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Patriot Federal Credit Union Courtesy Pay Program Agreement

Overview of Patriot Federal Credit Union Courtesy Pay Service

Patriot Federal Credit Union offers overdraft services called, Courtesy Pay. Courtesy Pay is a service which provides protection for your share draft checking account. The service may be used to cover your eligible items when your available balance is insufficient. You should use your share draft checking account responsibly and not intentionally overdraw your account; however, we realize that financial shortfalls happen and we offer Courtesy Pay services to ensure your eligible items are paid. Courtesy Pay is not a loan and is not subject to interest charges or late fees however, items paid are subject to fees. Please read this entire disclosure to understand this service, including how items are paid and how fees are assessed. The Credit Union may change the terms of this program or revoke the privilege at any time without notice.

Fee for Using this Service: \$35.00 per item paid

Courtesy Pay is provided at the discretion of the credit union. Not all members will qualify for the privilege. If you are not eligible for this service at account opening, we will notify you. Your account will be continuously reviewed for eligibility of the service. If you become eligible for the service, you will be automatically enrolled unless you decline. With Courtesy Pay, we will generally pay your overdraft items when paying them would not cause your available balance to go more than \$1,000.00 in the negative. However, payment of your overdraft items is at our discretion and we reserve the right not to pay any item. For example, we typically do not pay overdrafts if your account is not in good standing or if you use the service irresponsibly. Each item paid through this service is subject to a fee as set forth in the box above.

NOTE ON AVAILABLE ACCOUNT BALANCES: We use the available balance and not the actual balance to determine both the payment of overdrafts and the assessment of fees as explained further herein and in your Membership and Account Agreement.

Note and Agreement on Third Parties: You further understand and agree that we have no control over how the third parties (or entities who process transactions for them) you elect to do business with "code" transactions. For instance, these third parties have full control over the amounts of transactions they may enter per your relationship with them; and they may code transactions as recurring or non-recurring, which may affect the payment order of transactions and the application of any Courtesy Pay services you have with us. You authorize us to accept transactions based upon the coding submitted by third parties; and that we may rely upon such coding in processing all transactions and services for you. Any transaction can be presented for payment multiple times, which is beyond the control of the credit union. We may charge a fee each time an item is submitted or resubmitted for payment, therefore, you may be assessed more than one fee as a result of a returned item and resubmission(s) of the returned item.

Understanding your Account Available Balance and Actual Balance

In order to manage how transactions are processed – including when fees such as Courtesy Pay fees may apply- you understand and agree to the following:

Your Actual Balance is the total amount of money in your account. The Actual Balance does not take into account outstanding transactions authorized by the accountholder. The Actual Balance may not always depict an accurate picture of what you may spend without overdrawing your account.

The Available Balance is the total amount of funds in your account less holds placed on deposits and less holds on debit card authorizations not yet presented for payment, as well as any outstanding checks or electronic payments you may have authorized. While an Available Balance shows as immediately available for use, it may not always depict an accurate display of what you may spend without overdrawing your account.

For example: You have an Actual Balance of \$75 and an Available Balance of \$75. You then swipe your debit card at the grocery store; an authorization for your purchase is given for \$25. The \$25 transaction is now on hold. Since we are obligated to pay the merchant, even if your checking account is negative at the time the transaction is presented to us by the merchant, we will reduce your available balance by the amount of the authorization which is \$25. Your Actual Balance would still be \$75 because this transaction has not yet posted, but your Available Balance would be \$50 because you have authorized a \$25 payment to the grocer. When the merchant submits the request for payment, your Actual Balance will be reduced by the amount of the posted transaction and both your current and available balance will be \$50, provided additional charges have not been made. If you exceed the Available Balance (even though the Actual Balance may be greater), you may overdraw your account since transactions ARE posted against the Available Balance. This may result in Linked Account Transfer fees, Insufficient Fund transactions; Courtesy Pay fees and/or Overdrawn Item fees as a result of exceeding your Available Balance. To know the Available Balance, you may verify your list of outstanding transactions using Patriot's online or mobile banking.

