United States Government Accountability Office

Report to Congressional Committees

February 2014

CREDIT CARDS

Marketing to College Students Appears to Have Declined

GAO-14-225

GAO Highlights

Highlights of GAO-14-225, a report to congressional committees

February 2014

CREDIT CARDS

Marketing to College Students Appears to Have Declined

Why GAO Did This Study

Institutions of higher education, alumni groups, and other affiliated organizations may enter into agreements with credit card issuers for "college affinity cards," in which issuers use the institution's name or logo in exchange for payments. Separately, some credit card issuers offer "college student credit cards," which are expressly targeted to students. Partly in response to concerns about card issuer practices and rising student credit card debt, Congress passed the Credit Card Accountability Responsibility and Disclosure Act of 2009. The act includes consumer protections and requires disclosures specifically for consumers under the age of 21, including limits to on-campus credit card marketing and requirements for public disclosure of affinity card agreements. The act mandates that GAO review these agreements and assess their effect on student credit card debt.

This report examines (1) trends associated with and characteristics of college affinity card agreements, (2) the extent of marketing for college affinity cards and college student credit cards, and (3) what is known about the effect of use of these cards on student credit card debt. GAO analyzed data from the Federal Reserve and CFPB, including a sample of 39 affinity agreements filed by the issuers. GAO also analyzed data on student credit card use or indebtedness, and interviewed officials from federal agencies, credit card issuers, and affiliated organizations.

What GAO Recommends

GAO makes no recommendations in this report.

View GAO-14-225. For more information, contact Alicia Puente Cackley at (202) 512-8678 or cackleya@gao.gov.

What GAO Found

Trends associated with college affinity card agreements include fewer agreements and cardholders and declining payments, according to data GAO analyzed from the Board of Governors of the Federal Reserve System (Federal Reserve) and the Bureau of Consumer Financial Protection (CFPB). The number of affinity card agreements declined from 1,045 in 2009 to 617 in 2012 (41 percent). More than 70 percent of the agreements in 2012 were with institutions of higher education or alumni organizations, and one issuer—FIA Card Services, a subsidiary of Bank of America—had 67 percent of all agreements. Affinity card issuers paid $50.4 million to all organizations in 2012, 40 percent less than in 2009. In most cases, payments were based on numbers of cardholders and the amount spent on the cards. The card agreements covered contractual obligations related to such things as marketing practices, target populations, use of the organization's logo or trademark, terms of payment, and, in some cases, service standards.

Student-focused marketing of affinity and student cards on campus appears to have declined. Four large affinity card issuers GAO interviewed (representing 91 percent of cardholders) said that they primarily targeted alumni and no longer marketed affinity cards directly to students. In interviews with GAO, institutions of higher education and affiliated organizations agreed that affinity card marketing directly to students had ceased. In addition, five of the nine largest overall credit card issuers that also issue college student credit cards told GAO they no longer actively marketed these cards (such as through direct mail, e-mail, or on-campus activity), but rather relied upon websites and bank branches. Representatives of five institutions with large affinity card agreements told GAO that they generally noticed a decline in on-campus credit card marketing in recent years. Consistent with these observations, available data show a decline in card solicitations to students in recent years. For example, a survey of students in 2013 by Student Monitor, a research firm, found that 6 percent of students reported obtaining a credit card as a result of a direct mail solicitation, compared with 36 percent in 2000.

Data are not available to definitively determine the effect that affinity cards and college student credit cards have had on student credit card debt. For affinity cards, the effect may be limited because fewer students appear to hold such cards. For college student credit cards, the effect is difficult to determine because data are available for credit cards in general but not for student credit cards in particular. However, students' overall use of credit cards appears to have declined in recent years. For example, Student Monitor reported 33 percent of students owned credit cards in 2013 versus 53 percent in 2004, a trend corroborated by several other studies that GAO identified. But Student Monitor found that students with credit cards in their names increasingly obtained the cards before starting college. In addition, it found that in 2013, students charged an average of $171 monthly on their cards, 80 percent of the cards had a credit limit of $1,000 or less, and 72 percent of students said they paid their outstanding charges in full each month. Student Monitor also reported that one quarter of students in 2013 paid a late payment fee at least once since they acquired the credit card, with almost half of those paying more than once.

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Abbreviations

CFPB	Bureau of Consumer Financial Protection
DCI	data collection instrument

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February 25, 2014

The Honorable Tim Johnson
Chairman
The Honorable Mike Crapo
Ranking Member
Committee on Banking, Housing, and Urban Affairs
United States Senate

The Honorable Jeb Hensarling
Chairman
The Honorable Maxine Waters
Ranking Member
Committee on Financial Services
House of Representatives

Institutions of higher education and affiliated organizations, such as alumni associations, sometimes have agreements with credit card issuers for "college affinity cards." These cards often bear the name or logo of the school or organization, and, in return, the issuer pays a portion of the proceeds of the credit card to the school or organization. In addition, some card issuers offer "college student credit cards" that are unaffiliated with a particular institution but designed specifically for college students. Consumer advocates and some members of Congress have had concerns in recent years about student credit card debt and the marketing practices, such as on-campus solicitations, used to enroll students in cards.[1]

To address some of these concerns, Congress passed the Credit Card Accountability Responsibility and Disclosure Act of 2009 (CARD Act).[2] Among other things, the act requires card issuers to file annually with federal regulators the terms and conditions of their college affinity credit card agreements with institutions of higher education or affiliated

[1]We conducted a separate review on debit and prepaid cards offered to students through agreements between schools and financial service providers. GAO, *College Debit Cards: Actions Needed to Address ATM Access, Student Choice, and Transparency*, GAO-14-91 (Washington, D.C.: Feb. 13, 2014).

[2]Pub. L. No. 111-24, 123 Stat. 1734.

organizations.[3] The CARD Act also mandates that we report on several issues related to college affinity and college student credit cards.[4] This report examines (1) the trends associated with and characteristics of college affinity card agreements, (2) the extent of marketing for college affinity and college student credit cards, and (3) what is known about the effect of the use of affinity cards and student credit cards on student credit card debt.

To address our first objective, we reviewed annual reports submitted to Congress by the Board of Governors of the Federal Reserve System (Federal Reserve) and the Bureau of Consumer Financial Protection, also known as the Consumer Financial Protection Bureau (CFPB), and analyzed the public database of agreements that are reported by issuers annually to them. We assessed the reliability of these databases by interviewing Federal Reserve and CFPB officials knowledgeable about the data and checking the data for illogical values or obvious errors. We found the data to be sufficiently reliable for describing the general characteristics and trends of the affinity card marketplace. For in-depth analysis, we further selected a subset of active agreements using a nonprobability sample of 39 college affinity card agreements between issuers and institutions of higher education or affiliated organizations from 2011 (the most recent year for which the agreements were available).[5] The sample included the agreements with the largest number of cardholders overall, for each issuer, and for institutions of higher education. Collectively, the agreements in our sample covered about 38 percent of all cardholders associated with affinity credit cards in 2011, which allows us to make statements of context and describe multiple factors relating to college credit card agreements. Findings from this limited review cannot be generalized to the overall population of all agreements for college affinity cards in 2011. We also interviewed representatives of six institutions of higher education and affiliated

[3]§ 305(a), 123 Stat. at 1749-50 (codified at 15 U.S.C. § 1637(r)(2)).

[4]The CARD Act mandates that we review the annual reports submitted by card issuers as well as their marketing practices to determine the impact that college affinity card agreements and college student card agreements have on credit card debt. § 305(b), 123 Stat. at 1750-51.

[5]Results from nonprobability samples cannot be used to make inferences about a population, because in a nonprobability sample some elements of a population being studied have no chance or an unknown chance of being selected as part of the sample.

organizations, including those party to three of the four largest agreements, as determined by number of cardholders. For the second and third objectives, we reviewed studies, such as those by Sallie Mae and Student Monitor, on student credit card use or indebtedness.[6] We assessed these data by interviewing Student Monitor and Sallie Mae officials knowledgeable about the data and checked the data for illogical values or obvious errors and found them to be sufficiently reliable for providing general information on student credit card use. Furthermore, we interviewed representatives of seven credit card issuers, which included the five largest general credit card issuers as determined by portfolio size in 2011. Four of these seven issuers offered affinity credit cards, representing 91 percent of the affinity card market in 2012, as measured by number of cardholders. Five of these seven issuers also offered student credit cards. Finally, we interviewed academics and representatives of federal agencies and other organizations that have studied issues related to college affinity cards or college students' credit card use.

We conducted this performance audit from December 2012 to February 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Almost 537 million general-purpose credit cards were in circulation in the United States as of the end of 2012.[7] Since at least the early 1990s, some credit card issuers have offered college affinity cards, which are governed by contracts (agreements) between the issuer and an organization such as a college, university, or alumni association. The cards typically bear the organization's logo. In return, the issuer makes payments to the organization based on factors such as the number of cards issued or the amount charged to the cards. College affinity cards

[6] Sallie Mae originates and services loans to and collects loans from students and families to help them finance the cost of their education. Student Monitor is a market research firm focused exclusively on the student marketplace.

