines established pursuant to this regulation, Central Missouri State University, Solicitation Guidelines, approved by the President Sep. 2, 2004, *at* http://www.cmsu.edu/upo/index.cfm?pg=policy.cfm&upoID=solicitation. The other is a discussion of this resolution in the minutes of a meeting of the Coordinating Board for Higher Education, which furnishes a clue as to why the resolution is no longer included in the legislature's web site. Although the resolution *requires* the Coordinating Board to adopt certain policies and to *require* the institutions to adopt certain other policies, the Coordinating Board notes that it "does not have the authority to require the institutions to adopt these policies." The Coordinating Board therefore stated that it would advise institutions of the provisions of HR 51, and "encourage them to adopt policies regarding use of credit cards and consumer protection." Missouri Coordinating Board for Higher Education Meeting Minutes, Feb. 6, 2003, *at* http://www.dhe.mo.gov/cbheminutes0203.shtml.

64. S.M. 7, 44th Leg., 1st Reg. Sess. (N.M. 1999).

65. CAL. EDUC. CODE § 99030 (West 2002).

66. N.Y. EDUC. LAW § 6437 (McKinney, effective July 1, 2005) (emphasis added).

67. PA. STAT. ANN. tit. 24, § 23-2302-A (West Supp. 2004).

68. The statute applies to community colleges, technical colleges, and state colleges. W. VA. CODE ANN. § 18B-14-10(a)(4)-(b) (Michie 2004).

While none of these four statutes mandates any specific content for these policies, all contain some fairly specific recommendations for features that such policies might include. All four laws suggest consideration of requiring registration of credit card marketers,[69] limiting credit card marketing to specific areas,[70] and prohibiting credit card marketers from offering gifts as incentives for completing credit card applications.[71] All four states suggest mandating some form of credit card and debt education.[72] California, Pennsylvania and West Virginia suggest incorporating credit card debt education into campus orientations.[73] In addition, Pennsylvania suggests "[p]roviding, at least quarterly, credit card debt education literature with campus bookstore purchases."[74] West Virginia's law also suggests "requiring that no application for the extension of debt through a credit card may be made available to a student unless the application is accompanied by a credit card debt education brochure."[75] New York's suggestion with respect to financial education is more vague, providing only that the mandated college policy should consider "informing students about good credit management practices through programs which may include workshops, seminars, discussion groups, and film presentations."[76]

Both Pennsylvania and West Virginia have included some additional non-uniform provisions in their laws. Pennsylvania's law is the only one to specifically state that a college's policy "may" prohibit any marketing of credit cards on campus.[77] It is also the only state giving colleges a safe harbor from prosecution, stating that "[n]othing in this article shall be construed to impose civil or criminal liability on an institution of higher education for any claim

69. CAL. EDUC. CODE § 99030(a); N.Y. EDUC. LAW § 6437(1); PA. STAT. ANN. tit. 24, § 23-2302-A(1); W. VA. CODE ANN. § 18B-14-10(b)(1).

70. CAL. EDUC. CODE § 99030(a); N.Y. EDUC. LAW § 6437(2); PA. STAT. ANN. tit. 24, § 23-2302-A(2); W. VA. CODE ANN. § 18B-14-10(b)(2).

71. CAL. EDUC. CODE § 99030(b); N.Y. EDUC. LAW § 6437(3); PA. STAT. ANN. tit. 24, § 23-2302-A(3); W. VA. CODE ANN. § 18B-14-10(b)(3). Pennsylvania suggests permitting such gifts if "the student has been provided credit card debt education literature, which includes, but is not limited to, brochures of written or electronic information." PA. STAT. ANN. tit. 24, § 23-2302-A(3).

72. CAL. EDUC. CODE § 99030(c); N.Y. EDUC. LAW § 6437(4); PA. STAT. ANN. tit. 24, § 23-2302-A(5); W. VA. CODE ANN. § 18B-14-10(b)(6).

73. CAL. EDUC. CODE § 99030(c); PA. STAT. ANN. tit. 24, § 23-2302-A(5); W. VA. CODE ANN. § 18B-14-10(b)(6). California's law contains the following warning, though: "For purposes of this section, colleges and universities shall utilize existing debt education materials prepared by nonprofit entities and thus not incur the expense of preparing new materials." CAL. EDUC. CODE § 99030(c).

74. PA. STAT. ANN. tit. 24, § 23-2302-A(4).

75. W. VA. CODE § 18B-14-10(b)(4).

76. N.Y. EDUC. LAW § 6437(4).

77. PA. STAT. ANN. tit. 24, § 23-2302-A.

involving student credit card debt."[78] West Virginia is the only state to suggest that colleges consider, in developing their policies, "[w]hether or not to use or the appropriate use of student lists for the purpose of soliciting applications for credit cards."[79] In addition, West Virginia is the only one of these four states that includes a substantive prohibition in its law, in addition to all of the suggestions for college policies mentioned above. West Virginia's law also provides:

> Unless a student's parent or guardian has agreed in writing to be liable as a cosigner for credit card debts of the student, no person may initiate a debt collection action against the parent or guardian regarding any credit card debt incurred by the student.[80]

It is noteworthy that debt collection is one of the areas that the federal banking agencies specifically designate as being the province of state regulation, and thus not subject to federal preemption, at least to the extent that such regulation only incidentally affects the exercise of national banking powers.[81]

