

College credit card agreements

Annual report to Congress



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1. Introduction

The Credit Card Accountability, Responsibility, and Disclosure Act (“CARD Act” or “Act”) requires the Consumer Financial Protection Bureau (the “Bureau”) to submit to Congress, and to make available to the public, an annual report that lists information submitted to the Bureau concerning agreements between credit card issuers and institutions of higher education or certain organizations affiliated with such institutions.¹ This report refers to these agreements as “college credit card agreements” or simply “agreements.”² Affiliated organizations include fraternities, sororities, alumni associations, or foundations affiliated with or related to an institution of higher education.

This is the eighth annual report pursuant to the CARD Act. The Federal Reserve Board submitted the first two reports. Pursuant to title X of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (“Dodd-Frank Act”), responsibility for collecting data and submitting to Congress annual reports regarding college credit card agreements transferred from the Federal Reserve Board (“Board”) to the Bureau on July 21, 2011.³ The Bureau has since submitted five reports.⁴

¹ The mandate is at section 305(a) of the CARD Act, Pub. L. No. 111–24, § 305(a), 123 Stat. 1734, 1749–50 (2009). Section 305(a) amended section 127 of the Truth in Lending Act. This provision is codified at 15 U.S.C. § 1637(r).

² This report refers to credit card issuers as “issuers,” to institutions of higher education as “institutions,” and to organizations affiliated with such institutions as “affiliates” or “affiliated organizations.”

³ Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, 124 Stat. 1376 (2010).

⁴ See Consumer Fin. Prot. Bureau, *College Credit Card Agreements: Annual Report to Congress*, (Oct. 2012), available at https://www.consumerfinance.gov/documents/1685/201612_cfpb_StudentBankingReport2016.pdf; Consumer Fin. Prot. Bureau, *College Credit Card Agreements: Annual Report to Congress*, (Dec. 2013), available at http://files.consumerfinance.gov/f/201512_cfpb_college-credit-card-agreements.pdf; Consumer Fin. Prot. Bureau, *College Credit Card Agreements: Annual Report to Congress*, (Dec. 2014), available at

The regulations implementing section 305 of the CARD Act require credit card issuers to submit to the Bureau each year the terms and conditions of any college credit card agreement that was in effect at any time during the preceding calendar year between an issuer and an institution of higher education.⁵ The same requirement applies to agreements between an issuer and an affiliated organization of the institution, such as an alumni organization or a foundation associated with the institution.⁶

Issuers are required to submit the following information with respect to each such agreement:

- the number of credit card accounts covered by the agreement (“college credit card accounts”) that were open at year-end;
- the amount of payments made by the issuer to the institution or organization during the year;⁷
- the number of new college credit card accounts covered by the agreement that were opened during the year; and
- any Memorandum of Understanding (“MOU”) between the issuer and institution or affiliated organization that directly or indirectly relates to any aspect of the agreement.⁸

http://files.consumerfinance.gov/f/201412_cfpb_college-card-agreement-report-2014.pdf; Consumer Fin. Prot. Bureau, *College Credit Card Agreements: Annual Report to Congress*, (Dec. 2015), available at http://files.consumerfinance.gov/f/201312_cfpb_report_college-credit-card-agreements.pdf; Consumer Fin. Prot. Bureau, *College Credit Card Agreements: Annual Report to Congress*, (Dec. 2016), available at http://files.consumerfinance.gov/f/201210_cfpb_report_College_Credit_Card_Agreements.pdf.

⁵ See 15 U.S.C. § 1637(r); 12 C.F.R. § 1026.57(d); see also Truth in Lending (Regulation Z), 76 Fed. Reg. 79768 (Dec. 22, 2011).

⁶ 12 CFR 1026.57(a)(4) and (5) and (d). In some cases, issuers submitted to the Bureau agreements with other types of organizations, such as fraternities, sororities, and professional or trade organizations that relate to the issuance of credit cards to college students. Such agreements are included in this report and categorized as agreements with “other organizations.”

⁷ All payments included in this report are rounded to the nearest dollar.

Appendix A provides more information on the dataset consolidating this year’s submission with past years’ data. Institutions of higher education are also required to make agreements available to the public.⁹

The CARD Act requires the Bureau to issue a report each year on the information and documents provided by card issuers, including the number of new accounts opened pursuant to agreements between card issuers and colleges and universities and the compensation paid by issuers to these institutions.¹⁰ This report is based on the information and agreements submitted to the Bureau by credit card issuers. The information is current as of the end of 2016.¹¹ Information included in this report also is available on the Bureau’s public website at www.consumerfinance.gov.

