

CREDIT-DEBIT-ATM CARDS

Credit cards are nothing more than pre-approved loans. When you charge something on a credit card, the bank issuing the card lends you the amount of the charge and you repay the loan as you have promised in the agreement you signed to open the account.

Credit Cards Are Not Free

- Credit cards offer the convenience of a revolving line of credit, with applicable interest charges. Some credit cards are offered with interest rates as high as 30%, or more. Shop for the lowest interest rate.
- Some credit cards initially offer an attractive interest rate that is only an “introductory” rate, and the interest rate increases significantly after a short period of time. This is also known as a “teaser”. If you maintain a balance, you will get stuck with high interest costs.
- Some credit cards charge annual fees up to \$100 or greater.
- Credit cards may also have cash-advance fees.
- Late payments will incur additional fees.

CARD Act Protections

Federal law provides additional protections to consumers. The Credit Accountability, Responsibility and Disclosure (CARD) Act provides the following additional protections for consumers:

- Low advertised interest rates, known as “teaser” rates, must remain in effect for at least six months after the card is issued.
- Card issuers must periodically review rate increases and must reduce the rate if a higher rate is unfounded. In this case, however, exceptions are allowed for cards in which the rate is variable based on an existing independent index or where the rate increase is due to the expiration of a promotional rate.
- In most cases an increased rate cannot be applied to an existing balance.
- Payments must be applied first to the balance with the highest interest rate.
- Issuers may not charge processing fees for payments made online, over the phone or by mail. However, the issuer may charge a fee for expedited processing.
- The issuer must mail the monthly statement at least twenty-one (21) days prior to the payment due date.
- Penalty fees, including late fees and over limit fees, must be reasonable and balanced as determined by the Federal Reserve.
- Fees to obtain a credit card cannot exceed 25% of the initial credit limit.

SOUTH DAKOTA OFFICE OF ATTORNEY GENERAL

**CONSUMER
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This handout is for informational purposes and should not be construed as legal advice or as a policy of the South Dakota Attorney General. If you need advice on a particular issue, you should consult a private attorney or other experts.

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Here are some tips when becoming a credit card user:

- It is best to pay off your balance every month. If you do not, you will be paying interest on any remaining balance.
- Shop for the lowest interest rate and lowest annual fee.
- Don't run up a balance on a "teaser" rate card. An attractive interest rate offer may be temporary, and the permanent rate may be more than you can afford.
- Avoid late payment penalties by always paying at least the minimum balance on time.
- Think twice about signing up for "over-the-limit" protection. It may sound good, but it can be very expensive, especially on smaller transactions. It is better to have the transaction rejected so that you can choose a less expensive form of payment.
- Be cautious about disclosing your account number over the telephone or internet, unless you know you are dealing with a reputable company.
- Never put your account number on the outside of an envelope or on a postcard.
- Draw a line through blank spaces on charge slips above the total so the amount cannot be changed.
- Never sign a blank charge slip.
- Save your receipts to check against your monthly statements.
- Cut up or shred old credit cards (cutting through the account number) before disposing of them.
- Open monthly statements promptly and compare them to your receipts. Report mistakes or discrepancies as soon as possible to the address listed on your statement. Under federal law, the card issuer must investigate errors if you report them within sixty (60) days of the date the statement was mailed.
- Keep a record of your account numbers, expiration dates, and telephone numbers of each card issuer so you can quickly report a loss.

