

BUREAU OF CONSUMER FINANCIAL PROTECTION | DECEMBER 2018

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 Bureau of Consumer Financial Protection (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 in connection with the issuance of credit cards.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 ninth annual report pursuant to the CARD Act. The Federal Reserve Board (“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 to the Bureau on July 21, 2011.³ The Bureau has since submitted six 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/3110/2012_cfpb_college_credit_card_agreements_report.pdf; Consumer Fin. Prot. Bureau, *College Credit Card Agreements: Annual Report to Congress*, (Dec. 2013), available at https://www.consumerfinance.gov/documents/3124/2013_cfpb_college-credit-card-agreements_report.pdf; Consumer Fin. Prot. Bureau, *College Credit Card Agreements: Annual Report to Congress*, (Dec. 2014), available at https://www.consumerfinance.gov/documents/3108/2014_cfpb_college-credit-card-agreements-report.pdf; Consumer Fin. Prot. Bureau, *College Credit Card Agreements: Annual Report to Congress*, (Dec. 2015), available at https://www.consumerfinance.gov/documents/3106/2015_cfpb_college-credit-card-agreements-report.pdf; Consumer Fin. Prot. Bureau, *Student Banking: Annual Report to Congress*, (Dec. 2016), available at https://www.consumerfinance.gov/documents/3104/2016_cfpb_student_banking_report.pdf; Consumer Fin. Prot. Bureau, *College Credit Card Agreements: Annual Report to Congress*, (Dec. 2017), available at https://www.consumerfinance.gov/documents/5948/cfpb_college-credit-card-agreements-report_2017.pdf.

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 All such institutions and affiliated organizations are referred to as “educational or affiliated entities,” or simply “entities,” throughout this report.

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 entity 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 entity that directly or indirectly relates to any aspect of the agreement.⁸

The Bureau makes public all agreements submitted to the Bureau and a dataset containing all data submitted by issuers regarding agreements, both from the current year and from past

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 payment amounts included in this report are rounded to the nearest dollar.

⁸ See 12 C.F.R. § 1026.57(d)(2).

years. Appendix A provides more information on how to access and interpret that dataset. Institutions of higher education are also required to make agreements available to the public.⁹

The CARD Act requires the Bureau each year to submit to Congress and make publicly available a report on the information and documents provided by card issuers, including the number of new accounts opened pursuant to agreements between card issuers and educational or affiliated entities and the compensation paid by issuers to these entities.¹⁰ This report is based on the information and agreements submitted to the Bureau by credit card issuers, which provide data current as of the end of 2017.¹¹ Information included in this report also is available on the Bureau's public website at www.consumerfinance.gov.

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 30, 2018. These submissions were required by the applicable regulations to cover college credit card agreements to which the issuer was a party during 2017 and information regarding payments and accounts as of December 31, 2017.

2. Summary

This report makes the following findings:

- Reversing a long-standing trend, the number of agreements between credit card issuers and educational or affiliated entities sponsoring credit card programs increased in 2017. The number of issuers maintaining at least one such agreement also increased. However, accounts open pursuant to such agreements and the total amount paid by issuers to entities pursuant to such agreements continued to declined;
- Alumni associations remain the predominant type of educational or affiliated entity which partners with issuers in offering credit cards to student. Fluctuations in the proportion of the agreements between issuers and entities attributable to each type of entity were small and did not appear to represent an obvious trend; and
- The largest agreements continue to account for a large share of the payments made by issuers to educational or affiliated entities, with the ten most-lucrative agreements representing 41% 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 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 in a direct mail solicitation sent to him or her by an issuer. Finally, because issuers were required to submit all college credit card agreements to which they were a party at any time during 2017, issuers' submissions may include agreements that are no longer in effect. By the same token, of course, agreements first entered into in 2018 are also not reflected in the data.