A similar prohibition is found in Louisiana, one of the two states that have enacted concrete restrictions on marketing credit cards on college campuses, applicable on all college campuses throughout the state, independent of any policy of the particular college.[82] Louisiana's law requires all credit card issuers to register their intent to solicit students for credit cards with "an appropriate official of the institution" before beginning such solicitation.[83] Louisiana also makes it unlawful to offer or give a gift to a student as an inducement to review materials relating to a credit card application or to apply for a credit card, *unless* the student has been given "a credit card debt education brochure."[84] Louisiana also amplifies on the West Virginia prohibition on debt collection against parents, providing:

> It shall be unlawful for a credit card issuer to take any debt collection action, including but not limited to telephone calls or demand letters against the parent or legal guardian of a student for whom a credit card has been issued, unless the parent or legal guardian has agreed in writing to be liable for the debts of the student under the credit card agreement.[85]

78. *Id.* at § 23-2303-A.
79. W. VA. CODE ANN. § 18B-14-10(b)(5).
80. *Id*. at § 18B-14-10(c).
81. 12 C.F.R. § 7.4008(e) (2004). *See infra* note 34 and accompanying text.
82. LA. REV. STAT. ANN. § 9:3577.3 (West Supp. 2005).
83. *Id.* at § 9:3577.3(A).
84. *Id*. at § 9:3577.3(C).
85. *Id*. at § 9:3577.4.

Violations of any of the provisions of the Louisiana law are subject to fines of up to $1,000 per violation, plus costs and attorneys fees incident to the imposition of such fines.[86]

Arkansas' law makes it illegal "on the campus of an institution of higher education to offer gifts or any other promotional incentives to any person under twenty-one (21) years of age through direct face-to-face contact in order to entice the person to apply for a credit card."[87] To enforce this prohibition, credit card issuers are required to verify the age and identity of all persons solicited on campuses by reviewing a drivers' license or other form of photo identification.[88] Solicitations by banks or credit unions located on campuses are exempt from this prohibition, if the solicitations are made within those offices.[89] In addition, Arkansas requires any college that permits credit card solicitations at athletic events to include a credit seminar in its freshman orientations.[90] Violations of the Arkansas law are considered misdemeanors, and are subject to fines of between $500 and $1000 per violation.[91]

Finally, Illinois has enacted legislation affecting the marketing of credit cards in a manner different from any other jurisdiction. Illinois prohibits its state universities from providing "a student's name, address, telephone number, social security number, e-mail address, or other personal identifying information to a business organization or financial institution that issues credit or debit cards, unless the student is 21 years of age or older."[92]

Similar types of proposals have been and continue to be considered in state legislatures across the nation.[93] The trends evident in the existing state laws suggest that future state laws will focus on encouraging or requiring colleges to offer financial education to their students.

86. *Id*. at § 9:3577.5.

87. ARK. CODE ANN. § 4-104-202(a)(1) (Michie 2001).

88. *Id*. at § 4-104-202(a)(2).

89. *Id*. at § 4-104-202(a)(3).

90. *Id*. at § 4-104-203.

91. *Id*. at § 4-104-204.

92. 110 IL. COMP. STAT. §§ 305/30, 520/15, 660/5-120, 665/10-120, 670/15-120, 675/20-125, 680/25-120, 685/30-130, 690/35-125, 805/3-60 (2004). The same prohibition applies to Illinois school districts. 105 IL. COMP. STAT. §§ 5/10-20.37, 5/34-18.26.

93. *See* GAO REPORT, *supra* note 6, at 53 app. II. Other sources of information about legislation regarding credit cards and students are the website of the NATIONAL CONFERENCE OF STATE LEGISLATURES, *at* http://www.ncsl.org/programs/lis/credcard.htm (last visited April 18, 2005), and Robert Manning's *Credit Card Nation*, *at* http://www.creditcardnation.com/state_proposals.html (last visited April 18, 2005).

III. FINANCIAL EDUCATION INITIATIVES OF THE CREDIT CARD PROJECT OF THE SAINT PAUL FOUNDATION

In a recent article of *American Banker*, the banking industry journal recounted some of the speeches given at its annual "Banker of the Year Dinner."[94] The keynote speaker was Representative Barney Frank (D-Mass.), who, according to the paper, "appeal[ed] to the industry's self-interest in arguing for a more liberal approach to compensation, consumer protection, preemption, and broad economic opportunity. 'I'm not going to try to appeal to this audience just on fairness,' Rep. Frank said. 'There are good, self-interested reasons why the financial services industry should be supportive of our efforts to reduce inequality' among Americans."[95]

Indeed, the Credit Card Project of The Saint Paul Foundation ["The Project"] has interested credit card issuers in becoming active participants in its efforts to help consumers new to the credit card market manage credit successfully. Admittedly, one of the reasons these card issuers joined the Project was the increased regulatory scrutiny of the industry, particularly in the subprime arena. However, industry participants also had other reasons, some more altruistic, and others motivated by self-interest.[96] The card issuers involved articulate the following reasons for their participation in the Project: acceptable loss rates to the industry mask the trauma of some individual cardholders; standard industry practices are not sufficient and new strategies are required; rising delinquencies and bankruptcies result in a higher cost of credit for everyone; improving cardholder education and issuer practices is positive for all parties; and sensible use of credit is a mutually beneficial goal for all credit industry stakeholders.[97]

Efforts to help consumers must truly improve the lives of cardholders. Therefore, the Project is exploring the efficacy of education efforts aimed at new cardholders, with an initial focus on college students. Is there evidence that education efforts might actually do some good both for students and credit card issuers? Can we make an appeal to the self-interest of industry to pursue education, and will it also help consumers?

