

## 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](mailto:cackleya@gao.gov).

## CREDIT CARDS

### Marketing to College Students Appears to Have Declined

#### 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.