3. Findings

3.1 Overall trends

The Bureau received 264 college credit card agreements from 40 credit card issuers for 2017. 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)¹²

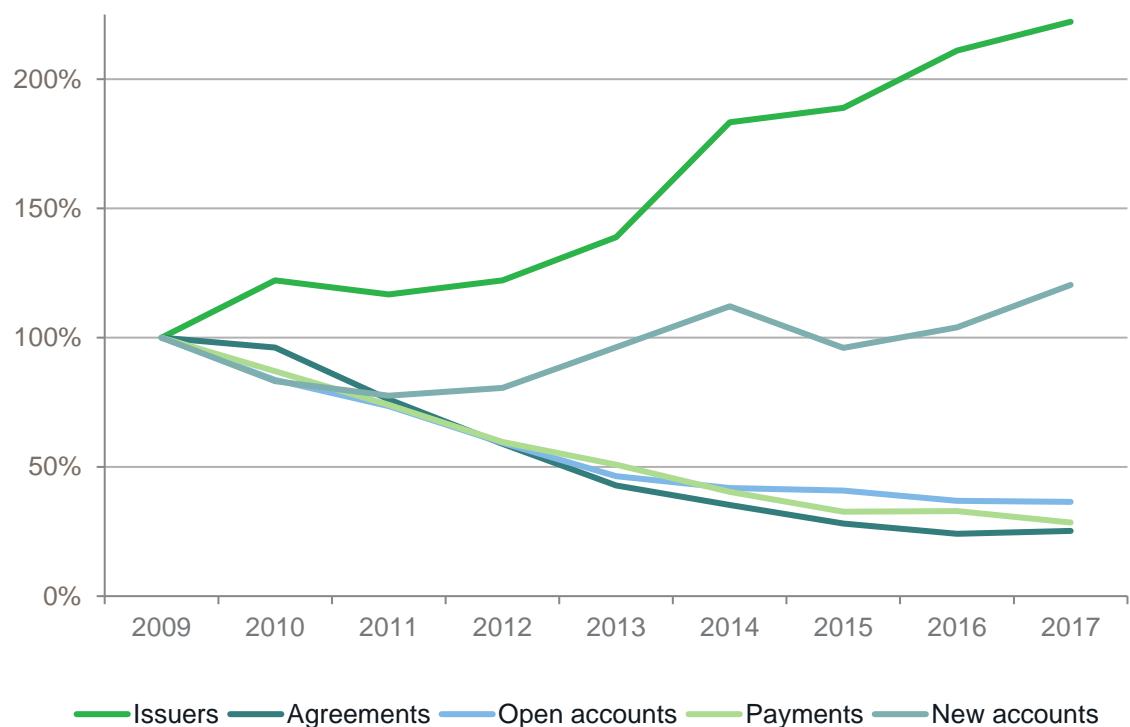


Figure 1 presents a summary of these data. It shows that in each year from 2009 through 2016, there were consistent declines in: (a) the number of college credit card agreements; (b) the total number of associated credit card accounts open at year-end; and (c) the amount paid by issuers

¹² Certain agreements and associated data for 2017 were not included in the prior year's report. This report corrects for those omissions throughout.

to institutions and affiliates. While the latter two trends persisted into 2017, the first trend reversed, with the number of agreements increasing (albeit only slightly) for the first time since these data were first collected by the Board.

Forty issuers were parties to such agreements in effect in 2017, an increase of two over 2016. This continues the trend since 2012 of the total number of issuer participants in this market increasing. There were also significantly more new accounts in 2017 than in any previous year. As noted in past reports, the number of new accounts each year has fluctuated over the period these data have been collected in a manner that appears uncorrelated with other indicators of this market’s overall size.

3.2 Issuers

Bank of America’s subsidiary, FIA Card Services, remains the largest issuer in this market, as it has every year since these data were first collected by the Board. However, Bank of America’s share of the market is declining significantly, with its share of all agreements, open accounts, and payments all falling relative to 2016. Its share of agreements fell to 29% from 32%; its share of open accounts fell to 71% from 76%, and its share of payments fell to 64% from 69%. Bank of America’s position nevertheless remains dominant, especially by the latter two metrics. Four other issuers were party to more than 20 agreements each in 2017, but those issuers collectively represented only 8% of the total accounts and 17% of the total payments made by Bank of America.