[7] *The Nilson Report*, no. 1012 (February 2013).

can be an effective way for issuers to market credit cards because college alumni often have an attachment to their schools.

In addition, some credit card issuers, including banks and credit unions, offer college student credit cards—cards that are specifically labeled and intended for college students. As of November 2013, 6 of the 10 largest credit card issuers offered these cards, such as Citibank's Citi Dividend Card for College Students and Bank of America's BankAmericard Cash Rewards for Students.[8] Issuers use these cards to help build a base of customers who may continue using the issuers' credit cards after graduation. The terms and conditions of college student credit cards may be somewhat different from those of other credit cards—for example, they may have lower initial credit limits.[9]

In 2009, the CARD Act changed the marketing and terms and conditions of credit cards for young people, requiring additional consumer protections and disclosures for students and consumers under the age of 21.[10] Among other things, the act requires that

- any new credit card application for someone under 21 contain either (1) a co-signer over 21 who has the ability to make payments on the debts from the account and who will be jointly liable for debts incurred by the applicant until he or she is age 21, or (2) supporting information showing that the applicant would have the independent ability to make payments on any debt incurred from the use of the card (an "ability to pay");
- co-signers of such accounts approve increased credit lines until the cardholder is 21;
- card issuers not obtain a credit report for someone under 21 to use to make an unsolicited prescreened credit offer; and

[8]Largest credit card issuers as measured by the number of general-purpose credit cards in circulation in 2012, the most recent year for which data were available, according to *The Nilson Report*, no. 1012 (February 2013). The six issuers were Capital One Financial Corporation, Citigroup Inc., Bank of America Corporation, Discover Financial Services, U.S. Bancorp, Wells Fargo & Company, and Barclays Bank Delaware.

[9]We previously reported on college students' credit card use in 2001. See GAO, *Consumer Finance: College Students and Credit Cards*, GAO-01-773 (Washington, D.C.: June 20, 2001).

[10]Pub. L. No. 111-24, §§ 301-304, 123 Stat. 1734,1747-49.

- card issuers and creditors not offer a student any tangible item to induce the student to apply for or participate in a credit card on or near the campus of the institution of higher education or at an event sponsored by or related to an institution of higher education.

The act also requires credit card issuers to submit to CFPB each year the terms and conditions of any college affinity credit card agreement between the issuer and an institution of higher education or an affiliated organization in effect at any time during the preceding calendar year.[11] In addition to a copy of any college credit card agreement to which the issuer was a party, issuers also must submit summary information for each agreement, such as the number of cardholders covered with accounts open at year-end (regardless of when the account was opened) and the payments made by the issuer to the institution or organization during the year.[12] CFPB must submit to Congress, and make available to the public, an annual report that contains the information submitted by the card issuers to CFPB.[13] On December 17, 2013, CFPB issued the fourth annual report, which covered the 2012 calendar year.

[11]§ 305(a); 12 C.F.R. § 1026.57(d). Implementation of the CARD Act, including receipt of the issuer submissions, was vested originally with the Federal Reserve but transferred to CFPB on July 21, 2011, pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010).

[12]§ 305(a): 12 C.F.R. § 1026.57(d). Issuers also must provide the number of new cardholders who opened accounts during the year, and any memorandum of understanding between the issuer and school or affiliated organization that directly or indirectly relates to any aspect of the agreement. *Id.*

[13]§ 305(a). The Federal Reserve submitted the 2009 and 2010 reports, and CFPB submitted the 2011 and 2012 reports.

Changes in the College Affinity Card Market Since the CARD Act

Number of Card Agreements, Cardholders, and Payments Declined in 2009–2012

Since the CARD Act was passed in 2009, the numbers of college affinity card agreements and cardholders have decreased, according to data from the Federal Reserve and CFPB. From 2009 through 2012, the number of card agreements declined from 1,045 to 617 (41 percent). Similarly, the total number of cardholders for college affinity cards declined by 40 percent (see table 1).

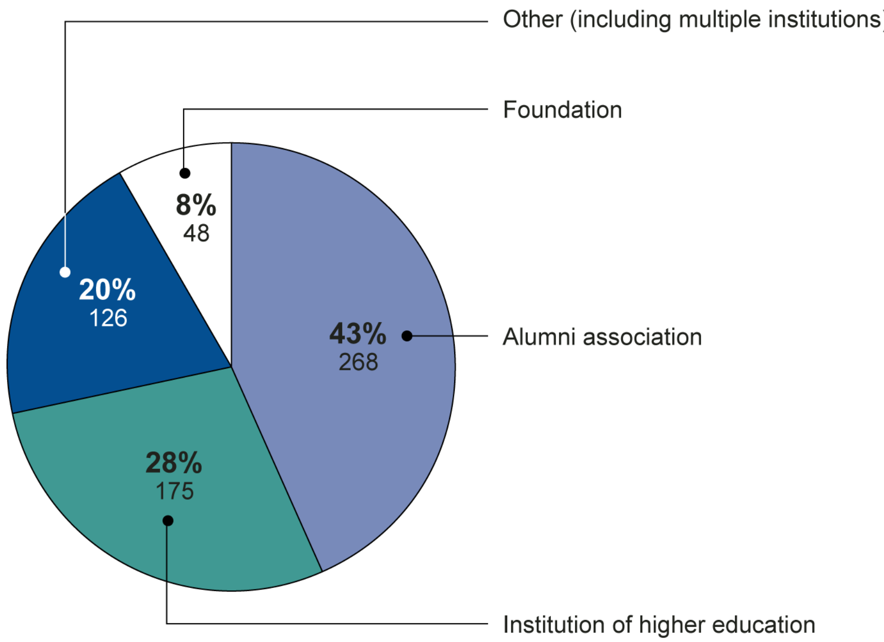
Table 1: College Affinity Card Agreements, Cardholders, and New Cardholders, 2009-2012

	2009	2010	2011	2012	Net change, 2009–2012	Percent change, 2009–2012
Number of agreements	1,045	1,005	796	617	(428)	-41%
Number of cardholders as of Dec. 31	2,041,511	1,709,054	1,503,664	1,222,718	(818,793)	-40%
Number of new cardholders	55,747	46,385	43,227	45,519	(10,228)	-18%

Source: CFPB.

In 2012, 43 percent of the 617 college affinity card agreements were with alumni associations and 28 percent were with a college, university, or other institution of higher education (see fig 1).

Figure 1: Prevalence of Affinity Card Agreements by Organization Type, 2012

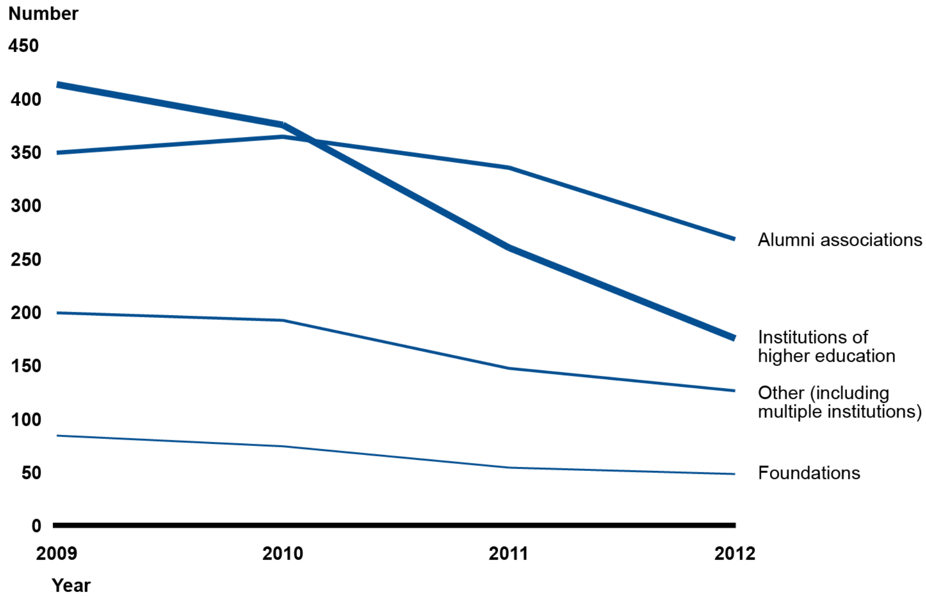


Source: GAO analysis of CFPB report.

Note: The percentages in the four categories do not add up to 100 percent due to rounding. “Other” includes fraternities, sororities, and professional or trade organizations, as well as agreements with multiple organizations, such as a university and an alumni association.

Among these organization types, the greatest decline in the number of card agreements since 2009 was for institutions of higher education (see fig. 2).

Figure 2: Number of Affinity Card Agreements, by Organization Type, 2009-2012



Source: GAO analysis of Federal Reserve and CFPB reports.

In contrast, the largest decline in the number of overall cardholders occurred within alumni associations, while "other" organizations (a category that includes fraternities, sororities, and professional or trade organizations) had the largest decrease in the number of new cardholders (see table 2).