⁸ See 12 C.F.R. § 1026.57(d)(2).

⁹ This obligation applies to “any contract or other agreement made with a card issuer or creditor for the purpose of marketing a credit card.” 12 C.F.R. § 1026.57(b); *see also* 15 U.S.C. § 1650(f)(1).

¹⁰ 15 U.S.C. § 1637(r)(3).

¹¹ Issuers were required to make their annual submission by March 31, 2017. This submission comprised college credit card agreements to which the issuer was a party during 2016 and information regarding payments and accounts as of December 31, 2016.

2. Summary

This report makes the following findings:

- Further continuing an established trend, the number of agreements between credit card issuers and colleges, universities, and affiliated organizations sponsoring credit card programs decreased in 2016, as did the number of accounts open pursuant to such agreements and the total amount paid by issuers to counterparties pursuant to such agreements;
- Alumni associations remain the predominant entity type in this market; while institutions of higher education regained some market share as measured by agreements and open accounts, alumni associations nevertheless increased their share of issuer payments; and
- The largest few agreements continue to increase the share of the overall market that they account for, with the ten most-lucrative agreements representing an unprecedented 43% of all payments by issuers.

These findings are subject to a number of limitations. Some college agreements cover other financial products besides credit cards, such as deposit accounts, so payments made by issuers under these agreements may not relate solely to credit card accounts. In addition, some or all of the accounts opened in connection with these agreements, even those directly between issuers and institutions, may have been opened by individuals who are not students, such as alumni, faculty, and staff of an institution of higher education. (Conversely, it is theoretically possible that students may have opened accounts under the terms of alumni agreements.) Furthermore, card issuers' submissions do not include information regarding credit card accounts opened by students independent of a college credit card agreement, such as when a student responds to an offer made to the general public. Finally, because issuers were required to submit all college credit card agreements to which they were a party at any time during 2016, issuers' submissions include agreements that are no longer in effect.

3. Findings

3.1 Overall trends

The Bureau received 225 college credit card agreements from 37 credit card issuers for 2016. This section of the report presents data about these agreements and compares that to data for earlier years.

FIGURE 1: TRENDS IN ISSUER-REPORTED METRICS (INDEXED TO 100% IN 2009)

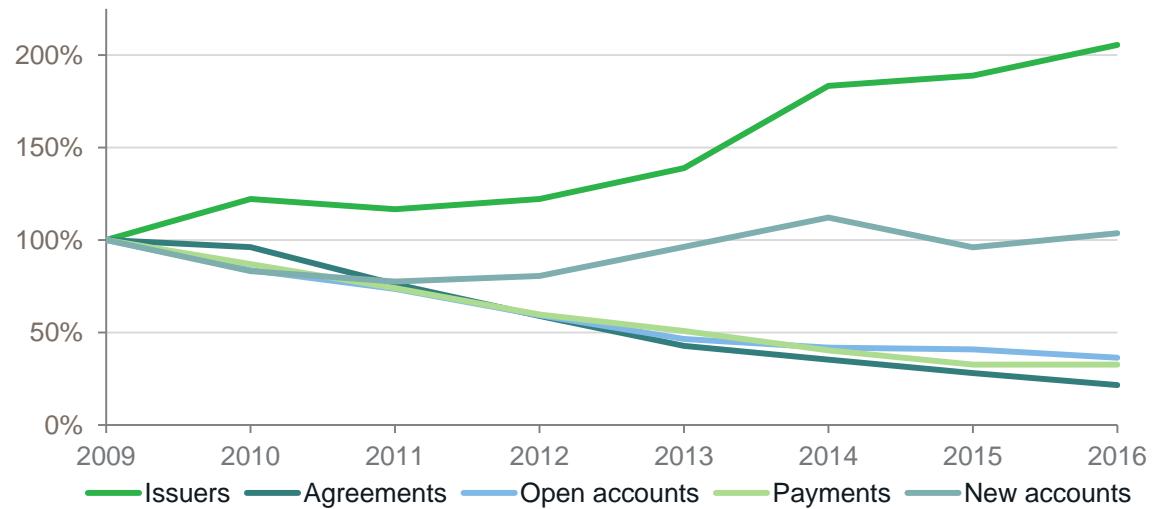


Figure 1 presents a summary of these data, which show that in each year from 2009 through 2016, there were consistent declines in: (a) the number of college credit card agreements; (b) the total number of associated credit card accounts open at year-end; and (c) the amount paid by issuers to institutions and affiliates. In contrast, 37 issuers were parties to such agreements in

effect in 2016, three more than in the previous year.¹² Further, 2016 saw slightly more new accounts than in 2009; this metric's fluctuation over the period these data have been collected appears uncorrelated with other indicators of the overall size of this market.

