

Franklin-Oil Region Credit Union Discretionary Courtesy Pay Disclosure

It is the policy of Franklin-Oil Region Credit Union to comply with all applicable laws and regulations and to conduct business in accordance with applicable safety and soundness standards.

The Membership and Account Agreement provided to you at the time you opened your account with us controls the duties, obligations and rights of the Depositor, the Authorized Signatories and Franklin-Oil Region Credit Union with regard to your checking account. The Membership and Account Agreement (and all amendments thereto) and its terms shall control any possible conflict, if any, between any provision of this Discretionary Courtesy Pay Disclosure and the Membership and Account Agreement. A copy of the Membership and Account Agreement is available to you on request from your Franklin-Oil Region Credit Union representative.

Courtesy Pay is not a line of credit. However, if you inadvertently overdraw your account, we will have the discretion to pay the overdraft as well as any overdraft fee, subject to your Courtesy Pay limit. Franklin-Oil Region Credit Union is not obligated to pay any item presented for payment if your account does not contain sufficient available funds. Any discretionary payment by Franklin-Oil Region Credit Union of an overdraft check (or item, such as an ATM withdrawal) does not obligate Franklin-Oil Region Credit Union to pay any other overdraft check (or item), or to provide prior notice of its decision to refuse to pay such check (or item).

Pursuant to Franklin-Oil Region Credit Union's commitment to always provide you with the best level of service, now and in the future, if your consumer account has been open for at least ninety (90) days, and you maintain your account in good standing, which includes at least:

- A. Bringing your account to a positive balance within every thirty (30) day period for a minimum of one full business day;
- B. Not being in default on any loan or other obligation to Franklin-Oil Region Credit Union; and
- C. Not being subject to any legal or administrative order or levy,

Franklin-Oil Region Credit Union will have the discretion to pay overdrafts within the Courtesy Pay limit, but payment by Franklin-Oil Region Credit Union is a discretionary courtesy and not a right of the member or an obligation of Franklin-Oil Region Credit Union. Franklin-Oil Region Credit Union in its sole and absolute discretion can cease paying overdrafts at any time without prior notice of reason or cause.

This privilege for consumer checking accounts will generally be limited to a maximum \$530 overdraft (negative) balance. Of course, any and all fees and charges, including without limitation the nonsufficient funds fees (as set forth in our Schedule of Fees and Charges and Membership and Account Agreement), will be included as part of this maximum amount. It may be possible that your account will become overdrawn in excess of the Courtesy Pay limit as a result of the assessment of a fee.

Additionally, if you do not keep your account in good standing, keep your contact information current or if we feel you are abusing your Courtesy Pay privilege, your Courtesy Pay limit may be reduced or revoked at the Credit Union's discretion.

Courtesy Pay will provide members with either a \$280 or \$530 limit.

Criteria for a \$280 Courtesy Pay limit:

- Checking account must be open for at least 90 days and must not be classified as dormant;
- Must not be in default on any loan or other obligation to Franklin-Oil Region Credit Union;
- All accountholders must be at least 18 years of age; and
- Must conduct at least 15 transactions, monthly, during the initial 90 day waiting period

Criteria for a \$530 Courtesy Pay limit:

- Checking account must be open for at least 90 days and must not be classified as dormant;
- Must not be in default on any loan or other obligation to Franklin-Oil Region Credit Union;
- All accountholders must be at least 18 years of age;
- Must conduct at least 15 transactions, monthly, during the initial 90 day waiting period; and •
Must have payroll deduction or direct deposit in to the account attached to the Courtesy Pay limit.