94. *A Budding Annual Rite: Debate on Regulation*, AM. BANKER, Dec. 3, 2004, at 11.

95. *Id*. The account of this dinner suggests that the audience was not particularly susceptible to this appeal. Indeed, it reports, "[W]hile Rep. Frank pounded on the message of consumer protections, the eye-rolling among audience members at the banquet was practically audible." *Id.*

96. Kimberly Gartner, Lynn Heitman, & Kevin Rhein, Responsible Lending and Borrowing, Presentation at the 2004 American Bankers Association/Foreword Financial Bank Card Conference (Sept. 2004).

97. *Id*.

A. Background of The Credit Card Project of The Saint Paul Foundation[98]

The Credit Card Project (hereinafter "the Project") has been researching and implementing strategies to help "at-risk" consumers manage credit successfully and to promote positive actions in the credit card industry since 2001.[99] At that time, a woman in Saint Paul, Minnesota, Ellen Brown, became concerned about media reports and personal stories from family members about problems with credit card debt. She approached The Saint Paul Foundation (hereinafter "The Foundation") and convinced The Foundation to invest money into studying the problem. During the first two years of its existence, the Project conducted its initial research, held focus groups with young adults, and developed a steering committee to further explore the problem.[100]

From its inception, the Project's approach has been to bring all stakeholders to the table — credit card issuers, credit bureaus and scoring agencies, nonprofit credit counselors, educators, university representatives, ethicists, credit regulators, students and community activists.[101] By having all

98. The Saint Paul Foundation is a local community foundation headquartered in St. Paul, Minnesota. It is dedicated to supporting a healthy and vital community in which all people have the opportunity to enhance the quality of their lives and the lives of others. *See* THE SAINT PAUL FOUNDATION, *at* http://www.saintpaulfoundation.org/about (last visited April 18, 2005).

99. *See* THE SAINT PAUL FOUNDATION, http://www.saintpaulfoundation.org/impact/credit (last visited April 18, 2005).

100. The Credit Card Project's Steering Committee is comprised of the following members: Susan Aulie, Director, Consumer Credit Counseling Services, Lutheran Social Services; Arba-Della Beck, President, FamilyMeans; Stacy Becker, Becker Consulting; Chad Becker, Vice President, Fair Isaac Corporation; Ellen Brown, Project Founder, The Brown Partners; Ken Goodpaster, Koch Endowed Chair in Business Ethics, University of St. Thomas College of Business; Lynn Heitman, Senior Vice President, U.S. Bank, Retail Payment Solutions; Ron James, President, Center for Ethical Business Cultures; Carol Johnson, community activist and former Minnesota State Treasurer; Jim Kroening, Director of Consumer Credit Counseling Services, Family Means; June Nobbe, Student Affairs, University of Minnesota; David Parkinson, Account Director, Experian; Kevin Rhein, Executive Vice President and Business Manager, Wells Fargo Card Services; Marje Savage, Parents Program Director, University of Minnesota; Elizabeth Schiltz, Associate Professor of Law, University of St. Thomas School of Law; Terry Scully, President, Target Financial Services; Paul Verret, President Emeritus, The Saint Paul Foundation.

101. The institutional partners currently participating in the Credit Card Project include F.R. Bigelow Foundation, Carmichael Lynch Spong, Center for Ethical Business Cultures, Eagan High School, Experian, Fair Isaac Corporation, Family Means, Federal Reserve Bank of Minneapolis, Katherine B. Anderson Fund, Lutheran Social Service of MN, Marquette Financial Services, Mental Engineering, Minnesota Council on Economic Education, Minnesota Private College Council, Target Financial Services, The Mardag Foundation, The Saint Paul Foundation, University of Minnesota, University of St. Thomas, U.S. Bank, N.A., Visa Bank, Weber Shandwick Worldwide, and Wells Fargo Bank, N.A. THE SAINT PAUL FOUNDATION, THE CREDIT CARD PROJECT, *at* http://www.saintpaulfoundation.org/impact/credit (last visited April 18, 2005); Kimberly Gartner, Director, Credit Card Project.

the stakeholders participate, the Project has benefited from a number of very interesting, intense conversations that would not have happened otherwise, resulting in transformational experiences for a number of the participants. For example, one credit card executive recently said that as a result of this issuer's participation, the issuer is seeing its role in education of cardholders and support for cardholders in new ways, and is changing its business practices accordingly.[102] Non-profit organizations and university representatives also benefit by understanding the perspective and demands on others in the credit industry.

Most importantly, though, the Project believes that this approach is an extremely effective way of achieving its goal of helping consumers successfully manage credit. The Project provides a neutral arena where all the credit card stakeholders can come together, begin to understand the problems around credit card debt, and develop interventions. The issues surrounding credit card debt are very contentious and it is easy to take an extreme position on either side, blaming either the industry or the consumer for all that is wrong in the credit card debt arena. Having all the stakeholders work together facilitates a more moderate approach, opening possibilities of real benefits to the consumer, at least neutral if not positive effects on the industry, and a significant chance of implementation by all stakeholders.

