

DEBIT vs CREDIT CARDS GUIDE



DEBIT vs CREDIT CARDS:
Which is safer to swipe?



If you've ever been a victim of a data breach by having your credit or debit card information stolen, you know how big of a headache it can be. Even though you more than likely won't be on the hook for any fraudulent transactions in either case, if your debit card was breached—it becomes a bigger, more complicated issue than when your credit card is breached.

That's because debit and credit cards are treated differently by consumer protection laws. Under federal law, your personal liability for fraudulent charges on a credit card can't exceed \$50. But if a fraudster uses your debit card, you could be liable for \$500 or more, depending on how quickly you report it.

Whichever card you decide to swipe, here are some ways to protect yourself from scammers.

STEP 1 BE VIGILANT WITH YOUR ACCOUNTS:

There is a very long history of data breaches, and more than likely a lot more to come.

As a result, you should check your debit and credit account activity at least every few days and keep an eye out for any unfamiliar transactions. If you notice anything fishy, notify your financial institution or credit card company immediately.

STEP 2 SET YOUR OWN FRAUD CONTROLS:

Many financial institutions will let you set alerts for account transactions. Even better, some allow you to block transactions that are out of the ordinary for you, such as for online purchases at a certain kind of retailer or for any purchases over \$500.

STEP 3 WATCH OUT FOR FRAUD HOTSPOTS:

You should be especially wary of using a debit card online and at retailers more vulnerable to fraud.

Gas stations and ATMs are hotspots for so-called “skimmers,” or machines that scammers install to capture your card information. Watch out for ATM parts that look unusual and always cover your hand when typing your PIN in case a camera is watching.

STEP 4 DON'T LET YOUR GUARD DOWN:

If you think your information has been compromised, don't assume everything's fine after a few months. Stolen card information is often sold to a variety of groups on the black market who may hold onto it for months or even years.

Many times, fraud rings will wait until the news dies down and people have forgotten about a data breach before their data is used. It may not be until a year from now that your compromised card is used, so it's a really good idea to always monitor your account activity.

If you fall victim to ID Theft, don't panic—First Financial is here to help!
Report the incident regarding any of your First Financial accounts immediately, by calling us at 732.312.1500 or emailing info@firstffcu.com.

Additional Tips

For more information about the features of First Financial Debit Cards, go to **firstffcu.com**

CREDIT CARD VS. DEBIT CARD: THE BASICS

So what's the difference between the two?

HOW DEBIT CARDS WORK

Your debit card is basically like a plastic check: When you make a purchase, it takes the money directly out of your checking account. So, if you try to spend \$500 but only have \$250 in your account, your transaction will be declined.

Because the money is taken from your account as soon as you swipe, you won't get a bill and you won't pay interest. You might, however, face overdraft fees if you spend more money than is in your account.

Debit cards also work as ATM cards, allowing you to take cash directly out of your checking account.

HOW CREDIT CARDS WORK

Your credit card, on the other hand, is like a loan: When you open a credit card, you're approved for a certain line of credit.

Also known as a credit limit, a line of credit is how much you can spend before your card is "maxed out" and can no longer be used for purchases. Your credit limit is based on your credit history and income; the stronger those are, the more the bank trusts you and the higher your credit limit will be.

Each month, you'll get a bill for the amount you spent. Though you're only required to cover the minimum payment (and not the whole balance), you'll pay interest on whatever amount remains. Because credit card interest rates are usually very high, we recommend paying your bill in full each month to avoid interest fees completely.

6 IMPORTANT ADVANTAGES OF CREDIT CARDS

If you only use your debit card, you're missing out. Here's a brief overview of what credit cards can do (we'll take a deeper dive below):

- Help you **build positive credit history**
- **Provide protection** if your card is lost or stolen
- **Offer rewards** on purchases you're already making
- Provide **additional benefits**, like extended warranties
- Give a **"free" month-long loan** (when you pay your bill in full)
- Provide more flexibility **when booking a hotel or renting a car**

CREDIT CARDS ALLOW YOU TO:

1. Build Credit History

Though credit cards sometimes get a bad rap, they're actually one of the best ways to build healthy credit. When you get a credit card, its use is usually reported to the major credit bureaus—TransUnion, Equifax, and Experian—and therefore shows up on your credit reports.

Using your credit cards responsibly will help you build a solid credit history and improve your credit score.

That's in stark opposition to debit cards, which don't affect your credit history at all.