The total of the discretionary Courtesy Pay (negative) balance, which includes any and all fees and charges, including all non-sufficient funds/overdraft fees is due and payable upon demand, and Depositor and each Authorized Signatory will continue to be liable, jointly and severally, for all such amounts, as described in the Membership and Account Agreement. Our standard Overdraft fee of \$30 will be imposed for overdrafts created by checks, ACH, ATM withdrawals, everyday debit card transactions, in-person withdrawals, or by other electronic means. Transactions may not be processed in the order in which they occurred, and the order in which transactions are received and processed may impact the total amount of fees incurred. The Credit Union shall have a De Minimus of \$5.00. In other words, an account will not begin incurring Courtesy Pay fees until the account balance is negative \$5.00 or more.

For our consumer members, Franklin-Oil Region Credit Union will not pay overdrafts for ATM or everyday debit card transactions unless Franklin-Oil Region Credit Union has provided you with the notice required by section 205.17(b) of Regulation E and you have opted in to the payment of these overdrafts. In order to avoid overdrafts due to ATM and everyday debit card transactions, Franklin-Oil Region Credit Union will place a hold on your account for any ATM or everyday debit card transaction authorized until the transaction settles. ATM and everyday debit card transactions usually settle within two business days after the transaction is authorized. The amount of the hold will be for the amount authorized, or as permitted under applicable payment network rules. Holds on authorized ATM and everyday debit card transactions will be removed prior to settlement where required by applicable payment network rules.

Consumer members may opt out of the Courtesy Pay services at any time by contacting one of our Member Services Representatives.

April 2021

WHAT ELSE YOU SHOULD KNOW

How Transactions are Posted to Your Account. There are two types of transactions that affect your account: credits (deposits of money into your account) and debits (payments out of your account). It is important to understand how each is applied to your account so that you know how much money you have and how much is available to you at any given time. This section explains generally how and when we post transactions to your account.

Credits. Deposits are generally added to your account when we receive them. However, in some cases when you deposit a check or draft, the full amount of the deposit may not be available to you at the time of deposit. Please refer to the Funds Availability Policy Disclosure for details regarding the timing and availability of funds from deposits.

Debits. There are several types of debit transactions. Common debit transactions are generally described below. Keep in mind that there are many ways transactions are presented for payment by merchants, and we are not necessarily in control of when transactions are received.

- **Drafts.** When you write a draft, it is processed through the Federal Reserve System. We receive data files of cashed drafts from the Federal Reserve each day. The drafts drawn on your account are compiled from these data files and paid each day. We process the payments in the order contained in the data file.
- **ACH Payments.** We receive data files every day from the Federal Reserve with Automated Clearing House (ACH) transactions. These include, for example, automatic bill payments you have authorized. ACH transactions for your account are posted throughout the day.
- **PIN-Based Debit Card Purchase Transactions.** These are purchase transactions using your debit card for which a merchant may require you to enter your personal identification number (PIN) at the time of sale. They are processed through a PIN debit network. These transactions are similar to ATM withdrawal transactions because the money is usually deducted from your account immediately at the time of the transaction. However, depending on the merchant, a PIN-based transaction may not be immediately presented for payment.
- **Signature-Based Debit Card Purchase Transactions.** These are purchase transactions using your debit card that are processed through a signature-based network. Rather than entering a PIN, you typically sign for the purchase; however, merchants may not require your signature for certain transactions. Merchants may seek authorization for these types of transactions. The authorization request places a hold on funds in your account when the authorization is completed. The “authorization hold” will reduce your available balance by the amount authorized but will not affect your actual balance. The transaction is subsequently processed by the merchant and submitted to us for payment. This can happen hours or sometimes days after the transaction, depending on the merchant and its payment processor. These payment requests are received in real time throughout the day and are posted to your account when they are received. The amount of an authorization hold may differ from the actual payment because the final transaction amount may not yet be known to the merchant when you present your card for payment. For example, if you use your debit card at a restaurant, a hold will be placed in an amount equal to the bill presented to you; but when the transaction posts, it will include any tip that you may have added to the bill. This may also be the case where you present your debit card for payment at gas stations, hotels and certain

other retail establishments. We cannot control how much a merchant asks us to authorize, or when a merchant submits a transaction for payment.

