TN Department of Financial Institutions

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SPOTLIGHT ON FINANCE

Are You Ready for EMV?

If you use a credit card or a debit card, you may have seen or heard the letters EMV, or you may have noticed a gold-colored, metallic square on the front of a newly issued card. What is EMV and what does it stand for?

EMV means Europay, MasterCard and VISA. This is an emerging standard for credit cards equipped with computer chips and other technology features that will be utilized to authenticate chip-card transactions. The goal of the new technology is to better protect consumers in the instances of large scale data breaches and unauthorized attempts at card usage and overall fraud.

Converting to the EMV technology creates the need for consumers to receive and activate new credit and debit cards. Consumers will also have to adapt to learning new payment processes that will be involved with using the EMV cards. Additionally, financial institutions and numerous merchants and retailers will have to add new internal processing systems and in-store technology to be in compliance with new liability rules associated with EMV protections.

What makes the EMV equipped cards unique is that every time an EMV card is used for payment, the card chip creates a special code for each transaction that cannot be used again.

Therefore, if someone was able to access the chip information from a specific point-of-sale ("POS") transaction, normal card duplication efforts would not work, since the transaction number would not be re-usable and will result in the card being declined for that transaction number. This is different from the magnetic strip data currently used, since the data stored on the strip doesn't change and can be replicated numerous times.

The checkout process at retailers and ATM transactions may be slightly longer for consumers with EMV equipped cards. Instead of the consumer swiping the card, the technology will require the card to be "dipped" into the POS terminal, or ATM, to allow the data on the card to be read and then create the specific data for that particular transaction. Changes in future technology may also allow the consumer to tap the card on the transaction terminal to complete a merchant or retail sale. This process is known as dual-interface and is more expensive to setup and become equipped, so many of the new EMV cards are not being issued with this form of technology.

Currently, while the transition to EMV cards is occurring, many cards still have the magnetic strip, which allows retailers and ATMs that haven't converted to the new technology to accept transactions. However, the extra security provided by the chip in the EMV card is lost if, the retailer only offers the swiping function. If a consumer is uncertain whether they

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"swipe" at a POS terminal, the terminal is supposed to alert the user on which procedure needs to be used.

Pursuant to current procedures, if an in-store transaction is completed using a compromised, counterfeit, or stolen card, consumer losses for these transactions tend to be the responsibility of the payment processor, or the issuing bank; however, this will be dependent on the terms and conditions listed in the credit or debit card account agreement.

The major U.S. credit card issuers—American Express, Discover, MasterCard and VISA established a deadline of October 1, 2015 where the liability for card-present fraud will shift to the party that is the least EMV compliant in a fraudulent transaction situation. Card-present fraud is when the actual, or physical card is presented to perpetrate the fraud.

Although the deadline was established, it appears all the affected parties to the EMV change will not be compliant by that date. Automated fuel dispensers have until 2017 to shift their pay-at-the pump technology to the EMV standards.

The change to EMV is a very important step in efforts to improve payment security and to make counterfeiting cards more difficult. So, get ready for the change and look to see if the new technology is included on a newly issued credit or debit card you may have received from your financial institution.

Financial Tips

Set a budget. Period.
This is the starting point for every other goal in your life.

Set specific financial goals.
Use numbers and dates not just words to describe what you want to accomplish.

Get your finances-and body-in shape.

Understanding Title Pledge Agreements

Title and property pledge agreements are generally thirty (30) day written agreements between a lender and consumer ("pledgor") to loan money using an unencumbered (clear title) security interest in titled personal property owned by the pledgor.

The agreement further allows the lender to keep the certificate of title the entire length of the agreement and provides the pledgor a right to redeem the title when the 30 day loan is paid in full.

TCA §45-15-113(a) states "title pledge agreements and property pledge agreements...shall not exceed thirty (30) days in length". Although, an agreement may provide for an additional thirty-day period renewal that may occur automatically.

All loans must have printed in not less than 14-point bold type:

- This loan is not intended to meet long-term financial needs.
- You should use this loan only to meet short-term cash needs.
- You will be required to pay additional interest and fees if you renew this loan rather than pay the debt in full when due.
- This loan is a higher interest loan. You should consider what other lower cost loans may be available to you.
- You are placing at risk your continued ownership of the personal property that you are pledging for this loan, including your motor vehicle, if that is the property pledged.

This loan is not intended to meet long-term financial needs.
You should use this loan only to meet short-term cash needs.

By statue, a title pledge lender can charge two percent (2%) interest per month and they can also charge up to one-fifth (1/5), or 20% of the principal amount of the agreement, at inception or at each subsequent thirty-day period.

Holiday Saving and Spending

Ready or not, the holiday season is here. Whether you're anxiously waiting Black Friday, Super Saturday, Cyber Monday or any of the multiple sale days between now and the end of the year, you can avoid being served a heaping side of seasonal debt if you keep a few smart saver tips in mind.

