

PREPAID DEBIT CARDS

Prepaid debit cards are being promoted by many businesses and financial institutions as a safe method of payment for goods and services, especially for persons who have no bank account nor credit card.

This is a card which is marketed as a way to control spending and acts as a substitute for a checking account. The card is purchased by loading it with a specific amount of dollars which are paid at the time of purchase.

There are two types of prepaid cards:

A. **TEMPORARY PREPAID CARDS:** Available at banks and at many stores. No ID is required. The card is no longer usable once the upfront purchase price is spent. Some cards may allow loading up new funds to a temporary card. The temporary cards cannot be used to make PIN (personal identification number) purchases.

B. **PERSONALIZED PREPAID CARDS:** these are re-loadable at some stores and on line. You must register for this card, giving name, address, Social Security number and birth date. The card will have your name on it and can be re loaded with cash or by direct deposit of income checks and by bank transfer of funds.

Consumers should be aware that there are a variety of service fees charged for these cards. Monthly service fees may be imposed which can be waived if you re-load a stated amount of funds each month or if you have direct deposit of income.

Other fees which could apply include:

1. ATM cash withdrawals.
2. Balance inquiries.
3. Customer service calls.
4. Re-loading funds.
5. Monthly maintenance.
6. Attempting to make purchases without sufficient funds on card.

Monthly transaction fees can run from \$3.95 to as high as \$14.95. Re-load fees could be free but some cards charge between \$3.00-\$4.95. Purchase transaction fees for PIN or signature transactions run twenty-five cents to \$2.00. Out of network ATM withdrawal charges are \$1.95- \$3.00 per transaction.

Before deciding on a prepaid debit card, consumers should compare cards and carefully read the fine-print agreement . Ask questions and call ACP for help in understanding the contract you may be entering. Remember prepaid debit cards don't help establish good credit since money is not borrowed. If you want to build up your credit, consider applying for a secured credit card.