3.2 Issuers

Bank of America, via its subsidiary FIA Card Services, remains the largest player in this market. By examining solely the number of agreements by issuer, Bank of America's presence is relatively stable, representing 81 of 225 agreements, 36% as compared to 34% in 2015. However, Bank of America represented 78% of all accounts open under such agreements and 70% of payments made to institutions and their affiliates under such agreements. The nearest competitors by those metrics have a 4% and 8% market share, respectively.

Although Bank of America has been the dominant player in this market in every year for which this report has been prepared, the number of Bank of America agreements, accounts, and payments continues to fall significantly. In 2015, Bank of America maintained 99 agreements. By 2016, that number was down to 81 agreements. That fall of 18%, however, is slower than the pace of decline in the remaining market, from 193 to 144 agreements. This decline was driven by significant declines at many of the larger remaining issuers in this space, including the near-exit of Discover Bank.¹³

¹² Two issuers submitted data for the first time this year; however, they appear to have had agreements in past years, suggesting that a comprehensive retroactive submission from them would result in minor alterations to previous year data.

¹³ Discover had only one agreement remaining active at any point during 2016, which was itself terminated by year's end. Two issuers exited the market completely in 2015, and were therefore not included in our 2016 survey, but one had only one agreement and one transferred its existing agreements to another issuer who already maintained other agreements, meaning the impact of those exits on the total stock of agreements was minimal.

Overall, 37 issuers submitted agreements for 2016; each issuer's aggregate metrics can be seen in Table 1 below. Five issuers that submitted agreements in 2016 did not submit agreements in 2015. The new issuers in the 2016 submission are one bank and four credit unions: Farmers & Merchants State Bank, Georgia's Own Credit Union, Goldenwest Federal Credit Union, Stanford Federal Credit Union, and Texas Trust Credit Union.¹⁴ These five issuers accounted for five agreements, 2,782 accounts, and \$1,740,361 in payments to institutions and their affiliates.

TABLE 1: REPORTED METRICS WITH COLLEGE AGREEMENTS IN EFFECT 2016, BY ISSUER

Issuer	Agreements in effect	Year-end open accounts	Issuer payments	New accounts
Apple Federal Credit Union	1	164	\$15,000	30
Banco Popular de Puerto Rico	1	15,168	\$60,587	592
Bank of America	81	574,050	\$19,114,493	27,222
Boeing Employees' Credit Union	1	17,330	\$305,000	9,158
Carolina Trust Federal Credit Union	1	204	\$1,536	58
Christian Community Credit Union	1	176	\$5,271	38
Comenity Capital Bank	1	143	\$100,000	25
Commerce Bank	25	1,402	\$32,901	649
Discover Bank	1	-	\$57,142	9
Farmers & Merchants State Bank	1	-	\$16,000	-

¹⁴ One of these issuers submitted 2014 data, but not 2015.

Issuer	Agreements in effect	Year-end open accounts	Issuer payments	New accounts
First Interstate Bank	1	119	\$7,625	34
First National Bank of Omaha	7	7,974	\$550,407	901
Georgia's Own Credit Union	1	113	\$102,633	60
Goldenwest Federal Credit Union	1	1,435	\$21,728	900
Harvard University Employees Credit Union	1	11,583	\$923,068	1,005
MidFirst Bank	3	2,207	\$136,270	432
MIT Federal Credit Union	1	2,147	\$60,528	368
Mountain America Federal Credit Union	1	3,450	\$80,797	2,037
Nationwide Bank	7	1,742	\$221,500	167
Oregon Community Credit Union and OCCU Card Services, LLC	2	6,577	\$100,000	663
Pen Air Federal Credit Union	3	127	\$1,193	34
Pennsylvania State Employees Credit Union	27	851	\$5,710	211
ProFed Federal Credit Union	1	1	\$270	1
Purdue Federal Credit Union	1	28,663	\$1,000,000	2384
Stanford Federal Credit Union	1	1,069	\$600,000	1,078
Texas Trust Credit Union	1	165	\$0	202
The Southern Credit Union	1	16	\$120	5
U.S. Bank National Association ND	10	24,892	\$2,134,211	295
UMB Bank	23	969	\$18,186	21