It is important to understand the order in which your transactions are paid as explained in the Membership and Account Agreement and this Agreement to avoid making transactions that exceed your Available Balance.

We use your Available Balance to determine when your account is overdrawn prior to assessing Overdrawn Item fees or Courtesy Pay fees, if you are opted into the Courtesy Pay Program. The following is an example: Your Actual Balance and Available Balance are both \$100. You use your debit card for a \$70 purchase, the merchant requests an authorization, and a hold is placed on the \$70. Your Available Balance is now \$30. Your Actual Balance still shows as \$100. Before the merchant sends the transaction to us for payment, a \$35 check you wrote clears your checking account. Because you only have \$30 available when the check is presented, your account will be overdrawn by \$5, even though your Actual Balance shows \$100. In this case, we may pay the \$35 check, but you will be charged a Courtesy Pay Fee, even though your Actual Balance exceeds the amount of the transaction. The fee will be deducted from your account, further reducing your Available Balance to (-\$40.00). When the merchant requests payment for the \$70 debit card transaction, your Available Balance no longer has sufficient funds to cover it. This may result in a Courtesy Pay fee for the \$70 transaction even though your Available Balance was sufficient at the time the authorization for the transaction was approved.

YOU MAY STILL OVERDRAW YOUR ACCOUNT EVEN THOUGH THE AVAILABLE BALANCE APPEARS TO SHOW THERE ARE SUFFICIENT FUNDS TO COVER A TRANSACTION YOU WANT TO MAKE. Your Available Balance does not reflect your outstanding checks, automatic bill payments, or any other outstanding transactions that have not been paid from your account. These items will not be reflected in your Available Balance until presented to us and paid from your account. Holds on deposits may not be reflected, as described in our Funds Availability Policy.

In addition, your Available Balance may not reflect all of your pending debit card or ATM card transactions. For example, if a merchant obtains an authorization but does not submit the debit card transaction for payment within two (2) business days after the authorization is given, we may increase your Available Balance by the amount of that authorization. This means your Available Balance will no longer reflect the pending transaction until the transaction has been received by us and posted to your account. Although clearing times for debit card transactions range from 0-5 days, merchants choose the system by which they process their transactions and how frequently they do so (often a decision based on the lowest cost to them). The Credit Union has no control over how and when transactions are presented to us to be paid.

Even though we may increase your Available Balance when a merchant does not submit the transaction for payment within two (2) business days, the obligation to the merchant still applies. The time period for authorizations may be different for certain types of merchants.

NOTE: Holds placed on your account balance for pending debit card/electronic transactions, including gasoline, hotels, car rentals, etc., may reduce your available balance for an amount that may vary from the actual purchase amount, which may or may not be presented for payment. These same holds also reduce the available funds for subsequent purchases. Failing to account for outstanding items may cause your account to become overdrawn and fees assessed. Why is this Important to You? The order in which items are paid is important if there are not enough available funds in your account to pay all of the items presented for payment. It is the policy of the credit union to pay items as they are presented for payment, this may cause your larger, more important items, (such as your rent or mortgage payment), to not be paid. If an item is presented without sufficient available funds in your account to pay it, we may, at our discretion, pay the item (creating an overdraft) or return the item (NSF). The Credit Union does not have to notify you prior to paying an item, regardless of the availability of funds. We encourage you to keep careful records of all transactions (debits & credits) and practice good account management. This will help you avoid writing checks without sufficient available funds and incurring overdraft fees.

Courtesy Pay Services and Alternatives

Courtesy Pay is one of three overdraft protection options and we encourage you to review all three before making decisions to accept or decline any of these services. You are not required to use any of our overdraft protection services. We may, but are not required to, automatically grant you Courtesy Pay when your account is opened unless you elect to decline the service. You may also opt to secure one of the alternative services listed below.

