

Money for Life

June 2007

Dear Readers,

New technologies are constantly adding speed, convenience and flexibility to practically everything we do – including how we bank and pay for goods and services. If you think banking over the Internet is the latest trend, you may be in for some surprises...and for some revolutionary new ways to conduct your daily financial transactions using pre-paid cards, credit and debit cards, and cell phones.



Many financial institutions as well as retailers, cell phone service providers and other companies are also offering special incentives (including waiving or reducing fees) to consumers who use high-tech payment methods. But while the new services can provide benefits, they also can present questions and concerns about security.

To help introduce you to new forms of technology in banking, the FDIC offers this overview.

"Contactless" Credit and Debit Cards

You're probably used to swiping your credit or debit card's magnetic stripe through a sales terminal. But with the new generation of what are being called "contactless" cards, you can wave your card in front of the sales terminal (or quickly tap it on a screen) at participating retailers. A special reader at the sales counter will use a radio signal to gather the payment information from an electronic chip embedded in your credit or debit card. Another possibility (first introduced for use at gas pumps) is a small piece of plastic – perhaps a tag you can keep on your key chain or attached to your car's

windshield – with a computer chip inside that can send information about which credit or debit card to charge. After getting a signal that your transaction has been recorded, you'll probably have the option to get a printed receipt. The transaction also will appear on your statement.

What's the benefit of contactless technology? It makes checking out faster, especially for small transactions (typically purchases under \$25) at restaurants, convenience stores, movie theaters and other places.

If a contactless card is lost or stolen, you will have the same security protections and limits on loss under federal laws and financial industry policies as you would for any unauthorized use of your "regular" credit or debit card issued by a financial institution. That would include any zero-liability against losses that a financial institution may provide for a card. For details, contact your card issuer.

Banking by Cell Phone



Most cell phones today enable you to do much more than simply make a call. New cell phones allow you to send "text messages" (brief e-mails) to other phones and computers, take still pictures and videos, browse the Web, watch TV and, increasingly, conduct some of your banking business.

Depending on the services offered by your financial institution (such as your bank or credit card issuer) and your cell phone service provider, the options may include:

• Text messaging with your financial institution. This is the most basic level of cell-phone banking. It is commonly used for receiving alerts from your bank when your account balance reaches a certain level or when a certain transaction occurs. As with most text-messaging services, you may pay your cell phone company monthly or a per-message fee for sending or receiving these messages.

• Accessing your online bank account from your cell phone. You may be able to check balances, pay bills and transfer funds using your cell phone to connect to your online bank account (after keying in your password).

Instantly Paying for Purchases Using Your Cell Phone



Imagine going to the ball game, getting a hot dog from a vendor, using your cell phone to dial in to your credit or debit card account and immediately paying for your snack by sending a text message. "This form of mobile banking is mostly in limited use or in test stages, but as cell phones become equipped with special transmitter chips, there could be widespread use of phones for making payments," according to Donald Saxinger, an FDIC electronic banking specialist.

"Within the next couple of years," he added, "you may be using a cell phone to pay at checkout terminals and vending machines, send money to someone through a secure connection to your credit card or bank account, and even to download money (value) onto your phone."

If you're willing to consider a new high-tech banking and payment service, review this list of

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questions to ask your service provider before signing up. Also, considering the way technology is changing, these and other sophisticated new banking services are sure to get more user friendly.

Questions to Ask Before Trying a High-Tech Service

How will this service make my banking simpler or more convenient?

Will mistakes or unauthorized transactions be simple to detect and correct?

What is my liability under federal law if a criminal obtains my account numbers and other personal information and commits fraud or steals money from my account? Does the bank or other company involved offer additional limits on liability beyond what's in the law?

What security procedures do you recommend for consumers?

What does the bank do to protect my privacy, such as information about my account balance and how I spend my money?

How much will it cost to use the service, including any equipment or cards I must purchase or any monthly or per-transaction fees?

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