

STATE OF RHODE ISLAND

IN GENERAL ASSEMBLY

JANUARY SESSION, A.D. 2002

A N A C T

RELATING TO COMMERCIAL LAW -- CREDIT CARD SOLICITATION

Introduced By: Representatives Schadone, Kennedy, Corvese, Anguilla, and Reilly

Date Introduced: January 29, 2002

Referred To: House Corporations

It is enacted by the General Assembly as follows:

1 SECTION 1. Title 6 of the General Laws entitled "Commercial Law - General
2 Regulatory Provisions" is hereby amended by adding thereto the following chapter:

3 CHAPTER 30.1

4 SOLICITATION OF COLLEGE STUDENT CREDIT CARD APPLICATIONS

5 **6-30.1-1. Declaration of purpose.** -- Given the increased use of credit cards by college
6 students and a concurrent increase in their default rate, the general assembly finds and declares
7 that college students need debt education programs and responsible practices by credit card
8 companies that solicit college students that do not include promotional incentives.

9 **6-30.1-2. Definitions.** – For purposes of this chapter:

10 (1) “College campus” means the premises and grounds of an institution of higher
11 education;

12 (2) “Credit card” means any single card, plate, coupon book, or other single credit device
13 that is reusable by a debtor from time to time to obtain extensions of credit under a revolving
14 credit plan;

15 (3) “Credit card issuer” means the business organization or financial institution, or its
16 authorized agent which issues a credit card;

17 (4) “Credit card marketing activity” means any activity of an agency or employee of a
18 credit card issuer that is designed to encourage students at an institution of higher education in the
19 state to apply for a credit card;

20 (5) “Student” means any person under the age of twenty-five (25) who is enrolled in an

1 institution of higher education.

2 **6-30.1-3. Registration.** – (a) Prior to engaging in any credit card marketing activity on
3 any college campus, a credit card issuer shall register its intent to conduct such activity with an
4 official designated by the governing board of the educational institution for that purpose.

5 (1) The governing boards of institutions of higher education shall adopt policies
6 regarding the form and place for registration.

7 (2) All registration forms must include the credit card issuer’s principal place of business
8 and a statement of the annual interest rate and annual fee.

9 **6-30.1-4. Promotional incentives prohibited.** – It shall be unlawful to offer gifts on
10 college campuses in connection with the solicitation of credit cards to students.

11 **6-30.1-5. Credit Seminar.** – (a) Nothing in this chapter shall be construed to prevent
12 institutions of higher education from forbidding the credit card solicitation of their students. If an
13 institution permits credit card marketing activity aimed at its students, that institution must
14 require all its new students to attend a comprehensive seminar on the responsible use of credit.
15 Said seminar should include the following:

16 (1) A full explanation of the financial consequences of not paying off credit card balances
17 in full within the time specified by the billing statement to avoid interest charges, including an
18 explanation of how the credit card issuer computes interest on unpaid balances;

19 (2) A full explanation of the impact of a shift from an introductory or initial interest rate
20 to an ongoing interest rate that is higher, including the exact time when the higher ongoing
21 interest rate takes effect, and a description of acts on the part of the cardholder that will cause an
22 immediate shift to the higher interest rate;

23 (3) A full explanation, with examples, of how long it would take to pay off various
24 illustrative balance amounts by paying the minimum monthly payment required under the credit
25 card agreement at the interest rate charged by the credit card issuer;

26 (4) A full explanation of credit related terms, including fixed rates, variable rates,
27 introductory rates, balance transfers, grace periods, annual fees, and any other fees charged by the
28 credit card issuer; and

29 (5) A full discussion of the generally accepted prudent uses of credit, and the
30 consequences of imprudent uses, as presented by recognized consumer credit counseling
31 agencies.

32 (b) An institution of higher education shall issue, to all qualifying students, a certificate
33 of successful completion of the credit seminar.

34 **6-30.1-6. Penalty for violation.** – Anyone who violates any provision of this chapter

1 shall be guilty of a misdemeanor. Any person, firm or corporation directly or acquiring derivative
2 rights therefrom, shall be prohibited from maintaining any civil action for the recovery of any
3 debt created through the use of any credit card obtained in violation of this chapter.

4 SECTION 2. This act shall take effect upon passage.

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EXPLANATION
BY THE LEGISLATIVE COUNCIL
OF
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RELATING TO COMMERCIAL LAW -- CREDIT CARD SOLICITATION

1 This act would comprehensively and responsibly regulate the credit card solicitation of
2 college students.

3 This act would take effect upon passage.

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