



### **Consumers have choices with debit transactions**

- Debit cards – which can be used with either a PIN or signature – have become a popular, convenient and versatile form of payment. They are safer than cash, faster than checks and free of interest charges.
- Some banks are encouraging consumers to use signature-based debit more often, because it offers consumers the same convenience but costs banks less.
- PIN-based debit transactions cost banks more to process. To recoup some of these costs, some banks assess a nominal fee, such as 25 to 50 cents.
- If their bank does charge for PIN purchases, consumers can still use their debit card for free by choosing “credit” and signing for the purchase rather than using a PIN number.
- Other ways to avoid debit fees include maintaining a minimum balance or obtaining an all-electronic “express” checking account.
- A 2005 court settlement allowed merchants to deny signature-based transactions, but experts believe that most retailers will not want to restrict their customers’ payment options.

### **Consumers and merchants can benefit with signature-based debit**

- To encourage consumers to use signature-based debit more often, some banks have chosen to offer rebates, sweepstakes and/or reward points.
- With signature-based debit, stores receive guaranteed payment and fraud protection from MasterCard or Visa.

### **Background**

Consumers have embraced debit cards as a preferred payment vehicle. In 2006, the number of debit card payments (25 billion) exceeded the number of credit card payments (22 billion). When a customer enters a PIN, the transaction is processed through the ATM network, and the money is instantly transferred from their account. When the customer signs for the debit purchase, the transaction is processed through the Visa/MasterCard system and processing may take a day or so, much like a check. Some banks charge a fee for PIN-based debit, seeking to recoup the higher costs of these transactions. Other banks offer rebates and/or reward points to encourage consumers to use signature-based debit more often.