



HAWAII STATE
FEDERAL CREDIT UNION

P.O. Box 3072 • Honolulu, HI 96802-3072

Hawaii State Federal Credit Union is providing the following Overdraft Disclosure, including information and examples regarding existing policies and procedures. If you have questions, please see a branch representative or call our Member Service Call Center at (808) 587-2700 on Oahu or toll-free at 1 (888) 586-1056 (Continental US and neighbor islands) during our business hours.

OVERDRAFT DISCLOSURE

(Effective May 1, 2017)

This Overdraft Disclosure contains important information regarding overdrafts; your account balance; overdrawn accounts; posting transactions to your account; pre-authorization commitments; overdraft payment service; overdraft and returned item fees; overdraft protection program (transfers); linking a line of credit; minimizing fees; and other information.

Please read this disclosure carefully. It supplements your applicable consumer Membership and Account Agreement or Business Membership and Account Agreement; Consumer Fee Schedule or Business Fee Schedule; Funds Availability Policy; and all other agreements and disclosures applicable to your accounts. Some of the services and examples set forth below may not apply to all of your accounts. If you have questions, please see a branch representative or call our Member Service Call Center at (808) 587-2700 on Oahu or toll-free at 1 (888) 586-1056 (Continental US and neighbor islands) during our business hours.

“Overdraft” means there is not enough available balance in your account to pay for a transaction, item or fee. “You,” “your” and “yours” mean the account owner. The “Credit Union,” “we,” “us,” “our” and “ours” mean Hawaii State Federal Credit Union.

1. YOUR ACCOUNT BALANCE. Your share accounts and your share draft/checking accounts have two kinds of balances: the “current” balance (also called the “actual” balance) and the “available” balance. Both can be checked when you review your account online, use our app or phone banking service, at ATMs that we own (e.g., ATMs in our branches or bearing our name), by phone to our Call Center, or at a Credit Union 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. This section explains current balances and available balances and how they work.

Your current balance is the total amount of money that is in your account at any given time. It reflects the full amount of all deposits to your account, even though some portion of a deposit may not be available to you or may be pending receipt of funds from a third party, less payment transactions that have “posted” to your account. It does not, however, include preauthorized commitments to pay merchants that are pending settlement (i.e., have not yet been paid or posted to your account), nor checks or other payments that have not yet posted. Thus, while the term “current” may sound as though the amount you see is an up-to-date display of what is in your account that you can spend, that is not always the case. For example, if you have a \$50 current balance, but you just wrote a check for \$40, then your current balance is \$50 but it does not reflect the pending \$40 check transaction. At that point, you actually have \$50 in your account, but you have already spent \$40.

Your available balance is the amount of money in your account that is immediately available for use. The available balance includes adjustments for factors such as restrictions placed on deposits and preauthorization commitments that the Credit Union has made but that have not yet posted to your account. Your available balance also may be reduced by the amounts that you have pledged to secure loans, amounts that are subject to garnishment or other judicial process, etc. For example, assume you have a current balance of \$50 and an available balance of \$50. If you were to swipe your debit card at a merchant to buy groceries for \$20, then that merchant could ask us to guarantee or authorize the payment. In that case, we will reduce your available balance by the amount of the “pre-authorization commitment,” which is \$20. Your current balance would still be \$50 because this transaction has not yet posted, but your available balance would be \$30 because you have a commitment to pay the merchant \$20. When the merchant submits its bill for payment (which could be several days later), your current balance will be reduced by the amount of the posted transaction (in this example, \$20) and both your current and available balance will be \$30.

2. WHEN IS YOUR ACCOUNT OVERDRAWN? Available balance is used to determine when your account is overdrawn. The following example illustrates how this works. Again, assume your current balance and available balance are both \$50, and you swipe your debit card at a merchant for \$20. The merchant requests a pre-authorization commitment and we reduce your available balance to \$30. Your current balance is still \$50. Before the merchant transaction is sent to us for payment, a check that you wrote for \$40 clears. Because you have only \$30 available (you have a commitment to pay the merchant \$20), your account will be overdrawn by \$10, even though your current balance is \$50. In this case, we may pay the \$40 check, but you will be charged an overdraft fee for the \$40 transaction, even though your current balance may exceed the amount of the transaction. That fee will be deducted from your account, further reducing the balance. When the merchant requests payment for the \$20 transaction, your available balance will be insufficient to cover the \$20

transaction. This will result in an overdraft fee for the \$20 transaction also, even though your available balance was sufficient at the time the pre-authorization commitment for the transaction was approved.