Why does that matter? Life is more challenging when you haven't established enough credit history: You may not be able to rent an apartment or get a cell phone plan, and you may have to put down a deposit when signing up for utilities or internet.

A solid credit history and good credit score can also help you get better terms on car loans and mortgages, and can sometimes even help you land a job.

If you want to establish credit for the first time—or want to rebuild your credit—credit cards are much more powerful than debit cards.

2. Manage Fraud Better

Should you be more concerned about losing your debit card or your credit card? The answer is your debit card, and here's why.

When criminals fraudulently use your credit card, they're spending your credit card issuer's money.

When criminals fraudulently use your debit card, they're spending money from your checking account.

In other words, if someone uses your credit card without your permission, you'll have time to report and manage the fraud before your bill is due.

With a debit card, however, the money leaves your account immediately—whether the charge is fraudulent or not. And, depending on your bank, it might take weeks or months to get your money back. In the meantime, you could miss important bill payments or have to borrow money for daily expenditures.

And, whether you're victim to credit card fraud or debit card identity theft, **federal law dictates your level of liability.**

The Fair Credit Billing Act (FCBA) caps the liability of credit card users at \$50. Most credit card issuers take this a step further and don't charge cardholders anything for fraudulent charges. But even if your card issuer doesn't offer that protection, the FCBA says you're not responsible for any unauthorized charges if you report the card lost before it's used.

This limited liability is one of the main reasons experts recommend using credit cards—especially for online purchases.

Debit card fraud protection, on the other hand, is covered by the Electronic Funds Transfer Act (EFTA)—and protection varies. Here's what you could owe, based on when you report a debit card loss:

- Before any unauthorized purchases are made: \$0
- Within two business days of learning about the loss: up to \$50
- More than two days after the loss: \$500
- More than 60 days from when your statement is sent: the entire amount

3. Earn Rewards

If you already go to Starbucks for your daily latte, you might as well earn some rewards on the money you're spending. Here are the most common rewards you can earn:

- **Cash back:** Get a percentage (usually 1–5%) of each purchase back as a statement credit— which is like getting a small discount on everything you buy.
- **Points or miles:** Earn points or miles on every purchase you make, and then redeem them for flights, hotel stays, merchandise, gift cards, or statement credits.

Additionally, many credit cards come with a **sign-up bonus** in the form of cash (like a \$200 statement credit) or extra points (like 50,000 bonus points). To attain these bonuses, you usually must spend a certain amount of money after opening the card. For example, a card might give you 50,000 bonus points after spending \$3,000 on the card in the first three months.

If you don't have a strong credit history, you might not be able to get a rewards card right away—but as you build your credit, you'll probably qualify for more and more.

4. Take Advantage of “Free” Short-Term Financing

When you use a debit card, the purchase is deducted from your checking account within a few days.

When you use a credit card, you get a “grace period”; you don't pay for a purchase until your billing cycle ends and your statement balance is due. And with most credit cards, you'll avoid interest completely if you pay your bill in full.

In other words, you could get an interest-free loan for the period between making a purchase and paying your bill (usually at least a month).

5. Travel Without Worry

When you're on the road, debit cards can be problematic.

Many hotels, gas stations, and rental car companies place "holds" on customer cards that claim an amount of money until the final cost becomes apparent.

Let's say you're checking into a hotel for five days. If the hotel charges \$200 per night, the hotel will likely place a hold on \$1,000, plus extra money for incidentals.

If you're using a debit card, that money will be frozen until you check out—and that's even if the company accepts it (many require credit cards).

Not exactly the making of a stress-free vacation, is it? On the other hand, when you use a credit card, a hold reduces your available credit—and not the money in your bank account—which means it won't put a damper on your vacation budget.

6. Get Additional Benefits

Depending on your credit card issuer, you may also be eligible for further benefits like:

- Protection on purchases, including extended warranties
- Travel perks, including rental car insurance and airport lounge access
- A smattering of other services, including concierge services to help you buy tickets or make hard-to-get restaurant reservations

Ultimately, the choice on whether to use a debit or credit card for different purchases is yours. And both options have their advantages and disadvantages, as we've just explained. The moral of the story is to be safe with whichever card you choose to use, monitor all your accounts for purchases not made by you, and try to prevent fraud as much as possible.



If you have questions on how
to keep your credit and debit
cards safe, stop into your
local branch or contact us!

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