

What You Need to Know about Overdrafts and Overdraft Fees

Definitions

Overdraft - An overdraft is a deficit in your credit union checking account caused by drawing more money than the account has available.

Actual Balance - Your actual balance is the amount of money that is actually in your account at any given time. Your actual balance reflects transactions that have “posted” to your account but it does not include transactions that have been authorized and are pending. While it may seem that the actual balance is the most up-to-date display of the funds that you can spend from your account, this is not always the case. Your account may have purchases, holds, fees, other charges, or deposits made on your account that have not yet posted and, therefore, will not appear in your actual balance.

Available Balance - Your available balance is the amount of money in your account that is available to you without incurring an overdraft fee. Your available balance takes into account holds that have been placed on deposits and pending transactions (such as pending debit card transactions) that we have authorized but that have not yet posted to your account.

Options Available To Handle Overdrafts

1. We have standard overdraft practices that come with your account.
2. We also offer overdraft protection plans, such as, a link to a savings account or a line of credit linked to your checking account that transfer funds to your checking account to cover overdrafts. These options may be less expensive than our standard overdraft practices.

What are the standard overdraft practices that come with my account?

We do authorize and pay overdrafts for the following types of debit (payment) transactions from your checking account without you opting in:

- Checks and ACH withdrawals using your checking account number
- Automatic bill payments

We do not authorize and pay overdrafts for the following types of transactions unless you ask us to by completing the Opt In form:

- ATM transactions
- Every day or one-time debit card transactions

Please understand that we pay overdrafts at our discretion, which means we do not guarantee that we will always authorize and pay any type of transaction. If we do not authorize and pay an overdraft, your transaction will be declined.

What fees will I be charged if the credit union pays my overdraft through the standard overdraft practice?

- We will charge you a fee of up to \$35 each time we pay an overdraft (\$7 if you are a student checking account holder). This fee may change at our discretion and you will be notified of any change. Fees are always disclosed on our fee schedule

There is not a limit on the total fees we can charge you for overdrawing your account.

What are everyday (one-time) debit card transactions?

Everyday debit card transactions are transactions completed by your use of a debit card to pay for merchandise, services, or some other item at a single point in time. The debit card may be used at a physical location, such as a grocery store, through an on-line transaction, through a linked mobile phone transaction, or in a telephone transaction.

What if I want OU Federal Credit Union to authorize and pay overdrafts on my ATM and everyday debit card transactions?

If you want us to authorize and pay overdrafts on ATM and everyday debit card transactions, there are several options available. You can access the Opt In form in the Forms section of the website. Once the completed form is received, you will receive a confirmation letter. You can also call us at 405-325-2211 or visit a branch location for more information.

What balance is used to determine if my checking account is overdrawn?

Your checking account has two kinds of balances: the "actual" balance and the "available" balance. You can review both balances when you review your account online, at an ATM, by phone, or at a branch. We use your available balance when determining whether a transaction will cause your account to overdraw and for charging overdraft fees.

The information below explains how your checking account balance works – including the differences between your actual balance and your available balance.

What is the difference between my actual balance and my available balance?

Your available balance reflects any authorization holds or deposit holds and is used by us to determine available funds when additional transactions attempt to clear your account. The balance we use as transactions clear is called your available balance and includes all items that have cleared your account up to that point and reflects pending items on hold. If your available balance is not sufficient to cover a transaction, we may pay the item and charge you an overdraft fee. An overdraft fee may be charged even though your actual balance indicates a positive amount.

What is an example of an overdraft fee for insufficient available balance?

If your actual balance and available balance are both \$100 and you swipe your debit card at a restaurant for \$35, a hold is placed on your account and your available balance will be reduced to \$65. Your actual balance is still \$100 because the transaction has not yet posted to your account. If a check that you had previously written for \$75 clears through your account before the restaurant charge is sent to us for processing, you will incur an overdraft fee. This is because your available balance was \$65 when the \$75 check was paid. In this case, we may pay the \$75 check and charge you an overdraft fee. The overdraft fee will also be deducted from your account, further reducing your balance.

What is a debit card authorization hold?

