

# Credit Where Credit is Due

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Before school started, our family needed to go shopping for clothes and supplies, but especially for backpacks. Our daughter had her backpack for several years and it was hanging on by a thread. Our son had an awesome Phineas and Ferb backpack. Although it was still in good shape, he thought it may not be cool for intermediate school.

The kids wanted Under Armour backpacks. While they are unbelievably rugged, stylish and well made, not to mention cool, they were way pricier than they wanted to spend on backpacks. While shopping at Sam's Club, however, we found Under Armour backpacks for almost half off. As Don Corleone would say, it was an offer we couldn't refuse.

When we got to the checkout, the cashier explained we could save enough money to get a free backpack if we signed up for a Sam's Club credit card. We did, and when we went to pay, I went to swipe it in the card reader, but the cashier stopped me. She explained that it was an EMV card that has a security chip in it, so you insert it into the bottom of the machine, not swipe it on the side. Whoa.

Starting next month, security chips are going to be everywhere.

EMV cards, also known as smart cards, store data on integrated circuits instead of magnetic strips, like on old-fashioned cards. Some of the EMV cards even have radio frequency that can work without even being inserted into the reader or sliding alongside it. Super whoa. The chip generates a unique one-time code every time the card is used, making it extremely difficult for thieves to duplicate and use to make fake credit cards.

EMV stands for Europay, MasterCard and Visa, the companies that established the security standards. The standards are now managed by these companies along with JCB, American Express, China UnionPay and Discover.

Starting on October 1, there will be a "liability shift" for retailers that fail to provide readers for smart cards. Currently, if a credit card is counterfeited and used by a thief, the credit card company is responsible for the charges. Next month, if a retailer doesn't upgrade to the new readers, the retailer will be liable for any theft.

Out of fear of being on the hook, retailers have spent billions of dollars upgrading to the new readers. Hundreds of thousands of merchants and tens of thousands of ATMs have made the switch. Even so, experts predict that less than half of all retailers nation-wide will be compliant by year's end. But even for those stores that have the hardware to read the new cards, it doesn't look like they'll be doing much reading.

Visa announced that as of July, less than 18% of its 720 million credit and debit cards have the new chip. Experts expect that less than two-thirds of all cards will be updated by the end of the year and total compliance won't be met until 2018. If you don't have a new card, don't worry. Consumers still have the same protections as they had before and the new chip readers still allow swiping.

Dealing with these changes is hard. But not as hard as your ten-year-old outgrowing his Phineas and Ferb backpack.

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