

BANKING FACTS YOU SHOULD KNOW

As a savvy consumer, you should learn as much as you can on how to protect your money, reduce liability for unauthorized use of credit cards and avoid being a victim of fraud.

ATM/Debit Cards

With a debit card and personal identification number (PIN), you can use an Automated Teller Machine (ATM) to withdraw cash, make deposits, or transfer funds between accounts. Some ATMs charge a fee if you are not a member of the ATM network or making a transaction at a remote location.



Retail purchases can also be made with a debit card. You enter your PIN or sign for the purchase. Some banks charge customers a fee for debit card purchases made with a PIN. Although a debit card looks like a credit card, the money for the purchase is transferred immediately from your bank account to the store's account. When you use a debit card, federal law also does not give you the right to stop payment. You must resolve the problem with the seller.

If you suspect your debit card has been lost or stolen, immediately call the card issuer. Many companies have toll-free numbers and 24-hour service to deal with such emergencies. While federal law limits your liability for a lost or stolen credit card to \$50, your liability for unauthorized use of your ATM or debit card can be greater, depending on how quickly you report the loss.

- If you report a debit card missing before it is used, you are not responsible for any unauthorized withdrawals.
- Your liability is limited to \$50 if you report the loss within two business days after you realize your debit card is missing and to \$500 if you report the loss after two but before 60 days.
- If you have not reported an unauthorized use of a debit or ATM card 60 days after your bank mails the statement documenting the unauthorized use, you could lose all the money in your bank account as well as the unused portion of your line of credit established for overdrafts.

Check the policies of your card issuer. Some offer more generous limits on a voluntary basis.

Check 21

The new Check Clearing for the 21st Century Act (often referred to as check 21) allows banks to clear checks electronically instead of exchanging actual checks. Banks no longer have to return original checks with your monthly statements or even when there is a problem with a particular check. Check 21 creates “substitute checks” which you can use as legal representations of the originals. Ordinary



check images, which some banks have provided for years are NOT substitute checks. It has always been a good idea to get cancelled checks with your monthly statement. Now you will want “substitute checks” each month.

Banks usually take at least a day or two to process paper checks, but electronic processing can happen almost immediately. This means you have less “float” time between when you write a check and when the money is actually taken out of your account. This could increase the chances that one of your checks will bounce due to insufficient funds. Having your employer deposit your paycheck directly into your account can help you cope with the change in “float” time. Quicker clearing also means less time to stop payment on a check.

Fake Check Scams

Fake checks, including cashiers checks, can look so real even bank tellers can be fooled. However, just because you can withdraw the money, doesn't mean the check is good. Forgeries can take weeks to discover. YOU are responsible for the checks you deposit. If a check bounces, you owe the bank any money you withdrew. If someone wants to send you a check, insist on a cashier's check for the exact amount, preferably from a local bank or one with a branch in your area. Never accept a check and then agree to send a portion of the money back to the sender. For information or to report a scam, visit www.fraud.org or call toll-free 1-800-876-7060 or visit www.fakecheck.org.

Unsolicited Checks and Credit Offers

If you cash an unsolicited check you've received in the mail, you could be agreeing to pay for products or services you don't want or need, such as Internet access or membership in a web directory. In addition, those “guarantee” for credit cards or loans, regardless of credit history, are probably a scam. Legitimate lenders never guarantee credit. For information on



how to identify fraudulent solicitations visit www.ftc.org.

Source: Consumer Action Handbook, www.ConsumerAction.gov