



# **CREDIT** **Cards** **&** **DEBIT** **Cards**

*Answers to Your Questions About*

- **How to use them**
- **How to respond to fraudulent use**
- **How to protect yourself**

**W**hile cash and checks are still with us, more options are opening to consumers to use plastic cards, whether credit, debit, or a combination. Here are some things to know about your choices...and your protections.

### **How Do Credit and Debit Cards Differ?**

**A:** A **credit card** is like taking a loan. It allows you to borrow money at an established interest rate subject to terms and conditions of the issuer, and you pay back the credit you used each month. **Debit cards** work like cash or a personal check. When you use a debit card, you subtract money from your own checking or savings account.

A **credit card** is different from a **charge card**, in that a charge card requires the balance to be paid in full each month. In contrast, credit cards allow the consumers to 'revolve' their balance, at the cost of having interest charged.

### **Can I Use Credit and Debit on the Same Card?**

**A:** Some cards are dual purpose. Before you swipe the card, you select 'credit' or 'debit' to identify the transaction. With the debit option, you will normally need to enter a Personal Identification Number (PIN), just as when you take money from an ATM. A **credit** option will normally require the cardholder's signature. Your card issuer can tell you whether or not your card has both options.

## **What About Pre-Paid Credit and Debit Cards?**

**A:** A reloadable credit or debit card allows you to only spend up to the amount you have pre-deposited into the account. If you want to control spending on a card (such as with a gift or for a teen) then a **pre-paid debit card** or **prepaid credit card** might be appropriate.

## **Are Gift Cards Like Pre-Paid Cards?**

**A:** Yes, **Gift Cards** are also considered “stored-value” cards, meaning the amount available for use is predetermined.

## **Which Option Should I Choose?**

**A:** Some experts advise that you use the **debit card** for everyday, small purchases, such as for groceries, at the gas station or dry cleaners. For larger purchases or those made over the

Internet or by phone, **credit cards** might offer broader protection. For instance, you can contest a credit card charge for a product and not have to pay until the dispute is settled. With a debit transaction, the vendor has your money during the dispute period.

## **What Should I Do if My Card is Lost, Stolen or Misused?**

**A:** If you suspect or have proof that a merchant where you have used your credit or debit card is not secure—or if you believe you are a victim of identity theft—you should act immediately (see “*Understanding Your Liability*”):

- Report the lost or stolen card to the credit card issuer
- If you have proof of theft or criminal misuse, file a police report

## **Your Card Options AT A GLANCE**

### **CREDIT**

Allows you to borrow money at an established interest rate subject to terms and conditions of the issuer.

### **DEBIT**

Allows you to purchase products without cash; money is deducted directly from your account.

### **CREDIT/ DEBIT**

Combination cards permit various transactions; e.g., credit charges *and* debit use such as use at an ATM or cash back at Point-of-Sale (POS) merchant terminals.

### **\$\$\$\$ PRE-PAID**

Money is deducted directly from your account; amount available depends upon the amount that has been pre-paid to the account; can often be recharged (i.e., additional funds added to the pre-payment amount).

### **GIFT**

Works like a pre-paid card, in that the amount available is determined in advance. Usually cannot be recharged. Cards can be proprietary to specific merchants or bank-issued cards accepted by most merchants.


## **How Can I Best Protect My Card?**

**A:** Some simple, common sense precautions are your best defense against fraud:

- Keep track of your credit card receipts as proof of the purchases you make.
- Review your statements for purchases or transactions you did not make, using your receipts as a guide. Report any to the credit card issuer immediately.
- Shred your receipts before disposing of them.
- Provide your credit card information only to trusted sources.
- There is another threat unique to debit card users—“skimming.” **Skimming** occurs when thieves set up a device that captures the magnetic stripe and keypad information from ATM machines and gas pumps. Be aware of this scam when you scan your card and when you review your statements for unauthorized purchases.

## **UNDERSTANDING YOUR LIABILITY**

Government regulations and voluntary industry policies will protect you if a credit or debit card is used to make unauthorized purchases. Your card issuer can provide specific details.

 **Credit cards.** Under federal law, if someone steals your credit card you are responsible for the first \$50 of unauthorized charges. Some cards carry zero-liability policies. If the loss involves your credit card number, but not the card itself, you have no liability for unauthorized use.

- ➔ **Debit cards.** Your liability under federal law for unauthorized use of your ATM or debit card depends on how quickly you report the loss. Your liability can range from \$50 to as much as \$500 (see [www.ftc.gov](http://www.ftc.gov) for a full explanation).

## RESOURCES

Go to any of these sites and type “*debit card*” or “*credit card*” in the search window:

**Federal Trade Commission**

<http://www.ftc.gov>

**U.S. Treasury Department**

<http://www.ustreas.gov>