In its research phase, the Project concluded that while most consumers use debt wisely and most card issuers sell it responsibly, a significant number of people—measured by bankruptcies, credit card delinquencies and people in financial counseling—have serious trouble managing credit card debt.[103] Problematic credit card use is attributable to both the supply and the demand side. Issuers can engage in overly aggressive selling of credit cards and insufficient support for cardholders. Consumers can evidence a lack of understanding of credit card debt and irresponsible use of credit cards. In its initial study, the Project determined that "two especially vulnerable populations—those new to the credit card market (especially young people) and those whose credit card payment behaviors indicate that they are 'on the edge' of financial difficulty"—could benefit from initiatives designed to help consumers manage credit cards successfully.[104]

102. Statement to the Project Steering Committee (Dec. 1, 2004).

103. THE SAINT PAUL FOUNDATION, CREDIT CARD DEBT: HELPING THE CONSUMER BECOME A BETTER FINANCIAL MANAGER, PHASE TWO REPORT OF THE COMMITTEE EXPLORING RESPONSIBLE SELLING AND USE OF CREDIT CARDS WITHIN VULNERABLE POPULATIONS 6 (February 2003), *available at* http://www.saintpaulfoundation.org/filerepository/downloads/CreditCardProjectPhaseIIReport.pdf (last visited April 18, 2005) [hereinafter PROJECT REPORT].

104. *Id.* at 6–7 (also stating that "the difficulties may have arisen from loss of a job, divorce, or medical emergency, which made a previously manageable level of debt become unmanageable, or simply from excessive spending").

The Project made five recommendations, with this overall goal in mind:

1) testing changes in industry practices that might help the consumer better understand the responsibilities of a card holder and raising awareness within the industry of measures that can both help consumers and reduce charge-off rates;

2) providing earlier intervention to help those on the verge of financial trouble rectify their situation before it worsens;

3) simplifying issuer regulatory requirements to help the consumer better understand assumed responsibilities;

4) instituting educational measures to help youth and young adults become more adept with personal financial skills;

5) implementing a two-pronged public awareness campaign; one aimed at balancing messages of consumption and credit use with those of responsibility and consequences, the other raising awareness of "early warning signs" that one may be headed for financial troubles because of too much debt.[105]

The Project's steering committee decided to continue to monitor federal and state regulatory efforts, but not to invest significant resources at this stage in efforts to influence regulatory requirements. The Project's early initiatives included support of a workshop for high school teachers,[106] education of professionals and executives on ethical issues involved in marketing to college students,[107] and the development of a college course on financial education at

105. *Id.* at 7.

106. In November 2003 and March 2004, the Credit Card Project offered a pilot workshop titled "Financial Fitness for Credit," in conjunction with the Minnesota Council on Economic Education. The purpose of these workshops was to introduce teachers to personal finance materials available for classroom use, e.g. *Financial Fitness for Life*, and to a business ethics curriculum surrounding the marketing of credit cards to young people, described in greater detail *infra*, note 107. While these materials were well received by the high school teachers, these teachers admitted that they were hard-pressed to incorporate the materials due to pressures resulting from new educational standards. With a multitude of personal finance and credit materials available, the Credit Card Project also determined that promoting and distinguishing its curriculum would require a significant investment. The Credit Card Project concluded that its resources would be better invested in its other programmatic activities. However, the Center for Ethical Business Cultures is continuing to use the business ethics curriculum as a component of high school ethics instruction modules it is developing in conjunction with Rotary Clubs in Minnesota. *See* CENTER FOR ETHICAL BUSINESS CULTURES, ANNUAL REPORT 2002-2003 7, *available at* http://www.cebcglobal.org/Newsroom/AnnualReports/Annual%20Report0203.pdf (last visited April 18, 2005); THE SAINT PAUL FOUNDATION, THE CREDIT CARD PROJECT, *at* http://www.saintpaulfoundation.org/impact/credit (last visited April 18, 2005).

107. Kenneth E. Goodpaster & T. Dean Maines, *US Citizen Bank, Inc. and The Challenge of Responsible Lending and Debt*: *An Introduction to Non-Standard Credit*, 23 BUS. & PROF.

the University of Minnesota[108]—all significant contributions to financial education. The Project activities most relevant to this Article, however, include a number of initiatives to implement and evaluate effective education and public awareness strategies and earlier intervention programs aimed predominantly at college students. The following sections will provide more information about these projects and the preliminary results of assessments of the evaluation of their effectiveness.

B. Card Issuer Assessments of Early Education and Intervention

As part of the Credit Card Project's work to promote positive actions within the credit industry, the Project has been running three tests in conjunction with national credit card issuers.[109] The goals of the tests are

ETHICS J. (2005) (forthcoming 2005); KENNETH E. GOODPASTER ET. AL, *US Citizen Bank (A)* and *Note on the Challenge of Responsible Lending and Debt: An Introduction to Non-Standard Credit*, *in* BUSINESS ETHICS: POLICIES AND PERSONS (4th ed. 2006) (forthcoming 2006). The U.S. Citizen case study was developed for the Credit Card Project by Kenneth Goodpaster, a member of the Credit Card Project's Steering Committee and Koch Endowed Chair in Business Ethics at the University of St. Thomas College of Business, and was first used during the initial research phase of the Credit Card Project. The four-part case study highlights an ethical dilemma faced by a real bank card issuer as it relates to marketing credit cards to the student population, including at what level it would participate in the study of this issue by the General Accounting Office. *See* GAO REPORT, *supra*, note 6; THE SAINT PAUL FOUNDATION, THE CREDIT CARD PROJECT, *at* http://www.saintpaulfoundation.org/impact/credit (last visited April 18, 2005). The bank's considerations were colored by a *60 Minutes II* news story entitled "The Power of Plastic," which presented reports of two college students who had committed suicide, allegedly because of struggles with overwhelming credit card debt. *60 Minutes: The Power of Plastic* (CBS television broadcast, Jan. 23, 2001) (article about this broadcast *available at* http://www.cbsnews.com/stories/2001/01/19/60II/printable265630.shtml (last visited April 18, 2005)).

