

LAKE MICHIGAN CREDIT UNION
COURTESY PAY OVERDRAFT PROTECTION AND YOUR ACCOUNT

This document describes the circumstances when Lake Michigan Credit Union (LMCU or “we”) will pay overdrafts in your checking account and charge you a fee. “Overdraft” means there is not enough available balance in your account to pay for a transaction. If we pay for an overdraft, we will charge a fee of \$30. The \$30 fee is described on our Fee Schedule as a Courtesy Pay Fee, and is updated periodically.

Please note that for ATM and one-time debit card transactions, you must affirmatively consent to this coverage. Without this consent, we may not authorize and pay an ATM or one-time debit card transaction which will result in insufficient available funds in your account. In these instances, the transaction may be rejected by LMCU and you will be charged an NSF fee, also described in our Fee Schedule. Please see the last page of this disclosure for guidance on how to opt-in or opt-out of this coverage.

The following is important information regarding your account balance, how transactions are posted to your account, and when a Courtesy Pay fee will be charged. You should read these disclosures carefully.

YOUR CHECKING ACCOUNT BALANCE

Your checking account has two kinds of balances: the “actual” balance and the “available” balance. Both can be checked when you review your account online, at an ATM, by phone, by mobile application, or at a branch. It is important to understand how the two balances work so that you know how much money is in your account at any given time.

Your **ACTUAL** balance is the amount of money that is actually in your account at any given time. It reflects transactions that have “posted” to your account, but not transactions that have been authorized and are pending. While the term “actual” may sound as though the number you see is an up-to-date display of what is in your account that you can spend, that is not always the case. Any purchases, holds, fees, other charges, or deposits made on your account that have not yet posted will not appear in your actual balance. For example, if you have a \$50 actual balance, but you just wrote a check for \$40, then your actual balance is \$50 but it does not reflect the pending check transaction. So at that point, you actually have \$50 but you have already spent \$40.

Your **AVAILABLE** balance is the amount of money in your account that is available to you to use without incurring a Courtesy Pay fee. The available balance takes into account things like holds placed on deposits and pending transactions (such as pending debit card purchases) that LMCU has authorized but have not yet posted to your account. For example, assume that you have an actual balance of \$50 and an available balance of \$50. If you were to use your debit card at a restaurant to buy lunch for \$20, then that merchant could ask LMCU to pre-authorize the payment. In that case, we will put a “hold” on your account for \$20. Your actual balance would still be \$50 because their transaction has not yet posted, but your available balance would be \$30 because you have committed to pay the restaurant \$20. When the restaurant submits its bill for payment (which could be up to a few days later), we will post the transaction to your account and your actual balance will be reduced by \$20.

Available balance is the balance used to determine when your account is overdrawn. The following example illustrates how this works:

Again, assume your actual and available balance are both \$50 and you swipe your debit card at a retailer for \$20. A hold is placed on your account, so your available balance is only \$30. Your actual balance is still \$50. Before the retailer charge is sent to us for processing, a check that you wrote for \$40 clears. Because you have only \$30 available (you committed to pay the retailer \$20), your account will be overdrawn by \$10, even though your actual balance is \$50. In this case, we may pay the \$40 check, but you will be charged a Courtesy Pay fee of \$30. That fee will be deducted from your account, further reducing the balance.

It is very important to understand that you may still overdraw your account even though the available balance appears to show there are sufficient funds to cover a transaction that you want to make. This is because your available balance may not reflect all outstanding checks and automatic bill payments that you have authorized, or other outstanding transactions that have not been paid from your account. In the example above, the outstanding check will not be reflected in your available balance until it is presented to us and paid from your account.

In addition, your available balance may not reflect all of your debit card transactions. For example, if a merchant obtains your prior authorization but does not submit a one-time debit card transaction for payment within three (3) business days of authorization (or for up to thirty (30) business days for certain types of debit card transactions), we must release the authorization hold on the transaction. The available balance will not reflect this transaction once the hold has been released until the transaction has been reviewed by us and paid from your account.