Overall, 40 issuers submitted their agreements to the Bureau for 2017. Each issuer’s aggregate metrics are in Table 1 below. Four issuers that submitted agreements in 2017 did not submit agreements in 2016. The new issuers in the 2017 submission are American Trust & Savings Bank, Central Bank & Trust Co., Chief Financial Credit Union, and New Mexico Bank & Trust. These four issuers accounted for four agreements, 343 accounts, and \$38,186 in payments to institutions and their affiliates. Two issuers exited the market: Comenity Capital Bank and Discover Bank. These two issuers accounted for two agreements, 143 open accounts, and \$157,142 in payments in 2016.

TABLE 1: REPORTED METRICS WITH COLLEGE AGREEMENTS IN EFFECT IN 2017, BY ISSUER

Issuer	Agreements in effect	Year-end open accounts	Issuer payments	New accounts
American Trust & Savings Bank	1	51	\$878	1
Apple Federal Credit Union	1	230	\$15,000	38
Banco Popular de Puerto Rico	1	14,659	\$58,758	389
Banco Santander Puerto Rico	8	0	\$0	0
Bank of America	76	530,389	\$15,327,691	25,654
Boeing Employees' Credit Union	1	25,299	\$260,100	9,544
Carolina Trust				
Federal Credit Union	1	255	\$1,648	51
Central Bank & Trust Co.	1	272	\$36,060	297
Chief Financial Credit Union	1	12	\$1,249	12
Christian Community Credit Union	1	218	\$9,528	40
Commerce Bank	26	2,302	\$204,317	916
Farmers & Merchants State Bank	1	10	\$20,000	10
First Interstate Bank	1	121	\$5,500	7
First National Bank of Omaha	13	7,542	\$528,853	746
Georgia's Own Credit Union	1	112	\$104,673	25
Goldenwest Federal Credit Union	1	4,405	\$38,122	1,588

Issuer	Agreements in effect	Year-end open accounts	Issuer payments	New accounts
Harvard University				
Employees Credit Union	1	12,053	\$97,179	746
MidFirst Bank	4	2,437	\$481,773	371
MIT Federal Credit Union	1	4,561	\$40,508	376
Mountain America				
Federal Credit Union	2	11,291	\$155,588	5,189
Nationwide Bank	6	1,714	\$273,107	167
New Mexico Bank & Trust	1	8	\$0	8
Oregon Community Credit Union and OCCU Card Services, LLC	2	7,216	\$30,833	639
Pen Air Federal Credit Union	3	227	\$1,352	44
Pennsylvania State Employees Credit Union	36	1,156	\$12,120	356
ProFed Federal Credit Union	1	2	\$10	1
Purdue Federal Credit Union	1	29,172	\$1,000,000	2,340
Stanford Federal Credit Union	2	962	\$950,000	607
Texas Trust Credit Union	1	162	\$0	157
The Southern Credit Union	1	21	\$78	5
U.S. Bank National Association ND	27	36,799	\$2,395,152	4,299
UMB Bank	21	989	\$18,710	18

Issuer	Agreements in effect	Year-end open accounts	Issuer payments	New accounts
University Credit Union	1	285	\$5,010	32
University First Federal Credit Union	2	17,979	\$0	8,353
University of Illinois Employees Credit Union	1	15,118	\$656,325	1,497
University of Wisconsin (UW) Credit Union	4	5,135	\$295,000	1,577
USAA Savings Bank	8	6,853	\$636,924	523
USC Credit Union	1	1,496	\$251,125	192
USF Federal Credit Union	1	2404	\$124,835	220
Wright-Patt Credit Union	1	574	\$10,007	82
Grand Total	264	744,479	\$24,046,765	67,105

