DRAFT Debit Cards

FOR IMMEDIATE RELEASE
[redacted]

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SCHUMER WARNS CONSUMERS ABOUT DEBIT CARD DANGERS

Consumer Liability Ten Times Greater than Credit Cards; New Yorkers Could Lose Hundreds of Dollars

Schumer Introduces Bill, NYPIRG Warns Cardholders

Rep. Charles E. Schumer (D-Brooklyn and Queens) warned that bank-issued debit, or check cards are easy to steal and pose greater financial risks to consumers than credit and ATM cards at a press conference today. Schumer, who was joined by Chris Meyer of New York Public Interest Research Group (NYPIRG), also released a survey of New York City banks's check card policies.

"These new ATM check cards may be a great convenience, but consumers better beware," said Schumer. "For thieves, a stolen check card is as good as cash and innocent cardholders could pay the price."

Check, or debit cards, as they are sometimes called are a cross between an ATM card which allows consumers to access cash, and a credit card. They are issued by banks in conjunction with a major credit card, such as Visa or MasterCard, and can be used at any store that accepts credit cards. But unlike credit cards, consumers are liable for up to $500 if their cards are stolen, instead of just $50 with credit cards.

"The problem is that many check cards do not have basic safeguards, and much of the liability for lost or stolen cards belongs to the consumer," said Schumer. "Banks are doing an awful job of telling consumers how cards can be abused and what consumers could pay."

Brochures and applications for check cards typically extol the virtues of the card with no mention of the liability. Former Senator Bob Dole and sports star Deion Sanders advertise the check card as a way to make a purchase without identification. When Senator Dole's personal check is rejected because he has no ID, the Senator says, "I just can't win."

"Unlike a regular ATM card, a thief doesn't need to know the PIN to make purchases, and most stores do not even require a picture ID," said Schumer. "Maybe Deion Sanders and Sen. Dole don't have to worry about someone cashing in on their stolen card, but everyone else does. In this case, the consumer can't win.'"

- MORE -

Schumer released a survey of area banks (see attached) which showed that 3 out of the 10 largest New York City banks offer check cards. Three more banks plan to offer cards by 1998. Two banks provide check cards automatically to all customers. All three hold consumers liable for all losses if stolen cards are not reported within 48 hours. All three provide no information about the liability until the card is sent.

Schumer announced the introduction of legislation to limit check card liability to the same $50 as credit cards, and to require liability disclosure in plain English.

Under current law, check cards are regulated by the Electronic Funds Transfer Act, the law which oversees ATM cards. The law stipulates a maximum liability for consumers of $50 if the card is reported lost or stolen within 24 hours, $500 within 60 days, and unlimited thereafter. The Truth in Lending Act, which regulates credit cards, has a maximum liability of $50.

In New York, approximately one-fourth of City households have check cards. The typical purchase is $29, according to Payment Services, Inc., a financial services consulting firm.

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Consumer Alert:
Debit Cards - Convenience and Peril

Debit cards, or ATM check cashing cards, are a relatively new service offered by banks. The most popular version of the card allows for "off-line" purchases, that is people can use their card at any place which accepts Visa or MasterCard. The card serves the same function as writing a check in that it automatically debits the funds from a person's checking account.

In New York, about 27% of City households have check-cashing cards. They typical transaction for New Yorker's is $29.

However debit cards contain perils which many consumers are unaware of.

Lost or stolen cards can be easily used by thieves: You've seen the ads, even former-Senator Bob Dole and sports star Deion Sanders need to show an ID to write a check. But unlike a check, merchants normally don't require a photo ID with the debit card. Debit cards also can be used without a PIN number, meaning that <u>any person who gets hold of a debit card can use it easily and without fear of getting caught</u>.

Destroy your receipts! Debit card receipts contain all of the account information a thief needs to access and drain your checking account by making purchases by computer or over the phone.

Consumers can lose hundreds of dollars: When a credit card is stolen or reported lost, federal law limits consumer liability to $50. <u>Consumers are liable for up to $500 for lost debit cards</u> if it is not reported within 48 hours. Since a thief may be abusing someone's debit card without their knowledge, consumers may not know that their card is being misused until they bounce some checks.

Consumers often do not know their liability: First, banks do not give consumers adequate information about their liability. Brochures only extol the virtues of the debit card. Second, often times <u>consumers don't even know that they have a debit card</u>. Some banks routinely provide the debit card to replace ATM cards. Consumers think there is no difference between the two cards.

