

**Consumer Decision Making Contest
2001-2002 Study Guide
ATM/Debit Cards**

The popularity of ATM (automated teller machine) and debit cards is rising. ATM cards have a longer history than debit cards, but the National Consumers League estimates that two-thirds of American households are likely to have debit cards by the end of 2000. It is expected that debit cards will rival cash and checks as a form of payment.

In the future, “smart cards” with embedded computer chips may replace ATM, debit and credit cards. Single-purpose smart cards can be used for one purpose, like making a phone call, or riding mass transit. The smart card keeps track of how much value is left on your card. Other smart cards have multiple functions - serve as an ATM card, a debit card, a credit card and an electronic cash card. While this Study Guide will not discuss smart cards, they are on the horizon. Future consumers who understand how to select and use ATM and debit cards will know how to evaluate the features and costs of smart cards.

ATM and Debit Cards and How They Work

Electronic banking transactions are now a part of the American landscape. ATM cards and debit cards play a major role in these transactions. While ATM cards allow us to withdraw cash to meet our needs, debit cards allow us to by-pass the use of cash in point-of-sale (POS) purchases. Debit cards can also be used to withdraw cash from ATM machines. Both types of plastic cards are tied to a basic transaction account, either a checking account or a savings account.

Some consumers confuse a debit card with a credit card, especially when the Visa or Master Card logo appears on the card. Although they look like credit cards, debit cards or ATM cards have nothing to do with credit. When you use a debit card, you are using your own money from your own checking or savings account. The word “debit” means “subtract”. Each time you use your debit card, the amount of your purchase or withdrawal is subtracted from your checking or savings account. Another way to think about the difference between a credit card and a debit card is that credit cards allow you to “pay later;” with debit cards, you “pay now.”

When you buy something using a credit card, you receive a monthly statement listing all of your charges and you are obligated to pay your bill by a certain date to avoid additional fees. If you do not pay your balance in full each month, you are charged interest plus any other applicable fees.

The most popular use of ATM/debit cards is for cash withdrawals from an automated teller machine. But debit cards are widely accepted at grocery stores, gasoline stations, restaurants and retail stores. They offer a convenient alternative to carrying around cash or taking along a checkbook.

Automated teller machines have become our personal bankers. They allow us access to our funds 24/7 (24 hours a day, 7 days a week). All we need is an ATM card and a personal identification number (PIN). Some ATM machines allow us to make deposits, check account balances, get cash, and transfer money. Other ATM machines only give out cash and are commonly found in high-traffic areas such as convenience stores, movie theaters and hotels. Using your ATM cards in these locations often has high transaction fees.

Fees and surcharges associated with the use of ATM machines has drawn national attention. Consumer groups are serving as “watchdogs” of surcharge trends and Congress has held hearings on the matter. The main issue is that ATM surcharges are not adequately disclosed to consumers. If consumers know they may be charged \$3.00 to withdraw \$10.00, they might make a different decision. The national ATM networks and most regional networks require that ATM surcharges be disclosed by a notice that appears on the ATM screen and by a sign on or near the ATM itself, but studies have shown that the information is not always disclosed in an easily understood or conspicuous manner. Some consumers don’t realize the surcharge is IN ADDITION TO what they are already paying their own financial institution in transaction fees. This issue will continue to draw attention.

Getting cash from your institution’s ATM. Most financial institutions put a limit on how much cash you can withdraw in a single day. Your financial institution’s ATM machine may only give cash to you in \$10 or \$20 bills. If you need more money, you can still get it in a single transaction by indicating the amount you need.

Getting cash from other ATM machines. Your financial institution may be part of an ATM network that allows you to access your account from other locations, cities, states or foreign locations. Network names to look for include Star, Cirrus, and Plus. Remember that using an ATM machine not owned by your financial institution will probably cost you more money because of the extra transaction fees. Even if the machine is part of your institution’s ATM network, you might have to pay fees to your institution in addition to fees to the institution that actually owns the ATM machine.

ATMs and personal safety. In addition to keeping your ATM or debit card in a secure place and memorizing its PIN number, you should always be on alert when you use an ATM machine. Other people may be watching you. Cover the ATM key pad when you type in your PIN number so no one else can see it. Avoid using ATM machines at night, especially if they are in dark, out-of-the-way places. The Financial Services Education Coalition notes that some police station lobbies have installed ATM machines.

More About Debit Cards

Debit Card. A debit card is a plastic card that can be used in automated teller machines (ATMs) to withdraw cash or at point of sale (POS) terminals in retail stores to buy something. Some merchants allow you to obtain cash when paying for a POS purchase with a debit card, but may charge you a fee. Debit card transactions are automatically debited (subtracted) from your checking or savings account. Debit cards are often called check cards when they are connected to your checking account. They offer convenience to the consumer and can be used where it may be inconvenient or impossible to write a check, such as in foreign countries. Debit cards can

generally be used wherever you see the symbol or name on your card posted on a store door or cash register. Normally you will not have to provide additional identification when using your debit card.