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. Your available balance may not reflect all of your outstanding checks, 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. Your available balance also may not reflect recent deposits to your account that are subject to 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 a pre-authorization commitment but does not submit a one-time debit card transaction for payment within three (3) business days after pre-authorization, we may increase your available balance by the amount of the pre-authorization commitment. This means that your available balance will not reflect the pending transaction until the transaction has been received by us and paid from your account (i.e., posted). (Note that this commonly happens with certain types of pre-authorized commitments, such as car rentals and international purchases, depending on the merchant.) Even though we may increase your available balance when a merchant does not submit the transaction for payment in a timely manner, the obligation to the merchant still applies. The time period for the pre-authorization commitment may be different for certain types of merchants such as gas stations that may have pre-authorization commitment period of several hours, or for transactions or accounts that involve suspicious or unusual activity.

The Credit Union's determination of an insufficient available account balance may be made at any time between presentation and the Credit Union's midnight deadline with only one review of the account required. We do not have to notify you if your account does not have sufficient available funds in order to pay an item.

3. POSTING TRANSACTIONS TO YOUR ACCOUNT. The two basic types of transactions for your account are: (i) credits (deposits) into your account, and (ii) debits (withdrawals or payments) out of your account. We may receive multiple credit and debit transactions on your account in many different forms throughout the day. This is a general description of how certain types of transactions are posted and exceptions may apply. These practices may change and we reserve the right to pay items in any order we chose as permitted by law.

Some items are received by us individually and others are received in batches. Items that we receive individually are posted to your account immediately upon receipt, in the order

received. (Items received by mail are not processed on weekends or holidays, and may be processed in random order.) Individual debits that we receive electronically are posted 24 hours a day, 7 days a week. Items that we receive by batch are aggregated and processed before the start of the next processing day, first by processing all batched credits; then by processing all batched ACH debits, from low to high dollar value; and then by processing all batched checks, from low to high dollar value. Pending transactions are subject to reversal. ACH items that have a future settlement date (such as payroll deposits, government benefits, and ACH recurring debits) are processed prior to the start of business on the settlement date. There may be exceptions on when debits are posted, or a delay in receiving ACH and other third-party deposits. You may contact the Credit Union to confirm whether a debit or deposit has been posted, to determine availability of deposited funds, and to determine your available balance.

When we post an item to your account, your current balance will immediately decrease by the amount of the transaction. Items that we often receive individually include ATM withdrawals and over-the-counter teller transactions. Examples of items that we often receive in batches include checks drawn on your account presented by other financial institutions and ACH transactions. We may receive debits for purchase transactions made with your debit card or ATM card individually or in batches, depending on the merchant. Exceptions may apply. 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 how and when we post transactions to your account.

Checks, drafts, transactions, and other items may not be processed in the order that you make them or in the order that we receive them. We may, at our discretion, pay a check, draft, or item, and execute other transactions on your account in any order we choose. In most cases, we will follow the order set forth in this disclosure. The order in which we process checks, drafts, or items, and execute other transactions on your account may affect the items that are paid and the total amount of overdraft and returned item fees that may be charged to your account. We may choose our order of processing items irrespective of the fees that may result. Please contact us if you have questions about how we pay checks or drafts and process transfers and withdrawals.

Credits. We reserve the right to refuse any item for deposit into your account. Your available balance may not reflect the most recent deposits to your account. For details on the availability of funds that are deposited, see our “Funds Availability Policy,” which is available at any branch or online at www.hawaiistatefcu.com/funds-availability-policy.

Debits. There are several types of debit (withdrawal) transactions. Common types of debit transactions are described below. Note that there are many ways transactions are presented for payment by merchants, and the Credit Union is not necessarily in control of when transactions are received.