Linked Account Transfers: This optional protection may be added to your share draft checking account at any time. Linked Account Transfers allow us to set-up automatic transfer from authorized share savings accounts to your share draft checking to cover your overdraft. This service may have a fee per transfer based on your share draft checking type. You may also establish overdraft transfers from authorized Lines of Credit. This service requires you to complete an application and approval is based on your credit worthiness. Draws on your line of credit are a loan advance and are subject to interest charges and the terms of the loan agreement. There are no fees per transfer for this service. Visit one of our branches or call 1-888-777-9982 for more information, terms and conditions, to set up overdraft transfers or apply for a line of credit.

Courtesy Pay: This level of overdraft privilege may be automatically granted to share draft checking accountholders at account opening. Courtesy Pay can be used to cover your checks, individually authorized and recurring ACH transactions and online bill payments. Each item covered is assessed a fee.

Courtesy Pay Plus : This optional additional protection may be added to your share draft checking account at any time provided you have Courtesy Pay in place. Courtesy Pay Plus can be used to cover all of the Courtesy Pay transactions plus your ATM and debit card transactions. Each item covered is assessed a fee. To obtain Courtesy Pay Plus you must complete our Election Agreement for Courtesy Pay.

Courtesy Pay: *You may never need to take advantage of an Overdraft Privilege but you may find it useful in the event of a temporary financial shortfall. If you do not want to have Courtesy Pay, complete the Election Agreement for Courtesy Pay to remove this benefit from your account. There is no fee to accept or decline the service. If you decline you are instructing us to return any overdraft items unpaid. The Credit Union will charge an Overdrawn Item fee for checks and ACH transactions that are returned, and if those items are presented more than once the Credit Union will charge a fee each time an item is returned. We do not charge an Overdrawn Item fee for certain declined transactions including internet banking, telephone transfers, ATM and debit card transactions. Members who receive Social Security, federal direct deposit, or any other entitlement benefit must decline if they do not want the Credit Union to apply those funds to pay an overdraft.*

Eligibility: No application is required for the Courtesy Pay privilege. Eligibility is at the sole discretion of the Credit Union and is based on how you manage your accounts with us and others. Your Courtesy Pay service may be suspended or permanently revoked at our discretion. Our reasons may include, but are not limited to:

- You are not a member in good standing
- You do not bring your account to a positive balance within 21 days of becoming overdrawn.
- Your account type is not eligible.
- You are more than 30 days past due on any Credit Union loan or delinquent on any other obligation to the Credit Union.
- You are subject to any legal or administrative orders or levies, or you are currently a party in a bankruptcy proceeding.
- The primary account owner is under 15 years old.
- Your account is classified as inactive.
- You have an unresolved prior loss with the Credit Union.
- We believe you are managing your account in an irresponsible manner that may harm you or us.

Transactions Eligible for Courtesy Pay: Courtesy Pay can be used to cover your checks, individually authorized and recurring ACH transactions, and online bill payments. Courtesy Pay Plus can be used to cover all of the above plus your ATM transactions and one time/everyday debit card transactions. To obtain Courtesy Pay Plus coverage you must complete our Election Agreement for Courtesy Pay form.

Accounts Eligible for Courtesy Pay: Courtesy Pay protection for consumer share draft checking accounts are eligible for the service. Business, Living Trust, Estate, Uniform Transfers to Minors (Custodial), Representative Payee, and VA Fiduciary membership types are not eligible. Share savings accounts, money market accounts, and share certificate accounts are not eligible. We limit the service to one share draft checking account per membership.

Obligation to Repay: You must bring your account to a positive balance within twenty-one (21) days of the overdraft. Failure to do so may result in account termination, our possible exercise of right to offset without prior notice, collection actions and negative credit reporting. Please contact us immediately if you are unable to pay your balance in full within the required timeframe. If we pay an overdraft on an account with more than one (1) owner, each owner is jointly and severally liable for such overdrafts and/or fees. The Credit Union reserves the right to apply any other or later deposits, including direct deposits, to pay your Courtesy Pay or overdraft fees.

