

Here's why Americans are getting new credit and debit cards

October 2 2015, by Ken Sweet

The battle against credit card fraud is inching forward. As of Thursday, the liability for fraud committed using traditional MasterCard and Visa magnetic-stripe credit and debit cards will shift from banks to stores. The move is part of a drive by the banks and payment companies to get people to use the new, more secure cards embedded with computer chips.

Roughly half of all global [credit card fraud](#) occurs in the U.S. even though the country makes up only about a quarter of all credit card transactions, according to a report by Barclays earlier this month.

In part, that's because a 50-year-old technology that relies on a [magnetic stripe](#) at the back of the card, has lingered in the U.S. despite being replaced in most of the world. The weakness with this technology is that cards can be easily copied by thieves, leaving people vulnerable to fraud.

But the switch over has been slow.

While Thursday was originally targeted as the deadline to get most Americans using the new chip cards, the vast majority of transactions are still being made using the magnetic stripe.

Visa, the nation's largest payment network, said it had roughly \$11 billion in U.S. [chip card](#) transactions for the quarter ending Sept. 30. In comparison, Visa had \$631 billion in total transaction volume in the U.S. in the same quarter last year.

Most large retailers have replaced their equipment, but thousands of small businesses have not and there are still hundreds of millions of credit and debit cards that need to be replaced.

Here's what's going on with the new cards, and how this switch could affect you at the checkout counter:

WHAT'S DIFFERENT ABOUT THESE CARDS?

The biggest difference between the old card and the new ones is the metal chip embedded on the front, which means your personal data is much safer. The chip assigns a unique code to every transaction made. That means that if a thief acquired that code, it couldn't be used to make another purchase. Chip cards are much harder, if not impossible, to duplicate. That makes them more secure than magnetic cards, which are easily copied.

But the magnetic strip won't be disappearing. All chip cards will also come with a strip in case chip readers aren't available. However, if a store does accept chip cards for purchases, you should use that option every time because it's more secure.

HOW DO I USE THE CHIP CARD?

Instead of swiping your card at the checkout, you'll insert it into a machine with a slot similar to that at an ATM. Keep your card in the slot until the machine tells you to remove it. Unlike magnetic strip cards, chip cards need to be left in the reader for a few seconds to work.

I'VE HAD MY NEW CARD FOR MONTHS. WHY IS EVERYONE TALKING ABOUT THIS NOW?

Visa and MasterCard set an Oct. 1 deadline for merchants to switch their

card machines from accepting magnetic stripe to accepting both chip and traditional magnetic stripe-only cards. Retailers can opt to keep using their old magnetic stripe-reading equipment, but they will now be liable for any fraud that occurs at their stores. Banks, who used to cover the costs of fraud, are off the hook. This is known as the liability switch.

WHEN WILL I GET ONE?

The national [banks](#) are currently in the process of issuing chip-based [debit cards](#). Most of the regional and smaller banks will start rolling out these cards to their customers later this year. But the process could take years and some smaller banks may not replace a customers' credit card until the current card expires.

WHO'S BEHIND THE CHANGE?

The change is being driven by the banks and payment processing companies—Visa, MasterCard and American Express. Banks have wanted a more secure form of payment because they have generally been on the hook for any fraud committed using their cards. Originally the banks relied on their own software and data from the payment networks to catch fraud at the point of sale in the U.S., but an increase in fraudulent transactions made it clear more was needed. The American Bankers Association estimated that bank account fraud cost the industry \$1.74 trillion in 2012, the most recent year for which data is available.

WHERE AND WHEN CAN I USE MY NEW CHIP CARD?

You can use it now, although many stores have been slow to upgrade their equipment, despite the Oct. 1 deadline. That's because it's a significant expense to replace equipment and retrain employees. The Payment Security Taskforce, a group that represents the banks, payment companies, and some large retailers, estimates that about 40 percent of

all card readers will accept chip cards by the end of the year.

WHAT ELSE IS CHANGING?

The type of card being rolled out in the U.S. will still need a signature when you pay for something. Eventually the technology that what will be used in the U.S. will be the same as that which is used in the rest of the world, known as "chip and PIN." It would work in a similar way to your ATM card. You would insert your card and enter a four-digit password to approve the transaction. Security experts believe this is a very safe way to pay for things. Signing for a [credit card](#) purchase provides almost no security since signatures are rarely checked.

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