- **ACH Debits.** Multiple Automated Clearing House (ACH) transactions are sent to us by the Federal Reserve Bank in a data file (i.e., batched). ACH debits include, for example, automatic bill payments that you have authorized. ACH debits may be arranged by you with a payee (such as your utility company or insurance company), or in person at a Credit Union branch. ACH debits are posted on the settlement date.
- **ATM Withdrawals, Teller Withdrawals, Private Line Telephone Transfers.** When you make a withdrawal at an ATM or Teller, or a Private Line telephone transfer, it is processed individually and deducted from your account immediately.
- **Checks.** When you write a check, the check may be processed through a clearing unit, such as a Federal Reserve Bank, which sends us multiple checks in a clearing file (i.e., batched). On-us checks cashed at any of our branches are processed individually and deducted from your account immediately.
- **Online Banking Transfers.** When you use our Online Banking Service to make transfers between your Credit Union accounts, transfers that are scheduled for a future date are batched and are not reflected in your current balance or your available balance until the day that the transfer is made. When you use Online Banking to make a same-day transfer, transfers are processed individually and deducted from your account immediately.
- **Mobile Banking Transfers.** When you use our Mobile Banking Service to make transfers between your Credit Union accounts, transfers are processed individually and deducted from your account immediately.
- **Internet Bill Payments.** When you use our Internet Bill Payment Service, payments may not be reflected in your current balance or your available balance until two (2) business days after the scheduled payment date.
- **PIN-Based Purchase Transactions.** A Personal Identification Number (PIN)-based purchase transaction occurs when your debit card or ATM card is used to make a purchase and the merchant processes the transaction through a PIN debit network, such as Star or Interlink. (A purchase transaction may be a PIN-based transaction even if the merchant does not require you to enter your PIN.) A PIN-based purchase transaction is similar to an ATM withdrawal because money usually is deducted from your account immediately at the time of the transaction. Some PIN-based purchase transactions, however, are not presented for payment immediately, depending on the merchant.
- **Signature-Based Purchase Transactions.** A signature-based purchase transaction occurs when your debit card or ATM card is used to make a purchase and the merchant processes the transaction through a signature-

based network, such as Visa. The merchant may require you to sign for the purchase instead of entering a PIN. (In some situations, the merchant may not require a signature, such as for an internet purchase or for a purchase below a certain dollar amount.) Signature-based purchase transactions may be processed individually or batched, depending on the merchant.

4. PRE-AUTHORIZATION COMMITMENTS. A merchant may seek pre-authorization to guarantee that it will be paid for a purchase transaction made with a debit card or ATM card. When this happens we generally reduce your available balance by the amount of the pre-authorization commitment. We reduce your available balance as we receive (and accept) the pre-authorization request, but your current balance is not affected until the transaction is processed by the merchant and submitted to us for payment. This can happen instantly or sometimes days after the transaction, depending on the merchant. These payment requests generally are received in real time throughout the day and are immediately posted to your account.

Please note: The amount of a pre-authorization commitment may differ from the actual payment because the final transaction amount may not be known to the merchant when the merchant submits a pre-authorization request. For example, a restaurant may request a pre-authorization commitment on your account for the amount of your bill, but when the transaction posts it may be for an amount that includes a tip that you authorized. A difference in amount may also happen when you use your debit card or ATM card at gas stations, hotels, car rental companies, and other establishments. We cannot control how much a merchant asks us to pre-authorize, or how long a merchant takes to submit a transaction for payment.

5. OVERDRAFT PAYMENT SERVICE. If a check, item or transaction is presented without sufficient available funds in your account to pay it, we may, in our discretion, pay the item (creating an overdraft) or return the item. The Credit Union's overdraft policy allows us to authorize payment for the following types of transactions regardless of whether your account has a sufficient available balance: (1) checks and other transactions made using your share draft/checking account, except as otherwise described below; (2) Internet bill payments; and (3) ACH transactions.

Please note that for ATM and one-time debit card transactions for consumer checking accounts, you must affirmatively consent (opt-in) to our overdraft payment service for such coverage. Without your consent, we may not authorize an ATM transaction or a one-time debit card transaction if your consumer checking account does not have sufficient available funds. If you do not opt-in, we will not assess an overdraft fee in a consumer checking account because the transaction is refused and the account will not be overdrawn. Contact the Credit Union to opt-in to, or to disenroll from, our overdraft payment service for ATM transactions and one-time debit card transactions for consumer checking accounts.