Minimize Fees by Monitoring Your Account: Courtesy Pay is intended to provide protection to ensure your items are paid if you have a temporary financial shortfall or make an error such as forgetting to properly record a transaction in your account register. The best way to minimize Courtesy Pay fees is to monitor your account balance and ensure you have sufficient funds at all times. You will want to know about the tools we offer to help you monitor your account, because a financial shortfall may cause a number of items to be covered each with a fee. All of these services are free.

- Patriot eBranch Online Banking or Patriot Mobile – whether you use a smartphone, desktop or tablet you can see your recent transactions and available balance. You can also set customizable alerts (eBranch enrollment required). Want to know whenever your available balance dips below \$200.00? Simply set up a custom alert for that amount and we will send you a text or e-mail. You must establish Patriot Mobile to use the mobile banking alerts.
- SMARTLine Telephone Banking – you can call our automated service 24x7 and check your available balance and recent transactions.

Of course, the best method is to keep an accurate account register. Our mobile, online, and phone banking systems may not know all your transactions. For example, our systems will not know if you have written a check that has not cleared yet. As another example, you may have used your Credit Union debit card at a merchant and the merchant transaction has not cleared yet.

The Courtesy Pay service is triggered when we pay an item and you do not have a sufficient available balance to cover it.

Scenario I: Your account balance is \$100.00 and your available balance is also \$100.00. You make an ATM withdrawal for \$200.00. If we process your withdrawal using your Courtesy Pay Plus service you will be assessed a fee.

Your available balance can differ from your account balance and an overdraft can occur even when you have a positive account balance. For example:

Scenario II: Your account balance is \$100.00 and your available balance is also \$100.00. You make a purchase with your debit card at a merchant who submits an authorization of \$35.00. When we approve the authorization we commit to pay the merchant and reduce your available balance to \$65.00. As the merchant has not settled yet your account balance remains at \$100.00. Next you request an \$80.00 withdrawal at an ATM. You do not have sufficient available funds for the ATM transaction and if we honor your request using Courtesy Pay Plus we will assess a fee. The fee is based on your having only \$65.00 available and is not based on your account balance of \$100.00.

Next the merchant submits the settlement transaction for \$35.00. You do not have a sufficient available balance to cover this transaction. If we pay the \$35.00 using your Courtesy Pay Plus you will be assessed a fee. In this scenario you drew on unavailable funds twice using Courtesy Pay Plus and incurred two fees.

If we change Scenario II slightly the outcome is different.

Scenario III: If the merchant submits the \$35.00 settlement transaction before you conduct the \$80.00 ATM transaction your \$35.00 purchase does not trigger your Courtesy Pay Plus service or a fee. After your purchase your account balance and available balance are \$65.00. Next you request an \$80.00 ATM withdrawal against an available balance of \$65.00 which requires drawing on funds that are not available. If we process your withdrawal using your Courtesy Pay Plus you will be assessed a fee. In this scenario you drew on unavailable funds once using Courtesy Pay Plus and incurred one fee.

The difference between Scenario II and Scenario III was how quickly the merchant submitted the \$35.00 settlement transaction, the Credit Union cannot control that. We process merchant authorizations and settlement transactions as we receive them. PIN based transactions post to your account without the timing delays often associated with signature based transactions.

Merchant Authorizations Reduce Your Available Balance: We post debit card authorizations and settlements from merchants as we receive them and we cannot control when we receive them. Please also note that some merchants may submit authorizations for more than the settlement amounts. For example, your local car rental agency may disclose to you they submit authorizations for \$500.00 before approving you to leave with the rental car. If your rental expense is only \$185.00 they only send a settlement for \$185.00. But the \$500.00 authorization reduces your available balance by that amount until we receive the corresponding settlement transaction. The most common transactions that generate authorizations for amounts that differ from settlement amounts are travel and entertainment transactions such as renting cars and holding hotel rooms. Generally, retail stores know the exact amount of their transactions when they first initiate your card transaction and send us authorizations and settlements for the same amount. You choose the merchants you do business with and if the car rental companies, hotels, and other merchants you use do not disclose their authorization policies or have unfavorable policies you may want to consider not using your Credit Union debit card with them.

