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Consumer Focus

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These Chips are Good for You New Credit and Debit Card Chips

“Would you like me to swipe your credit card?” is a phrase whose days may be numbered.

Major card issuers are adding a small metallic square to new cards, which are computer chips designed to enhance the cards’ security. This technology is what the electronic payment industry calls EMV, which stands for Europay, MasterCard and Visa.

EMV is a global standard that establishes the payment transaction roadmap for cards with chips. Other countries have used this technology for years, but many U.S. consumers are just now seeing it.

When you use a new generation credit or debit card with an onboard computer chip, the chip creates a unique, one-time security code for each transaction. The enhanced security makes it more difficult for criminals to steal your credit card information from point-of-sale terminals.

Over the past several decades, cards have utilized a magnetic stripe on the back of each card. The magnetic stripe contains cardholder, account number and security code data, which always remains the same. A criminal can “skim” this data from point of sale terminals. With that data, criminals can use the card’s information for remote transactions or even create a duplicate card and use it just like the original card.

With the new technology, card issuers, financial institutions and merchants must upgrade their systems.

If you are a card user with a chip-enabled card, you’ll have to get used to a new routine when paying with plastic at most point-of-sale terminals. Instead of swiping your card, you’ll put it into a card reader slot and wait for transaction approval. Depending on your card’s verification method, you may have to sign your name or enter a Personal Identification Number (PIN).

It will take time for many retailers to transition to the new system, and gas pumps are not required to upgrade to the new point-of-sale equipment until 2017. While the transition is underway, cards will contain both a magnetic stripe and computer chip. The chip's enhanced security benefits don't factor in when using the traditional magnetic stripe.

What won't change is how you use your card when paying by phone or through a website. That means that the cards are still vulnerable if a criminal gets access to your card information. You should still protect your credit card information and you should always review your financial statements and look for fraudulent activity.

Don't worry if you have not yet received a newer generation credit or debit card with a chip. It's possible your card issuer is waiting for your current card to expire, or may not have yet begun its replacement rollout. If you would like to know about the card replacement schedule, contact your issuer.

Whether you're using a credit card's chip or magnetic stripe to complete a transaction, keep in mind that it's still generally safer than paying by cash, check or debit card. That's because a credit card offers you certain protections and allows you to dispute a charge if goods or services are unfulfilled, or a charge was fraudulent.

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