

Consuming Interests

A blog for the smart consumer

Business / Consuming Interests

Have a new "EMV" credit card? You will soon.

Carrie Wells and Lorraine Mirabella • Contact Reporters

The Baltimore Sun

SHARE THIS



Merchants are grappling with a shift to new, more secure "EMV" cards.

OCTOBER 2, 2015, 10:14 PM

To meet an Oct. 1 deadline, The Big Screen Store and The Sofa Store spent well over \$10,000 to equip 14 showrooms with special credit card readers that will soon be nearly ubiquitous.

The Towson-based chain, which runs 12 home theater and two furniture stores in Maryland and Virginia, made the transition from readers that swipe cards to those for the newer "chip" card technology several months ago, replacing 14 terminals at about \$1,000 a piece.

"That's a nice chunk of change," said Jason Brager, general manager, but "we can't afford to be liable for any fraud, which is now what happens if you haven't made the transition. Particularly in the electronic business, the rate of fraud and the potential for fraud is so high we just couldn't afford to be liable."

It's all part of a sweeping change in the credit card payments business designed to increase security and reduce fraud in retail transactions by making it more difficult to steal information. But it requires buy-in by the banks, which must issue the new cards, and retailers, who must acquire new readers.

Article continues below ↓

To encourage the adoption of the technology, the industry agreed to a deadline of Oct. 1 after which liability for fraudulent transactions falls to whomever has not implemented it — either the merchant or the credit card issuer. Before, the cost was borne by the bank or credit card company.

For consumers, the biggest change is that, rather than swiping the card's magnetic strip through a reader, the card is inserted into a slot for the machine to read the embedded "EMV" microchip. EMV stands for EuroPay, MasterCard and Visa, the companies that developed the technology and deadlines for its rollout. Consumers will either continue to sign to complete transactions or enter a PIN.

The change is much more noticeable for businesses. The new card readers can cost as much as \$2,000 when installation and software are included, according to the National Retail Federation. And if they don't use the card readers and a fraudulent transaction occurs, they must cover the cost.

Large retailers such as Target already shifted to the new technology at a cost of \$100 million, but small businesses may face a more disproportionate burden. Some may be unable to afford the new devices or decide they're not worth the financial hit.

Wade Barnes, senior vice president and director of retail banking at Baltimore-based 1st Mariner Bank, said some merchants he knew had decided it wasn't worth the expense to upgrade. He said they may be unaware of how many fraudulent transactions are happening at their businesses because they are all handled by the banks or credit card companies.

"If you really look at local merchants, the vast majority of them are unprepared for Thursday's change," he said. "People aren't aware of how much fraud there truly is in the payment system."

Global card fraud has more than doubled to over \$16 billion in 2014 from less than \$8 billion in 2010, with the United States accounting for nearly half last year, according to the Nilson Report.

Fraud is easy with the older cards, Barnes said, since the swiping action simply reads the account number off a non-EMV card, making duplication easy.

Edward Steinberg, owner of J.S. Edwards Fine Men's Clothing in Pikesville, said he sees the benefits for both customers and merchants with the new system, which he put in place about two months ago.

He weighed leasing or buying the equipment, and ended up buying from the bank that processes his store's transactions. The new system is wireless and allows customers to use Apple Pay, which he is finding some customers prefer.

"For the customer, there's the benefit of the safety of their transaction," he said, "and we want to be compliant."

Otherwise, he said, "we could be liable for someone spending several hundred or several thousand dollars."

The new readers works on older cards without an embedded chip, he said, though he is finding most customers already have the new ones.

Benn Ray, president of the Hampden Merchants Association, said the small-business owners in the neighborhood are all aware of the shift to EMV and are getting ready.

Ray, owner of Atomic Books, said he uses Square, a smartphone app-based reader, to process credit card transactions, and that many other Hampden merchants do as well. Square says on its website that merchants can request an updated card reader.

Ray said he's not a fan of the traditional credit card terminals or their hassles and costs.

"They nickel and dime you, you have to pay rental on the terminals," he said. "It's terrible."

Some retailers and the National Retail Federation have criticized the shift for not going far enough. While signatures still will be an option with chip-based cards in the United States, the use of a PIN with the cards is considered more secure. That's required in Europe, where card fraud has been reduced since the EMV technology was introduced several years ago.

"American businesses and consumers are really getting a half-baked approach here," said Mallory Duncan, senior vice president and general counsel at the National Retail Federation. "We are the last country in the industrialized world to move toward this technology, and we're only going halfway."

Duncan also criticized credit card issuers.

"We didn't invent credit cards, and yet they're asking us to spend tens of billions of dollars to fix the flaws in their system and they're not matching the effort, and that's frustrating," she said.

In April, Mike Cook, an executive at Wal-Mart Stores, which also already adopted the technology, predicted the chip and signature method would be a "disappointment" and the security a "joke," according to a CNN report.

Adoption of the technology has been slow even for the card issuers. More than six in 10 credit card holders still don't have an EMV credit card despite the industry's deadline, according to a CreditCards.com report.

1st Mariner, which makes and issues debit cards in its branches, said it's taken longer than usual to issue the new EMV cards because the bank must buy all new card issuing devices for its branches, Barnes said. The bank does expect to have all its new EMV cards out by early 2016, he said.

About 70 percent of credit cards will be chip-enabled by the end of the year, said Doug Johnson, senior

vice president of payments and cybersecurity policy at the American Bankers Association, the leading bank trade group.

The old magnetic stripe cards probably will remain in circulation for years, said Seth Ruden, senior fraud consultant for the Americas at ACI Worldwide, a payment systems company. Full compliance on the merchant side won't happen until October 2017 when automated fuel dispensers at gas stations are required to have payment terminals that read the chip cards.

And for all the extra protection, the EMV cards will do nothing to stop fraud in online shopping.

That's where The Big Screen Store has the most trouble with fraudulent purchases, Brager said. Even over-the-phone purchases will require the stores to be extra-vigilant, including by verifying billing addresses, he said.

"The chip really only protects consumers that are using their card physically, when you insert the chip card yourself," he said. "There's no way for the chip to be copied."

Brager said a system that would have required a chip and personal identification number, instead of a signature, would be more secure for customers.

Consumers still will be able to use existing swipe cards in the EMV readers — until banks replace those cards.

"It doesn't really protect the retailer at all," Brager said. "It was something we were forced to do."

But with credit card fraud widespread and security breaches affecting retailers becoming more common, some said that even the imperfect technology would be welcome.

"I've had cards compromised five times in the last 18 months," said Kim Mangrum, a senior vice president at Point Breeze Credit Union, which has offices in Hunt Valley, Rosedale and Bel Air. "From that standpoint the reduction in the possibility of my card being compromised is a big thing to me. The upside I think will be a reduction in fraud."

Tribune News Service contributed to this report.

cwells@baltsun.com

lmirabella@baltsun.com

This article is related to: [Square, Inc.](#)

BE THE FIRST TO COMMENT

Content Continues Below

