An act to amend Section 1747.02 of the Civil Code, and to add Chapter 1.3 (commencing with Section 99030) to Part 65 of the Education Code, relating to credit cards.

LEGISLATIVE COUNSEL'S DIGEST

AB 521, Koretz. Credit cards: student credit cards: credit card marketing practices.

(1) Existing law, known as the Song-Beverly Credit Card Act of 1971, prohibits the issuance of a credit card, as defined, except in response to an oral or written request or application, or as a renewal of, or in substitution for, an accepted credit card.

This bill would define a student credit card as a credit card that is provided to a student at a public or private college or university, and that is provided to that student solely based on his or her enrollment in a public or private university, or is provided to a student who would not otherwise qualify for that credit card on the basis of his or her income. The bill would provide that a student credit card does not include a credit card issued to a student who has a cocardholder or cosigner who would otherwise qualify for a credit card other than a student credit card.

(2) Existing law establishes the various segments of the higher education system in the state. These segments include the University of California, which is administered by the Regents of the University of California, the California State University, which is administered by the Trustees of the California State University, the California Community Colleges, which is administered by the Board of Governors of the California Community Colleges, and various private and independent colleges and universities.

This bill would request the regents and the governing body of each accredited private or independent college or university in the state, and require the trustees and the board of governors, to adopt policies to regulate the marketing practices used on campuses by credit card companies.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 1747.02 of the Civil Code is amended to read:
1747.02. As used in this title:
(a) "Credit card" means any card, plate, coupon book, or other single credit device existing for the purpose of being used from time to time upon presentation to obtain money, property, labor, or services on credit. "Credit card" does not mean any of the following:

(1) Any single credit device used to obtain telephone property, labor, or services in any transaction under public utility tariffs.

(2) Any device that may be used to obtain credit pursuant to an electronic fund transfer, but only if the credit is obtained under an agreement between a consumer and a financial institution to extend credit when the consumer's asset account is overdrawn or to maintain a specified minimum balance in the consumer's asset account.

(3) Any key or card key used at an automated dispensing outlet to obtain or purchase petroleum products, as defined in subdivision (c) of Section 13401 of the Business and Professions Code, that will be used primarily for business rather than personal or family purposes.

(b) "Accepted credit card" means any credit card that the cardholder has requested or applied for and received or has signed, or has used, or has authorized another person to use, for the purpose of obtaining money, property, labor, or services on credit. Any credit card issued in renewal of, or in substitution for, an accepted credit card becomes an accepted credit card when received by the cardholder, whether the credit card is issued by the same or a successor card issuer.

(c) "Card issuer" means any person who issues a credit card or the agent of that person for that purpose with respect to the credit card.

(d) "Cardholder" means a natural person to whom a credit card is issued for consumer credit purposes, or a natural person who has agreed with the card issuer to pay consumer credit obligations arising from the issuance of a credit card to another natural person.

For purposes of Sections 1747.05, 1747.10, and 1747.20, the term includes any person to whom a credit card is issued for any purpose, including business, commercial, or agricultural use, or a person who has agreed with the card issuer to pay obligations arising from the issuance of that credit card to another person.

(e) "Retailer" means every person other than a card issuer who furnishes money, goods, services, or anything else of value upon presentation of a credit card by a cardholder. "Retailer" shall not mean the state, a county, city, city and county, or any other public agency.

(f) "Unauthorized use" means the use of a credit card by a person, other than the cardholder, (1) who does not have actual, implied, or apparent authority for that use and (2) from which the cardholder receives no benefit. "Unauthorized use" does not include the use of a credit card by a person who has been given authority by the cardholder to use the credit card. Any attempted termination by the cardholder of the person's authority is ineffective as against the card issuer until the cardholder complies with the procedures required by the card issuer to terminate that authority. Notwithstanding the above, following the card issuer's receipt of oral or written notice from a cardholder indicating that it wishes to terminate the authority of a previously authorized user of a credit card, the card issuer shall follow its usual procedures for precluding any further use of a credit card by an unauthorized person.

(g) An "inquiry" is a writing that is posted by mail to the address of the card issuer to which payments are normally tendered, unless another address is specifically indicated on the statement for
that purpose, then to that other address, and that is received by
the card issuer no later than 60 days after the card issuer
transmitted the first periodic statement that reflects the alleged
billing error, and that does all of the following:

(1) Sets forth sufficient information to enable the card issuer to
identify the cardholder and the account.

(2) Sufficiently identifies the billing error.

(3) Sets forth information providing the basis for the cardholder's
belief that the billing error exists.

(h) A "response" is a writing that is responsive to an inquiry and
mailed to the cardholder's address last known to the card issuer.

(i) A "timely response" is a response that is mailed within two
complete billing cycles, but in no event later than 90 days, after
the card issuer receives an inquiry.

(j) A "billing error" means an error by omission or commission in
(1) posting any debit or credit, or (2) in computation or similar
error of an accounting nature contained in a statement given to the
cardholder by the card issuer. A "billing error" does not mean any
dispute with respect to value, quality, or quantity of goods,
services, or other benefit obtained through use of a credit card.

(k) "Adequate notice" means a printed notice to a cardholder that
sets forth the pertinent facts clearly and conspicuously so that a
person against whom it is to operate could reasonably be expected to
have noticed it and understood its meaning.

(l) "Secured credit card" means any credit card issued under an
agreement or other instrument that pledges, hypothecates, or places a
lien on real property or money or other personal property to secure
the cardholder's obligations to the card issuer.

(m) "Student credit card" means any credit card that is provided
to a student at a public or private college or university and is
provided to that student solely based on his or her enrollment in a
public or private university, or is provided to a student who would
not otherwise qualify for that credit card on the basis of his or her
income. A "student credit card" does not include a credit card
issued to a student who has a cocardholder or cosigner who would
otherwise qualify for a credit card other than a student credit card.

SEC. 2. Chapter 1.3 (commencing with Section 99030) is added to
Part 65 of the Education Code, to read:

CHAPTER 1.3. THE STUDENT FINANCIAL RESPONSIBILITY ACT

99030. The Regents of the University of California and the
governing body of each accredited private or independent college or
university in the state are requested to, and the Trustees of the
California State University and the Board of Governors of the
California Community Colleges shall, adopt policies to regulate the
marketing practices used on campuses by credit card companies. In
adopting the policies, it is the intent of the Legislature that those
entities consider including all of the following requirements:

(a) That sites at which student credit cards are marketed be
registered with the campus administration and that consideration be
given to limiting the number of sites allowed on a campus.

(b) That marketers of student credit cards be prohibited from
offering gifts to students for filling out credit card applications.

(c) That credit card and debt education and counseling sessions
become a regular part of campus orientation of new students. 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.

(d) For the purposes of this chapter, "student credit card" has the meaning set forth in subdivision (m) of Section 1747.02 of the Civil Code.