

How They Work

Although credit and ATM/debit cards may have the same logo and appear to be very similar, they are different. When consumers use a credit card for a purchase or cash advance they are incurring debt, owing the credit card issuer. The consumer is then obligated to pay back the credit card issuer the amount borrowed plus any interest accrued.

Debit card transactions are processed the same way as a credit card, however instead of going into debt; the payment is withdrawn (debited) from the consumer's checking or other account. When the consumer needs cash, the debit card can be used in an ATM machine to withdraw cash from his/her checking account.

There are advantages and disadvantages to each. Credit cards may allow the consumer more spending freedom with a greater amount of money at his/her disposal. However, consumers should use caution, creating only the amount of debt which the consumer can repay.

Debit cards do not require concern about too much credit since he/she is not going into debt, but a consumer should be careful since a debit card can overdraw a checking account just like too many checks. Good record keeping is essential when using debit cards. However, debit cards offer less freedom than credit cards because they do not permit the consumer to pay over a period of time, therefore they limit the size and amount of purchases to your checking account balance. When a debit card is used, the money is immediately withdrawn from the consumer's account.

Tips On Shopping For And Using Credit Cards And ATM/Debit Cards

- Shop around for the plan that best fits your needs.
- Understand the terms of the plan before accepting.
- For credit cards, determine if there is an "introduction" period where you do not have to pay interest or a reduced interest rate and know what the rate will be after the introduction.
- Know if there are any annual fees.

Credit/Debit Card Safety

There are certain measures a consumer can take to reduce the risk of falling victim to fraud:

For Credit Cards:

- Do not disclose your account number over the phone unless you know it is to a reputable business or you initiated the call.
- Never put your account number on the outside of an envelope or a postcard.
- Draw a line through blank spaces on your charge slips so amounts can't be changed.
- Destroy carbons and save receipts to compare to monthly bills.
- Keep a record of card numbers, expiration dates, and phone numbers to call in case of theft.
- Keep these records safe and separate from your cards.
- Carry only the cards you need or plan on using.

For ATM/Debit Cards:

- Choose a pin number that is different from other numbers in your wallet and not easily guessed.
- Memorize your pin number.
- Don't write your pin number on your card or keep it in your wallet or purse.
- Don't put your pin number on the outside of an envelope or a deposit slip.
- Compare your receipts to bank statements as soon as possible.

ATM Safety

Sometimes the public perceives that using ATMs can be unsafe. In fact, ATM crime is decreasing. A crime occurs only about one in every 3.5 million transactions. There are things consumers can do to decrease the risk even further:

- Conduct your transactions during the day or bring a companion if you are going to be using an ATM at night.
- Always observe your surroundings before beginning your transactions.
- Always conceal your pin number from others around you.
- If an ATM is poorly lit, use a different location.
- Have your ATM card ready to minimize your time at the machine.
- If you see anything suspicious, cancel your transaction and leave immediately.
- If anyone follows you, quickly move to a crowded well-lit area and call the police.

If you are driving:

- Pull as close as you can to the machine.
- Keep your engine running and your doors locked, as well as your windows up while you are waiting in line.
- Leave room between yourself and other cars for easy exit if needed.
- Check your surroundings before lowering your window.

Are You Liable?

For credit cards, the consumer is liable for \$50 dollars of unauthorized charges per card. The consumer is responsible for reporting a theft and reviewing his/her statements to note any illegal charges.

For debit cards, the consumer only has two (2) business days to report an ATM/debit card missing or stolen to only be liable for \$50 dollars. After the two (2) days, the consumer could be liable up to \$500 dollars. He/she risks **unlimited** liability if an unauthorized transfer is not reported 60 days after the bank statement is mailed to the account holder.

Credit Card Blocking

Credit card blocking is when a vendor contacts a credit card company to do a credit check. The clerk gives the company an estimated total of what the consumer's spending will be. This total is then subtracted from the credit limit. This is called a "block." A problem may arise when the consumer pays using another form of payment or a different credit card. The block can remain on the account for up to three (3) weeks.

There are some ways to avoid this problem: Use the same card you used at the beginning of the transaction. When checking into a hotel or renting a car, ask how much will be blocked on your account. If you pay in a different manner or with a different card, ask the clerk to remove the block.

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