When you use your debit card, merchants use electronic networks to verify your account balance and obtain authorization from your credit union prior to completing each transaction. Depending on the type of transaction, there may be debit card authorization holds placed on your account until the debit transaction is paid from your account.

When you use your debit card to conduct a Signature or "Credit" transaction (i.e., you do not enter your PIN), the merchant sends us the amount, usually the purchase total, for authorization. This amount is placed on hold and removed from your available balance immediately. The hold is released after approximately 72 hours or when the transaction clears, whichever comes first. The hold helps determine the available balance on your account.

Will debit card authorization holds apply to all my purchases?

No, debit card authorization holds only apply to debit card transactions when you sign your name or do not enter a PIN. For example, a debit card purchase made at a restaurant or with an online merchant would be treated as a Signature/Credit transaction and would be subject to an authorization hold. Debit card purchases and ATM withdrawals made using a PIN subtract the funds immediately from your account (except for when you use your PIN at a gas station).

Will the debit card authorization hold equal the final amount of the transaction?

Not for all transactions. Some transactions require a merchant to obtain authorization prior to the full amount of the transaction being known. A common example is a transaction conducted at a restaurant that is paid with a debit card as a Signature/Credit transaction where the merchant completes the transaction for the cost of the meal and then you add the tip to the transaction after the initial transaction has been authorized. A second authorization will not be completed and the debit card authorization hold amount will be for the cost of the meal, but the final amount of the debit transaction that will post to your account will be for the cost of the meal plus the tip.

Another example is a Signature/Credit transaction completed at a gas station. The gas station merchant will typically request authorization for a nominal amount, say \$5, prior to the transaction being authorized, since neither you or the gas station merchant knows the exact amount of the transaction. A second authorization will not be processed by the gas station merchant and the debit card authorization hold amount will be for \$5, but the final amount of the debit transaction will be for the actual cost of transaction.

How are transactions posted to my account?

There are two main types of transactions in your account—credits (deposits) of money into your account and debits (payments or withdrawals) out of your account. It is important to understand how each transaction is handled so that you know how much money you have available for use in your checking account.

The information below describes how we handle credits and debits to your account and the resulting impact on your available balance. The information is a general description of how certain types of transactions are posted. We may receive multiple deposit and withdrawal transactions on your checking account in many different forms throughout each day. This means that you may be charged more than one overdraft fee if we pay multiple transactions when your account is overdrawn.

What are debits (payments or withdrawals)?

You can make several types of debit transactions from your account. There are many ways transactions are presented for payment by merchants and other financial institutions and we are not necessarily in control of when transactions are received and posted to your account.

The order in which debit transactions are paid from your account might not be the same as the order in which you completed those transactions. For example, when you write a check to pay a merchant, the merchant might not present the check to us for payment until several days later.

Debits are paid in the following order:

1. We generally pay the following debit transactions on the date and time that they occur and are posted in the order they are received:
 - Transfers initiated through Online Banking, Mobile Banking, or Telephone
 - Return deposit items
 - ATM transactions
 - Point-Of-Sale (POS) debit card transactions
 - In-person wire transfers

- Transfer requests, payments, or similar account withdrawals received through the mail are processed upon receipt or upon requested future date
2. Automated Clearing House (ACH) items are posted with credits (deposits) first and then debits (withdrawals) in order of receipt from 3rd party ACH originators.
 3. Checks are paid from lowest to highest amount when received from our 3rd party vendor
 4. Bill Payment transactions are posted from lowest to highest amount
 5. Debit card transactions used as a credit card are posted in order presented by merchants
 6. Pre-authorized payments or transfers between credit union accounts are posted from lowest to highest amount

OU Federal Credit Union operates in the Central Time zone and references to processing times are Central Standard Time. We reserve the right to modify the posting schedule without prior notice to you.

If you are expecting a credit to your account by ACH, you should not schedule a debit to occur on the same day as your ACH credit since it might not be received until after your debit, resulting in an overdraft. It is further recommended that you not initiate withdrawals from your account if you do not have available funds. The credit union cannot predict your transaction activity.