Issuer	Agreements in effect	Year-end open accounts	Issuer payments	New accounts
University Credit Union	1	279	\$5,249	20
University First Federal Credit Union	1	9,626	\$0	5,280
University of Illinois Community Credit Union	1	15,000	\$625,271	1,687
University of Wisconsin (UW) Credit Union	4	2,781	\$295,000	1,091
USAA Savings Bank	8	6,622	\$634,875	687
USC Credit Union	1	1,796	\$241,645	160
USF Federal Credit Union	1	2,138	\$114,432	222
Wright-Patt Credit Union	1	496	\$7,359	60
Grand Total	225	741,475	\$27,596,007	57,786

3.3 Agreements

Issuers submitted 225 college credit card agreements for 2016. Of these, 12 were entered into in 2016. Seven issuers accounted for these new agreements. Overall, there was a significant net decrease of 68 agreements in effect in 2016 relative to 2015, a 23% decline. The pace of agreement termination continued to slow in 2016, with 12 terminations in 2016. That 5% closure rate was less than half the pace of 2015, which itself was half the pace of the previous year.¹⁵

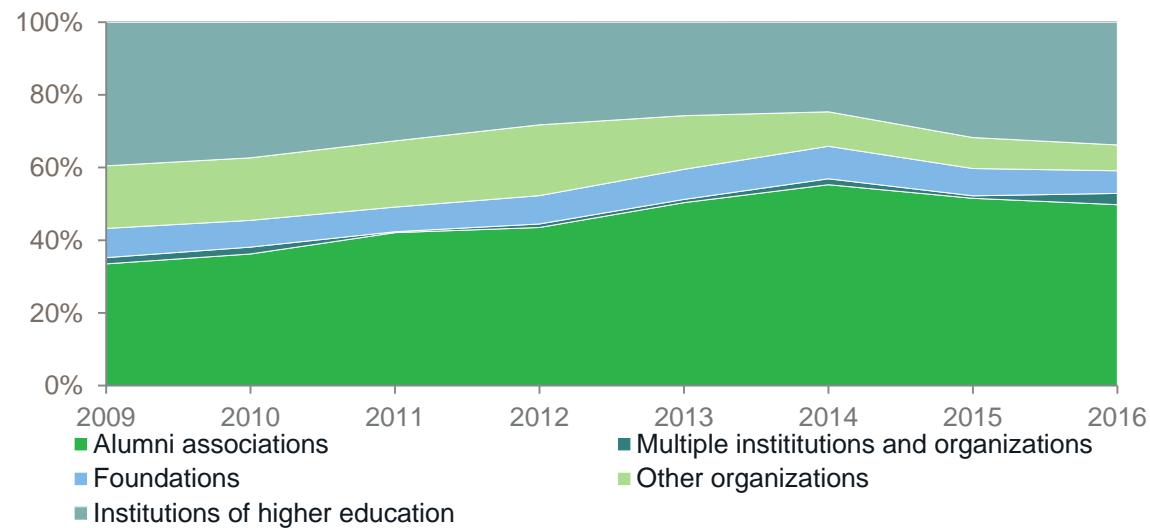
¹⁵ The linked dataset allows users to see all agreements terminated in 2016 as well as earlier years. See *College credit card marketing agreements and data* at <https://www.consumerfinance.gov/data-research/student-banking/marketing-agreements-and-data/>.

Bank of America continued to be the major driver behind agreement termination, comprising five of the 12 closed agreements.