There are two main types of debit cards: the PIN-based debit card and the signature-based debit card.

PIN-Based Debit Cards use a Personal Identification Number (PIN) to authorize the transaction. The transaction amount is then immediately deducted from your account. If you do not have this type of a debit card, ask your financial institution if you may obtain one.

Signature-Based Debit Cards use your signature to authorize the transaction. The transaction amount is usually deducted from your account within two to three business days following the transaction. To obtain this type of debit card, you may have to meet special requirements, such as a satisfactory credit history, an account in good standing and/or have an established account for a certain length of time. Ask your financial institution for more information.

Comparison Shopping

As with many goods and services, comparison shopping is the best rule. This practice also applies to ATM and debit cards. There are many types of cards available, all with their own set of terms and conditions and costs. It is important for consumers to know their needs before selecting either an ATM, debit or combination card. If all you want is to withdraw cash occasionally, then an ATM card may meet your needs. If you want to avoid having to write so many checks, a debit card may be a better choice. Likewise, knowing where you plan to use the card should influence your decision. Do you plan to use your card away from home and will such use cost you extra money in fees and charges? Or does your financial institution have branches in other places where you can continue to use your card free of charge or with modest fees?

Guidelines for Comparing ATM and Debit Cards. Compare at least four different financial institutions to know where you can get the “best deal” on ATM and/or debit cards. The following table will help you to organize the information you will gather about your options. If you currently have a checking or savings account but do not have an ATM or debit card, check with your financial institution to see if you qualify for one with your present type of account or if you must open another type of checking or savings account.

	Institution #1	Institution #2	Institution #3	Institution #4
Which accounts offer ATM cards only?				
Which accounts offer debit cards only?				
Which accounts offer both ATM and debit cards?				
Can I get one card to serve both functions?				
Is the debit card PIN-based, signature-based or both?				
What is the monthly or yearly fee for this account?				
How much is the transaction fee at institution-owned ATM machines?				
How much is the transaction fee at ATM machines belonging to the same network?				
How much is the transaction fee for using a debit card to make point-of-sale (POS) purchases?				
How much will it cost to get money out of an ATM machine NOT owned by my financial institution?				
Can POS purchases be made with the ATM card and is there a fee?				
Are there any other fees associated with this card?				
What is my liability for the unauthorized use, theft or loss of my ATM or debit card?				

Using Your Debit Card Responsibly

1. Choose a unique Personal Identification Number (PIN). Your financial institution may assign you a PIN number or give you the option of selecting your own. If you select your own PIN number, do not use a number that can be easily guessed by someone who may steal your card. Don't use obvious number sets, like your birth date or address. Never share your PIN number with anyone or write your PIN number on the card itself.
2. Keep tabs on your account balance. Always know how much money you have available. Do not rely on the balance that you receive at the ATM machine. That balance may not reflect checks that have not yet cleared and could give you a false idea of how much money you really have available. Write down all your transactions in a register and keep your balance current by subtracting every check and debit transaction and adding every deposit. Forgetting about a transaction could land you in an over-draft situation!
3. Keep all receipts from your debit card transactions. Do not keep the receipts where someone else can easily find out your card number. All a thief needs to be able to make a mail-order or telephone purchase is your name and debit card number. Keeping your receipts in one place will make it easier to check your transactions against your monthly bank statement.
4. Use an account register to record all of your transactions and any other charges or fees associated with the transaction, such as fees assessed for using an ATM machine from another institution. Your checking or savings account register will work just fine. When you get cash from an ATM machine, write down ATM, the date and the amount in your account register. When you buy something with your debit card, write down POS (for Point Of Sale) in your register. Check your monthly account statement to make sure all transactions and fees have been noted in your account register. Contact your financial institution by telephone and letter if you find there are mistakes or discrepancies.
5. Notify your financial institution immediately if you think your card is being used fraudulently. Remember that your card does not have to be missing to be misused by someone else (see next item).
6. Notify your financial institution immediately if your card is lost or stolen.

Lost or stolen ATM or debit cards. Always report the missing card immediately or as soon as you discover it is missing. Call your financial institution and send a letter, too. Keep your account number, card expiration date, and the telephone number of your financial institution in a handy, but safe, place in case you lose your card or it is stolen.

When you report a missing ATM or debit card:	What you are held responsible for:
BEFORE it is used	no responsibility for unauthorized use
Within two (2) business days after learning of the loss or theft	not more than \$50 in unauthorized withdrawals
After two (2) business days but within 60 days from when the institution sends a statement showing an unauthorized withdrawal	up to \$500
After 60 days	all the money that was taken from your account after the end of the 60 days and before you report your card money

7. Never give out your ATM or debit card number over the telephone when asked by a telemarketer who may offer a prize and ask to “verify your eligibility” by requesting your card number.
8. Watch where your receipts and carbons go. All a thief needs is your number. The Attorney General’s Office of Consumer Protection says that counterfeiting is safer than using stolen cards. If you do not report the card stolen, the number won’t show up on hot sheets. The thief can make up supporting identification to go along with a stolen number.

References

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