Be careful how you dispose of your card: Many people receive pre-approved credit cards in the mail and simply throw them away. If you throw away a debit card thinking it is just another credit card you didn't ask for, beware: <u>some cards do not need to be activated and can be used by anyone who retrieves it</u>.

Lost or stolen credit cards can wreak havoc on credit ratings: Consumers have not only had their bank accounts drained, but their credit line emptied as well. This results in bounced checks and damage to people's credit ratings. Even though consumers are only liable for $500, their credit rating could be ruined for years, and they are also responsible for any charges for bounced checks.

TABLE I. OF SURVEYED BANKS

BANK	TOTAL ASSETS ($milllions)	ATM CHECK CARD	SOLICITATION	ACTIVATION REQUIRED	LIABILITY	DISCLOSURE OF LIABILITY
1. Bank of New York		No	--	--	--	--
2. Chase Manhattan Bank		Yes	Unsolicited	Yes "Secured" questions	*Within 48 hrs., $50 *After 48 hrs., Unlimited liability	Sent with card
3. Citibank		No	--	--		--
4. Emigrant Savings Bank		No	--	--	--	--
5. Fleet/Nat West		Yes	Unsolicited	Yes PIN sent through mail	*Within 48 hrs., $50 *After 48 hrs., Unlimited liabilty	Sent with card
6. Greenpoint Bank		No	--	--	--	--
7. JBJ Schrooer Bak & Trust		No	--	--	--	--
8. Independence Savings Bank		No	--	--	--	--
9. Marine Midland		Yes	Upon Request	Yes "Secured" questions Asked by CSR	*Within 48 hrs., $50 *After 48 hrs., Unlimited liability	Sent with card
10. Merchants Bank		No	--	--	--	--

Here's the card that works like a check...and more!

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[redacted]

If you have any questions, please call us at **1-800-STATUS-5** (1-800-782-8875).

THIS CARD REPLACES YOUR OLD CARD LISTED BELOW. FOR YOUR CONVENIENCE, YOU CAN USE THE SAME PIN WITH YOUR NEW CARD.

[redacted]

THE LAST 7 DIGITS OF THE ACCOUNTS LINKED TO YOUR CARD ARE LISTED BELOW. YOUR PRIMARY CHECKING/SAVINGS ACCOUNTS ARE IDENTIFIED BY AN ASTERISK.

[redacted]

Your new Great Western ATM & Check Card.℠

This card adds new ways to access money already in your account, and works to make your checking account easier and more convenient to use. If you already have a Great Western ATM card, please destroy it and start using this one. **Your PIN (secret code) remains the same.**

This is NOT a credit card.

Do NOT destroy any existing VISA® credit cards.

Card must be activated before use. To activate, call 1-800-655-2031.

Please sign the back of this card immediately and destroy your old ATM card.

Keep your PIN (secret code) separate from your card.

Works like a check, an ATM card and a VISA card.

Use your Great Western ATM & Check Card to make purchases instead of paying cash or writing a check. Just present your card wherever the VISA symbol is displayed — at over 12 million locations worldwide. You can even use it where checks aren't accepted — in restaurants, at gas stations, and for mail order purchases.

Use your Great Western ATM & Check Card to get cash or make purchases at any location displaying a symbol shown on the back of your card.

And, to make recordkeeping easy, your purchases and cash withdrawals will appear on your monthly checking account statement.

It's not a credit card.

Because your Great Western ATM & Check Card is not a credit card, your purchases will be automatically withdrawn from your Great Western checking account.

Works to lighten your load, so start using it today.

Your new card is an ATM card that also works like a check and cash — all in one. It can lighten your load because now you can leave your checkbook and cash at home!

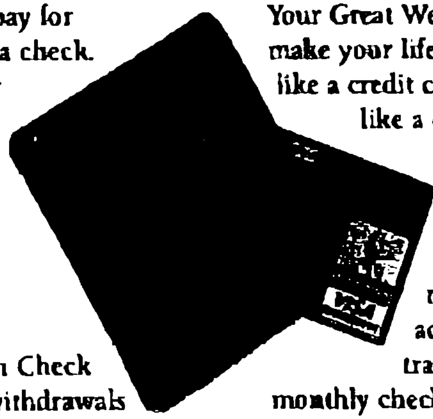
It's easy to start using your new card. Activate your card by calling **1-800-655-2031** and start using your card today!