3.4 Partner entities

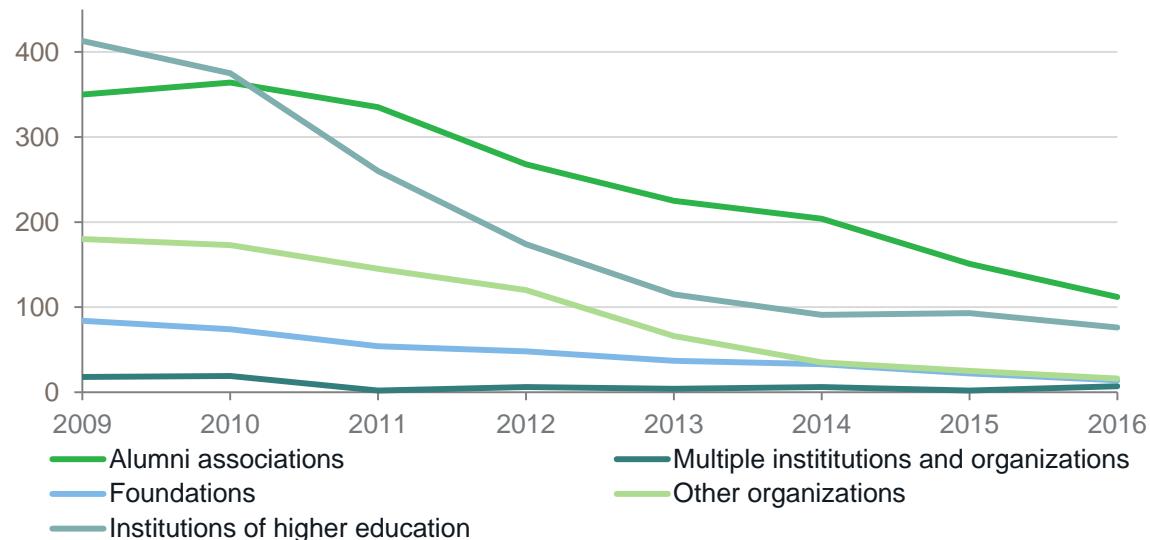
Continuing last year's trend, the share of agreements with institutions of higher education increased. As shown in Figure 2, the institution of higher education agreement share inched upwards in 2016; a more modest gain in share than in 2015, though still notable given the previous trend of decline.

FIGURE 2: AGREEMENT SHARE BY PARTNER TYPE



However, Figure 3 shows that this gain in share was once again driven almost completely by a decline in every other kind of agreement, from 200 agreements with other types of institutions in 2015 to 149 in 2016. Agreements with institutions of higher education also declined, from 93 in 2015 to 76 in 2016, but that 18% decline was slightly slower than the 25% decline in other agreements, resulting in a larger share.

FIGURE 3: TOTAL AGREEMENTS BY PARTNER TYPE



As shown in Table 2, alumni associations' share of all agreements slipped below the 50% mark for the first time since 2012. However, alumni association agreements maintained a stable two-thirds share of all associated accounts and slightly increased their share of associated payments.

