



## **AFSA Education Foundation**

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For Immediate Release

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**Consumers Face Changes to Payment Options**  
***AFSA Education Foundation Highlights Changes, Benefits, and Considerations  
of Payment Methods for Financial Literacy Month***

WASHINGTON, March 31, 2011 . . . Consumers' payment options are changing as a result of new government regulations and card issuers' responses to them. The interchange provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act, for example, has garnered a lot of attention in the news lately about its impact on banks and retailers. But let's not forget about consumers. In recognition of April as Financial Literacy Month, the American Financial Services Association Education Foundation (AFSAEF) is educating consumers about their payment options.

Many debit card issuers are eliminating rewards programs in anticipation of proposed interchange rules slated to take effect next month. Consumers with free checking accounts are faced with meeting certain conditions to avoid monthly maintenance fees.

"Consumers should be proactive in monitoring their accounts to stay up to date on changes," said Susie Irvine, president and CEO of the AFSAEF. "Taking a few minutes to actually read the correspondence from their lenders or calling to inquire about changes will save consumers from surprises on their statements."

To help consumers keep track of the changes and make educated decisions on the payment method(s) that best work for them, the AFSAEF has assembled the attached chart outlining the benefits and considerations of common payment methods.

"Now is also a good time for consumers to determine how much money they can reasonably spend each month and which payment methods best meet their needs and spending habits. Most important, consumers need to stick to these decisions to avoid overextending themselves," Irvine added.

Founded in 1990 and based in Washington, D.C., the AFSA Education Foundation's mission is to help consumers realize the benefits of responsible money management, understand the credit process and seek help if credit problems occur. It is affiliated with the American Financial Services Association, the national trade association for the consumer credit industry, protecting access to credit and consumer choice.

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**Note to editors and reporters:** AFSAEF's payment options chart follows on the next page.

## A Look at the Benefits and Considerations of Common Payment Methods

Payment Method	Benefits	Considerations
Debit Cards	<ul style="list-style-type: none"> <li>• Convenience</li> <li>• Easy to track spending</li> <li>• Reduces need to carry cash</li> <li>• Can be used for online, telephone, and catalog purchases</li> <li>• Protection against fraudulent and unauthorized transactions</li> <li>• No interest costs</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Rewards programs are being phased out by some issuers</b></li> <li>• Requires discipline to avoid spending money needed for other obligations</li> <li>• Risk of overdraft, particularly for consumers who are not diligent about recording purchases</li> </ul>
Check	<ul style="list-style-type: none"> <li>• Cancelled checks serve as proof of payment</li> <li>• Checkbook register can be used to track spending</li> <li>• Can be used for purchases by mail</li> <li>• Some protection against fraudulent and unauthorized transactions</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Free checking is trending toward less commonplace; to qualify, customers may have to meet certain conditions</b></li> <li>• Can't be used for online or telephone purchases</li> <li>• Inconvenient</li> <li>• Not universally accepted</li> <li>• Limited protection from fraudulent and unauthorized transactions</li> <li>• Higher risk of identity theft</li> <li>• Risk of overdraft, particularly for consumers not diligent about recording purchases</li> </ul>
Credit Cards	<ul style="list-style-type: none"> <li>• Convenience</li> <li>• Buy now and pay later</li> <li>• Statements can be used to track spending</li> <li>• Reduces need to carry cash</li> <li>• Can be used for online, telephone, and catalog purchases</li> <li>• Protection against fraudulent and unauthorized transactions</li> <li>• May provide rewards programs</li> <li>• Responsible use may build a positive credit history</li> </ul>	<ul style="list-style-type: none"> <li>• Requires discipline to avoid charging more than you can afford to repay</li> <li>• Interest charges and late fees will apply if monthly payments are not made on time</li> <li>• Irresponsible use builds a negative credit history and may increase your cost of credit</li> </ul>
Stored Value Cards (i.e. gift cards, prepaid general purpose card)	<ul style="list-style-type: none"> <li>• Convenience</li> <li>• Can be used for online and telephone purchases</li> <li>• Can be replaced if lost or stolen</li> <li>• Do not require a traditional banking relationship</li> <li>• Can help with budgeting by providing a fixed amount</li> </ul>	<ul style="list-style-type: none"> <li>• Must be registered in order to be replaced if lost or stolen</li> <li>• Card may be subject to a purchase fee</li> <li>• May lose value over time</li> <li>• Can't be used to pay on store account</li> </ul>
Cash	<ul style="list-style-type: none"> <li>• Widely accepted</li> <li>• No fees</li> </ul>	<ul style="list-style-type: none"> <li>• Can't be used for online purchases or reservations</li> <li>• Can't be replaced if lost or stolen</li> <li>• Need for frequent bank or ATM (fees often apply to non-account holders) stops to avoid risk associated with carrying large amounts</li> <li>• Doesn't provide a record of spending</li> </ul>

**Source: American Financial Services Association Education Foundation  
April 2011**

**\* Bolded items reflect recent market changes**