108. Professor Virginia Zuiker in the Department of Family Social Science at the University of Minnesota developed this one-credit online course on credit card management. Virginia Zuiker's Homepage, University of Minnesota: Department of Family Social Science, *at* http://fsas2.che.umn.edu/zuiker/default.html (last visited April 18, 2005). The course was first offered in 2004-2005 Academic Year and is designed to provide students with basic financial management skills, emphasizing the responsible use of credit cards. See University of Minnesota, Freshman Survivor Skills, *at* http://www.collegelife.umn.edu/fsoscourse.shtm. Credit Card Project participants assisted with the course development by serving as "industry experts" and audio-taping short information pieces to complement the weekly course topics, such as pros and cons of credit card use, costs of credit, and consumer rights. The Credit Card Project is now working with the University of Minnesota on opportunities for other academic institutions to offer this course. THE SAINT PAUL FOUNDATION, THE CREDIT CARD PROJECT, *at* http://www.saintpaulfoundation.org/impact/credit (last visited April 18, 2005); Kimberly Gartner, Director, Credit Card Project.

109. This work is overseen by the Project's Industry Practices Committee, consisting of: Arba-Della Beck, President, Family Means; Melyssa Barrett, Director, Issuer Risk Management, Visa; Chad Becker, Vice President, Fair Isaac Corporation; Susan Bradshaw, Group Manager, Collections, Target Financial Services; Jeffrey Gartland, Collections Manager, U.S. Bank; Lynn

threefold: 1) to identify strategies that improve consumers' understanding of responsible borrowing, 2) to raise industry awareness of strategies to help consumers and reduce charge-off rates, and 3) to provide earlier intervention to help those on the verge of financial trouble.

All three tests are controlled experiments with randomized assignment of targeted populations to an experimental or control group. The randomly selected test group in each case is offered online credit education, in two cases with an incentive for completing the education, while the randomly selected control group receives the standard cardholder treatment. Each of the three card issuers identified a specific target population. One issuer's test group was college students receiving a new card; another issuer's test group consisted of cardholders in the college portfolio just past the point of becoming delinquent; and the third issuer's test group included cardholders just nearing delinquency, as estimated by the issuer's internal model. Each of the three issuers initiated and continues to track the test results. A paper that describes the tests, the test methodology, and test results in detail is forthcoming.[110]

Preliminarily, the results from one issuer demonstrate that credit education works for people who are new to credit, especially college students. This issuer offered online education to new college credit cardholders to increase the students' credit knowledge and to build solid credit. New college cardholders in the test group were sent a direct mail postcard directing them to a website that consisted of two lessons and quizzes.[111] Student cardholders who completed the online education were mailed a sixty minute phone card and a letter with more education.

This test consisted of almost 75,000 test accounts and 3,000 control accounts, with accounts drawn primarily from the twenty-three states in which the card issuer had a banking presence. Almost 7% of the experimental group responded to the direct mail offer to log on to the website, a response rate that

Heitman, Senior Vice President, U. S. Bank, Retail Payment Solutions; Ron James, President, Center for Ethical Business Cultures; Jim Kroening, Director of Consumer Credit Counseling Services, Family Means; John Nash, Vice President, Fair Isaac Corporation; Kevin Rhein, Executive Vice President and Business Manager, Wells Fargo Card Services; Elizabeth Schiltz, Associate Professor of Law, University of St. Thomas School of Law; Terry Scully, President, Target Financial Services; Steven Sjoblad, Vice President, Fair Isaac Corporation; Dick Todd, Vice President, Federal Reserve Bank of Minneapolis.

110. Kimberly Gartner & Richard M. Todd, Effectiveness of Online "Early Intervention" Financial Education for Credit Cardholders, Presentation at the Fourth Biennial Federal Reserve System Community Affairs Officers Research Conference, Promises and Pitfalls: As Consumer Finance Options Multiply, Who Is Being Served and at What Cost? in Washington D.C. (April 7–8, 2005) (transcript available at THE SAINT PAUL FOUNDATION, *at* www.saintpaulfoundation.org/impact/credit) (last visited April 18, 2005)).

111. Practical Money Skills for Life, *at* http://www.practicalmoneyskills.com (last visited April 18, 2005) (The industry practices test website was developed in conjunction with Visa and used components of Visa's Practical Money Skills for Life curriculum).

all three issuers consider to be excellent for a mailed offer of education. Over 97% of student cardholders that logged on to the site completed the online education and earned the phone card incentive.

Positive outcomes for those responding to the mailer and taking the online education are very clear. Compared to control group individuals, responders are a third less likely to have ever been late with a payment or to have exceeded their credit limit, 43% less likely to have ever been 30 days delinquent, and 57% less likely to have ever been 60 days delinquent. They are 12% less likely to have ever carried a revolving balance. They achieve better payment performance despite using their cards more. Compared to the control group, they make about a third more merchandise purchases per month, perhaps signaling loyalty to an issuer that has demonstrated a commitment to educating new cardholders.

Results for the experimental group as a whole, not just those who responded to the education offer, indicated more responsible behavior as well. Those cardholders who received the offer of education performed better than the control group, at least in some key dimensions. The entire experimental group has slightly fewer late fees, past due account instances, and charge-offs, despite similar card usage and revolving balance behavior. The card issuer concluded that the $1 cost per experimental group member was well spent. Further discussion of this issuer's results, along with results for the other two issuers conducting these tests, will be included in the forthcoming paper. Preliminary results show that upfront education and earlier intervention for cardholders can have positive results for both cardholders and card issuers.

In addition to conducting the education and early intervention tests, the Project has been seeking opportunities to further promote positive actions in the credit card industry. Consistent with the goal of raising awareness within the credit industry of successful strategies to help cardholders at earlier stages, the Project has been seeking opportunities to present these findings to cardholder audiences, recruiting additional cardholders to test other strategies for supporting cardholders, working with the current corporate partners to implement additional industry tests, and promoting the results to interested non-cardholder audiences.

C. What's My Score Public Education Campaign for College Students

Another very different educational effort is the Credit Card Project's *What's My Score* campaign, designed to help college students understand the importance of their credit score to their lives and careers.[112] The campaign was designed to help students understand they need to manage their credit reputation just as they manage their grade point average.

112. *See* THE SAINT PAUL FOUNDATION, WHAT'S MY SCORE, *available at* http://www.whatsmyscore.org.

The Project's Public Awareness Advisory Committee[113] recommended the Project focus on college students, as college students are a large population of at-risk consumers new to the credit card market and can be reached more easily than other populations new to the credit card market, such as recent immigrants.[114] Research on the vulnerabilities of college students to credit card debt also impacted the decision to develop a campaign for this audience. Some research shows that college students use a higher percentage of their credit card line than older adults.[115] While card usage does not indicate problems with debt management, more students than ever before have credit cards (83% in 2001, up from 67% in 1998) and 47% of students own four or more cards.[116] On average, students graduate with $3,000 in credit card debt, on top of often very large student loans.[117] Campus studies have shown a

113. This committee consists of Susan Aulie, Director, Consumer Credit Counseling Services Lutheran Social Services; Carolyn Brookter, Director, Corporate Communications, Target Corporation; Catherine Reid Day, Executive Producer, Mental Engineering; Bill Fredell, Director, Communications and Marketing, Lutheran Social Services; Richele Hansey, Wells Fargo; Lynn Heitman, Senior Vice President, U.S. Bank, Retail Payment Solutions; Rosetta Jones, Vice President Corporate Communications, Visa; Chris Langer, Vice President Marketing, Minneapolis Foundation; Megan O'Leary, Communications Associate, The Saint Paul Foundation; Linadria Porter, Assistant Vice President, Public Relations, Wells Fargo; Brooke Worden, Weber Shandwick; Brett Weinberg, Carmichael Lynch Spong; Lisa Winker, Communications Director, The Saint Paul Foundation. Members of the Project's Education Committee also advised the development of the What's My Score campaign. Education committee members include Roxane Akradi, Eagan High School Student; Jim Becker, Eagan High School Social Studies teacher; Rachel Berg, Citizen Assistant Analyst, Minnesota Attorney General's Office; Dana Farley, Director of Health Promotion, Boynton Health Service, University of Minnesota; Ken Goodpaster, Koch Endowed Chair in Business Ethics, University of St. Thomas College of Business; Nicole Holmes, Eagan High School Student; Carol Johnson, community activist and former Minnesota State Treasurer; Rosetta Jones, Vice President Corporate Communications, Visa; Jim Kroening, Director of Consumer Credit Counseling Services, Family Means; Doug Shapiro, Vice-President Research and Policy, Minnesota Private College Council; Dean Maines, Research Associate, University of St. Thomas College of Business; Neal Oliver, University of Minnesota student and orientation leader; Claudia Parliament, Director, Minnesota Council on Economic Education; Marjorie Savage, Parents Program Director, University of Minnesota; Steven Sjoblad, Fair Isaac Corporation, Dick Todd, Vice President, Federal Reserve Bank of Minneapolis. Kimberly Gartner, Director, Credit Card Project.

114. The Credit Card Project is interested in modifying the *What's My Score* campaign or developing other public education strategies to reach these populations once the effectiveness of the initial campaign for college students is well established. *See* THE CREDIT CARD PROJECT OF THE SAINT PAUL FOUNDATION, WHAT'S MY SCORE CAMPAIGN REPORT (June 2004) [hereinafter WHAT'S MY SCORE REPORT] (on file with The Saint Louis University Public Law Review).

115. STATEN & BARRON, *supra* note 3, at 8.

116. NELLIE MAE, UNDERGRADUATE STUDENTS AND CREDIT CARDS: AN ANALYSIS OF USAGE RATES AND TRENDS 2 (April 2002), *available at* http://www.nelliemae.com/library/ccstudy_2001.pdf (last visited April 18, 2005).

117. *Id.* at 3.

correlation between credit card debt and classroom difficulties. One survey indicated that students displaying credit card risk behaviors were more likely to experience physical and mental discomfort, to report difficulty concentrating on their studies, and to say that their financial situation was reducing the odds that they would complete their degree.[118] As the Project promoted the initial campaign, it learned that at least one university retention council ranked credit card debt as a top concern on their campus.[119] Other post-secondary institutions reported that they know credit card debt is a problem among their students; however, they do not have the tools they need to address this issue.[120]

The Project's *What's My Score* campaign is an attempt to provide just such a tool, in the form of a public awareness campaign aimed at inexperienced student cardholders who are just beginning to navigate the credit card marketplace. A close analysis of the consumer insights around college students and credit cards conducted for the Project by Street Factory Media, a public relations consulting company,[121] suggested that the focus for this message be on the student's credit score rather than on specific aspects of credit card use. Most college students enter the credit market with the primary intention of building their credit history.[122] Many, however, succumb to various pressures and may actually wind up destroying their credit history. Their good intentions flounder as a result of their lack of understanding of how to build good credit. The *What's My Score* campaign attempts to capitalize on students' initial motivations for obtaining credit cards—building good credit histories—and to educate them on how to achieve that goal.

Street Factory Media's research also shows that social marketing and education messages go unheard when consumers believe they can shift the blame away from themselves. However, with credit history and thus credit scores, the consumer with the proper education can assert control of his own destiny. Establishing a good credit rating can be characterized as a game everyone gets to play, with rules that are the same for everyone. Whether a person wins or loses is up to that person. The Project participants concluded that it would be unrealistic to develop messaging aimed at persuading young

118. *Id.* (citing Lyons Survey)

119. Information obtained through general conversations with Kimberly Gartner as a result of Project What's My Score activities.

120. *Id*.

121. *See* http://streetfactorymedia.com; Jim AUDETTE, THE CREDIT CARD PROJECT, PUBLIC AWARENESS CAMPAIGN, A STRATEGIC PLATFORM (2003) (on file with The Saint Louis University Public Law Review).

122. Audette, *supra* note 122, at 2. This was confirmed in research conducted by the Credit Card Project, including focus groups the Credit Card Project conducted with young adults during its initial research phase, as well as focus groups conducted with college students while developing the strategic platform and creative materials for the *What's My Score* campaign. Results of this research are on file with Kimberly Gartner. WHAT'S MY SCORE REPORT, *supra* note 114.

adults to "not play" in the credit card game. Students see too many positive benefits to having credit, and credit cards are often perceived as necessary in today's society. Instead, the strategy of this campaign focuses on a different proposition about the credit card game: "If you're going to play, play to win." A college student's credit score, like her grade point average, can be understood as a tool for achievement, reputation and access to near-term financial success. These are powerful motivators for young people, especially college students who are mortgaging their present for future financial success.

Guided by this campaign strategy, the Project developed an empowering, non-authoritative campaign designed to first change students' attitudes about credit cards, specifically to increase awareness of the importance of their credit score, increase desire to build good credit, and to increase interest in finding out how to build good credit. The ultimate goal of the *What's My Score* campaign, though, is to change behaviors. The campaign seeks to increase the number of students who know their credit score, increase the number of students who seek further education or counseling, and increase the number of students who engage in behavior that builds better credit (e.g., hold a minimum number of credit cards, make payments on time, make more than the minimum monthly payment).

To develop this campaign, the Project worked with Clarity Coverdale Fury, an elite creative agency whose current clients include Mothers Against Drunk Driving, Old Chicago Restaurants, Malt-O-Meal, and Medtronic.[123] The campaign itself consists of both traditional advertising and non-traditional, guerrilla tactics. The print advertisements, which also doubled as posters placed around campus, focused on issues important and relevant to college students. For example, one advertisement depicted a rusty, old, beat-up car with the headline, "When you're ready for a nicer car, you'll be glad you have a good credit score." Other ads showed the importance of having a good credit score when looking to upgrade to a nicer entertainment system or a better job.[124]

123. Information about Clarity Coverdale Fury can be found at http://www.claritycoverdalefury.com/nav.html. CCF donated significant pro bono creative services while working with the Credit Card Project on this campaign.

124. The text of the ads read: "If you have a credit card, you have a credit score. And it's tough to fix once the damage is done. It's a lot like your GPA: one bad grade (or missed payment) can do some serious damage. And not only do lenders judge you by it, so do landlords, insurance companies and even employers. But if you manage your credit wisely, you can use it to your advantage. Learn how to at whatsmyscore.org."


WHEN YOU'RE READY FOR
A NICER CAR
you'll be glad you have a
good credit score.


WHEN YOU'RE READY FOR
A REAL JOB
you'll be glad you have a
good credit score.
Happy Birthday!

Electronic videos mirrored the print advertisement messages and were emailed to students. These advertisements were all completely unbranded both to distinguish the campaign from credit card issuer propaganda and to build maximum credibility for the campaign with the student audience.

The non-traditional or guerrilla marketing techniques were designed to virally promote the campaign around campus and to reinforce the traditional advertising. Door hangers, which were placed on doors in the dormitories and off-campus housing, read, "Unless you plan on living in an apartment this size until you're 30, you'll be glad you have a good credit score."[125] Clings were placed on the windows of cars around campus and read, "Nice car. Unless you plan on driving it when you're 30, you'll be glad you have a good credit score."[126] All materials referred students to the campaign website, www.whatsmyscore.org, for more information.

In conjunction with this advertising, an interactive, touch screen computer kiosk that estimates a student's credit score was also placed on campus. The score estimator was developed by a Project participant, Fair Isaac Corporation, the major provider of credit scoring in the country.[127] By answering ten questions on their credit history, students and other consumers obtain an estimate of their FICO™ credit score and receive an illustration of how this credit score might impact interest rates and thus costs of car and mortgage loans.

The *What's My Score* campaign was initially launched at two Minnesota universities during the first week of March 2004 and ran for ten weeks.[128] Prior to the start of the campaign, a web-based pre-test was distributed to all 1900 undergraduate students at Hamline University in St. Paul, Minnesota. Student respondents were entered in a drawing for movie tickets to increase the response rate, which was 18% for the pre-test. The web-based survey was again distributed to all undergraduate students at the conclusion of the campaign as a post-test. Cash prizes were offered as an incentive for students in hopes of obtaining a strong response rate, a serious concern as the post-test survey was conducted during finals week. The post-test survey resulted in a 16% response rate.

