

# Credit or Debit

## Which is right for you?

Debit cards may better protect you from yourself by limiting your spending. Credit cards may better protect you from others. Both have fees and features that you need to understand.



*Note: This information is only a guide. Be sure to read card agreements for details*

Credit or Debit	Credit	Debit
<b>Interest</b>	Credit cards are a loan, and interest is charged after the grace period (typically 30 days).	No interest charges. However, optional overdraft protection can result in both fees and interest (from a line of credit).
<b>Liability</b>	Maximum liability \$50 if lost/stolen and reported in a "timely manner". However, Visa and MasterCard currently have policies of zero liability over their networks, except for negligence.	Similar protection to credit, but only if reported within two days of realizing loss; \$500 up to 60 days following loss; thereafter, no limited liability.
<b>Dispute</b>	Allows customers to challenge damaged or mis-shipped goods according to Fair Credit Billing Act (1974).	Customers must work with merchants directly to resolve damage/shipping issues.
<b>Timing</b>	Typically, while a charge is being disputed, you still have access to your line of credit, sometimes with a new/reissued card number.	Fraud can drain your bank account, and investigations can take longer, leaving customers without cash to pay mortgage, groceries, etc. In addition, gas stations, hotels, others may put a "block" or "hold" on your checking account, potentially creating fictional insufficient funds and overdraft fees.
<b>Cost/Fees</b>	Credit cards often charge fees for the cards, service charges, and interest rates.	Debit cards may also have fees and service charges.  The Center for Responsible Lending found higher fees with debit than with credit due to increased overdraft fees.

**More information >**

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<b>EMV ("Chip and PIN")</b>	<p>More credit and debit cards are using computer chips embedded in the card to enhance security. These EMV (Europay, MasterCard, Visa) cards also contain the familiar magnetic strip that allows customers to "swipe" their cards through payment terminals. However, more businesses are using new payment terminals that require the EMV card to be "dipped" into a port.</p> <p>The impact on consumers is negligible – the transaction takes a few seconds longer.</p>	
<b>Other Issues</b>	<p>Customers using credit cards typically spend more money than those using debit cards.</p> <p>Both good and bad credit card histories are reported to the credit bureaus, so using your credit card too much or not at all, or paying late can hurt your credit health.</p>	<p>Some companies such as car rentals that run your debit card may make a "hard inquiry" on your credit which can lower your credit score.</p> <p>Some debit cards can be used at some merchants as swipe and sign, versus PIN entry, by selecting "Credit" option. Signatures can be compared, and your PIN isn't revealed. However retailers may restrict this type of transaction.</p>
<b>Related Issues</b>	<p>For your reference, the federal Consumer Financial Protection Bureau maintains a database of credit card agreements from more than 300 card issuers:  <a href="http://www.consumerfinance.gov/credit-cards/agreements">www.consumerfinance.gov/credit-cards/agreements</a></p>	<p>Prepaid debit cards offer few fraud protections.</p> <p>Payroll debit cards seem like a solution for people without banking accounts, but excessive fees can quickly erode a paycheck (balance inquiry fees, ATM fees monthly maintenance fees, opening/closing fees).</p>

**Contact us to find out more information about credit and debit cards.**



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