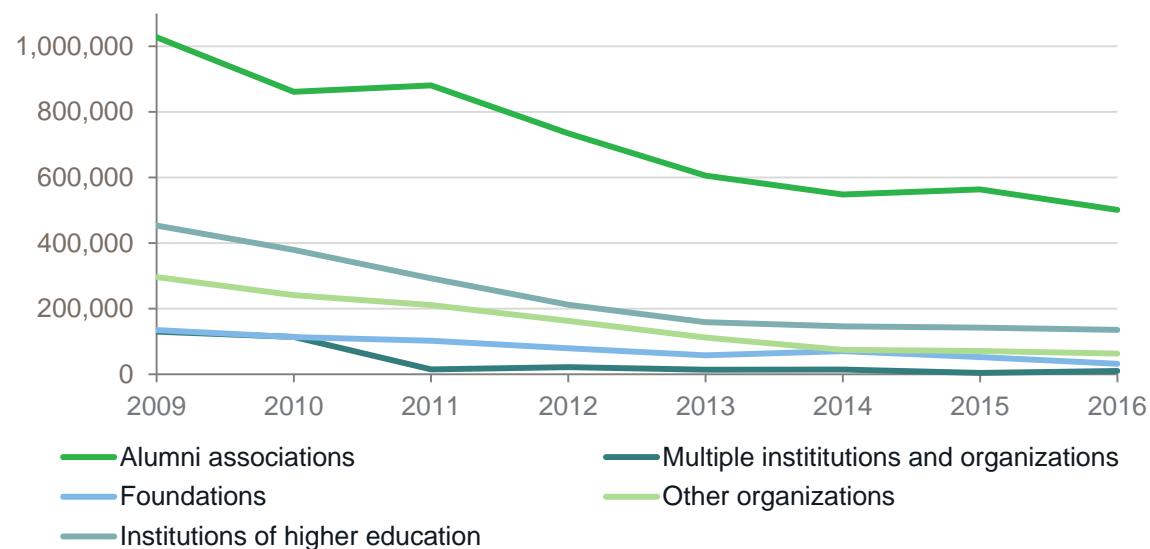
TABLE 2: ISSUER REPORTED METRICS BY AGREEMENT PARTNER TYPE, 2016

Type of institution or organization	Agreements in effect in 2016	New agreements in 2016	Total open accounts at year-end	Payments by issuer in 2016	New accounts opened in 2016
Alumni associations	112	4	501,194	\$20,521,819	38,948
Institutions of higher education	76	3	135,361	\$4,508,439	9,363
Other organizations	16	1	63,228	\$1,724,104	2,309
Foundations	14	2	31,789	\$836,645	1,744
Multiple institutions and organizations	7	2	9,903	\$5,000	5,422
Total	225	12	741,475	\$27,596,007	57,786

3.5 Account volume

The total number of open college credit card accounts at year-end declined in each year from 2009 through 2016. The cumulative decline across these years was well over 60%. While in fact most issuers in our survey saw a net increase in accounts from year-end 2015 to year-end 2016, these increases were offset by much larger declines experienced by a small number of larger issuers. Total year-end open accounts declined for each type of partner institution in aggregate, as shown below in Figure 4, with the exception of agreements with multiple institutions, which ticked up slightly. That decline was steepest for foundations, which comprised 22% of the total net decline despite only representing 6% of all accounts at year-end 2016. The total number of new accounts opened each year remained uncorrelated with other metrics tracked in this report; in 2016 that number was almost perfectly stable from the previous year's figure, even as most other metrics declined.

FIGURE 4: YEAR-END ACCOUNTS BY PARTNER INSTITUTION

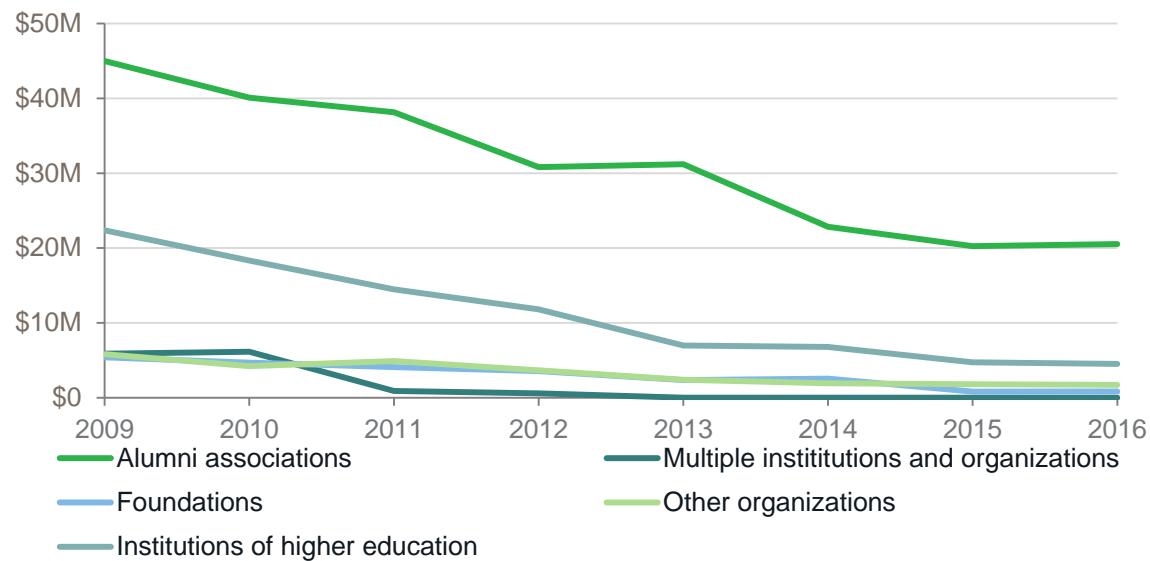


3.6 Payments

The total amount paid to partners, including institutions and affiliates, rose for the first time since the Bureau (and before it, the Board) began collecting these data. This rise, however, was minuscule—just over \$3,700 from a base of over \$27 million, or about 0.014%. The cumulative