Table 2: Affinity Card Agreements, Cardholders, and New Cardholders, by Organization Type, 2009-2012

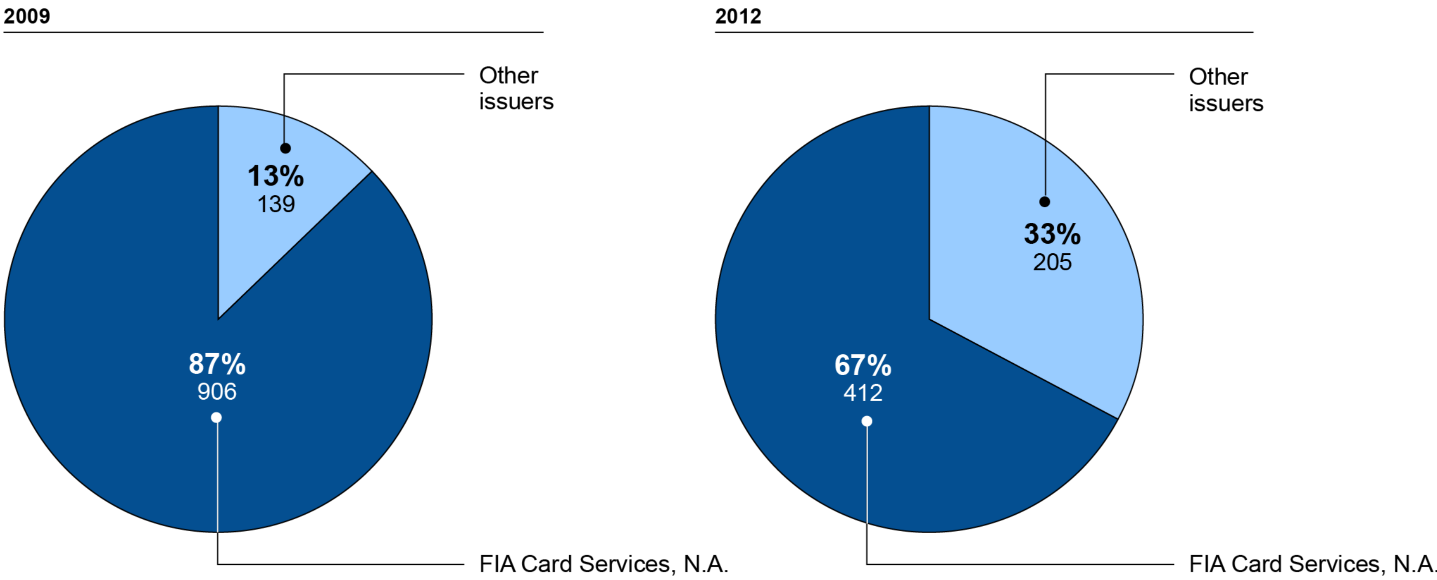
	Number of agreements		Number of cardholders		Number of new cardholders	
	Net change	% Change	Net change	% Change	Net change	% Change
Alumni association	(81)	-23%	(290,196)	-28%	3,779	13%
Foundation	(36)	-43%	(55,238)	-41%	(2,137)	-53%
Institution of higher education	(238)	-58%	(230,732)	-51%	(4,077)	-32%
Other (including multiple organizations)	(73)	-37%	(242,627)	-57%	(7,793)	-73%
Total	**(428)**	**-41%**	**(818,793)**	**-40%**	**(10,228)**	**-18%**

Source: GAO analysis of Federal Reserve and CFPB reports.

Note: Reported numbers include corrections filed with the Federal Reserve and CFPB after the initial report was issued.

In 2012, 23 credit card issuers offered college affinity cards.[14] One issuer—FIA Card Services, N.A., a subsidiary of Bank of America—had 412 of the 617 reported agreements (67 percent of the market). However, as seen in figure 3, the company's market share has dropped since 2009.

Figure 3: Number of Affinity Card Agreements, FIA Card Services and Other Issuers, 2009 and 2012



Source: GAO analysis of Federal Reserve and CFPB reports.

Most affinity card issuers had a small number of card agreements—for example, the majority of issuers had one or two affinity card agreements (see table 3).

[14]We counted two entities that filed agreements separately–Capital One Bank (USA), N.A. and Capital One, N.A.–as a single issuer because both are subsidiaries of Capital One Financial Corporation.

Table 3: Number of Agreements by Issuer, 2009-2012

	2009	2010	2011	2012	Net Change, 2009–2012
FIA Card Services, N.A.	906	848	633	412	(494)
Capital One Bank[a]	1	10	32	55	54
U.S. Bank National Association ND	60	54	51	48	(12)
UMB Bank, N.A.	6	23	22	39	33
Chase Bank USA, N.A.	36	28	17	15	(21)
Pennsylvania State Employees Credit Union	13	13	13	14	1
INTRUST Bank, N.A.	8	9	10	10	2
USAA Savings Bank	1	2	2	4	3
Compass Bank	1	2	3	2	1
GE Capital Retail Bank	3	2	2	2	(1)
Michigan State University Federal Credit Union	1	2	2	2	1
Oregon Community Credit Union and OCCU Card Services, LLC	-	-	-	2	2
Pen Air Federal Credit Union	-	1	1	2	2
Banco Popular de Puerto Rico	1	1	1	1	-
Barclays Bank Delaware	1	1	1	1	-
Carolina Trust Federal Credit Union	-	1	1	1	1
Elevations Credit Union	1	1	1	1	-
MIT Credit Union	-	-	-	1	1
PNC Bank, National Association	2	2	1	1	(1)
Purdue Federal Credit Union	1	1	1	1	-
University of Illinois Employees Credit Union	-	1	1	1	1
USC Credit Union	-	1	1	1	1
Wright-Patt Credit Union, Inc.	-	-	-	1	1
Commerce Bank, N.A.	1	-	-	-	(1)
First National Bank of Omaha	2	2	-	-	(2)
Total	**1,045**	**1,005**	**796**	**617**	**(428)**

Source: GAO analysis of Federal Reserve and CFPB reports.

[a]Includes agreements filed by Capital One Bank (USA), N.A. and Capital One, N.A.

The payments that card issuers made to institutions with which they had affinity card agreements have decreased since 2009, consistent with the decline in the number of agreements and cardholders.[15] As shown in table 4, affinity card issuers made payments of $50.4 million to participating institutions in 2012. The median payment in 2012 was about $5,000, while the average (mean) was about $82,000, with alumni associations receiving the highest average payment.

Table 4: Total Payments, Average Payments, and Median Payments from Affinity Card Issuers to Organizations, by Organization Type, 2012

	Total payments	Average payment	Median payment	Range
Alumni association	$30,805,378	$115,376	$6,163	$0 - $2,742,743
Institution of higher education	11,791,359	67,379	3,252	0 - 1,505,550
Other	4,239,222	33,645	6,413	0 - 898,924
Foundation	3,560,142	74,170	1,833	0 -1,157,737
Total (overall)	**$50,396,102**	**$ 81,812**	**$ 5,062**	**$0 - $2,742,743**

Source: GAO analysis of CFPB data.

Note: Numbers may not add to the shown total because of rounding.

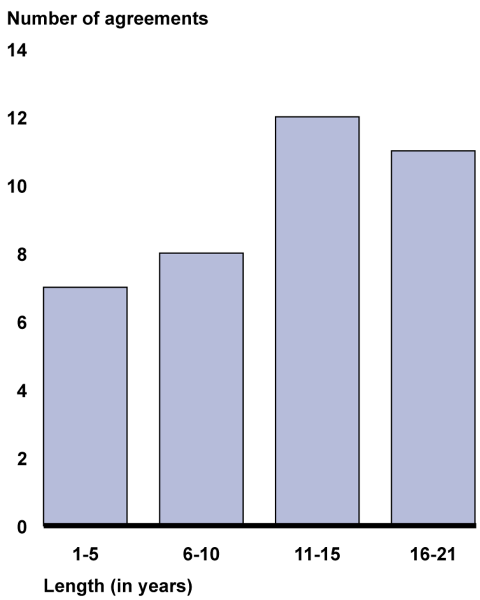
Total payments declined by 40 percent between 2009 and 2012. The largest decline in payments was to alumni associations, while institutions of higher education had the largest decline in affinity card agreements over this period. However, during that period, the average payment to institutions of higher education increased by about $13,200, while the average payment to alumni associations decreased by about $13,700. The University of Southern California, through its agreement with FIA Card Services, received about $1.5 million, the largest payment to an institution of higher education in 2012. Among all the organizations, the Penn State Alumni Association received the largest payment in 2012—about $2.7 million, from FIA Card Services. In contrast, 22 percent of the agreements did not result in any payments to organizations in 2012.

[15]Because some agreements include the provision of financial products (such as deposit accounts) in addition to credit cards, payments made by issuers under these agreements may not relate solely to credit card accounts.