GREAT WESTERN BANK

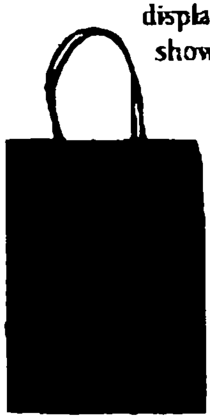
The card that works like a check, works like an ATM card...and more!

Your Great Western ATM & Check Card helps your checking account work harder — and better — for you. The card does everything an ATM card does, and more. It gives you new ways to access the money already in your checking account, and works to make your checking account easier and more convenient to use.

Works like a check.
You can use your Great Western ATM & Check Card like a check — to pay for things without actually writing a check. Just present your card wherever the VISA® symbol is displayed. You can even use it where checks aren't accepted — in restaurants, at gas stations, and for mail order purchases.



Works like an ATM card.
You can use your Great Western Check Card like an ATM card — for withdrawals and other transactions at ATMs and for purchases at Point-of-Sale (POS) locations displaying the network symbols shown on the back of your card.



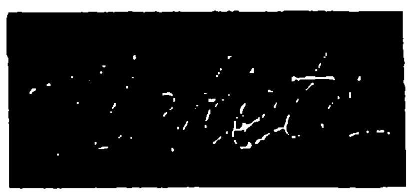
Works like a credit card, but it's not.
You can use your Great Western ATM & Check Card to make purchases at over 12 million VISA merchants worldwide — department stores, entertainment spots, specialty shops — but it's not a credit card. When you use it, the amount is automatically deducted from your checking account. There are no bills at the end of the month and no interest charges.

Works to make your life simpler.
Your Great Western ATM & Check Card can make your life easier because it's accepted like a credit card for purchases but works like a check. Every time you make a purchase, the amount is automatically withdrawn from your checking account. You'll receive a receipt to record in your checking account register, and every transaction will be listed on your monthly checking account statement.

You can lighten your load and leave your checkbook and cash at home.

Overdraft protection is available too — call 1-800-STATUS-5 for more information.

Using the Great Western ATM & Check Card is easy — use it today!



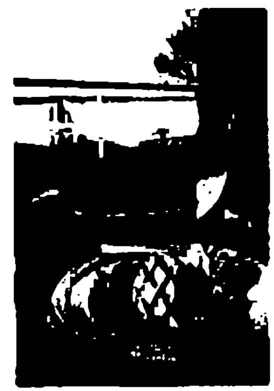
Questions and Answers

Q. How is my Great Western ATM & Check Card different from an ATM card?

A. In addition to all the features of an ATM card, the Great Western ATM & Check Card can be used to pay for purchases at 12 million VISA locations worldwide. You can still make purchases at any retail establishments that display the Explore,® Honor® or Interlink® symbols. And, you can get cash and make other ATM transactions at over 150,000 ATMs around the world that display the Star System,® Honor® and Cirrus® logos.

Q. Why does a VISA® logo appear on my new card?

A. Your card is NOT a credit card. However, your new card can be used to make purchases, instead of paying cash or writing a check, wherever the VISA logo is displayed. The purchases you make will be withdrawn from your Great Western checking account.



Q. I already have a Great Western ATM card. Has my secret code (PIN) changed?

A. No. The Great Western ATM & Check Card replaces your existing ATM card and your PIN remains the same.

Q. How do I activate my card?

A. Activate your card immediately by calling 1-800-655-2031. Once your card is activated, you can use it anywhere the VISA logo is displayed.

Q. Can I continue to use my existing Great Western ATM card?

A. Soon after you activate your new card, the old card will no longer work. Please destroy the old card immediately and begin using the new card.

Q. Are there separate limits for ATM withdrawals and purchases?

A. Yes. You can withdraw up to $500 per day at any ATM and make purchases up to $1,000 per day, subject to the available funds in your account.

Q. How will my transactions appear on my statement?

A. All ATM and POS purchase transactions will appear on your bank statement. Information about the ATM or merchant location, transaction amount, and date will be included.

Q. What can I do to safeguard my card?

A. Sign it immediately. Memorize your secret PIN. Do not write your PIN on your card and do not share your PIN with anyone. Protect your card as you would cash, checks or credit cards.