6. OVERDRAFT AND RETURNED ITEM FEES. Except as provided above with respect to ATM and one-time debit card transactions for consumer checking accounts, we will assess an overdraft or returned item fee if your available balance is insufficient when we receive a payment to post to your account, regardless of whether or not we pay the item. You may be charged more than one fee if multiple transactions are submitted for payment when the available balance in your account is insufficient (overdrawn). Unless otherwise specified in your account Fee Schedule, there is no limit on the total fees that we can charge you for overdrafts on your account. The amounts of the overdraft and returned item fees are disclosed in your account Fee Schedule.

Except as otherwise agreed in writing, if we pay items when your available balance is insufficient, we do not agree to pay them in the future and may discontinue coverage at any time without notice. If we pay these items or impose a fee when your available balance is insufficient, you agree to pay the insufficient amount. You also agree to pay the fee assessed by us in accordance with our standard overdraft services or any other service you may have authorized with us, or if you do not have such protections with us, in accordance with any overdraft payment policy we have, as applicable.

7. OVERDRAFT PROTECTION PROGRAM (TRANSFERS). If we have approved an overdraft protection program for your share draft/checking account, we may honor debit transactions when your account has insufficient available funds by transferring funds from another account or a line of credit (see Section 8 below), as you have directed, or as required under the Credit Union's overdraft policy. Funds will be transferred in multiples of \$100 to cover the amount of the overdraft. Funds transferred from your share accounts are subject to the transaction limitations described in your applicable consumer Truth-in-Savings Disclosure or Business Rate Schedule & Account Disclosures. Should the available balance be less than \$100, we will transfer all available funds only if they are sufficient to cover the overdraft. If funds are transferred from your share account, we may take your account balance below the minimum balance requirement as described in your account disclosure, and the monthly service fee will apply. The fee for overdraft transfers, if any, is set forth in your account Fee Schedule. Contact the Credit Union to enroll in the overdraft protection program. (In accordance with federal regulations, share (savings) accounts are limited to six (6) preauthorized, automatic, telephone, or audio response transfers (including overdraft protection transfers) to another account for which the member is an accountholder. Transfers beyond the six will not be processed.)

8. LINKING A LINE OF CREDIT. If you have a line of credit with us, you may link your line of credit to your share draft/checking account through our overdraft protection program. When funds are drawn from your line of credit, interest is assessed in accordance with the terms of the line of credit account. As described above, funds generally will

be transferred in multiples of \$100 to cover the amount of the overdraft. Contact the Credit Union if you want to apply for a line of credit. When you obtain the line of credit, remember to add it to your overdraft protection program.

9. MINIMIZING FEES. *The best way to know the amount of available funds you have and to avoid paying overdraft or returned item fees is to record and track all of your transactions closely, including pre-authorization commitments, outstanding checks, ACH debits, internet bill payments, online and mobile banking transfers, Private Line phone banking transactions, restrictions on deposits (or returned deposits), garnishments and other items that reduce your available balance. When in doubt as to the amount of a pre-authorization commitment, we suggest you ask the merchant what its policy is, and how long it takes for the transaction to be submitted for payment.*

The Credit Union offers various ways to help you minimize your overdraft and returned item fees. For example, you may enroll in an automatic overdraft protection program which transfers available funds from specified accounts at the Credit Union; or you may apply for a Line of Credit and link the line of credit to your account; or you may decide not to opt-in to the overdraft payment service for consumer checking accounts.

10. OTHER INFORMATION. IF YOU DO NOT UNDERSTAND THIS DISCLOSURE, HAVE ANY QUESTIONS, OR WOULD LIKE MORE INFORMATION, PLEASE CONTACT our Member Service Call Center at (808) 587-2700 on Oahu or toll-free at 1 (888) 586-1056 (Continental US and neighbor islands) during our business hours.

This Disclosure is in effect as of the Effective Date indicated above. This information may have changed. To find out what may have changed, please call us at the phone number above or write to us at Hawaii State Federal Credit Union, P.O. Box 3072, Honolulu, HI 96802-3072. Please file this with your other Credit Union documents and agreements.