Professor Hawkins appeared in a Wall Street Journal article concerning the continuing issues surrounding lenders' encouragement of college students to sign up for credit cards.

This article appeared in the Wall Street Journal on May 7, 2011:

**Cards Return to School**
How Banks Are Circumventing Campus Credit Restrictions

By JESSICA SILVER-GREENBERG AND MARY PILON

The Federal Reserve in March moved to close some of the loopholes in the Credit Card Accountability, Responsibility and Disclosure Act, the 2009 law intended to curb abusive credit-card lending. One group of borrowers, though, could still be vulnerable to aggressive tactics from lenders: college students.

The CARD Act prohibited issuers from handing out free gifts such as Frisbees and T-shirts to college students, and required that students under 21 years of age have a co-signer before they are granted a card. So-called tabling, where card-companies set up near student haunts to pitch cards, also was banned.

But "a ton of loopholes" remain, says Jim Hawkins, a professor at the University of Houston Law Center who surveyed more than 300 students in November about their credit-card habits.

Under the new rules, for example, issuers can no longer offer gifts to induce students to sign up for cards. But the gift prohibition can be circumvented easily, says Ed Mierzwinski, director of the consumer program at the U.S. Public Interest Research Group. The law specifies only that card companies can't offer "any tangible item as a gift." That leaves the lenders free to offer intangible gifts like online coupons or bonuses credited to accounts. "It's a distinction without a real difference," Mr. Mierzwinski says.

Citigroup Inc.'s Citibank unit, for example, last summer offered students a $50 statement credit on its four student credit cards.

"We remain committed to responsible lending and marketing practices to young adults as well as providing them with the utmost guidance and financial-management resources they need to spend wisely," says Liz Fogarty, a Citi spokeswoman.

As part of the push to protect students from being bombarded with card solicitations while they head to class, the law prevents issuers from setting up tables on campus. Instead, credit-card companies hunker down in well-traveled paths just off campus; 73% of students surveyed by Prof. Hawkins said card issuers marketed to students off-campus.

Some banks skirt the on-campus marketing restrictions by pitching checking accounts instead, in hopes of signing students up for cards later. "Then you have a captive audience," says Joe Ridout, consumer-services manager with the nonprofit Consumer Action.
At Sarah Lawrence College in Bronxville, N.Y., several banks, including J.P. Morgan Chase & Co., were "all aggressively marketing" on campus last fall, says freshman Sahil Bhalla. Mr. Bhalla says some were offering coupons and handing out promotional literature—all of which was within the confines of the law, say consumer advocates.

Chase spokesman Paul Hartwick says the bank did "reach out for new checking-account customers" on the Sarah Lawrence campus last fall, as the bank does at many schools located near its branches. Other card issuers have simply moved online, flooding students with email offers and marketing popular social-networking sites.

Chase marketed its Chase +1 Student MasterCard in a realm that may have been more effective among college students than the quad anyway: Facebook. The Chase card offered students additional "Karma" reward points for joining its Facebook group. Points also may be given for paying bills on time, says Chase's Mr. Hartwick. "The student market is not a focus for us at Chase Card Services," he says, adding that the bank discontinued the campaign in October.

The CARD Act also requires that students under age 21 show proof of sufficient income or get a co-signer to obtain credit. But the law doesn't specify what constitutes income—or proof. In that sense, credit applications aren't much different from the so-called stated-income mortgages that came to be called "liar loans" during the subprime crisis.

"The sufficient-income provision is hopelessly vague," says Chi Chi Wu, a lawyer with the National Consumer Law Center. "It's entirely subjective." Some 29% of students who obtained a credit card during this academic year said they used student-loan debt as income on their application, according to Mr. Hawkins's survey.

What's more, the requirement to have a co-signer over 21 years old or show proof of income also can be easily manipulated by merely having a fellow student who is over 21 years old be a co-signer, says John Ulzheimer, president of consumer education at SmartCredit.com. "It's no different really than telling a buddy to go get a 12-pack for you."

While co-signing isn't banned under the CARD Act, and having two names on an account reduces risk from a lender's perspective, critics argue that this flies in the face of the CARD Act's intent. Younger consumers may not realize they are entering into a legal agreement. "It's a disaster waiting to happen," Mr. Ulzheimer says. "They're permanently joined by the wallet with the liability."

Savvy students can still navigate the credit-card terrain successfully. The key is to have a credit-card battle plan in place long before arriving on campus. First, decide ahead of time what kind of credit product you want, and compare potential offers before heading to campus. You may want to test-drive a card before leaving for college, so you can learn how it works with your parents nearby to help.

Parents, meanwhile, should be well-versed on the consequences for them (and their credit reports) if the student blows up an account by overspending or missing payments.
Secured credit cards, which typically require a deposit on an account, may help students establish credit while reduce their risk of incurring debt. And all potential borrowers should be wary of promotional rates, which can quickly evaporate, Consumer Action's Mr. Ridout says.