Set Reasonable Expectations. Take the time to talk to family and friends about realistic holiday spending limits before you go shopping. Consider less expensive gift options like homemade gifts. If you have a large extended family, start a new tradition of drawing names to buy "a" gift, rather than gifts for every person in the family.

Plan, Budget, Save. Check with your bank or credit union to see if they offer "Holiday Savings Accounts" that you can use for holiday goals. If you didn't budget for this year, it's never too late to begin planning for the next year ($25 a month for 12 months equals $300 at the end of the year).

Figure out who's on your gift list, create a holiday budget and gradually set money aside to avoid over spending, unwanted debt and financial stress. Decide how much you can afford to spend and stay within that budget.

Be sure to factor in everything such as, holiday cards and postage, entertainment and food, decorations, holiday travel, charitable donations, utilities, and all of your extra holiday activities.

Make a price list of all gifts and other holiday items you plan to purchase. Take the list with you shopping to avoid over spending and impulse buys. Check your list and check it twice, reconcile your holiday spending weekly and leave the credit cards at home when you go shopping. Pay with cash, you'll be glad in January you did.

Buying with credit allows you to spend money you don't have, exceed your holiday budget and adds interest charges to those good deals you think you are getting when purchasing gifts, making them cost more. At the most, choose an amount you can repay within 3 to 4 months to avoid high interest charges and overspending.

Avoid Holiday Debt Traps. If using gift cards or layaway plans, make sure you fully understand the terms and conditions. Expiration dates, inactivity rules, and hidden fees on gift cards can eat away their value if you're not careful.

Early sales, comparison shopping, ordering from sites or stores that offer free shipping, shopping at discount stores and buying items that offer rebates can help you save money on holiday purchases. However, don't let the excitement of the holiday deals entice you to make purchases that you hadn't planned or budgeted for. Avoid the store card discount trap. Do not sign up for a new credit card in exchange for 10-20 percent off your purchase.

Holiday Savings Tips and Ideas to Consider

* Homemade gifts show thought, effort and love. Consider baked goods, fancy pillowcases, photos, artwork and embroidered personalized items.
* Buy gifts at 50-70 percent off after the holidays for the next year.
* Fill up your tires with air for maximum fuel efficiency on holiday road trips. The GasBuddy app will help you find the cheapest gas within a few miles of your location.
* Host a holiday film festival in your living room. Make it fun with popcorn and hot chocolate.
* See what's in your supply drawer. You may have more wrapping paper, ribbons, unused cards and gift boxes stored away from last season than you realize. Use up those holiday supplies first to trim down the amount you'll have to buy this season.
* Review grocery store circulars and stock up on sale items, in advance. Be sure to clip those coupons and shop the internet for coupons too. Try shopping the top and bottom aisle at the store, the most expensive items are in the middle!
* Decorate with chains of colored construction paper and tin foil. Cranberries can be strung together as garland or glitter pinecones from the back yard to hang as ornaments. If you have children, for fun let them help.
* Never purchase expensive items on impulse. Think over expensive purchases for at least 24 hours, you'll have far fewer regrets.

Keep in mind that holiday spending is short-term spending. Once the unwrapping frenzy is over, how long will the excitement last? Saving your money for long-term goals (home ownership, college, or a comfortable retirement) may be the very best gift you can give yourself and your loved ones. To learn more about spending and saving during the holidays visit: www.americasaves.org.

Mortgage Disclosure Changes Take Effect on October 3, 2015

Persons who attempt to purchase a house, or refinance their mortgage after October 3, 2015, will notice a difference in the disclosures that are received and required for this process on certain mortgage loans. The new disclosures are aimed at easing the process for borrowers entering a mortgage transaction and helping them to "Know Before You Owe".

Four previously used, overlapping disclosure forms have been streamlined into two new forms. The Loan Estimate and the Closing Disclosure are the new forms that have been developed. The changes in these forms will help improve the understanding of the sometimes complicated mortgage loan terms. The Loan Estimate should make it easier to shop and compare mortgage loan offers from several different lenders, in an effort to help you coordinate the best plan for you.

In the past, a lender had to provide a HUD Settlement Statement to a mortgage loan applicant at least 24 hours before a scheduled loan closing, if requested by the applicant. The Closing Disclosure now has to be provided three (3) days before closing of the transaction and signing the documents.

This allows the applicant ample opportunity to review the Closing Disclosure, in conjunction with the Loan Estimate, to ensure there have been no major changes to the original offer. It will also allow the applicant time to ask the lender any questions they may have regarding the transaction and if needed, consult with an attorney or a housing counselor.

In addition to the Loan Estimate and Closing Disclosure, for those consumers applying for a housing purchase mortgage, the Your Home Loan Toolkit has been developed that provides worksheets and questions to be considered at various points throughout the mortgage loan process.

As always, education and knowledge are key components in understanding mortgage loan transactions. The disclosure and rule changes that recently took effect appear to be strong efforts in reaching a better understanding of this type of loan.