This is a general description of certain types of transactions. These practices may change, and we reserve the right to pay items in any order we choose as permitted by law.

Understanding Your Account Balance. Your share draft account has two kinds of balances: the actual balance and the available balance.

- **Actual Balance** – Your actual balance reflects the full amount of all deposits to your account as well as payment transactions that have been posted to your account. It does not reflect drafts you have written and are still outstanding or transactions that have been authorized but are still pending.
- **Available Balance** – Your available balance is your actual balance less: (1) holds placed on deposits; (2) holds on debit card or other transactions that have been authorized but are not yet posted; and (3) any other holds, such as holds related to pledges of account funds, minimum balance requirements, or to comply with court orders.

For ATM & Debit Card transactions, we use your Available Balance to determine whether there are sufficient funds in your account to authorize the transaction. For other items, including but not limited to checks, drafts, and ACH, we use your Current (Actual) Balance to determine if there are enough funds to cover the transactions when they settle (clear your account). Holds placed on your account may reduce your available balance and may cause your account to become overdrawn regardless of your actual balance. Any item presented which would overdraw your account based on your current balance will create an overdraft situation that may cause you to incur overdraft fees.

Assessment of overdraft fees is determined based on the account's Current (Actual) Balance when the transaction settles (posts your account), and not based on the Available Balance at the time a transaction is authorized. If the account balance, including new credits/deposits, is greater than or equal to the total of new debits/expenditures after all items have posted to your account, there will be no overdraft fees assessed. If at the time of settlement, the Current (Actual) account balance is not sufficient to cover the transactions being settled, you will be charged a courtesy pay fee if we cover the overdraft transactions under the Courtesy Pay Program. When you use your Franklin-Oil Region Credit Union Debit Card to make a purchase, the transaction is authorized based on your Available Balance plus any overdraft protection option you have enrolled in at the time of the purchase. Once a transaction is authorized, a temporary hold is placed on your account for the amount of the purchase; you will see this hold reflected in your Available Balance. This hold does not affect or otherwise adjust your Current Balance. When the transaction settles, if your Current (Actual) Balance is not sufficient to cover the settling transaction, an overdraft fee may be assessed. In some cases, the hold may exceed or be less than the amount of the transaction. Examples of such holds might be made when utilizing your debit card at but not limited to the following: gas stations, restaurants, hotels or car rental companies. Funds subject to a hold are not necessarily the same funds that are ultimately used to pay for a transaction. Please note, however, that even though a transaction has been authorized, it still might result in an overdraft if you initiate other transactions that are processed before it. So, do not consider a transaction authorization as a guarantee there will be sufficient funds in your account to cover the transaction when it posts. Ordinarily, we will not authorize debit card transactions unless you have sufficient available funds in your checking account and available overdraft protection, if you are enrolled in Courtesy Pay. However, we may pay some debit card transactions when you do not have sufficient available funds even if you did not opt into Courtesy

Pay for debit card transactions, if we had authorized the transaction in advance, or had placed a hold that differs from a transaction amount, as described in the previous paragraph. Therefore, opting into Courtesy Pay for debit card transactions may result in your incurring overdraft fees for some transactions that we would otherwise pay without assessing a fee.

If your checking account goes into an overdrawn status (including fees) and funds are available in the linked savings account, we will transfer all or some of the funds from the savings account to the overdrawn checking account to reduce or eliminate the overdrawn amount, as permitted by law.

Tips to Control Costs for the Courtesy Pay Program

- A single larger overdraft will result in just one fee, as opposed to multiple smaller overdrafts.
- Good account management is the best way to avoid overdrafts.
- Electronic banking services and using our app on your mobile device can help you keep track of your balance.

You may check your available balance at <https://www.realtimhomebanking.com>, at an ATM, by visiting a Credit Union branch or by calling us toll-free at (800) 730-7771 or (855) 288-7182.

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April 2021