

## Big Banks on Campus

Looking to Lure Lifelong Clients, Firms Dangle Plane Tickets, iPods

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**S**tudents aren't the only ones headed back to school.

Financial institutions are swarming over college campuses, pushing promotions and free gifts to entice students to sign up for new bank accounts, credit cards and insurance policies. For many banks, students represent one of the fastest growing business segments. Moreover, their research shows that a young adult who opens an account often remains a loyal customer for many years to come.

Consequently, banks' campus handouts are a far cry from the free-pen-and-T-shirt fare they have traditionally given to new student customers. For opening a new checking account, KeyCorp's KeyBank is giving away a free iPod shuffle music player, and Chase, a unit of J.P. Morgan Chase & Co., is offering a dozen 12-packs of Coca-Cola. Bank of America Corp. will pay \$50 to students who open accounts online, and Sovereign Bancorp Inc.'s Sovereign Bank is dangling free airline tickets.

Banks also are expanding their physical presence on campuses. Citigroup Inc.'s Citibank, which launched a student Web site last month, is visiting about 200 campuses this year -- double the number of prior years. Chase has stepped up its school visits this year by about 30% from last year. The bank recently created a new marketing position to focus exclusively on college and high-school kids.

Some insurers also are beginning to focus on the student market. State Farm Insurance Cos. last month kicked off a marketing campaign aimed at teaching young adults about auto and renters insurance. This summer the company began sponsoring rock concerts in college communities.

The targeting of students comes at a time when young people are using more financial products at an earlier age. A savings account was long the extent of most new college students' financial holdings. Now, nearly a third of students who start college already have a credit card—roughly a 50% increase over the past five years, says Robert Hammer, an industry consultant. By the time they turn seniors, a full three-quarters of students are now packing plastic.

"Young adults tend to be very loyal to their first card," says Ed Stolbof, senior vice president of marketing for Morgan Stanley's Discover Financial Services LLC. "It's really important to get to card members as soon as we can in their credit cycle."

Some states and universities have tried to limit the influence that financial institutions have on campus out of concern that the heightened marketing activity may contribute to students leaving school burdened by student

loans and credit-card debt. A handful of states, including New York and Illinois, have passed laws restricting the marketing of credit cards on campuses and several other states have proposed similar legislation this year, according to the National Conference of State Legislatures.

"When you have the gifts associated with a checking account or a credit card, it shortcuts the students' thought process on whether they're making the best decision" about that product, says Ken McEldowney, executive director of Consumer Action, a San Francisco advocacy group.

Mario Colosimo, a senior at Westminster College in Salt Lake City, shopped around for a checking account last month before signing up with Zions Bancorporation's Zions Bank because it had branches near his home and didn't charge monthly fees for maintaining balances. "What also attracted me were the direct deposit and a really good Internet banking Web site," says the 20-year-old.

For students signing up for new accounts, it's important to understand the contract terms to avoid getting hit with extra charges. Although many of the student checking accounts have no monthly fees or minimum balance requirements, for instance, students may have to sign up for certain services, such as enrolling for online statements, or other products in order to qualify.

Some banks have additional enticements. Wachovia Corp. and Bank of America offer to waive the first overdraft or bounced check fee. Others, including KeyBank, will reimburse a certain number of fees for using ATMs outside of the banks' networks. Some insurers, including State Farm and Allstate Corp., will provide discounts on auto insurance premiums for students getting good grades.

And, since parents often influence where their kids bank, firms are offering incentives if both have accounts at the same bank. Chase will waive a \$10 monthly service fee and provide free online bill pay on a student checking account if it is linked to a parent's account at the bank. Under Wachovia's "College Connections" program, students get 12 free out-of-network ATM transactions each month if their checking account is linked to a parent's account at the bank.

Students shopping for a credit card should get one with a low credit limit so they don't overspend, suggests Marie O'Malley, vice president of marketing for Nellie Mae, a unit of student-loan company SLM Corp. They also should ask to have their names taken off any lists that could be sold to vendors in order to prevent getting inundated with solicitations from other banks and credit cards, she says.

Among some offerings: U.S. Bancorp's college card limits spending to \$300. USAA offers a credit card that starts with a \$500 limit for freshmen that gradually increases with each grade level.