Card Agreements Can Cover Target Customers, Payments, and Marketing Practices

College affinity card agreements serve as contracts between the card issuer and the participating organization. Using a data collection instrument, we reviewed 39 agreements filed with CFPB, which represented about 38 percent of all cardholders covered by college affinity card agreements in 2011.[16] The agreements typically covered such things as the card's target market, marketing practices, and payments to the participating organization. As shown in figure 4, the length of time that the card agreements had been in effect varied. The oldest originally was signed in January 1991 and the most recent in December 2011. Many of the agreements had been amended or received addendums since they were first adopted, which in some cases extended the existing terms of the original agreement.

Figure 4: Length of Time (in Years) That Organizations Had a College Affinity Card Agreement, for 38 Agreements Reviewed



Source: GAO.

Note: One of the 39 agreements we reviewed did not include dates and is not included in this analysis.

[16] Many of the agreements we reviewed contained multiple amendments or addendums. We focused our review on the most recent full agreement or amendment and those items that were still in effect. See appendix I for a list of the agreements we reviewed.

In addition to credit cards, 30 of the 39 agreements included other financial products, such as deposit and checking accounts, automobile and home loans, and investment accounts. Some agreements included exclusivity provisions that restricted the organization from offering its members these products except in conjunction with the current affinity card issuer.

Target Customers and Marketing Practices

The agreements identified which potential cardholders the issuer could solicit and how. Thirty-seven of the 39 reviewed agreements identified specific target customers for the college affinity card. Most often, issuers targeted alumni for the cards, but two-thirds of the agreements also allowed the issuers to solicit undergraduate students (see table 5).[17] Most of the agreements identified multiple target populations for card solicitations.

Table 5: Prevalence of Target Markets/Members in 39 Reviewed Agreements

Target market	Number of agreements identifying this target market
Alumni	35
Students (undergraduate)	26
Employees	22
Season ticket holders/fans	22
Donors or friends	22
Parents	10
Other (graduate students, organization members, etc.)	23

Source: GAO.

Note: Agreements often cited more than one target market.

All but two of the 39 reviewed agreements included provisions requiring the organization to provide a list of its members to the issuer for marketing purposes. However, two-thirds of the agreements included mechanisms allowing the organizations to exclude members who requested that they not receive third-party solicitations. Nine of the

[17] As discussed later, while many agreements allow students to be a target market for the affinity cards, all of the issuers and affiliated organizations with which we spoke told us that, in practice, no issuers actively market to students at the present time.

reviewed agreements also included restrictions on soliciting student members, generally by restricting their inclusion on the provided lists.

The agreements allowed card issuers to solicit potential cardholders through a variety of methods (see table 6). More than 80 percent of the reviewed agreements allowed issuers to use telemarketing, website links (such as from the alumni association's website), direct mail, and print advertisements (such as in sport programs or member magazines). All of the reviewed agreements allowed the issuers to use more than one of the different methods that we tracked.

Table 6: Prevalence of Marketing Approaches in 39 Reviewed Agreements

Marketing method	Number of agreements including this marketing method
Use of trademark/logo/mascot	39
Print advertisements	37
Direct mail	37
Links on website	34
Telemarketing	32
Access to campus	30
E-mail or Internet solicitations	30

Source: GAO.

Note: Agreements included more than one marketing method.

All of the reviewed agreements included provisions allowing the card issuers to use the trademark or logo of the institution of higher education or organization. In some instances, the issuer could put these trademarks on gifts for individuals who completed applications or on other items. All but two of the agreements included provisions for obtaining prior approval of marketing materials from the organization or institution (to help ensure that the card issuer used the trademark or logo appropriately).

Payments to Organizations under the Agreements

All but one of the 39 reviewed agreements contained information about the payment arrangement between the issuer and the affiliated organization or institution of higher education. As shown in table 7, issuers most frequently provided payments to the organization or institution based on the number of new and open cards and the amount of money charged to the cards. Many included bonus payments for accounts that the organization or institution originated (as opposed to ones originated through the issuer), and three included bonus payments if the number of cardholders exceeded a threshold. Many of the agreements also included a guaranteed payment to the organization or institution that was not based on the number of cardholders or amount charged.

Table 7: Prevalence of Payment Types in 39 Reviewed Agreements

Type of payment	Number of agreements including this payment type
Payment per new card	31
Payment based on number of open cards	31
Payment based on spending volume	31
Guaranteed payment	27
Payment for funded savings or checking account	16

Source: GAO.

Note: Agreements often included more than one type of payment.

The reviewed agreements sometimes contained payments based on other related products or included broader financial support to the organization or institution. For example, some payments under the agreements were based on balances of certificates of deposit or loans provided. In some instances, the reviewed agreements included support for scholarships or building renovations.

Consumer Protections and Service Standards

About one-quarter of the 39 reviewed agreements included explicit consumer or cardholder protections or service standards. The consumer protections included restrictions on how often and how issuers could solicit group members, as well as restrictions on the sharing of the member database or student information with third parties. Two of the reviewed agreements also included metrics to assess servicing standards. For example, one agreement with an alumni association specified how quickly the issuer would answer and resolve calls and also required that the credit card terms and features (such as fees and annual percentage rates) be "best in class" when compared with a set of identified peer institutions. Additionally, most of the reviewed agreements included provisions allowing the issuer to make periodic adjustments to the card program and its terms and features.

Marketing to Students Appears to Have Declined

According to available data and representatives of card issuers and affiliated organizations, marketing of college affinity cards and college student credit cards directly to students appears to have declined.

Largest Issuers of Affinity Credit Cards Stated They No Longer Marketed the Cards Directly to Students

As of 2013, college affinity cards were not being marketed directly to students, according to representatives of issuers and affiliated organizations with whom we spoke. Four large issuers of affinity cards, representing 91 percent of the market (as measured by 2012 cardholders), said they did not actively market these cards to students—that is, they did not market on campus or specifically target students through direct mail, e-mail, print or broadcast media, or their other marketing venues.[18] Representatives of five affiliated organizations with affinity credit card agreements corroborated these statements; they told us that the card issuers no longer marketed their affinity cards to students, focusing instead on alumni. The issuers noted that it was still possible that some students applied for college affinity cards because they would see the same marketing as the general public—such as advertising at bank branches, sporting events, or on issuer websites. Graduate students also may receive card solicitations from their undergraduate schools or alumni organizations. Officials from three affiliated organizations estimated that the percentage of their current cardholders who still were students was less than 3 percent and that these percentages had been declining.

Before the enactment of the CARD Act in 2009, it was not uncommon for college affinity cards to be marketed to students. Representatives of four organizations with college affinity cards told us that at one time their cards were targeted to students, and, as discussed earlier, card agreements often specified students as a target market and required sharing student contact information for marketing purposes. However, many of the new agreements—and amendments to existing agreements—we reviewed that were put in place after 2009 expressly limit or restrict the marketing of college affinity cards to students.

[18]One of the four issuers noted that because it was planning to exit the college affinity card marketplace, it was no longer marketing its affinity credit cards to any population.

Views diverged on the extent to which the CARD Act was responsible for the decline in marketing of college affinity cards to students. One card issuer told us the act had little influence because the company had begun reducing marketing cards to students before the statute was enacted. A second issuer said it did not market to students because it sought more affluent customers, but it acknowledged the CARD Act also played a role by making it more difficult and less efficient to market to students—for example, placing restrictions on making prescreened credit offers to those under 21. Representatives of three organizations with college affinity cards told us they believed the CARD Act played a significant role in the decline of card marketing to students. Institutions of higher education also may have influenced this decline—for example, representatives of one college told us that undergraduate students were not included in its program or targeted for marketing, largely because the college did not want to be seen as pushing credit cards on its students.

Marketing of college affinity cards overall—not just to students—has declined in recent years as many large issuers have diminished their presence in the marketplace. As discussed earlier, the number of agreements and cardholders declined by 41 percent and 40 percent, respectively, from 2009 through 2012. Three of the four affinity card issuers told us they were not actively seeking additional agreements. Specifically, one issuer said it was exiting the marketplace as existing agreements expired, one said it was evaluating the performance of its existing portfolio before deciding a future direction, and one said it was evaluating each agreement as it expired and did not regard its college affinity card business as strategically important. The fourth issuer noted that while it was seeking new agreements, it had ended many of its existing agreements because it did not see the program being sustainable over the long term.

Although some card agreements provide payments to the affiliated organizations based on the number of card accounts, organizations told us they generally played a limited role in marketing the cards to their members. Three of the five organizations had sent e-mails to their members promoting the cards. One of these organizations told us it would like to do additional marketing of its own but that the issuer had been reluctant to permit this. Two organizations were concerned that participation in marketing could affect the tax status of their payments under the agreements.[19]

Marketing of Credit Cards Specifically to Students Has Declined, According to Issuers and Survey Data

Active marketing of college student credit cards appears to have declined in recent years. We spoke with five issuers of these cards, which represented 39 percent of all general-purpose credit cards in circulation as of December 2012.[20] All the issuers told us that as of 2013, they did not rely on active marketing to students to solicit potential cardholders. Active marketing includes methods such as direct mail, telemarketing, or e-mail. Instead, interested students could learn about the cards through issuer or third-party websites and bank branch offices.