An analysis of the survey results shows that the pilot campaign—though brief and not always operating at full speed—achieved significant positive results in achieving the initial step of raising student awareness of credit scores

125. Examples of marketing materials are on file with author.

126. *Id*.

127. See http://www.fairisaac.com/Fairisaac/Company/Profile/ for a company profile.

128. See WHAT'S MY SCORE REPORT, *supra* note 114, for a description of the campaign. The information regarding the implementation, execution and results of the campaign is found in this report.

and educating them about its significance. After ten weeks, overall awareness of credit score rose by 50% (from 56 to 84%), ability to correctly define credit score increased by 35%, awareness that credit scores can determine future employment opportunities increased by 34%, and awareness that credit score can determine future landlords' decisions increased by 14%.

The survey showed behaviors around credit cards remained unchanged. For example, approximately the same percentage of students in the pre- and post-test made just the minimum payment each month, had to miss or skip a monthly credit card payment, and held three or more credit cards. This is not unexpected after the first year or two of a campaign, let alone the first ten weeks.

To test our target audiences' receptivity and understanding of the campaign's primary marketing executions, the Project conducted thirteen in-depth, one-on-one interviews with students from both pilot campuses. Students received a $30 Target gift card in exchange for their participation. While young people are the most susceptible to advertising, they are also extremely defiant about admitting it. They are almost universal in their steadfast claim that "advertising doesn't affect me." They will say an ad is "stupid," while at the same time indicating they have accepted and internalized all the key messages within the ad. This makes qualitative probing for true consumer feedback somewhat difficult. However, it is surprising how much still can be learned about the advertising and how it is affecting the target consumer. The in-depth interviews proved very helpful to analyzing whether the messages were being understood, how much credibility they were being given and whether they were beginning to change student attitudes.

The student feedback indicated the key messages were indeed getting across. Students said the advertisements, "[*g*]*ive you an idea of the implications if you don't use [credit cards] correctly*," they remind you to "[*m*]*ake sure you stay on top of your payments*," and stress "[*i*]*f you want better things, you need to maintain and improve your credit.*"

Clearly, the students seemed to understand the message about credit scores, which is usually half the battle. But did they actually believe it? The in-depth interviews indicate that they did. The messages made sense. The ads talked about issues that were immediately important to them: better jobs, cars and other things. More importantly, the ads were beginning to create a healthy amount of internal anxiety: "*I know there are things I want to do, buy a house, and I need a good score, not card balances*" and "*Do stupid things with your credit and you can't do anything in the future.*" Furthermore, students were making the connection between the concept of credit score and the real world problems related to credit card overuse: "*It makes me think of people with high balances who can't make the payment and how that will affect their opportunities.*"

Students overwhelmingly thought the ads were coming from a peer, from someone on their side who was looking out for them: "*It's like a friend saying, look at what I'm doing. You don't want to be doing this*." When asked if they think it is coming from a credit card company, almost all students said, "No." Students reported, "*No. I'm so used to hearing from companies because they want to give me a card, not warn me about how to use it well.*" and "*No, absolutely not. (These ads) are encouraging you to have good credit, but companies go after college kids to make money*." These results speak to the importance of the unbranded campaign. Credit card issuers are not perceived as being on the side of the consumer, especially the college student. These ads stand apart from the typical marketing college students see from card issuers.

Along the "Upgrade" theme, different ads sunk in deeper with different students, depending on their particular circumstances and short-term outlook. Their reactions included:

> *"I liked that one. So many of us have junked cars."*
>
> *"College students aren't thinking about a home, a job. But a car is cool, it's superficial."*
>
> *"The real job hits home, because I can do without a nice car."*
>
> *"I'm most concerned about finding a job. [The Bunny ad] would spark your interest and concern that a credit check could make you lose an opportunity."*
>
> *"[The entertainment center ad] hits home, the material possessions."*
>
> *"The door hangers — I want to buy a house, so it makes me think of my situation."*

Students all seemed to have additional ideas for "Upgrade" ads (eg, trips, boats, motorcycles) that demonstrate this messaging theme still holds a lot of creative potential for being expanded with new executions in the future. Overall, the survey shows that the *What's My Score* campaign holds great promise for raising young adults' awareness of the importance of their credit score and the need to build good credit by using their credit cards responsibly. The Credit Card Project continues to incubate the *What's My Score* campaign at various post-secondary institutions and to evaluate the effectiveness of the campaign.[129]

129. The Credit Card Project has also created an educational booklet to provide more information to students on their credit score, the components of a credit score, and how their credit behavior might impact their score, as well as a *What's My Score* campaign package, which includes all the information a college needs to run the campaign at their own institution.

IV. CONCLUSION

Increased concern about credit card debt levels among college students has generated much attention, but has not prompted any specific legislation or regulatory initiatives on the federal level. Although complex federalism issues in banking law substantially limit the ability of states to regulate in this area, a number of states have enacted legislation in the areas over which they retain some authority, such as debt collection. Most of the state laws, however, are limited to encouraging or requiring colleges to provide some form of financial education. The Credit Card Project of The Saint Paul Foundation, a unique initiative with participation by representatives of most of the significant stakeholders with respect to this issue, is beginning to generate findings suggesting that such financial education initiatives can generate positive changes in college student credit card holder behavior.