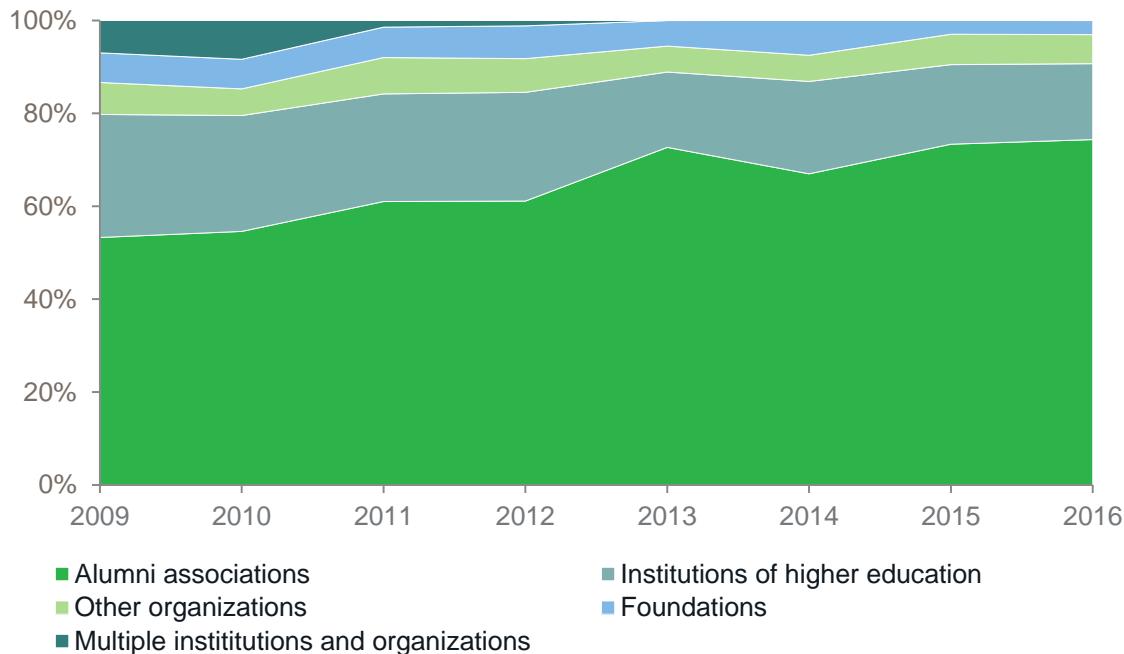
decline from 2009 through 2016 was nearly 70%. While issuers that reported agreements in 2015 experienced a net decline from that year to 2016, new entrants reported payments that cancelled that decline just about exactly; those payments were overwhelmingly made by a single issuer to a single institution. Payment data can be seen in Figure 5 below.

FIGURE 5: ISSUER PAYMENTS BY PARTNER TYPE



Continuing a trend interrupted only in 2014, agreements with alumni associations increased their share to fully 72% of all payments, exceeding the previous peak from 2013. After increasing to nearly 20% in 2014, payments made under the terms of agreements with institutions of higher education declined to under 16% in 2016. This can be seen below in Figure 6.

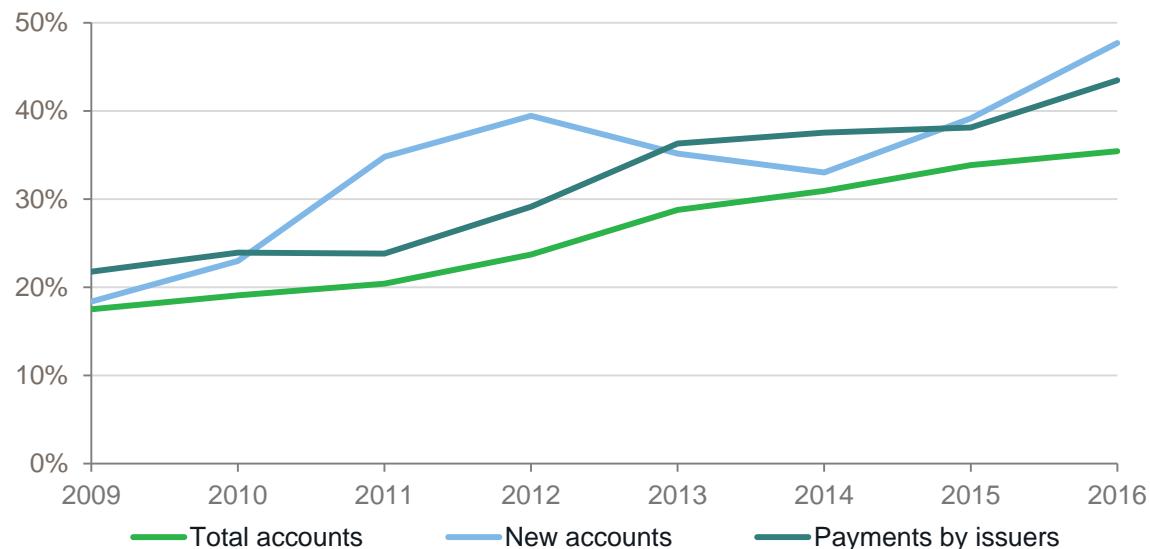
FIGURE 6: PAYMENT SHARES BY PARTNER TYPE