Representatives of affiliated organizations with whom we spoke confirmed they had observed a reduction in the marketing of credit cards to students in recent years. For example, they noted that issuers no longer conducted on-campus solicitations at sporting events and other university functions, as they had in the past. Two organizations told us they believed the decline in marketing of college student credit cards began by the early or mid-2000s, while three others said it began around 2009, when the CARD Act was enacted.

According to annual surveys of college students conducted by Student Monitor, a market research firm specializing in the college student market, the number of students obtaining a credit card in response to a solicitation through direct mail or on campus has dropped significantly in recent years.[21] The proportion of students reporting that they obtained a credit

[19] An organization that is recognized as tax exempt may still be liable for tax on its unrelated business income, which is income from an activity that is not substantially related to the educational, charitable, or other purpose that is the basis of the organization's exemption.

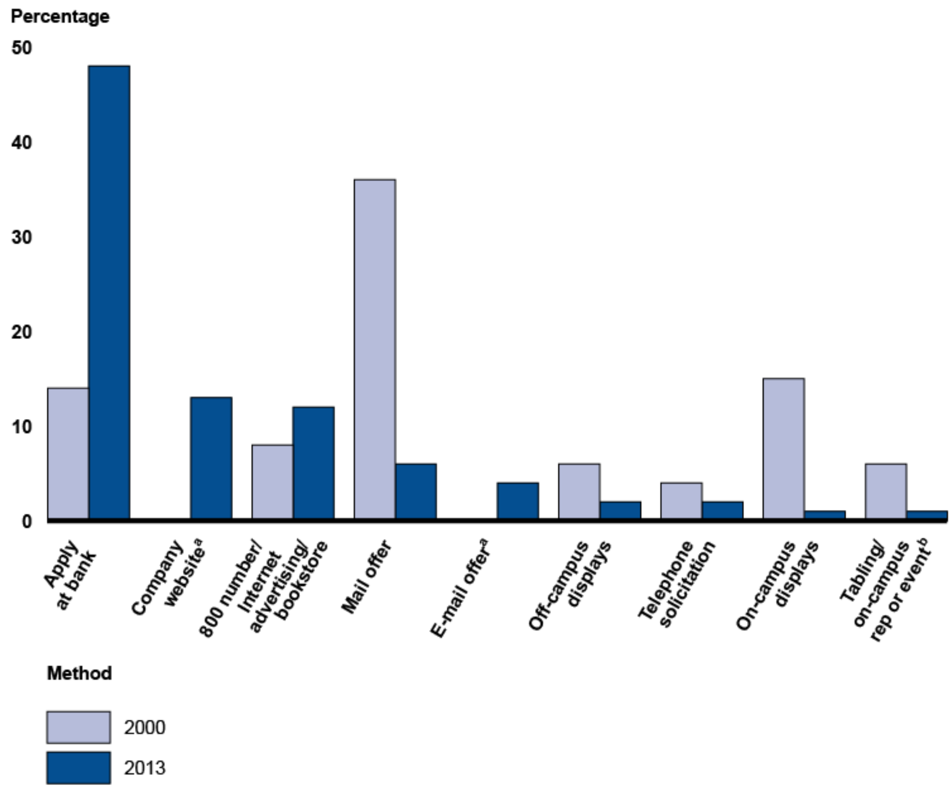
[20] *The Nilson Report*. Because we did not identify an aggregate data source specifically for college student credit cards, it is not known what proportion of that market these issuers represent. In addition, representatives of one of the five issuers told us they did not consider their card to be a college student credit card, but we counted it as such because the card was expressly labeled and marketed as being for college students.

[21] Since 1996, Student Monitor annually has issued a report on student financial services based on in-person, on-campus interviews of 1,200 undergraduate students enrolled full-time at 100 4-year colleges and universities throughout the United States. According to Student Monitor, the 2013 study had a 2.4 percent margin of error with a 95 percent confidence interval.

card as a result of a direct mail solicitation declined from 36 percent in 2000 to 6 percent in 2013 (see fig. 5).[22] In 2013, students reported receiving significantly fewer mail (1.6) and e-mail solicitations (1.4) in a typical month than respondents in 2007 (5.6 and 9.1, respectively). Two issuers told us the decline in direct mail resulted in part from restrictions in the CARD Act on prescreened credit offers to those under 21. In 2013, fewer than 1 percent of students obtained their credit card as a result of an on-campus display or a company representative on campus (a practice known as tabling), as compared with 15 percent and 6 percent, respectively, in 2000. Two issuers told us they still used on-campus marketing but that they focused on their other financial products, such as checking accounts, and no longer accepted credit card applications at on-campus events.

[22]We reported the 2000 data from Student Monitor in GAO-01-773, p. 19.

Figure 5: Percentage of Students Obtaining Their Credit Cards, by Method of Solicitation, 2000 and 2013



Source: Student Monitor.

[a]Data not available for 2000.

[b]Tabling refers to staffing tables at a campus location to market credit cards to students.

According to Student Monitor, more students have been acquiring their credit cards by initiating contact with the card issuer. For example, in 2013, 48 percent of students receiving a credit card applied in person at a bank (often the one with which they already had a deposit account), compared with 14 percent in 2000. Twenty-four percent received a card by initiating contact through the Internet or by telephone, compared with approximately 8 percent in 2000.

Effect of College Affinity and Student Cards on Student Credit Card Debt Largely Is Unknown

Data are not available to definitively determine the effect that affinity cards and college student cards have had on student credit card debt. The effect of affinity cards may be limited because, as seen earlier, fewer students appear to hold these cards. The effect of college student cards is difficult to determine because the available data cover credit cards in general rather than college student cards in particular. However, students' overall use of credit cards appears to have declined in recent years.

Limited Information Available on Effects of College Affinity and Student Credit Cards on Card Debt

Publicly available data do not allow a clear determination of the impact of college affinity and college student cards on student credit card debt. One limiting factor is that card issuers do not always ask on applications or know which of their cardholders are students. Additionally, while some data exist about the age of credit cardholders, age is not a reliable proxy for student status, especially as the age of college students has increased in recent years.[23] Multiple studies have examined the factors influencing credit card use among students, but none that we identified focused specifically on the impact of college affinity or college student credit cards on student debt. For example, a 2012 study that examined the effect of the CARD Act reviewed affinity card agreements and surveyed college students on their use of credit cards, but it did not seek to determine the impact of particular types of credit cards.[24] Similarly, surveys on student credit card use by Sallie Mae (a financial services company specializing in education) and Student Monitor, discussed later in this report, asked respondents about general credit card use but not specifically about affinity or college student credit cards.

College Affinity Cards

The effect of affinity cards on student credit card debt may be limited because fewer students appear to hold these cards, which generally have not been marketed specifically to college students since at least 2009. Representatives of two organizations with affinity cards estimated that 1 percent or less of their current cardholders were students, while a third organization estimated that 3 percent were students. The proportion of affinity cards held by students appears to have declined since the cards'

[23]For example, the percentage of students at degree-granting institutions of higher education who were age 25 or older was 43 percent in 2010. GAO analysis of Department of Education, National Center for Education Statistics, NCES 2012-001, *Digest of Education Statistics*, 2011.

[24]Jim Hawkins, "The CARD Act on Campus," *Washington and Lee Law Rev*iew, vol. 69, no. 3 (2012).

introduction. For example, one organization estimated that in the past, up to 15 percent of its cardholders were students, but that virtually none were at present.

However, the exact prevalence of students holding affinity credit cards is not known. While the CARD Act requires issuers to submit information on college affinity card programs, including the number of cardholders, to CFPB, issuers are not required to report on the number of student cardholders. Three affinity card issuers with whom we spoke said that they could not identify which cardholders were students, or they considered cardholder information proprietary and therefore declined to share the information.

College Student Credit Cards

We did not identify data that would allow a determination of the effect of college student credit cards in particular—as distinct from credit cards in general—on student credit card debt. Representatives of CFPB, researchers, and organizations that have studied credit card use told us that they were not aware of research or data sets specific to college student credit cards. While banks file quarterly reports with regulators that contain information on the banks' credit card portfolios, these reports do not differentiate by type of card.[25] Similarly, *The Nilson Report*, an industry trade journal that reports on credit cards, has not issued a report specific to student credit cards in more than 10 years. Four issuers of college student credit cards told us they were unable to share specific information on these cards or the student holders of their other credit cards because the information was not available or they considered such information proprietary.[26] Even if comprehensive data on college student credit cards existed, the data's value for understanding student credit card debt would be limited because many cardholders could continue to use their student cards after they ceased being students.

[25]Insured commercial banks must submit to their federal regulators (quarterly) a Consolidated Report of Condition and Income, known as a Call Report, which includes a comprehensive balance sheet and income statement, including income generated by credit card portfolios.