3.3 Agreements

As reflected in Table 1, issuers submitted a total of 264 college credit card agreements for 2017. Of these, 30 were entered into in 2017. Thirteen issuers accounted for these new agreements. Overall, there was a net increase of eight agreements in effect in 2017 relative to 2016, which was the first net increase in the number of agreements since issuers began submitting them to comply with the CARD Act. The pace of agreement termination continued to slow in 2017, with 13 total terminations representing a 5% termination rate, a very slight decline from 2016.¹³ Most of the terminated agreements were associated with three issuers. Pennsylvania State Employees

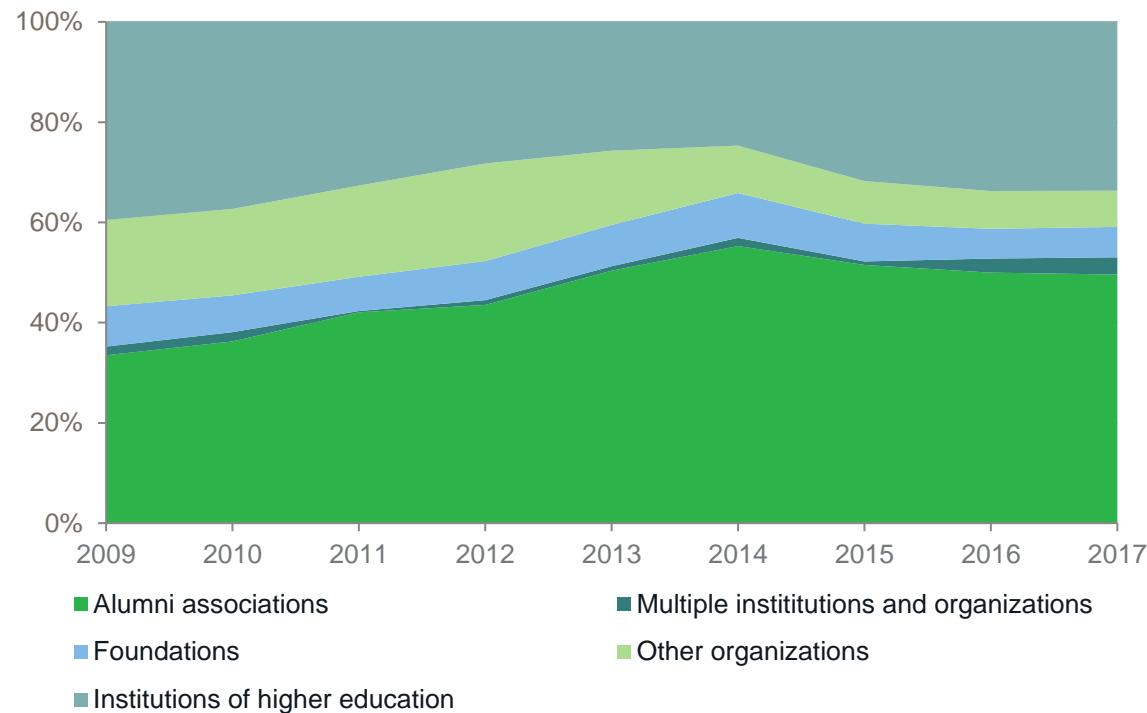
¹³ The linked dataset allows users to see all agreements terminated in 2017 as well as earlier years. See *College credit card marketing agreements and data* at <https://www.consumerfinance.gov/data-research/student-banking/marketing-agreements-and-data/>.

Credit Union terminated five agreements; Bank of America and U.S. Bank each terminated three agreements.