HOW TRANSACTIONS ARE POSTED TO YOUR ACCOUNT.

There are basically two types of transactions in your account: credits or deposits of money into your account, and debits or 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.

CREDITS: Most deposits are added to your account when we receive them. For some checks you deposit only \$200 will be made available at the time of deposit; the balance will be available two (2) business days later. There may be extended holds on checks over \$5,000. Thus, your available balance may not reflect the most recent deposits to your account. For details on the availability for withdrawal of your deposits, see the section of your Membership Agreement entitled "Funds Availability Policy."

DEBITS: There are several types of debit transactions. Common debit transactions are described generally below. Please note that this list may not be all inclusive. Keep in mind that there are many ways transactions are presented for payment by merchants, and LMCU is not necessarily in control of when transactions are received.

- **Checks.** When you write a check, it is processed through the Federal Reserve System. We receive data files of cashed checks from the Federal Reserve each day. The checks drawn on your account are compiled from these data files and paid each day. We process checks in order of check number, lowest to highest.
- **ACH Payments.** We receive data files every day from the Federal Reserve with Automated Clearing House (ACH) transactions. These include, for example, automatic bill pays you have authorized. Each day, ACH transactions for your account are presented first to post credits and then debits paid, by dollar amount, lowest to highest. Generally we will receive multiple ACH presentment files per day.
- **Point of Sale (POS) Debit Card Transactions.** These are transactions where you use your debit card and you enter your PIN number at the time of the sale. They are similar to ATM withdrawals because money is usually deducted from your account immediately at the time of the transaction. However, some POS transactions are not presented for payment immediately; it depends on the merchant. POS items are paid in the order in which they are presented.
- **Signature Debit Card Transactions.** These are transactions where you make a purchase with your debit card and you do not enter your PIN but you are instead asked to sign for a purchase. As described previously, in these situations, the merchant may seek prior authorization for the transaction. When that happens, we generally place a temporary hold against the available funds in your account. We refer to this temporary hold as an "authorization hold," and the amount of the authorization hold will be subtracted from your available balance as they are received by us throughout the day. At some point after you sign for the transaction, it is processed by the merchant and submitted to us for payment. This can happen hours or sometimes days after you signed for it, depending on the merchant and its processing company. These payment requests are received in real time throughout the day and are posted to your account as they are received.

PLEASE BE AWARE: *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 the authorization request is submitted. For example, pursuant to the processing networks rules a merchant (hotel, car rental company, retailer, etc.) may obtain authorization for up to 3 times the total estimated amount of your actual hotel stay, car rental, or purchase. This is deemed to be an "authorized amount" by you and the authorized amount will not be available via your account until after your bill is finally settled with such merchant(s), which can cause an overdraft in your account. Even if your bill is satisfied with another form of payment, the merchant/retailer may continue to hold the funds as originally authorized by you for these time periods. In order to avoid problems associated with these holds and authorizations, we recommend you not use your debit/check card when checking into hotels or renting cars, as they are the primary source of such holds/authorizations. Remember, 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 how certain types of transactions are posted. These practices may change and we reserve the right to pay items in any order we choose as permitted by law.

We may receive multiple deposit and withdrawal transactions on your account in many different forms throughout each business day. This means you may be charged more than one \$30 Courtesy Pay fee if we pay multiple transactions when your account is overdrawn.

The best way to know how much money you have and avoid paying overdraft/Courtesy Pay fees is to record and track all of your transactions closely.

IF YOU DO NOT UNDERSTAND THIS AGREEMENT OR HAVE ANY QUESTIONS, PLEASE CONTACT US AT (800) 242-9790, Monday through Friday from 8:00 am to 11:00 pm, or on Saturday from 9:00 am to 1:00 pm Eastern Standard Time.