[26]CFPB has access to de-identified, account-level information from some issuers; those data are housed with a third-party contractor that provides data warehousing and analytics in the credit card market. However, according to CFPB staff, while some credit card issuers indicate accounts that are student credit cards, comprehensive information specifically on student cardholders is not available. We have ongoing work related to CFPB's data collection and its privacy and security procedures.

Students' Overall Use of Credit Cards Appears to Have Declined

While data specific to college affinity and college student credit cards are limited, available evidence suggests college students' use of credit cards overall has declined in recent years. Annual surveys of college students conducted by Sallie Mae and Student Monitor represent two primary sources of information on student credit card use.[27]

Number of Students with Credit Cards

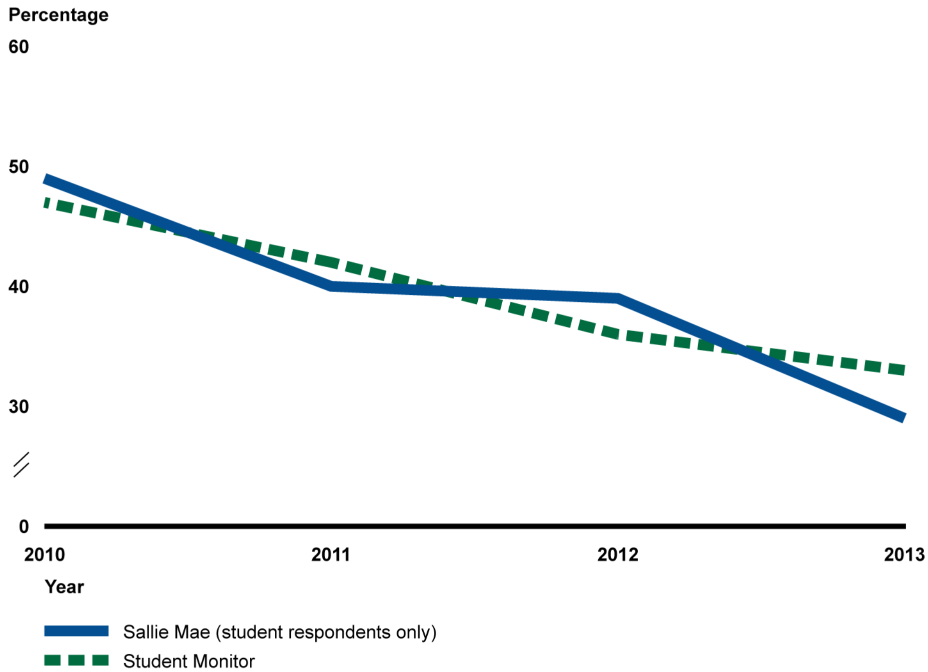
The two studies suggest that the number of students owning credit cards declined in recent years. Student Monitor found that the proportion of college students holding credit cards declined from 53 percent in 2004 to 33 percent in 2013.[28] Sallie Mae reported the proportion of students owning credit cards decreased from 49 percent in 2010 (the first year it began collecting this information) to 29 percent in 2013 (see fig. 6).[29] In the Student Monitor study, 72 percent of students who had a credit card in their own name in 2013 owned a single card, 21 percent had two credit cards, and 8 percent had three or more credit cards.

[27]Sallie Mae's annual study, which has produced information on college students' credit card use since 2010, uses telephone interviews of a sample of undergraduate students who are 18–24 years old and an unrelated sample of parents of such students. Eight hundred students were interviewed for the 2013 study. The Student Monitor study uses in-person, on-campus interviews of 1,200 college students enrolled full-time at 100 four-year colleges and universities throughout the United States. The firm's *Financial Services* report has included information on student credit card use since 1996. Because the surveys are based on self-reporting of payment behaviors and estimated credit card debt levels, they may be prone to biases and not accurately represent actual behaviors and debt levels. The surveys were not designed to verify that information. Some researchers maintain that respondents sometimes underreport the quantity or level of characteristics that could be considered unflattering, such as the amount of outstanding credit card debt.

[28]Student Monitor, *Financial Services – Spring 2013* (Ridgewood, N.J.: June 2013). Overall credit card ownership includes cards the students own and those for which they have permission to use (typically, parents' cards). The number of students who had a credit card in their name similarly declined—from 46 percent in 2004 to 26 percent in 2013.

[29]Sallie Mae and Ipsos Public Affairs, *How America Pays for College 2013: Sallie Mae's National Study of College Students and Parents* (Newark, Del.: 2013) and Sallie Mae, *How America Pays for College 2010: Sallie Mae's National Study of College Students and Parents Conducted by Gallup* (Reston, Va.: 2010).

Figure 6: Percent of Students Who Reported Owning a Credit Card, 2010-2013



Source: GAO analysis of Sallie Mae and Student Monitor reports.

CFPB and the Federal Reserve Bank of Richmond similarly reported a decline in credit card ownership among younger consumers. In a 2013 CFPB survey of major credit card issuers, new cards issued to those under 21 dropped from 3.9 million in 2007 to 1.7 million in 2012 (a 56 percent reduction). The percentage of consumers ages 18-20 who opened a credit card account dropped from 33.6 percent to 14.4 percent during that period.[30] The study by the Federal Reserve Bank of Richmond analyzed consumer credit data and found that individuals under 21 were

[30]Consumer Financial Protection Bureau, *CARD Act Report: A Review of the Impact of the CARD Act on the Consumer Credit Card Market* (Washington D.C.: Oct. 1, 2013). The reported numbers are based on an inquiry conducted by the CFPB Office of Supervision gathering information from a number of large banks on their credit card and CARD Act compliance practices. The issuers that participated in this inquiry represented approximately 80 percent of credit card industry balances.

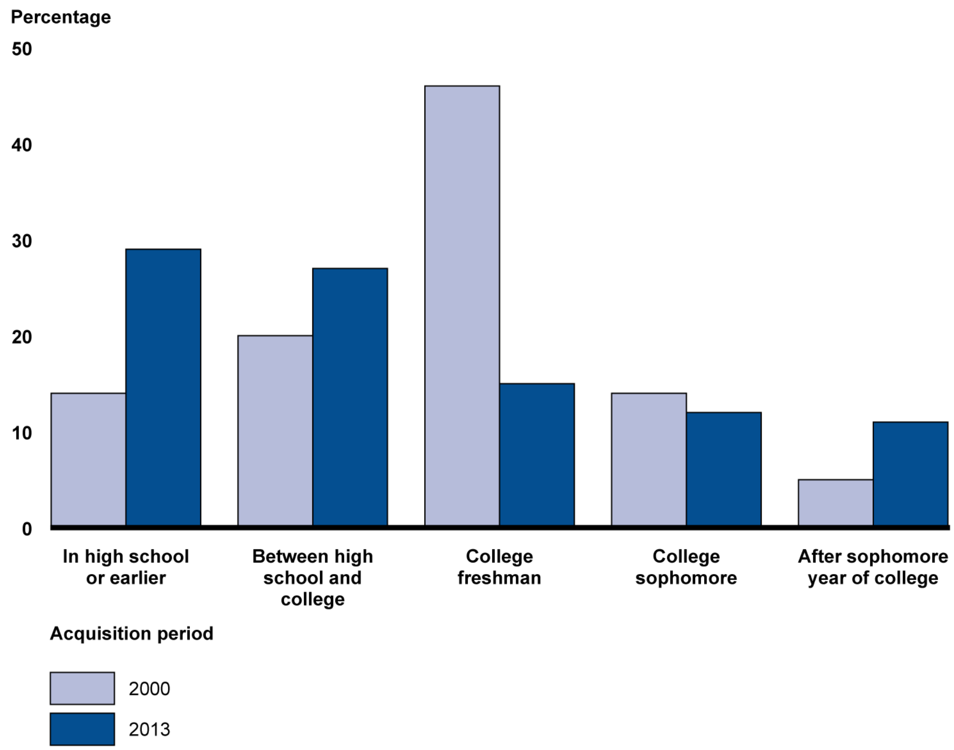
8 percentage points less likely to have a credit card after the CARD Act than before it became law in 2009.[31]

At the same time, students who get credit cards in their own names—that is, the students receive the bill and are responsible for payment—increasingly have been doing so before starting college. According to Student Monitor, 56 percent of students in 2013 obtained their first credit card before starting college—29 percent in high school or earlier, and 27 percent between high school and college (see fig. 7).[32] In contrast, in 2000, students were more likely to get their first credit card when they already were in college.

[31]The data in the analysis were from the New York Federal Reserve Bank Consumer Credit Panel/Equifax. The Consumer Credit Panel contains detailed records of individual debt and borrowing on a quarterly basis from the first quarter of 1999 to the most recent quarter. The study looked at data from 2005-2008 for individuals between 18 and 25 years old. Peter Debbaut, Andra Ghent, and Marianna Kudlyak, *Are Young Borrowers Bad Borrowers? Evidence from the Credit CARD Act of 2009 (*Richmond, Va.: July 11, 2013).

[32]See Student Monitor, 2013.

Figure 7: Time Period of Credit Card Acquisition for Students with Credit Cards, 2000 and 2013



Source: Student Monitor.

