

Privilege Pay Disclosure

Privilege Pay is a service that allows Arkansas Federal Credit Union, at its option, to pay an item presented for payment against a member's checking account. These items could include checks, ATM withdrawals, debit card (check card) transactions, and electronic or ACH items - even if it causes the account to become overdrawn (up to \$500.00). Privilege Pay helps members avoid merchant charges, collection agency fees and the embarrassment of checks returned due to insufficient funds. A nominal fee* for each item will be deducted from the member's checking account for this helpful service. This fee is reflected on Arkansas Federal Credit Union's Fee Schedule and may be changed by the Arkansas Federal Credit Union Board of Directors at any time. Members that opt-in for electronic notices will be provided an Electronic Notice of Overdraft when an advance is made against Privilege Pay. Notices are not provided by mail. Negative balances will be cured from the next deposit(s) made. If members do not use the Privilege Pay service, it costs nothing ("use" means the member initiates non-sufficient funds transactions). Arkansas Federal Credit Union is not obligated to pay any item initiated for payment against a member's account if the account does not contain sufficient collected funds. Eligible accounts include personal and business checking accounts. Accounts not eligible are HSA and Rewards Limited.

Revocation of Privilege - A member must cover each overdraft as quickly as possible, but within 30 days from the initial day the account becomes negative, or lose the service. Arkansas Federal Credit Union may suspend this privilege without notice at its discretion.

Opt-In - Privilege Pay requires action on behalf of the member for the following types of transactions: ATM withdrawals and one-time debit card transactions. An account may be added to this service by a member who wishes to have this account protection for these types of transactions. An opt-in form is available from Arkansas Federal Credit Union. The ability to opt-out later is also retained by the member/account owner.

Opt-Out - Privilege Pay is non-contractual and requires no action on behalf of the member for the following types of transactions: checks, ACH, recurring debit card transactions, and on-us checks at the teller counter. An account may be removed from the service by a member who does not wish to have this account protection. An opt-out form is available from Arkansas Federal Credit Union. Members receiving direct deposit of their monthly Social Security payment into their checking account and who do not want Privilege Pay eligibility must advise the credit union, in writing, to stop paying overdrafts with these funds. Generally, this will require the member to opt-out of the Privilege Pay program.

An overdrawn item will generally be processed in the following order or as directed by the member/account owner: 1st - from overdraft protection provided by an Arkansas Federal Credit Union Line of Credit; 2nd - from overdraft protection provided by another deposit account; 3rd - at AFCU's discretion, from Privilege Pay, if member has service; and 4th - at Arkansas Federal Credit Union's discretion, from Fee Schedule as an NSF item.

If Arkansas Federal Credit Union pays an overdraft on an account with more than one owner on the signature card, each owner (or agent of owner) is jointly and separately liable for payment of the overdrawn amount plus any Privilege Pay fees.

Privilege Pay allows Arkansas Federal Credit Union to provide a higher level of service to members by helping to protect accounts and reputations when an inadvertent overdraft occurs.

Example #1: John Doe's checking account balance is \$50, and he does not have any overdraft protection from savings and does not have an Arkansas Federal Credit Union Line of Credit. He selects items at a grocery store. Whether he writes a check or uses his debit card, Privilege Pay would cover the purchase.

Balance before purchase = \$50
Minus purchase amount = -\$75
Minus Privilege Pay amount = -\$25
Minus Privilege Pay fee = -\$32
New Balance = -\$57

Although John Doe now needs to make a deposit of at least \$57.00, he appreciates being saved the expense of additional returned check fees from the grocery store - or worse, the embarrassment and inconvenience of going home without his purchase. John Doe should immediately cover this overdraft situation. If not covered in a timely manner, the balance may be taken from any account or loan he has.

Example #2: Jane Doe's checking account balance is \$50. She has established an Arkansas Federal Credit Union Line of Credit, which has \$500 available. She also has overdraft protection from savings, which has a current balance of \$105. She has an insurance payment of \$350 charged to her account. The transaction could be processed as follows:

Balance before charge = \$50
Minus insurance payment = -\$350
Plus overdraft protection from Arkansas Federal Credit Union Line of Credit = \$300 (note: in this scenario, interest will accrue at the Line of Credit rate established based on your credit qualifications).
New Balance = -\$0

Jane Doe has not created an overdraft situation.

*Refer to Arkansas Federal Credit Union Fee Schedule

Protecting Yourself from Overdraft and Bounced Check Fees

What do members need to know about courtesy overdraft-protection or bounce coverage plans?

Avoid using these plans as short-term loans - they are costly forms of credit. If you overdraw your account, get money back into your account as soon as possible. Remember that you need to put enough money back into your account to cover both the amount of your overdraft and any bank fees. Even if you have one of these plans, there is no guarantee that your bank will cover your checks, ATM withdrawals, and debit card and other electronic transactions that overdraw your account. Good account management is the lowest-cost way to protect your hard-earned money. If you need overdraft protection every now and then, ask your bank about the choices and services that are right for you.

How do overdrafts and bounced checks happen?

- When you write a check
- Withdraw money from an ATM
- Use your debit card to make a purchase
- Make an automatic bill payment or other electronic payment for more than the amount in your checking account

Your bank, savings and loan, or credit union has the choice to either pay the amount or not. If it pays even though you don't have the money in your account, you may be charged an "overdraft" fee. If your bank returns your check without paying it, you may be charged a "bounced-check", or "nonsufficient funds" fee. And the person or company that you wrote the check to, for example a store, your land-lord, or the phone company, may charge you a "returned-check" fee in addition to the fee your bank charges you.

How can you avoid overdraft and bounced-check fees?

The best way to avoid overdraft and bounced-check fees is to manage your account so you don't overdraw it. Keep track of how much money you have in your checking account by keeping your check register up to date. Record all checks when you write them and other transactions when you make them. And don't forget to subtract any fees.

Pay special attention to your electronic transactions. Record your ATM withdrawals and fees, debit card purchases, and online payments. Don't forget about automatic bill payments you may have set up for utilities, insurance, or loan payments. Keep an eye on your account balance. Remember that some checks and automatic payments may not have cleared yet. Review your account statements each month. Between statements, you can find out which payments have cleared and check your balance by calling your bank or by checking online or at an ATM. Be sure to find out the actual amount in your account - your account balance not including any funds available to you through "courtesy overdraft-protection" or "bounce coverage" plans.

Sometimes mistakes happen. If you do overdraw your account, deposit money into the account as soon as possible to cover the overdraft amount plus any fees and daily charges from your bank. Depositing money into your account can help you avoid additional overdrafts and fees.