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News Release

State Bank & Trust Company offers advice to college students and their parents

New credit card reforms to kick off a new school year

Waverly, IA (August 2010) · If you're sending a child off to college this year, you may be about to breathe a sigh of relief: It should be harder for them to get into trouble with credit cards. However, it may also be harder for students to establish a good history of credit during their college years.

A new law, enacted as part of the wide-ranging credit card reforms that took effect this year, requires anyone under the age of 21 who seeks to open a credit card to first prove that he or she can afford to pay back whatever amount borrowed through credit cards· or find a parent or someone over the age of 21 to act as a co-signer. The law limits fees that creditors may charge to 25% of the credit limit in effect when the account is opened. Additional provisions protect students from changes in interest rates, fees and charges, and from automatic increases in credit limits.

Mark Phillips, Market President at State Bank & Trust Company, advises, **before co-signing for your child's credit card, you should know that any late or missed payments will damage your credit score in addition to your child's. You will, however, be able to receive monthly statements, and your authorization will be required before the credit limit can be increased.+ NOTE: creditors must allow students to opt in+ to charges that would exceed the established credit limit (over-the-limit transactions+).**

Though the new law may make it harder for students to establish credit, financial experts at SBT say establishing a line of credit at a young age is a positive thing. If used responsibly, credit cards can help young adults build a strong credit profile. Here are some tips for college students· and anyone else· looking to establish a history of good credit while avoiding debt.

- **Pay off all balances in full every month** or pay as much as you can, making the largest payment on cards with the highest interest rate.
- **Get secured credit cards**, or cards backed by a deposit when the account is opened. The amount deposited acts as the card's limit. If at any point the account holder can't cover purchases made on the card, the deposit covers any outstanding balance, and the account is closed.
- **Know your credit limit and stay below it.** Card issuers charge a penalty for each transaction that exceeds your credit limit. Keep your card balances at 50 percent of your limit or below. Anything over 70 percent of your limit damages your credit score.
- **Open a card that reports to credit bureaus.** The three major credit bureaus are Experian, Equifax and TransUnion. Make sure the creditor granting your credit account reports to all three of the bureaus.
- **Use your credit card for monthly charges.** Recurring monthly charges, such as electric, cell phone and cable bills, provide a more consistent stream of credit than food or restaurant tabs.