Note: The data above include only those credit cards for which the student is responsible for payment.

While students' use of credit cards appears to have declined, their use of debit cards has increased. According to Student Monitor, 63 percent of students had a debit card in 2013, as compared with 59 percent in 2008 and 51 percent in 2000. Representatives of the financial industry and a researcher told us that the recent financial crisis has made many students and younger people more wary of credit and thus more disposed to using prepaid and debit cards. Student Monitor found that 62 percent of students interviewed in 2013 said they feared getting into credit card debt.

Charges and Balances

Forty-five percent of all students with a credit card in their name charged $100 or less each month in 2013, according to Student Monitor. Fifty-nine percent used their card fewer than six times a month, including 8 percent who indicated that they did not usually use their credit card each month. On average, students charged $171 monthly, a decrease of 8 percent from 2012.

Sallie Mae reported that students' median reported balance for all cardholders was $179 in 2013, as compared with $289 in 2011. The survey also found that 2 percent of all students in 2013 with a credit card had a combined outstanding balance of more than $4,000, while 29 percent had a zero balance. Student Monitor found that the 28 percent of respondents who carried a balance had a median outstanding balance of $136.

Credit Limits

Credit limits for credit cards owned by students usually are lower than those for the general population and have been decreasing. In 2010, the median credit limit for all bank-type general credit cards was $15,000.[33] In contrast, Student Monitor found that more than 60 percent of credit cards owned by students had credit limits of $500 or less, and 80 percent were $1,000 or less. In 2000, 27 percent of respondents had credit limits of $1,000 or less, and 11 percent had limits of at least $5,000. However, because students may have multiple credit cards, their total credit card debt can be higher than the credit limit of any one card.

Payment and Delinquency Patterns

Several studies provide information on college students' payment patterns for credit cards:

- *Payment amount*. Student Monitor found that 72 percent of students reported paying their outstanding charges in full each month in 2013. Sallie Mae found that 52 percent of student respondents in 2013 paid in full each month in the previous year, and that 10 percent of students typically made only the minimum payment.[34]
- *Parental responsibility*. The Student Monitor and Sallie Mae studies found that the college student, rather than the parent, was most often responsible for making credit card payments (79 percent in the Student Monitor study and 92 percent in the Sallie Mae study).
- *Late payment fees*. One quarter of students in the 2013 Student Monitor study reported paying a late payment fee at least once since

[33]Jesse Bricker, Arthur B. Kennickell, Kevin B. Moore, and John Sabelhaus, "Changes in U.S. Family Finances from 2007 to 2010: Evidence from the Survey of Consumer Finances," *Federal Reserve Bulletin*, vol. 98, no. 2 (June 2012). Additionally, three issuers of college student credit cards told us that those cards' credit limits were typically lower than those of general credit cards.

[34]Student Monitor asked respondents whether they typically carried a balance or paid the card in full each month for four different credit card types and combined the responses. Sallie Mae asked respondents to describe their typical credit card payment behavior.

acquiring a credit card, with almost half of that group incurring more than one late fee.

- *Delinquent payment*. Cardholders under 21 were more likely to experience minor delinquencies (30 or 60 days past due) than older cardholders, according to the Federal Reserve Bank of Richmond study.[35] At the same time, young cardholders were substantially less likely to experience serious delinquency (90 days past due and longer). The study also found that cardholders who got their credit cards earlier in life were less likely to experience a serious default later in life.

Agency Comments

We provided a draft of this report to CFPB and the Federal Reserve. We incorporated technical comments from these agencies as appropriate.

We are sending copies of this report to the appropriate congressional committees, CFPB, the Federal Reserve, and other interested parties. In addition, the report will be available at no charge on our website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or cackleya@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix II.

Alicia Puente Cackley
Director, Financial Markets and Community Investment

[35] Debbaut, et al.

Appendix I: Objectives, Scope, and Methodology

This report examines (1) the trends associated with and characteristics of college affinity card agreements, (2) the extent of marketing for college affinity and college student credit cards, and (3) what is known about the effect of the use of affinity cards and student credit cards on student credit card debt. We use "college affinity card" to refer to a credit card issued in conjunction with an agreement between a credit card issuer and an institution of higher education or an affiliated organization (such as an alumni association or foundation). We use "college student credit card" to refer to a credit card established for and targeted to college students.

To identify the trends and general characteristics associated with college affinity card agreements, we reviewed the 2010 and 2011 *Report to the Congress on College Credit Card Agreements*, which the Board of Governors of the Federal Reserve System (Federal Reserve) issued, and the 2012 and 2013 *College Credit Card Agreements: Annual Report to Congress*, which the Bureau of Consumer Financial Protection (also known as the Consumer Financial Protection Bureau or CFPB) issued.[1] These reports provide summary information, such as the total number of agreements in effect and number of accounts open at the end of the year.[2]

To determine the characteristics of the agreements, we first reviewed and analyzed affinity card agreements between issuers and schools or affiliated organizations from calendar years 2009-2012. We downloaded information for all those agreements in effect during those years from public databases managed by the Federal Reserve and CFPB.[3] We

[1]The Credit Card Accountability Responsibility and Disclosure Act of 2009 required issuers to submit annually to the Federal Reserve the terms and conditions of any college credit card agreement in effect between the issuer and an institution of higher education at any time during the preceding calendar year, along with certain summary information about the agreements. Pub. L. No. 111-24, § 305(a),123 Stat. 1734, 1750; 12 C.F.R. § 1026.57(d). This responsibility transferred from the Federal Reserve to CFPB in 2011. Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010).

[2]For our review, we classified agreements that had been recorded as being with alumni associations or alumni under "alumni associations." We used "other" to include agreements with fraternities, sororities, professional or trade organizations, and those with multiple organizations, such as a university and an alumni association.

[3]The database can be accessed at http://data.consumerfinance.gov/Government/College-Credit-Card-Agreements/r963-hvsf. We downloaded the data on December 4, 2012. As of December 2, 2013, the 2011 data remained the most current available.

analyzed the agreements to identify general trends and characteristics. We assessed these data by interviewing Federal Reserve and CFPB staff knowledgeable about the data and checking the data for illogical values or obvious errors. We found the data to be sufficiently reliable for describing the general characteristics and trends of the affinity card marketplace.

Because we were most interested in current agreements, we focused our analysis on the agreements from 2011, the most recent year for which information was available. Twenty providers issued these agreements.[4] For a more thorough analysis, we selected a nonprobability sample of 39 agreements from 574 agreements identified as being in effect as of January 1, 2012.[5] We determined the sample by applying three criteria to the agreements. First, we included the 25 largest agreements overall, as measured by the number of cardholders. Second, we included the largest agreement from each issuer that provided affinity credit cards.[6] Third, we included the five largest agreements with institutions of higher education, as measured by the number of cardholders under those agreements. These numbers do not add to 39 because agreements could meet criteria for inclusion under more than one category. We selected these criteria because we wanted to capture a large proportion of affinity cardholders as well as any potential variation among issuers or organizational type. We included the five largest institutions of higher education because we anticipated that those agreements could be more likely to include students as cardholders, a topic of specific interest. See table 8 for the list of reviewed agreements.

[4] We combined two companies listed in the database—Capital One Bank (USA), N.A. and Capital One, N.A.—because they are both subsidiaries of Capital One Financial Corporation.

[5] Results from nonprobability samples cannot be used to make inferences about a population, because in a nonprobability sample some elements of a population being studied have no chance or an unknown chance of being selected as part of the sample. We selected our sample from the 574 agreements that were still in effect as of January 1, 2012, instead of the broader set of 798 filed agreements in 2011, because we were most interested in current agreements.

[6] We excluded from our sample agreements with Elevations Credit Union, Pennsylvania State Employees Credit Union, and USC Credit Union because they did not contain credit card products, and we excluded agreements with Compass Bank because they were not with organizations associated with higher education, and therefore were outside the scope of our review.

