
Debit Cards

Check cards and ATM cards—both commonly referred to as "debit cards"—are plastic cards that look like credit cards. Like credit cards, debit cards are used to obtain cash or to make purchases without the use of cash or checks. Using a debit card, however, does not result in a credit transaction as it does with a credit card because funds are automatically withdrawn from the cardholder's checking or savings account. Like checks, all transactions made with a debit card will be listed on the cardholder's monthly checking or savings account statement. Because the necessary funds are automatically and almost immediately taken from the cardholder's account, there is no reason for the cardholder to get an additional monthly bill.

ATM Cards

These cards are used at automatic teller machines (ATMs) to withdraw cash, make deposits, or transfer funds between accounts. To use an ATM card, you insert the card into an automatic teller machine and enter a personal identification number, or PIN, for security. The system checks your account for adequate funds before permitting any transaction. There may or may not be a fee associated with each ATM transaction.

Check Cards

These cards can be used to purchase products at any merchant that accepts VISA or MasterCard credit cards. On the surface, they look exactly like ATM cards. However, check cards cannot be used at automatic teller machines. When using a check card no PIN is used. Instead, you will be asked to sign a transaction slip as would be done with a credit card.

Combined ATM & Check Cards

These cards can operate as both ATM and check cards. Some retail merchants, however, require the cards to be used only as check cards. Other merchants give the cardholder the option to use the card as either an ATM card or as a check card. The difference is when you are asked to choose either "debit" (ATM) or "credit" (check card) at a point-of-purchase terminal at a store. How the card is used will determine whether a PIN or signature is required and what type of transaction fee, if any, is assessed. When using a debit card of any kind it is important to remember to subtract the amount of the transaction from your checking or savings account in order to maintain an accurate record of your balance.

Fees

It is important to know and understand all fees that may be associated with your debit card. Most issuers of debit cards assess annual, monthly and/or transaction fees. All of these fees can vary depending on how or where the card is used. For instance, transaction fees may vary depending on which automatic teller machine you use. Some institutions may give you a limit of free electronic transactions and charge a per transaction fee above the limit.

Liability for Lost or Stolen Cards

When either a debit card or credit card is lost or stolen it is important that the cardholder notify the card issuer of the problem as soon as possible. Any delay can put the cardholder at risk. However, it

is important to understand that CONSUMERS HAVE LESS PROTECTION WITH DEBIT CARDS THAN THEY DO WITH CREDIT CARDS.

Credit Cards

If you report your credit card lost or stolen before the thief uses the card, you cannot be held responsible for any fraudulent charges. If fraudulent purchases or cash advances are made before you report the credit card missing, your liability is limited to \$50 per card.

Debit Cards

The process is different for debit cards. If you report your debit card lost or stolen before the card is fraudulently used to make purchases or cash advances; the card issuer cannot hold you responsible for the fraudulent use. If the card is used by the thief before you report it missing, but you reported the card missing within two days of discovering the card missing, your liability is limited to the amount of the fraudulent withdrawals or \$50, whichever is less. If you do not report the card missing within two days, your liability rises to the amount of the fraudulent withdrawals or \$500, whichever is less.

If you don't report the card missing within 60 days of receiving your first account statement that showed a fraudulent withdrawal, you can be liable for all withdrawals. That means you could lose everything in your account in addition to the unused portion of any line of credit that was established to cover overdrafts. Regardless of when you report the card lost or stolen, you cannot be held liable for any unauthorized withdrawals made after you reported the card missing.

To encourage the use of debit cards some financial institutions may have policies that provide more protection against unauthorized use than what is required by law. For instance, an organization may extend the length of time the customer has to report a stolen card or may state it will not hold customers liable for any unauthorized withdrawals. It is important to fully understand these policies because they may not be as good as they first appear. For instance, an organization may have a "no liability policy," however; the policy may only apply if the thief uses the card with that organization's network.

Errors

If an error or problem appears on your monthly account statement you should notify the financial institution immediately. After being notified of an error, the institution has 10 days to investigate. If more time is needed, the institution may take up to 45 days for the investigation but only if they credit the customer's account in the amount of the error. If the error involves a point-of-sale transaction the 10 and 45 day limits increase to 20 and 90 days, respectively.

After the investigation the financial institution will correct the error or explain why they believe there is no error. If you fail to notify the institution of any error within 60 days after receiving the monthly statement that first reported the error, you will have little recourse. The institution is not obligated to investigate any error if you miss the 60-day deadline. So, to protect yourself be sure to review your monthly statements in a timely manner.

Debit Card Problems can be Worse than Credit Card Problems

When an improper charge appears on your credit card you are not automatically out the money and you simply need to work with your credit card issuer to have the charge removed from your bill. When an improper charge occurs with a debit card, however, the funds are automatically taken from your account and you are burdened with attempting to get your own money back. Meanwhile, you may experience cash flow problems and your legitimate checks could bounce.

Traveling with your Debit Cards

The reverse side of your debit card will display the names or symbols of the various ATM systems that will accept your card. Your debit card can be used at any ATM in the world as long as the ATM displays one of the same system names or symbols that are on your debit card. When obtaining funds at an ATM in a foreign country the funds dispersed will be in the currency of the country you are visiting.

Protecting Your Money

- Know where your cards are at all times and keep them in a secure location.
- Never give out your account number over the phone or Internet unless you know you are dealing with a reputable company.
- When using the Internet always use a secure browser. Look for the “secured” symbol.
- Never display your account number on the outside of an envelope or postcard.
- Don't write your Personal Identification Number (PIN) on the card and don't carry the PIN in your wallet or purse.
- Draw a line through the blank spaces on your transaction slips. This will help prevent the total from being changed.
- Don't sign a blank transaction slip.
- Tear up carbons and save your receipts.
- Review your monthly statements promptly and compare the charges with your receipts.
- Inform your financial institution immediately when your card is lost/stolen or you notice any unauthorized withdrawals.
- Keep a record of all your account numbers, expiration dates, and the telephone numbers of the card issuer in a safe place. Copy the front and back of your cards. This will make it easier to report your card lost or stolen.
- Realize you are liable for withdrawals/charges even if made by others with your permission.

Source: *Check Cards & ATM Cards*, Wisconsin Department of Financial Institutions.