3.4 Partner entities

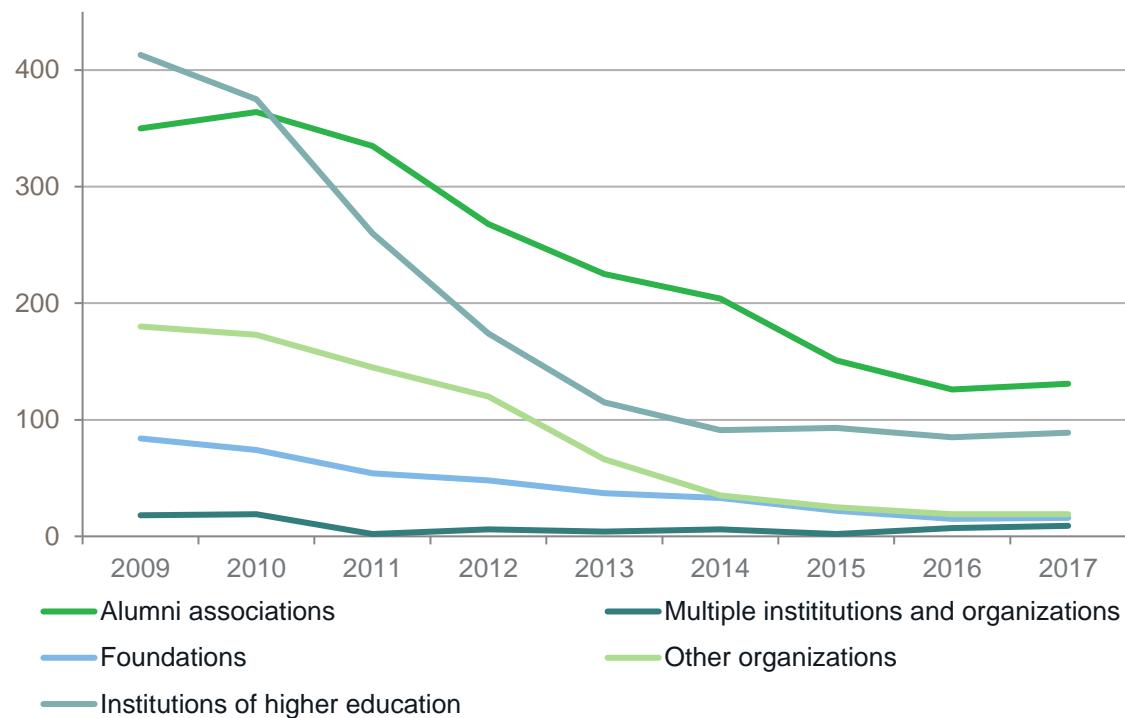
Through entering into agreements, issuers partner with educational or affiliated entities to offer credit cards to students. The shares of each type of entity entering into these agreements with issuers were stable from 2016 to 2017. As reflected in Figure 2, no type of entity gained or lost more than a single percentage point of overall share in this time period.

FIGURE 2: AGREEMENT SHARE BY ENTITY TYPE



Commensurately, Figure 3 shows that the overall growth in agreement numbers was distributed evenly across types of entities. The total number of every type of entity entering into agreements increased by between one to five agreements, with the exception of “other organizations,” which remained unchanged from 2016 to 2017.

FIGURE 3: TOTAL AGREEMENTS BY ENTITY TYPE



As shown in Table 2, alumni associations' dominant position eroded slightly, but in 2017 this type of entity still represented nearly half of all agreements, over two-thirds of all accounts, and over two-thirds of all payments.