DEBIT CARDS

Using a debit card is like paying with a check, only the money comes immediately out of your bank account electronically. If there isn't enough money in your account to cover the debit, your bank may still honor the charge, but will probably add costly overdraft fees. Here are some tips when using a debit card:

- Never spend more than you have in your account. Overdraft fees can be very costly.
- Never give out your personal identification number (PIN) over the telephone.
- Don't carry your PIN in your wallet or purse or write it on your ATM or debit card.
- Never write your PIN on the outside of a deposit slip, an envelope, or other papers that could be easily lost or stolen.
- Carefully check ATM or debit card transactions before you enter the PIN or before you sign the receipt; the funds for this item will be quickly transferred out of your checking or other deposit account.
- Periodically check your account activity. This is particularly important if you bank online. Compare the current balance and recent withdrawals or transfers to those you've recorded, including recently written checks, ATM and debit card withdrawals and purchases. If you notice transactions you didn't make, or if your balance has dropped suddenly without activity by you, immediately report the problem to your card issuer.
- For small purchases, consider using cash. While a debit card can be convenient, the imposition of an overdraft fee may quadruple the cost of that cup of coffee or hamburger.

Blocking

In some debit transactions, consumers may find more money initially charged against their accounts than they expected. This is a legal business practice called “blocking”.

Blocking most often occurs when you check into a hotel, rent a car, or pump gas. The company usually contacts your credit card issuer with an estimate of your bill. This reduces the amount available in your account. For example, you use your card when you check into a \$100-a-night hotel for five nights. The hotel will put a hold on at least \$500 and may add charges for "incidentals", like food or beverages, to the blocked amount. If you pay your bill with the same card you used at check-in, your final charge most likely will replace the block in a day or two. If you pay your bill with a different card (or with cash or a check) the block may last up to fifteen (15) days after you've checked out because the card issuer doesn't know you paid another way. Before using your card, ask the amount that will be blocked, what determines that amount, and how long the block will remain on your card.

ATM CARDS

An ATM is a PIN-based card also known as a bank or cash card. The card is issued by a financial institution that allows you to withdraw money from your account, but only through an ATM machine. Unlike debit cards, ATM cards do not have the Visa or MasterCard logo and in most cases, may not be used to make store purchases directly.

You can use your ATM card to access account information, make withdrawals or deposits, or transfer funds between your checking, savings, credit card, and line of credit accounts.

ATM cards give you easy access to your money, but be careful. That easy access might cost you. For example, if you withdraw money from your account at your own bank's ATM, you probably won't pay any fees for that transaction. However, if you withdraw money from a different bank's ATM, you could get charged a fee from that bank as well as from your own.

Here are some tips when using ATM cards:

- Never write your PIN on the back of the card – Memorize it.
- Sign your card on the signature panel as soon as you receive it.
- No one should ask you for your PIN even the financial institution, the police, or the merchant.
- Avoid picking a number that will be easy for others to guess.
- Treat your cards as cash – never let them out of your possession.
- When some banks offer you an ATM card that allows you to withdraw money from your checking account, but only through an ATM machine. Unlike debit cards, ATM cards do not have the Visa® or MasterCard® logo and, in most cases, may not be used to make store purchases directly.

CREDIT CARD, ATM & DEBIT CARD LOSS

If your credit, ATM, or debit card is lost or stolen, federal law limits your liability for unauthorized charges. Your protection against unauthorized charges depends on the type of card – and when you report the loss. The Fair Credit Billing Act (FCBA) and the Electronic Fund Transfer Act (EFTA) offer protection if your credit, ATM, or debit cards are lost or stolen.

Credit Card Loss or Fraudulent Charges. Under the FCBA, your liability for unauthorized use of

your credit card tops out at \$50. However, if you report the loss before your credit card is used, the FCBA says you are not responsible for any charges you didn't authorize. If your credit card number is stolen, but not the card, you are not liable for unauthorized use.

ATM or Debit Card Loss or Fraudulent Transfers. If you report an ATM or debit card missing before someone uses it, the EFTA says you are not responsible for any unauthorized transactions. If someone uses your ATM or debit card before you report it lost or stolen, your liability depends on how quickly you report it. Reporting times for liability are:

- Before any fraudulent transactions have been made - \$0
- Within 2 business days - \$50
- 2-60 business days later - \$500
- More than 60 business days later - all the money taken from your ATM/debit card.

Credit Card Fee - Checkout Fee.

