## A Quick Guide for Consumers on Credit, Debit, and Prepaid Cards

### What It Is
- **Credit Cards**: A credit card is a loan. You borrow funds using a credit card and pay interest on the amount you spend. If you don't pay the full balance by the due date, you are charged interest on the unpaid balance.
- **Debit Cards**: A debit card is linked to your bank account and is issued by your bank. When you use a debit card, the money is taken directly from your bank account.
- **Prepaid Cards**: There are a variety of prepaid cards, including “general purpose reloadable” (GPR) cards which carry a brand of a card network (such as Visa or MasterCard) and can be used where that brand is accepted. Payroll cards and gift cards are two other types of prepaid cards.

### How It Works
- **Debit Cards**: When you use a debit card, the money spent is taken directly from your bank account. Debit cards may be especially useful if you want to pay for things when your bank account balance is low or to take advantage of a no-interest introductory period.
- **Credit Cards**: The money spent is taken directly from your bank account. Credit cards may be especially useful if you want to pay for things when your bank account balance is low or to take advantage of a no-interest introductory period.
- **Prepaid Cards**: Prepaid cards, which generally allow consumers to spend only the money deposited onto them, can have a number of different features. For instance, some gift cards may be used only at a single merchant, most GPR cards may be used to pay for purchases and access cash at ATMs.

### Liability for Unauthorized Transactions
- **Credit Cards**: Your liability for losses is limited to a maximum of $50 if your credit card is lost or stolen, although industry practices may further limit your losses.
- **Debit Cards**: The maximum liability is $50 if you notify the bank within two business days after discovering an unauthorized transaction. But if you notify your bank after those first two days, you could lose up to $500, or perhaps much more.
- **Prepaid Cards**: Liability depends on the type of funds on the card. If the card is a payroll card, then the liability rules are the same as for debit cards. But if the card is a general purpose reloadable card or a gift card, then there are no protections to limit your liability under federal law.

### Disclosures
- **Credit Cards**: Credit card solicitations must disclose certain information, including the annual percentage rate (APR), variable rate, penalty rate, fees, and other transaction charges.
- **Debit Cards**: Banks must disclose any fees associated with using the debit card as well as its error resolution process.
- **Prepaid Cards**: Disclosures depend on the type of card. For example, payroll cards must disclose any fees and the error resolution process, but a GPR card does not have any disclosure requirements. In addition, gift cards must disclose the terms of dormancy fees, whether there is an expiration date, and any other associated fees.

### Periodic Statements
- **Credit Cards**: Credit card issuers must provide a periodic statement for each billing cycle where the account balance is $1 or more at the end of that cycle or where interest has been charged.
- **Debit Cards**: Banks must provide a statement for each monthly cycle in which a transaction has occurred. If there have been no transactions, then a statement must be sent quarterly.
- **Prepaid Cards**: Payroll cards must provide either a periodic statement or account balance by telephone as well as electronic transaction history. GPR cards and gift cards do not have periodic statement requirements under federal law.

### Change in Terms
- **Credit Cards**: Credit card issuers must provide 45 days notice before making significant changes to the account, such as the interest rate or fees charged.
- **Debit Cards**: Banks must provide 21 days notice before making changes to fees charged or the liability limits for unauthorized transactions.
- **Prepaid Cards**: Payroll cards must provide 21 days notice before making changes to fees charged or the liability limits for unauthorized transactions. GPR cards and gift cards are not required to do so under federal law.

### Interest Rate and Fee Limits
- **Credit Cards**: Generally, credit card issuers cannot increase the annual percentage rate (APR) or fees within the first year of account opening (although there are some exceptions to this rule). Card issuers must also reevaluate any interest rate increase every 6 months.
- **Debit Cards**: There are no specific requirements related to debit cards.
- **Prepaid Cards**: GPR cards and gift cards have certain restrictions on dormancy fees charged. There are no specific requirements related to payroll cards under federal law.

For more information on credit, debit, and prepaid cards, see the following articles in the FDIC's quarterly publication FDIC Consumer News: