



KORBITZ FINANCIAL PLANNING

*Your goals. Your plan. Your terms.*

## January 2021 Newsletter

### *Korbitz Financial Planning*

#### **Introduction**

I was going to start this newsletter with a Happy New Year message. Unfortunately, the New Year did not ring in all that well. Thousands of people are dying daily from COVID-19, relatively few people have been vaccinated, and the political environment is as bad as I have ever seen it.

That said, vaccinations are occurring daily, and I hope we are all vaccinated by the end of this year. We have a new President and Congress, and hopefully that will bring some stability to Washington. The stock market (which is not the economy, I will remind you) has been at all time highs in recent days and weeks.

I want to focus this newsletter on a personal experience that my family went through in 2020. I hope you can learn from it, and hopefully avoid some of what we had to deal with.

I hope you have a happy and healthy 2021!

*Eric*

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#### **Credit Card Fraud**

In past newsletters I have on occasion included articles about identity theft and credit card fraud. In a recent article by Credit Card Insider, they note that “credit card fraud has been one of the fastest-growing forms of identity theft according to the FTC. Reports of credit card fraud jumped by 104% from Q1 2019 to Q1 of 2020 and continue to grow.”<sup>1</sup> I can only predict that in the current state of the economy we will likely see this trend continue.

In this newsletter I am writing from a personal perspective and would like to share something that happened to my family.

In mid-August while my wife Lucy was visiting a relative, she had her wallet stolen. Since she was away from home and didn't have ready access to all of our credit card files, she called me. While she was contacting the local police to file a report, I was getting in touch with the credit card companies, and the thieves were busy using her credit and debit cards. They quickly drove down the road and started purchasing items, mostly mobile phone gift cards, at the local Target and Walmart. We are not sure of the rhyme or reason for which cards they chose to use. One card was never used, another had a very small transaction posted to it, one card had multiple charges of around \$100 until the credit card company declined them and our HSA debit card was hit hard.

This isn't the first time we have had an issue with fraudulent use of our credit card. One New Year's Eve we received a text and call from our credit card company asking if we were in New Jersey at a liquor store. We weren't and thankfully the credit card company's monitoring system caught the fraud very quickly. Each time this has happened we have promptly contacted the company, or they have contacted us, and were fully credited for the fraudulent amounts.

For a little bit a background, the resolution process for fraudulent credit and debit card transaction is as follows:

In general, you are liable for no more than \$50 in fraudulent credit card charges. For debit cards, a \$50 limit applies only if a lost card or PIN is reported within 48 hours. The limit is \$500 if you wait to report it and do so within 60 days, with unlimited liability after that. According to the Electronic Fund Transfer Act (EFTA or Reg E as it is commonly called) once reported, the company that issued the card has 10 business days to complete its investigation and provide you with the appropriate credit to your account. The financial institution may take up to 45 calendar days to investigate and if they take this additional time, they are required to provide a provisional credit to the consumer's account and notify them of that credit.

So, when this theft happened we followed the same process we had in the past. We got in touch with the pertinent companies and filled out the required paperwork. Everything went as planned with no issue with the exception of our HSA debit card from BMO Harris. The amounts were larger with 4 charges in total so we had to provide them with a signed fraudulent affidavit and the police report. I won't get into the details, but we had to file two separate affidavits due to the way the purchases posted to our account. For the first transaction we received a credit within 10 days. For the remaining transactions which totaled a little over \$2,000 we did not receive a credit or any communication from BMO Harris (except when we contacted them) until November 10<sup>th</sup>, over 60 days after we filed the required paperwork.

During that 60-day period we contacted BMO Harris to query them as to why this had been taking so long and on the first two calls, we were told that we should expect to have a resolution within about 21 days of the filing of the affidavit (about 10 business days due to holidays). On the third call we were told that because the debit card was for an HSA, Reg E did not apply and we could expect to wait 45 days, and they were not required to provide a provisional credit. The last communication was with a branch representative who told us that the person working the case was trying to get in touch with the merchants involved and that the person in the fraud department told him they could take up to 90 days to complete their investigation. We were given no assurances that we would receive our money back and we were never allowed to speak directly with the person handling the case. Needless to say, this left us pretty disheartened and very frustrated, particularly in the way that BMO Harris handled the situation. We expressed our dismay with the branch representative about the fact that we were never told that the debit card for an HSA account would be handled differently than any other debit card for a consumer depository account, and in reviewing all disclosures we received for the account and debit card

we could see nothing that would have clued us into that fact. In doing some searches on the internet we have found that BMO Harris' way of handling this situation is perhaps not an industry standard.

We did proceed to file a complaint with the Consumer Financial Protection Bureau (CFPB) and continued to contact BMO Harris. BMO Harris sent us an e-mail on November 10 to inform us they were crediting our account and soon after we also received communication from the CFPB that the company had responded to our complaint. Whether that was coincidence or not, we will never know.

So, why share this story with you, other than to vent? I am sharing it so that you might better understand the risks inherent in using debit and credit cards. I am sharing it so that you might not have to experience the frustration and potential monetary loss that we could have experienced. Finally, I want to share it so that when you are offered a credit or debit card, you understand the potential risks. Here are some of our takeaways:

1. Carry as few credit and debit cards as you can on your person. We now have only one card in our wallets and have the others in safekeeping, only taking an additional card when we know we will need to use it. If you carry just a wallet, you might consider carrying it in a front pocket. If you carry a purse, always keep it closed and on your person and consider a cross body bag.
2. If you have your wallet stolen, be sure to contact the police. Having a police report that verifies the circumstances of the fraud could be very important for the resolution of your case.
3. Report the theft or fraud as soon as you possibly can to the card issuing company. This could stop fraudulent charges from occurring and/or reduce your liability from the fraudulent charges.
4. Keep a file of all of your credit and debit card information readily accessible. It's easy to sometimes forget what cards you might have in your wallet, so having a summary of your cards and always knowing which ones are in your wallet is important.
5. Look into what fraud protection you have on those credit cards and consider signing up with AAA or another service to provide you with a credit card fraud service. We discovered that AAA offers a free service through Experian where in the case of theft/fraud they will contact all of your card holders to alert them to the fraud/theft and they will monitor your credit reports for any suspicious activity.
6. Although debit cards do come with a PIN, this provides little or no security since they can be easily used as a credit card online or in person with a merchant. One question we were asked immediately was if we had our PIN written on the card. We absolutely did not, and you should never do that! The transactions on our debit card did not utilize a pin number.

7. Once a debit card transaction has occurred and posted, you are out that money until the institution completes its investigation and gives you back the amount charged on your account. A fraudulent amount charged on a credit card does not impact your ready cash availability. Word to the wise, don't keep a high balance in your checking account if you regularly carry and use your debit card, especially if you are using it for online purchases (which I would strongly recommend against), or where the debit card leaves your sight.

I hope this gives you some further insight into a problem that has been increasing in frequency, but which I hope does not happen to you.

1 – Credit Insider Blog: 2020 Study: Credit Card Fraud Has Exploded in Recent Years by Greg Mahnken, Updated July 27, 2020. <https://www.creditcardinsider.com/blog/2020-fraud-and-identity-theft-analysis/>