

WORKSHOP 5

Understanding Debit Cards

A **debit card** looks like a credit card but works like an electronic check by deducting your payment directly from your checking or savings account. If you use a debit card at a retail store, your card runs through a scanner that enables your financial institution to 1) verify electronically that the funds are available and 2) approve the transaction. In addition to making instant payments in stores or online, most debit cards can be used to withdraw cash at ATMs or at most supermarkets when you make a purchase.

Benefits of Debit Cards:

For many people, it is more convenient to carry a small, plastic card instead of a bulky checkbook or a large amount of cash. Using a debit card is easier and faster than writing a check. It's a good way to pay for purchases without having to pay interest, as you would if using a credit card with an outstanding balance. Debit cards take the money directly out of your bank account, so there is no worry of racking up credit when using them.

FAQs about Debit Cards

What kinds of costs are associated with debit cards?

There may be fees for using your debit card. As with other bank products, your financial institution must provide disclosures explaining the possible fees associated with a debit card. Be sure to read the disclosures to avoid an unexpected fee.

- Some banks charge a fee if you enter a PIN (Personal Identification Number) to conduct a transaction instead of signing your name.
- You may trigger a fee if you overdraw your account using your debit card, just as you would if you "bounced" a check.
- There could be a charge if you use your debit card at an ATM that is not operated by your financial institution.