

Credit Card Options for Online Shopping

Prepaid Credit Cards

Prepaid credit cards are also known as disposable credit cards or gift cards. They're sold everywhere by retailers, banks and credit card companies. At the time of purchase, you determine how much money to put on it.

These cards have several advantages. First, there's no need to reveal your identity, no need to have a bank account and no credit check. Second, for those shopping online, it offers security. There's no need to reveal a personal credit card number.



Disadvantages of Prepaid Credit Cards

In spite of the advantages, there are potential disadvantages when it comes to fees and expiration dates. The Better Business Bureau warns that these cards may come with hefty fees. You will typically pay a fee based on the amount added to the card. Fees may range from \$1.50 to over \$7.50 per card. Some disposable cards have other fees as well.

Most disposable cards expire within one to two years, although some may expire in six months. If you don't use all the money on the card, some

institutions may charge as much as \$15 for a "closure fee."

While some disposable cards allow ATM access, but may be charged a fee, especially if you use the card at an ATM not owned by the bank that issued the card. Some banks may charge a monthly service fee if the money isn't spent within six months.

The BBB advises shopping around to avoid paying higher fees. Use the money quickly to avoid fees for expired cards. Rather than use the card at an ATM, purchase an inexpensive item and ask for extra cash back.

Virtual Credit Card Numbers

Virtual credit card numbers are also known as single-use numbers or 'disposable' credit card numbers. They are now being offered through most major credit card issuers and online services such as PayPal.

These credit card numbers are intended for use when you're shopping online. They take the place of the number that's actually on your physical credit card. Typically the user determines how much money to put on these 'virtual' numbers. One suggestion is to limit the amount to the amount of purchase. The expiration date can also be set but have a minimum lifespan of one or two months. Some services even offer numbers specifically for 'recurring' expenses.,



The benefit is that you're dramatically limiting your exposure to problems. Even if Internet criminals hackers obtain this 'disposable' number, it will be unusable.

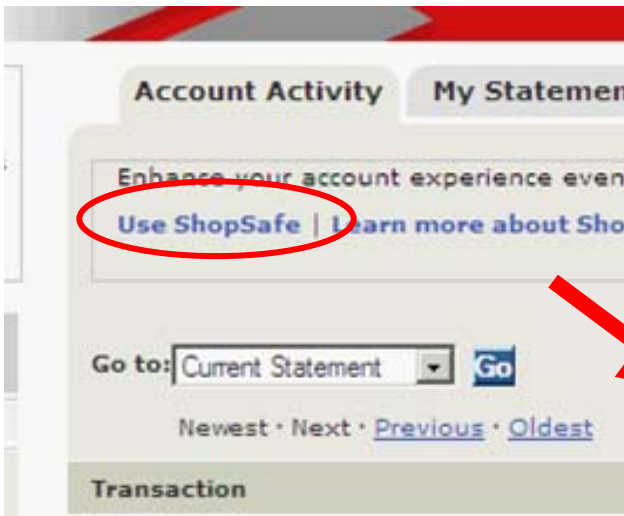


Disadvantages of Virtual Credit Card Numbers

In spite of the obvious advantages, there are situations where virtual credit card numbers can be a problem.

Some purchases, such as theater tickets, or airline, hotel or rental car reservations expect you to provide the physical credit card when you pick up the tickets or check into the hotel or pick up the rental car. Using a virtual credit card number doesn't allow you to hand over a physical credit card with a matching card number.

Bank of America's 'ShopSafe'

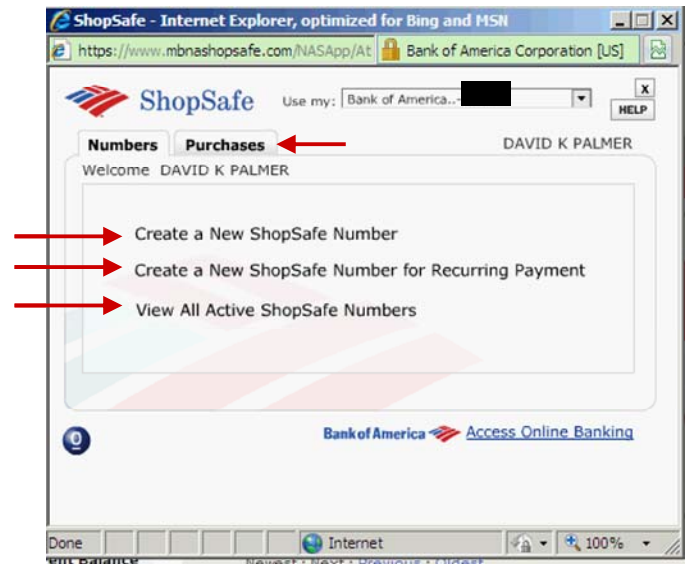


Nearly all major credit card issuers now offer virtual credit card numbers. Here's an example from Bank of America. In this example I've opened my account at B of A and navigated to my credit card account.

The next step is to click on the ShopSafe link. That brings up the dialogue box below:

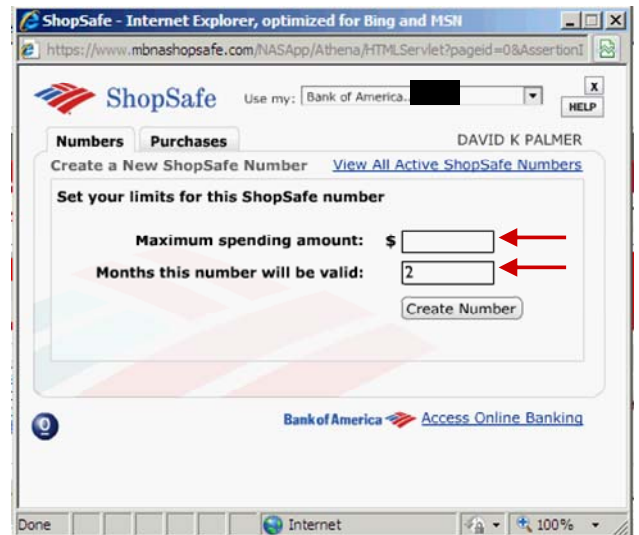


The next screen offers several options. One of the tabs on the top allow you to see your purchases. The numbers tab allows you see your active numbers, set up a recurring payment number or set up a standard number.



This screen allows you to set the dollar amount of the number as well as setting a time limit. In this case each number has a 2 month minimum time limit.

Be aware that you can close or cancel a number at any time.



The last step is to enter your security code.

The system then produces your virtual number along with the details.

