

How Debit Cards Work

What is a Debit Card?

A debit card is any card that takes money out of a **positive balance account**. Credit cards take money out of a *line-of-credit loan* instead. We offer a Visa® Debit Card (or Check Card) that is also a point-of-sale (POS) card. This means that when you're at a retailer, you have a choice of how your transaction is processed. You will be given the choice to use the Visa network or a debit network, although they won't say that.

Credit or Debit?

When you use your Visa Debit Card at a retailer, you're likely to be asked, or have their machine pose the question, whether your transaction is credit or debit. This is not to suggest you have a credit card or a line-of-credit loan. What they are really asking you is "What network do you want me to use to process your transaction?"

If you reply by saying "credit," they will process your transaction via the Visa network. If, however, you say "debit," your transaction will be processed by one of several debit networks whose logos you see on the back of your debit card.

Does the Network Matter?

The short answer is no, either way the funds will be debited from your Free Checking account. There are, however, some differences in how the two networks process your transaction.

Debit Networks

- Your identity is confirmed by entering your PIN.
- Your account is immediately debited for the transaction.
- Some merchants will allow you to get additional cash back.

Credit or Visa Network

- Your identity is confirmed by comparing the signature on the card with the signature on the receipt.

- The merchant gets an "authorization" from Visa to process the transaction.
 - Visa does not immediately debit your account, rather, the funds to cover the authorization are placed on hold.
 - This means the funds remain in your account but they become unavailable for use.
 - Which means that your actual balance will differ from your available balance until the transaction clears.
 - Most authorizations last 3 days and, if the transaction doesn't clear within that time, the hold on your money is removed automatically.
- Additional funds cannot be requested while making a purchase.

Your Credit Union Prefers Visa

Visa transactions are more financially beneficial to your Credit Union than debit transactions. As you know, we are a non-profit, member-owned financial cooperative, which means we operate with very low overhead. Since Visa transactions can help us keep our costs down, they also allow us to *charge fewer fees* and *give back more dividends* to our members! So, remember to say "credit" when given the choice.

Variety is Good

The bottom line is this: check your options! More and more merchants are accepting both credit and debit transactions these days. If they do, you have a choice: choose credit to have your Free Checking account debited by Visa (and help your Credit Union's bottom line); or choose debit to have your checking account debited by a debit network. Either way, you have a powerful tool at your fingertips to access your funds from your Credit Union any place, any time!

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