Understanding your \$1,000.00 Courtesy Pay Limit: We generally cover your items that will not take your available account balance more than \$1,000.00 negative. We then assess the applicable fees even if that takes your account more than \$1,000.00 negative. The scenarios below demonstrate how fees can impact your balance and the payment or return of subsequent items:

Scenario IV: Your account balance is \$100.00 and your available balance is also \$100.00. A check is presented against your account for \$600.00 requiring we allow your available balance to go \$500.00 into the negative. We would generally pay the check using Courtesy Pay and assess the fee. If the fee were \$35.00, then your balance would then be -\$535.00.

Scenario V: Your account balance is \$100.00 and your available balance is also \$100.00. A check is presented against your account for \$300.00 requiring we allow

your available balance to go \$200.00 into the negative. We would generally pay the check using Courtesy Pay and assess the fee. In this example, if the fee were \$35.00 your account balance is then -\$235.00 and your available balance is -\$235.00. Based on our normal \$1,000.00 limit, that leaves you another \$765.00 to cover your items. If another check is presented for \$800.00 we would generally not pay it as you were left with only \$765.00 to cover your items. If we return the \$800.00 check unpaid we would normally assess a \$35.00 overdrawn item fee and that would lower your account balance to -\$270.00. Your Overdraft Limit does not limit your overdrawn check fees.

Payment Order of Items

The order in which items are presented may affect the fees assessed to your account. Most transactions are posted when you conduct them. The following transactions are generally posted real time or very near real time:

Transactions that are posted real time or very near real time to when you conduct them:
Transactions you conduct at our teller counters such as deposits*, withdrawals, and cashing on-us checks
Your ATM deposits* and withdrawals (hold will apply to deposits conducted at ATM locations)
Your debit card purchases conducted with a PIN
Authorizations (holds) for your debit card purchases conducted using the VISA network**
Transfers you conduct using our automated phone system SMARTLine
Transfers you conduct using our eBranch Online Banking or Patriot Mobile Banking systems
*Note that funds availability rules apply and funds deposited on a real time basis may not be made available immediately. For example, checks you deposit may be subject to uncollected funds holds. See our funds availability disclosure rules for details.
**The corresponding settlements may lag hours or days based on when the merchants submit them. We post settlement transactions at the time we receive them.

For ACH entries and checks that are received in batch files, the Credit Union posts in the following manner:

Transactions that are posted in batch items:
Posting of that day's ACH credits is followed by ACH debits, followed by checks
ACH debits are posted as they are presented in the file received from the Federal Reserve
Checks are posted as they are presented in the file received from the Federal Reserve

Account Agreement: The Membership and Account Agreement describes the duties, obligations, and rights of depositors, authorized signatories, and the Credit Union with regard to your deposit accounts. That Membership and Account Agreement is incorporated herein for all purposes as if it were set forth verbatim as to matters not directly addressed by this disclosure. The Membership and Account Agreement and this disclosure shall be construed so as to minimize conflicts between them.

Waiver: The Credit Union's forbearance from, or delay in, exercising any of the Credit Union's rights, remedies, privileges, or right to insist on your strict performance of any provisions of your Membership and Account Agreement, this Courtesy Pay Privilege disclosure, or any other provision related to your account, shall not be construed to be a current or future waiver of the Credit Union's rights, remedies, or privileges.

Cancellation You may terminate ("decline") Courtesy Pay Services by contacting the Credit Union's Call Center at 888-777-9982, by visiting any Credit Union branch, or mailing your written revocation to Patriot Federal Credit Union, PO Box 778, Chambersburg, PA 17201. You must give us at least three (3) business days from the date of receipt to cancel your Courtesy Pay Service.