TABLE 2: ISSUER-REPORTED METRICS BY ENTITY TYPE, 2017

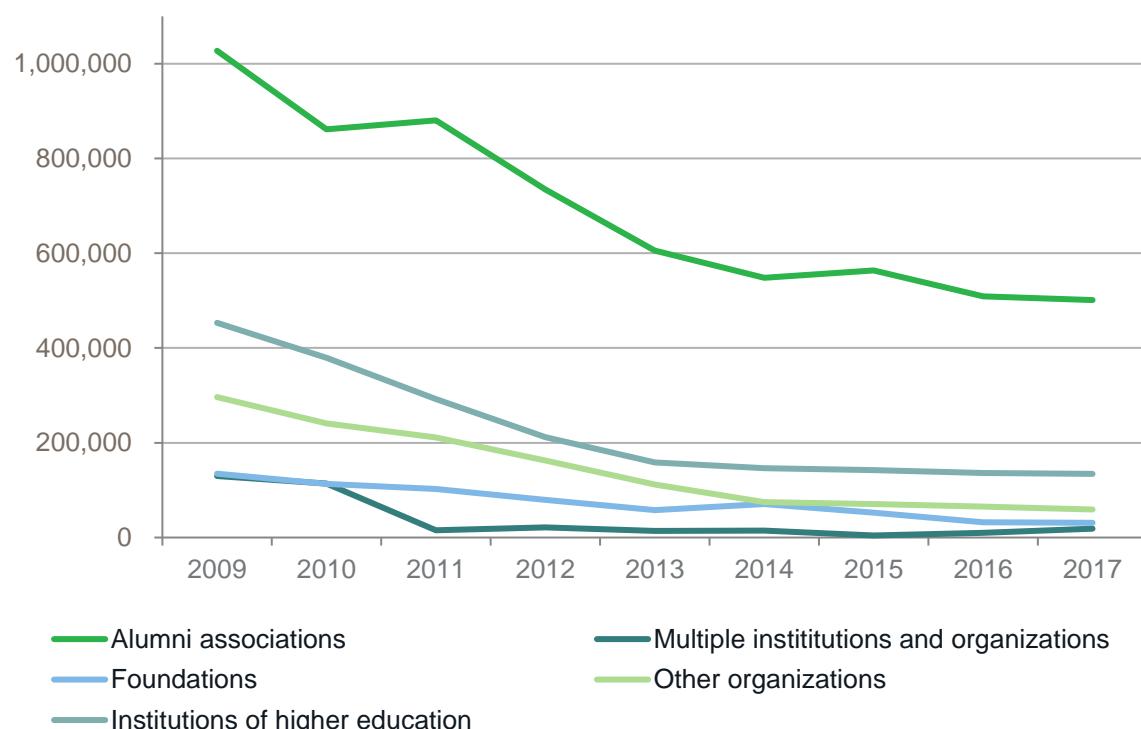
Type of institution or organization	Agreements in effect in 2017	New agreements in 2017	Total open accounts at year-end	Payments by issuer in 2017	New accounts opened in 2017
Alumni associations	131	11	501,208	\$17,319,675	43,573
Institutions of higher education	89	12	134,383	\$4,271,565	10,757
Other organizations	19	4	59,149	\$1,628,226	2,166
Foundations	16	1	31,090	\$727,330	1,850
Multiple institutions	9	2	18,661	\$101,218	8,771

Type of institution or organization	Agreements in effect in 2017	New agreements in 2017	Total open accounts at year-end	Payments by issuer in 2017	New accounts opened in 2017
and organizations					
Total	264	30	744,491	\$24,048,014	67,117

3.5 Account volume

The total number of open college credit card accounts at year-end declined in each year from 2009 through 2017. The cumulative decline across these years was over 63%. Even so, most issuers in our survey saw a net increase in accounts from year-end 2016 to year-end 2017. These increases, however, were more than offset by decreases in Bank of America's number of accounts, which saw a decline in open accounts exceeding 43,000. Total year-end open accounts declined slightly for most types of entities in aggregate, as shown below in Figure 4; the exception was agreements with multiple entities, which nearly doubled.