Table 8: 2011 College Credit Card Agreements Selected for Review, by Institution Type, Issuer, and Size Categories

Institution or organization	Type of institution or organization	Credit card issuer	Largest 25 agreements, by number of cardholders	Largest agreement for issuer, by number of cardholders	Largest five agreements with universities, by number of cardholders
Penn State Alumni Association	Alumni association	FIA Card Services, N.A.[a]	Yes	Yes	No
Golden Key International Honour Society	Other	FIA Card Services, N.A.	Yes	No	No
Alumni Association of the University of Michigan	Alumni association	FIA Card Services, N.A.	Yes	No	No
Association of Former Students of Texas AM University	Alumni association	FIA Card Services, N.A.	Yes	No	No
The Ex-Students Association of the University of Texas	Alumni association	FIA Card Services, N.A.	Yes	No	No
Indiana University Alumni Association	Alumni association	FIA Card Services, N.A.	Yes	No	No
UCLA Alumni Association	Alumni association	FIA Card Services, N.A.	Yes	No	No
Wisconsin Alumni Association	Alumni association	FIA Card Services, N.A.	Yes	No	No
University of Southern California	University	FIA Card Services, N.A.	Yes	No	Yes
The University of Georgia Foundation	Foundation	FIA Card Services, N.A.	Yes	No	No
California Alumni Association	Alumni association	FIA Card Services, N.A.	Yes	No	No
General Alumni Association of University of North Carolina at Chapel Hill	Alumni association	FIA Card Services, N.A.	Yes	No	No
Purdue Alumni Association	Alumni association	Purdue Federal Credit Union	Yes	Yes	No
University of Puerto Rico	University	Banco Popular de Puerto Rico	Yes	Yes	Yes
State University of Iowa Alumni Association	Alumni association	FIA Card Services, N.A.	Yes	No	No
The Ohio State University Alumni Association, Inc.	Alumni association	FIA Card Services, N.A.	Yes	No	No
Stanford Alumni Association	Alumni association	FIA Card Services, N.A.	Yes	No	No
Phi Theta Kappa International Honor Society	Other	FIA Card Services, N.A.	Yes	No	No

Institution or organization	Type of institution or organization	Credit card issuer	Largest 25 agreements, by number of cardholders	Largest agreement for issuer, by number of cardholders	Largest five agreements with universities, by number of cardholders
Auburn Spirit Foundation	Foundation	FIA Card Services, N.A.	Yes	No	No
Iowa State University Alumni Association	Alumni association	FIA Card Services, N.A.	Yes	No	No
National Alumni Association of the University of Alabama	Alumni association	FIA Card Services, N.A.	Yes	No	No
Clemson University, Inc.	Alumni association	FIA Card Services, N.A.	Yes	No	No
University of Arizona Alumni Association	Alumni association	FIA Card Services, N.A.	Yes	No	No
Kansas State University Alumni Association	Alumni	INTRUST Bank, N.A.	Yes	Yes	No
Trustees of the University of Pennsylvania	University	FIA Card Services, N.A.	Yes	No	Yes
Virginia Tech Alumni Association	Alumni association	Chase Bank USA, N.A.	No	Yes	No
Harvard Alumni Association	Alumni association	Barclays Bank Delaware	No	Yes	No
Boston University	Alumni association	U.S. Bank National Association ND	No	Yes	No
University of Illinois Alumni Association	Alumni association	University of Illinois Employees Credit Union	No	Yes	No
Western Michigan Alumni Association	Alumni association	PNC Bank, National Association	No	Yes	No
Michigan State University	University	Michigan State University Federal Credit Union	No	Yes	No
Georgia Tech Alumni Association	Alumni association	Capital One, N.A.	No	Yes	No
Association of Graduates of the United States Air Force Academy	Alumni association	USAA Savings Bank	No	Yes	No
Boston College	University	GE Money Bank	No	Yes	No
The Principia	Alumni association	UMB Bank, N.A.	No	Yes	No
Coastal Carolina University	University	Carolina Trust FCU	No	Yes	No

Institution or organization	Type of institution or organization	Credit card issuer	Largest 25 agreements, by number of cardholders	Largest agreement for issuer, by number of cardholders	Largest five agreements with universities, by number of cardholders
University of West Florida Foundation Inc	Foundation	Pen Air Federal Credit Union	No	Yes	No
The Trustees of Columbia University	University	FIA Card Services, N.A.	No	No	Yes
St Johns University New York	University	FIA Card Services, N.A.	No	No	Yes
Total			**25**	**16**	**5**

Source: GAO analysis of CFPB data.

[a]FIA Card Services, N.A. is a subsidiary of Bank of America.

Collectively, the agreements included in our sample covered about 38 percent of all cardholders in 2011. Twenty-six of the reviewed agreements were with alumni associations, 8 were with institutions of higher education, 3 were with foundations, and 2 were with other organizations.

We reviewed these agreements and collected information using a data collection instrument (DCI) to gather characteristics such as their effective date, duration, allowed marketing practices and target populations, payments to the organization, consumer protections, and service standards. Findings from this limited review of 39 agreements cannot be generalized to the overall population of agreements in 2011.

We developed the DCI after reviewing some of the 2011 agreements, focusing on items such as the scope, consumer protections, marketing practices, payments, terms, and fees. We converted the DCI to a pdf format for direct data entry. Three team members entered information on two agreements each using the DCI and discussed their experiences. We revised some questions for clarity and deleted others to avoid duplication. This version of the DCI was reviewed by a GAO survey specialist and an expert who surveyed students regarding their credit card use and conducted a similar review of the credit card agreements, and we incorporated minor changes. We further clarified that the review of agreements would focus on the most recent full agreement or amendment and those items that were still in effect as of January 1, 2012. Two team members then entered information about the agreements into the DCI. We verified our coding by comparing the original coder's DCI responses with those of the second coder. For each comparison set, we compared the coding for 59 data elements and found discrepancies in fewer than 10 percent of the entries. This was determined to ensure a base level of reliability in the information collected. While the results of our review of the 39 agreements cannot be projected nationwide, they provide context and information related to the contents of the 39 agreements.

To address the second and third objectives, we reviewed documents and interviewed representatives of credit card issuers, organizations and schools with affinity card agreements, and federal agencies, as well as academics and other individuals who have studied credit cards and their use by students. We reviewed studies—such as those by Sallie Mae (a financial services company specializing in education), Student Monitor (a market research firm that specializes in the college student market), and U.S. Public Interest Research Group (a consumer advocacy organization)—on student credit card use. We identified these studies through the Econ Lit database and general Internet searches using terms such as “college credit cards.” We focused on several years of Sallie Mae’s *How America Pays for College* studies and on Student Monitor’s *Financial Services – Spring 2013* report, as well as recent reports by CFPB and the Federal Reserve Bank of Richmond.[7] We assessed the quality of the survey data by interviewing Student Monitor and Sallie Mae officials knowledgeable about the data and checked the data for illogical values or obvious errors. We found the data to be of sufficient quality and reliability for providing general information on student credit card use. According to the Student Monitor, the estimates from the 2013 study had a 2.4 percent margin of error at the 95 percent confidence level. Because surveys are based on self-reporting of payment behaviors and estimated credit card debt levels, they may be prone to biases and not accurately represent actual behaviors and debt levels. The surveys were not designed to verify that information. Some researchers maintain that respondents sometimes underreport the quantity or level of characteristics that could be considered unflattering, such as the amount of outstanding credit card debt. We also reviewed marketing materials

[7]Sallie Mae’s annual study, which has produced information on college students’ credit card use since 2010, uses telephone interviews of a sample of undergraduate students 18–24 years old and an unrelated sample of parents of such students. Eight hundred students were interviewed for the 2013 study. The Student Monitor study uses in-person, on-campus interviews of 1,200 college students enrolled full-time at 100 colleges and universities throughout the United States. The firm’s Financial Services report has included information on student credit card use since 1996.

issuers used to market the cards. Lastly, we reviewed provisions of the Credit Card Accountability Responsibility and Disclosure Act of 2009 related to affinity credit cards and credit card use by those under 21.[8]

We interviewed representatives of four issuers of affinity credit cards—Bank of America (FIA Services), Capital One, Chase, and U.S. Bank—that had 91 percent of such cardholders in 2012. We also interviewed representatives of the five largest general credit card issuers, measured by 2011 portfolio size, as reported by *The Nilson Report*.[9] We discussed with these issuers—American Express, Bank of America (FIA Services), Chase, Citibank, and Wells Fargo—any student credit cards currently or previously issued. To get a broader perspective on the use of these cards by financial institutions, we also interviewed representatives of three industry trade groups—the American Bankers Association, the Consumer Bankers Association, and the Credit Union National Association.

We also interviewed representatives of six organizations and schools to discuss their affinity credit card relationships—the Association of Former Students of Texas A&M University, Boston University Alumni Association, Georgia Tech Alumni Association, Golden Key International Honour Society, Penn State Alumni Association, and Washington University. These six organizations were chosen because they had among the largest number of affinity cards (as determined by number of cardholders), had cards from the three affinity card issuers with the most agreements, and included one organization (Washington University) that had previously chosen to end its affinity agreement. To get a broader perspective, we also interviewed representatives of the National Association of College and University Business Officers.

In addition, we interviewed representatives of CFPB, the Department of Education, the Federal Reserve, and the Office of the Comptroller of the Currency to discuss their oversight of affinity and student credit cards and trends they have observed in the industry. We talked with two academics who have studied and written about student credit card use, as well as representatives of Sallie Mae, Student Monitor, and the U.S. Public Interest Research Group.

[8]Pub. L. No. 111-24, §§ 301-305, 123 Stat. 1734,1747-51.

[9]*The Nilson Report* is a twice-monthly trade journal that provides information on companies, products, and services from the payments industry.

We conducted this performance audit from December 2012 to February 2014 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the contact named above, individuals making key contributions to this report were Jason Bromberg, Assistant Director; Amy Anderson; Kevin Averyt; Daniel Newman; Christopher H. Schmitt; and Michelle St. Pierre. In addition, key support was provided by Bethany M. Benitez; Kenneth Bombara; William Chatlos; Barbara Roesmann; and Jena Sinkfield.

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