3.7 Concentration

Since 2009, the ten largest agreements by each of the three metrics of agreement size—year-end open accounts, new accounts, and payment volume—have tended to represent an increasing share of the market. In 2016, this trend continued, with the top ten agreements by each of those three metrics once again reaching their largest share of the market since these data have been collected. This suggests that, in any given year, the decline in the overall size of the market is concentrated in the termination of agreements that are relatively smaller, as measured by the available metrics. Concentration data can be seen in Figure 7 below.

FIGURE 7: MARKET SHARE OF TOP TEN AGREEMENTS BY METRIC



There is significant overlap between each of the three groups of top ten agreements. Overall, 18 agreements comprise the three lists, with six agreements appearing on two lists and three agreements appearing on three. Of those 18 agreements, 14 (or just over 84%) are agreements with alumni associations, reflecting the dominant role that agreements with alumni associations continue to play in this market.

APPENDIX A: COLLEGE CREDIT CARD DATA

The Bureau is continuing its practice from 2016 and is updating an associated comma separated value file (“CSV file”) that contains all college credit card data collected to date with the most recent year’s data. The Bureau intends to update the CSV file each year as it collects new data from college credit card issuers.

The Bureau intends to ensure that the publically-available dataset is as accurate as possible on a continually updated basis. This means that the dataset (as well as some of the charts and figures in this report) may not be completely consistent with past iterations of this report as parties make corrections to earlier submissions. In all cases, the Bureau intends for the public dataset to be as definitive as possible.

Below is a brief guide to interpreting the dataset:

- The CSV file consists of rows and columns.
- Each row beyond the first consists of an individual agreement-year.
 - This means that if an agreement existed across multiple years, each year’s data would be a separate row in the dataset.
- The first row consists of headers which explain what data fields are contained in each column. Those headers are explicated below:
 - “REPORTING YEAR” – this field contains the year associated with the agreement-year. Note that this is the year represented by the data, not the year the data was collected and published. For example, a row whose reporting year was listed as 2014 contains data regarding that agreement’s metrics in calendar year 2014, not the data collected and published in 2014.
 - “INSTITUTION OR ORGANIZATION” – this is the name of the institution of higher education or affiliate that is party to the agreement.
 - “TYPE OF INSTITUTION OR ORGANIZATION” – this designates the institution as one or more of four types:
 - University;

- Alumni association;
 - Foundation; or
 - Other.
- “CITY” – this is the city in which the institution of higher education or affiliate that is party to the agreement is located.
 - “STATE” – this is the State in which the institution of higher education or affiliate that is party to the agreement is located.
 - “CREDIT CARD ISSUER” – the name of the credit card issuer that is party to the agreement.
 - “STATUS” – a field which denotes the status of the agreement. In general, there are three valid responses issuers can provide for this field¹⁶:
 - “Same” – the status of the agreement has not changed from the previous year;
 - “Amended” – the status of the agreement has in some way changed from the previous year, or the agreement has been amended;
 - “New” – the agreement is new to this year.
 - “IN EFFECT AS OF BEGINNING OF NEXT YEAR” – a “yes/no” question regarding whether the agreement in question was in force as of January 1st of the year following the reporting year (*e.g.*, whether an agreement whose reporting year was 2011 was or was not in force as of January 1st, 2012).

¹⁶ In a few cases, issuers provided invalid responses to this question. In those cases in which the Bureau was, as of publication, unable to receive corrected responses from issuers, those invalid responses were published as submitted.

- “TOTAL OPEN ACCOUNTS AS OF END OF REPORTING YEAR” – the total number of open credit card accounts associated with the agreement, as of December 31st of the reporting year.
- “PAYMENTS BY ISSUER” – the sum of all payments made by the issuer to the institution pursuant to the agreement over the course of the reporting year.
- “NEW ACCOUNTS OPENED IN REPORTING YEAR” – the total number of all credit card accounts opened associated with the agreement over the course of the reporting year.