Q. What if I lose my Great Western ATM & Check Card or it is stolen?

A. Immediately call 1-800-782-8875 to report a lost or stolen card so the appropriate action can be taken. Refer to the enclosed Check Card disclosure for details.

Q. Will I be charged a fee for the Great Western ATM & Check Card?

A. When you maintain the minimum daily balance required for your checking account, you will have free unlimited use of any ATM and fee-free Point-of-Sale purchase transactions. Otherwise, effective May 1, 1997, in any month that you make one or more purchase transactions, a flat fee of $1.00 is charged to your account. This POS purchase fee is waived for the first two statement cycles after your card is issued. See the enclosed disclosure for further details.

If you have any questions about your Great Western ATM & Check Card, please call 1-800-STATUS-5 (1-800-782-8875).

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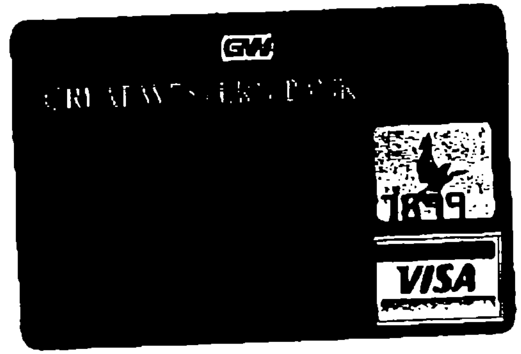
The card that works like a check... and more!



The Great Western ATM & Check Card℠

GREAT WESTERN BANK GW.

debit card

MEMORANDUM

TO: BRUCE REED, ELENA KAGAN

FROM: TOM FREEDMAN, MARY L. SMITH

RE: BILL TO PROTECT DEBIT CARD HOLDERS

DATE: JULY 29, 1997

SUMMARY

Debit cards, also called check cards, are becoming increasingly popular with consumers, who like the convenience of making non-cash purchases without incurring interest charges. However, unlike the protections that accompany a credit card's use such as a cap on liability of $50, consumers are liable for up to $500 of purchases if they fail to inform the issuing bank within 48 hours.

Rep. Charles E. Schumer (D-NY), along with Rep. Henry Gonzalez (D-TX), has introduced legislation which would limit check card liability to $50 like credit cards and would require liability disclosure in plain English.

STATISTICS

- About 205 million debit cards have been issued by U.S. financial institutions. Nearly all of them have been unsolicited, mailed out to bank customers as replacements for traditional ATM cards. (Nilson Report, an Oxnard, California, newsletter)
- About $74 billion in goods and services was bought with debit cards in 1996, including $45 million with cards bearing Visa and MasterCard logos.
- 40% if U.S. financial institutions had debit cards, up from 32% from 1994. Consumers who used their check cards 10 times per month doubled from 1994 to 1996. (American Banker Survey, December 1996).

BACKGROUND

Debit cards, also called check cards, are a cross between an ATM card and a credit card. They are issued by banks in conjunction with a major credit card, such as Visa or MasterCard, and can be used at any store that accepts credit cards.

When using a debit card at an ATM, the cardholder is required to punch in a Personal Identification Number, or PIN, as a precaution against fraud. When using a debit card with a merchant, however, only a signature and not a PIN is required.

Under current law, check cards are regulated by the Electronic Funds Transfer Act, the law which oversees ATM cards. This law provides for a maximum liability to consumers of $50 if the card is reported lost or stolen within 24 hours, $500 if reported within 60 days, and unlimited liability thereafter. The Truth in Lending Act, which regulates credit cards, has a maximum liability of $50.

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TO: BRUCE REED, ELENA KAGAN

FROM: TOM FREEDMAN, MARY L. SMITH

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DATE: AUGUST 8, 1997

SUMMARY

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RECENT UPDATES

- On August 6, Bank of America, issuer of 5.5 million debit cards, announced that it will waive customer liability if cards are stolen.
- MasterCard recently announced that it will keep customer liability to $50 like credit cards. Industry sources say that the nation's largest issuer of debit cards, Visa, will announce protective steps the week of August 11.

PROBLEMS THAT REMAIN

- Despite recent publicity, many consumers still mistakenly think credit card liability rules automatically apply to debit cards.
- Debit cards are much riskier because in stores they do not require a PIN to get into your bank account.

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