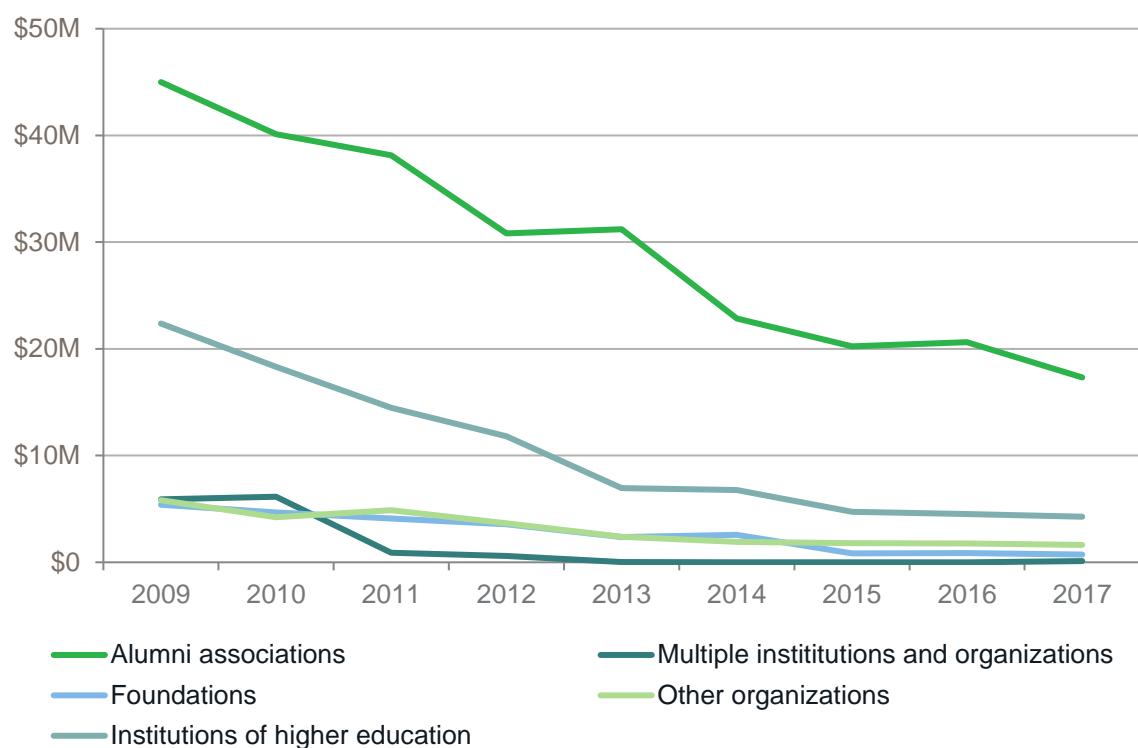
FIGURE 4: YEAR-END ACCOUNTS BY ENTITY TYPE



3.6 Payments

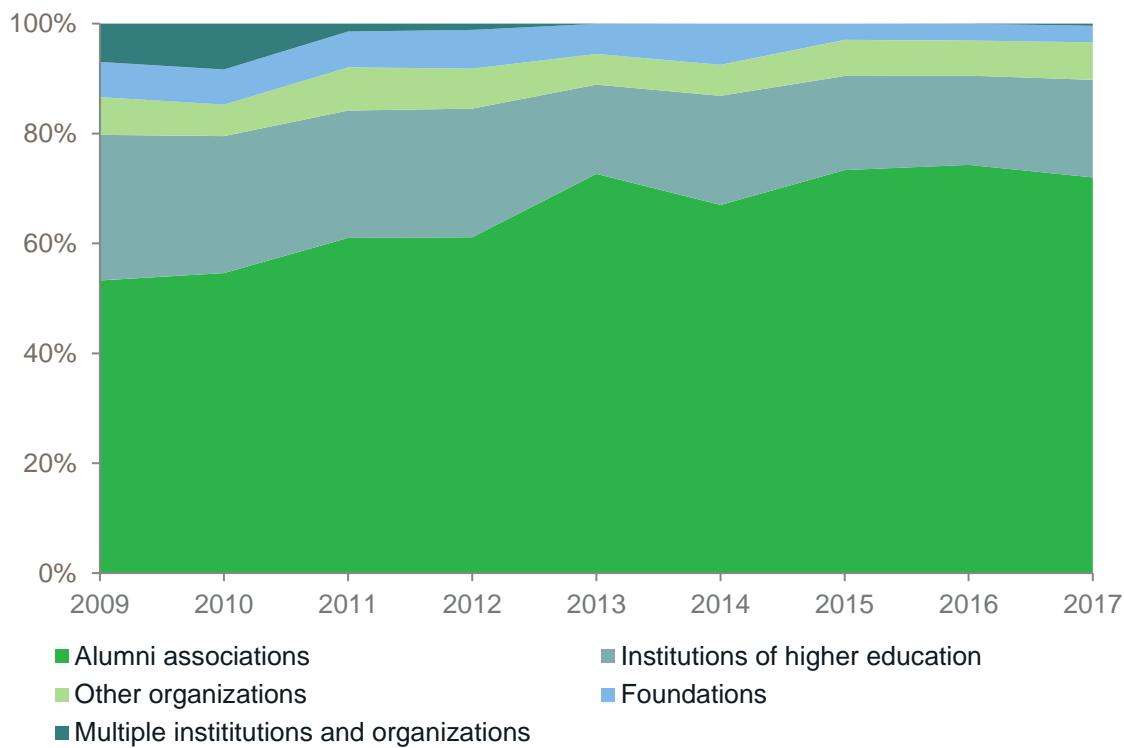
The total amount paid by issuers to educational or affiliated entities declined from 2016 to 2017. This decrease resumes a long-standing trend interrupted by a slight increase last year. Overall, the cumulative decline from 2009 through 2017 was over 71%. New agreements accounted for over \$1 million in payments by issuers, but this was insufficient to offset a substantial decline overall, driven both by terminations and reductions, sometimes quite large, in payments pursuant to existing agreements. Payment data are in Figure 5 below.

FIGURE 5: ISSUER PAYMENTS BY ENTITY TYPE



As shown in Figure 6 below, payment shares by type of entity were largely stable year-over-year.

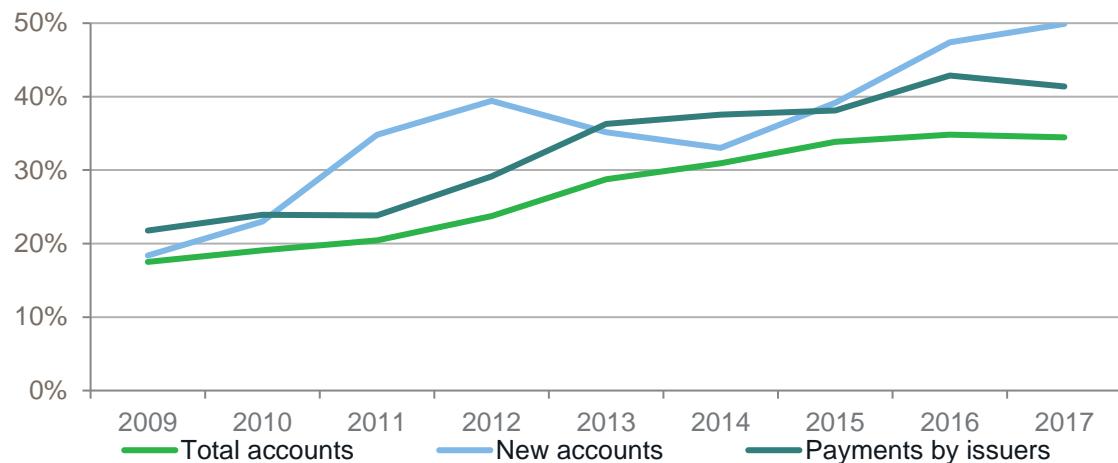
FIGURE 6: PAYMENT SHARES BY ENTITY TYPE



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 2017, this metric stabilized, with the top ten agreements by each of those three metrics staying at or near 2016’s high points. Concentration data are 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, 21 agreements comprise the three lists, with seven agreements appearing on two lists and two agreements appearing on all three. Of those 21 agreements, 16 are agreements with alumni associations, reflecting the dominant role that agreements with these types of entities continue to play in this market.

APPENDIX A: COLLEGE CREDIT CARD DATA

The Bureau is updating the 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 continue updating 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. 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 because submitting entities sometimes make corrections to earlier submissions. In all cases, the Bureau intends for the public dataset to be the Bureau’s definitive account of the data.

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 that 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 field¹⁴:
 - “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).
- “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.

¹⁴ 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.

