

## FACT SHEET

**SUBJECT:** Pre-Paid Phone Cards: What Consumers Should Know

### FACTS ABOUT PRE-PAID PHONE CARDS:

- A pre-paid phone card is used to make local, long distance, domestic, and international phone calls. To make a call, you dial a toll-free access telephone number, enter a personal identification number (PIN), and input the phone number you are calling.
- The cards are sold by retailers nation-wide and on the Internet. Cards are available in a range of prices -- \$10 to \$30 or so. You pay to buy *calling time* from the issuer of the card. The amount of time may be expressed in minutes, dollars, or units. The amount of time you buy depends on the rate-per-minute to the location you are calling and other fees charged when you make a call.
- Each time you use the card, the remaining calling time is reduced on the card. The card's issuer uses the PIN to keep track of the time. Protect your card and the PIN. Most issuers do not replace lost or stolen cards or PINs.
- Your call is connected as long as enough time remains on the card. Once the card's calling time is used up, you can add time to some cards and the "recharge" is usually billed to a credit card. Otherwise, you'll need to buy another card. Some pre-paid cards have expiration dates – keep track of that date so you don't lose unused calling time.
- Often, the U.S. toll-free access number and customer service number won't work when dialing from other countries. Before traveling outside the U.S., check with the issuer's customer service to get the international access number, rates and fees, and to make sure you can place calls from other countries.
- Remember, because you pay in advance, you may lose money if you have problems when using these cards. Get all the information you can before purchasing a card.

### CONSUMER TIPS FOR BUYING PRE-PAID PHONE CARDS

- Calling service is provided by the issuer of the card, not the retailer who sold you the card. Only basic services and rates are stated on the card. Prepaid phone cards can have other costs added and limits on services. Added costs for surcharges, connection fees, taxes, and maintenance fees will shrink calling time. Some services such as toll-free, paid services with premium charges, or operator-assisted calls, may not be available. *Call the issuer's toll-free customer service or Internet website for information on services and rates.*

- *Usually, the calling rates are quoted for state-to-state calling within the U.S.* Many in-state calls have higher rates, quoted as multiples of the state-to-state rate. Special fees or higher rates may be in effect for calls made from a pay telephone and to or from cell and mobile phones. International rates for calling to or from other countries can be higher, unless you purchase a card designed to discount international calls. A card that discounts international calls may have higher state-to-state rates.
- *Be careful when selecting phone cards that will be used for calls to or from military personnel stationed overseas.* In most cases, international calling rates will apply. Only a specially designed Exchange prepaid calling card will work on-board ships. For calls from combat zones, military personnel can use any prepaid calling card, but there may be restrictions on calling time for “Health, Morale, and Welfare” calls placed through official lines and a connection fee and a per-minute access charge for some calls placed from the Exchange call centers.
- When buying a pre-paid phone card, make sure that the issuer’s toll free access number, calling instructions, and the toll-free customer service number are printed on the card or packaging. *The PIN should be security-protected by packaging. Do not buy a card if the PIN is on display.*

## **COMPARISON SHOPPING FOR CALLING CARDS**

- Compare calling time and costs for the type calls you will be making. Even where issuers fully disclose their costs, it can be difficult to compare different pre-paid phone cards. First, determine the *purchase price per minute of the card* (card purchase price divided by minutes). Second, calculate the *calling time* based on the calling rates and other fees that apply to the type calls you will be making. Third, adjust for differences in the *cost of calling time*.
- The following example compares five pre-paid phone cards. In this case Card A is purchased for \$18.00 with 300 minutes; Card B is purchased for \$21.00 with 350 minutes; Card C is purchased for \$30 with 500 units, Card D purchased for \$18.00 with 300 units, and Card E purchased for \$18.00 card with 600 units.
  1. *Make sure that you consider the total purchase price of the card.* Often the purchase price will include taxes, shipping and handling, or a “recharge” fee.
  2. *Convert units to minutes before comparing cards.* The issuer should provide the conversion on the card or service agreement. In the example, Card C states that 1 unit = 1 minute or 1/1, Card D states that 1 unit = 2 minutes or 1/2, and Card E states that 3 units = 1 minute or

3/1. Converting the units to minutes: Card C = 500 units  $\div$  1/1 = 500 minutes, Card D = 300 units  $\div$  1/2 = 600 minutes, and Card E = 600 units  $\div$  3/1 = 200 minutes.

3. Now, you can calculate the *purchase price per minute*. In this example, Card D has the lowest purchase price per minute of 3¢ per minute, while Cards A, B, and C are 6¢ per minute and Card E is 9¢ per minute: Card A (\$18.00  $\div$  300 minutes = \$.06); Card B (\$21.00  $\div$  350 minutes = \$.06); Card C (\$30.00  $\div$  500 minutes = \$.06); Card D (\$18.00  $\div$  600 minutes = \$.03); and Card E (\$18.00  $\div$  200 minutes = \$.09).
4. Next, *determine the calling time* for the type of calls you plan to make. This requires reading the “fine print,” since some cards appear to charge by the minute, but also add fees. In this example, the buyer plans to make state-to-state calls from a land line. Card A charges 2 minutes per minute calling, Card B charges 10 minutes per call plus 2 minutes per minute calling. But, the other cards charge units per minute: Card C charges 1 unit, Card D charges 1.375 units, and Card E charges 1.5 units per minute. In order to compare the cards, convert the units to minutes: Card C is 1 minute (1 unit  $\div$  1/1 = 1 minute), Card D calling time is 2.75 minutes (1.375 units  $\div$  1/2 = 2.75 minutes) per call, and Card E charges .75 minutes (1.5 units  $\div$  3/1 = .75 minutes) per minute.
5. DON’T STOP YET – consider the difference in the *cost of calling time*. You may be surprised. Card A costs 12¢ per minute of calling (2 minutes @ 6¢); Card B costs 60¢ per call plus 12¢ per minute of calling (10 minutes @ 6¢ per call, plus 2 minutes @ 6¢ per minute of calling); Card C costs 6¢ per minute of calling (1 minute @ 6¢); Card D costs 8.25¢ per minute of calling (2.75 minutes @ 3¢); and Card E costs 6¢ per minute of calling. Either Card C or Card E provides the most economical cost of calling time at 6¢ per minute.
6. *Before making your final selection consider the service factors*: good connections, access numbers and PINs that work, customer service numbers that answer 24/7, reputation of the issuer, and expiration dates. You might ask family and friends, or contact your local Better Business Bureau to get a report based on customer experience.

### **CONTACTS IF YOU HAVE A PROBLEM OR NEED MORE INFORMATION:**

- Federal Trade Commission (ftc.gov or 1-877-FTC-HELP)
- Your local Consumer Affairs Department of State Attorney General
- Your local Better Business Bureau.