

BUSINESS

What you need to know about the new bank cards

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Are you ready to dip instead of swipe? Sounds like a new dance move, doesn't it?

In reality, it's the new way consumers will soon use debit and credit cards at all restaurants, retail locations and businesses large and small.



Over the next two to three years, all U.S. banks and credit institutions will have switched their customers from the traditional magnetic swipe cards to EMV (Europay, MasterCard and Visa) chip cards or, more commonly known as, "chip cards."

For anyone who has traveled abroad, it's evident the United States is behind its contemporaries in its ability to universally accommodate chip cards.

According to EMVCo, a global organization tasked with managing secure payment transactions worldwide, Europe is close to full-market chip card adoption, with 97 percent of all card-based payments using EMV technology, and more than 95 percent of card readers equipped for the technology, as well.

Back in the U.S., consumers and merchants alike would be wise to begin preparing now for our own impending shift, ensuring a smooth transition on both sides of the sale.

For merchants and financial institutions, the switch to chip cards means upgrading point-of-sale terminals and software, and understanding new rules for liability. Consumers will need to activate new cards and learn a new transaction process.

The reason for the change is simple: security. The old-school magnetic stripe is easily hacked — just consider recent data breaches at big-box retailers. With the magnetic stripe, information is static and stored with all of the user's most sensitive data, making it easier for fraudsters to lift the information and use that sensitive data over and over.

The chip card, on the other hand, uses an encrypted small metallic computer chip which creates a unique one-time code for every transaction, making it nearly impossible for thieves to steal the information and duplicate it for multiple uses. The result is greater protection against fraud.

To prepare for the big switch, here's what merchants and consumers need to know:

For merchants: Plot your timeline and budget. If you haven't already made the switch, consider a timeline and budget for your eventual transition. For businesses, consult your point-of-sale provider to research potential costs and leg work associated with the transition as most will have to purchase new terminals and software.

The average cost of one EMV sales terminal ranges from \$200 to \$1,000, and the size of your business and the complexity of your payment system will determine the amount you need to spend.

Communicate and Educate. Once the transition is made, merchants should promote the new process to employees and customers and provide adequate training to ensure speedy check-outs and transactions without hiccups.

Liability. Following an Oct. 1, 2015 deadline, the liability of fraud shifted to merchants if they have not updated their card readers to EMV.

Conversely, the financial institution will be liable for fraud if they have not provided updated cards to their customers. If you haven't yet switched to EMV processing, you'll need to create an interim strategy for accepting liability until you're fully protected.

For consumers: Plan ahead. Talk with your bank to get a sense of timing and ensure new cards are being mailed out.

Many credit card and banking institutions are sending out new cards now while some are waiting until the card's next expiration date, which can take up to two years.

Be mindful and monitor your mail closely to ensure you don't throw the card straight into your recycling bin or shredder.

Have patience. Rest easy because if you've made the transition to chip cards you are now more secure; however consumers will need to be a bit more patient.

The 'dipping' method of an EMV card requires a few more seconds than the quick swipe we're used to. Consumers 'dip' their card into the card reader and then wait to follow the prompts on the screen before removal.

Liability. You can be worry free with the new liability shift that comes along with the EMV cards as consumers are provided zero-dollar liability if a card were to become compromised at an ATM or point-of-sale provider.

Studies show that businesses, mostly small merchants, are well behind the Oct. 1 deadline, which means liability will fall solely on their shoulders.

Merchants should leverage their business banking relationship to learn insights, receive support and plan their transition now. Though the investment and changes are cumbersome, the payoff will outweigh the cost of being left behind.

Before you know it, you'll be ready to dip.

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