In 2013, a court settlement between retailers and the credit card industry resulted in merchants being able to pass their payment processing costs to consumers who pay with a credit card. In South Dakota, a merchant who chooses to exercise this surcharge, sometimes referred to as a "checkout fee," could increase your credit card purchase amount by as much as 4% (the maximum allowed). Under the settlement:

- The surcharge cannot exceed the amount that the merchant actually pays to accept credit cards – between 1.5% and 4% of the transaction amount.
- Surcharges can be imposed on commercial and consumer credit card transactions only, not on purchases made with debit cards or prepaid cards.
- Merchants must disclose the credit card surcharge clearly – at the store entrance and the point of sale or on the homepage if the merchant does business on the internet.
- The disclosure must include the amount of the surcharge, the fact that the fee is being charged by the merchant, and that the fee does not exceed the merchant's cost to accept credit cards.
- The dollar amount of the surcharge must appear on the transaction receipt.

Card Scams. A credit card scam can come in many forms. For example:

- **Requests for your account information ('phishing' scams).** Phishing emails are fake emails usually pretending to be from banks or other financial institutions. They make up some reason for you to give your account details and then use these details to steal your money.
- **Phony fraud alerts.** Scammers pretend to be from your bank or financial institution and tell you that there is a problem with your account. They ask for your account details to protect your money, but then use these details to steal your money.
- **Card skimming.** Card skimming is the illegal copying of information from the magnetic strip of a credit or ATM card. This can create a fake or 'cloned' card with your details on it.
- **Auction & shopping scams.** Online auctions can be rigged by scammers or used to target you for a scam outside of the auction site. You could end up with a dud product or nothing at all for your money.
- **Spyware & key-loggers.** Spyware is a type of software that spies on what you do on your computer. Key-loggers record what keys you press on your keyboard. Scammers can use them to steal your online banking passwords or other personal information.

Don't Become A Victim – Do Your Homework.

If you are buying something over the telephone or internet and want to use your credit card, make sure you know and trust the other party. If you want to provide your credit card details to a telemarketer, take their name and call them back on a phone number you find independently (i.e., not a number they give to you).

Check over your credit card and bank account statements as soon as you get them to ensure that no one is using your account without your permission.

Here are some tips to avoid being a victim:

- Choose passwords that would be difficult for anyone else to guess.
- Try to avoid using public computers (at libraries or internet cafes) to do your internet banking.
- Do not use software on your computer that auto-completes online forms. This can give internet scammers easy access to your personal and credit card details.
- Do not give out your personal, credit card or online account details over the phone unless you made the call and the phone number came from a trusted source.
- Never send your personal, credit card or online account details through an email.

OPT-OUT OF PRE-SCREENED OFFERS OF CREDIT

The three (3) major credit reporting agencies offer a toll-free number that enables you to “opt-out” of having pre-screened credit offers sent to you. By calling 1-888-5-OPTOUT (567-8688) or visiting www.optoutprescreen.com, your name will be removed from the mailing list for five (5) years. Your request is shared with all three credit reporting agencies. However, it is important to follow up with **all three (3) credit reporting agencies** to make sure this has been done.

In addition, you can instruct the agencies to not share your personal information for promotional purposes, which is an important step towards eliminating unsolicited mail. To prevent your personal information from being shared, send a letter, call, or e-mail to each of the credit reporting agencies.

A "prescreened" offer of credit? What's that?

Many companies that solicit new credit card accounts and insurance policies use prescreening to identify potential customers for the products they offer. Prescreened offers, sometimes called "preapproved" offers, are based on information in your credit report that indicates you meet criteria set by the offer.

How does prescreening work?

A creditor or insurer establishes criteria, like a minimum credit score or minimum annual salary, and asks a consumer reporting company for a list of people in the company's database who meet the criteria.

Can prescreening hurt my credit report or credit score?

No. There will be "inquiries" on your credit report showing which companies obtained your information for prescreening, but those inquiries will not have a negative effect on your credit report or credit score.