

NIAGARA REGIONAL FCU

OVERDRAFT POLICY AND PROCEDURES

PURPOSE

This section describes overdraft approval policies and processing requirements formalized by the Board of Directors of Niagara Regional Federal Credit Union on April 19, 2021.

All employees of Niagara Regional Federal Credit Union, herein referred to as the "Institution", must comply with the terms of this policy immediately. Managers, employees and technical personnel must modify applicable system configurations and procedures, if necessary, to comply with the terms of this plan.

DEFINITIONS

Overdraft: An overdraft occurs when you do not have enough money in your account to cover a transaction. This may occur by one of the following reasons:

- A debit presented for payment where the account does not have sufficient funds to pay the item
- A deposited item returned where the account does not have sufficient funds to absorb the charge back
- The establishment of an approved overdraft limit for a specified account group

POLICY STATEMENT

Overdrafts are not an encouraged method for extending credit. The decision to grant an overdraft within established limits is automatic; exceptions to pre-assigned limit(s) should be clearly documented and approved by Senior Management.

A report of overdrawn accounts will be reviewed and monitored on a daily basis by a designated manager or overdraft coordinator.

STANDARD OVERDRAFT SERVICE

The Board of Directors and Senior Management have established and approved the following standard overdraft service for all share draft accounts in good standing:

Institution will authorize and pay overdrafts up to the assigned overdraft limit for the following types of transactions, unless the member has chosen to opt-out:

- Share Drafts
- ACH transactions
- Recurring debit card transactions

Institution will NOT authorize and pay overdrafts for the following types of transactions, unless the member has chosen to opt-in to have the limit available on their ATM/Debit card:

- ATM transactions
- One-time debit card transactions

OVERDRAFT LIMITS

The Board of Directors and Senior Management have established a limit of no more than \$300.00 in overdraft balances per checking account, and \$300.00 in overdraft balances per member. Exceptions to this policy will require approval by an authorized officer. Further, a cap of \$50,000.00 in total dollar amount of all overdrafts (including fees) has been established which is consistent with the credit union's ability to absorb losses. The credit union retains the right to return or discontinue payment of overdrafts at any time without prior notice to members.

The overdraft limit of \$300.00 will be extended to all Share Draft Accounts in good standing according to the following procedure:

- The overdraft limit will automatically be available beginning 90 days from account open date for share drafts, ACH, other debits and recurring debit card transactions unless the member has opted-out, the account is not in good standing or does not qualify based on other criteria.
- The member must consent or opt-in to having the overdraft limit activated for ATM and one-time debit card transactions. The member can opt-in by phone, via our website, by mail or in person. Within one business day of receiving the opt-in request, the credit union must activate the limit and provide a written acknowledgement to the member confirming their election to opt-in and their ongoing right to revoke their opt-in status. The member's decision to Opt-in or to revoke their decision WILL NOT be required in writing.

ENFORCEMENT

Changes to this policy require approval by the Board of Directors of the Institution. Changes in operating procedures, standards, guidelines and technologies, provided they are consistent with this policy and are compliant with all current financial regulations, may be authorized by an officer.

The Board of Directors has the authority to approve this policy, and annually approves the merit thereafter. Senior management is responsible for ensuring the directives are implemented and administered in compliance with the approved policy.

The primary responsibility for enforcement of this policy and its operating procedures rests with management and our employees.

No part of this policy or its supporting operating procedures should be interpreted as contravening or superseding any other legal and regulatory requirements placed upon the Institution. Protective measures should not impede other legally mandated processes such as records retention or subpoenas. Any conflicts should be submitted immediately to Senior

Management for further evaluation and/or subsequent submission to the Institution's legal counsel.

EXCEPTIONS TO POLICY

Requests for exceptions to this policy must be very specific and may only be granted on specific items, rather than to entire sections. Institution personnel with exceptions are to communicate their requests by completing an internal memorandum to an officer for consideration by Senior Management.

APPROVAL PROCEDURES

All Overdrafts are to be promptly reviewed by an officer before the daily deadline for returning the items which created the overdraft.

APPROVAL AUTHORITY

Overdrafts that are not a result of a systematically approved overdraft limit will require approval within established credit authorities. To determine the necessary level of approval, refer to the Institution's GENERAL LOAN POLICY for approved lending/overdraft limits.

COLLECTION OF OVERDRAFTS

Collections of overdrafts will be primarily performed by mailing system generated collection letters based on consecutive days overdrawn as described below; until the overdraft is either paid or charged off:

- 10 day reminder letter
- 20 day reminder letter
- 30 day suspension letter
- 37 day warning of account closure
- 45 day account closed and charged off

Collection efforts will also include telephone calls to the member when the account is overdrawn for 30 or more consecutive days.

Accounts that bring their balance positive between 30 and 45 days overdrawn will continue to have their overdraft limit suspended, pending approval of reinstatement by management.

Accounts overdrawn 45 consecutive days will be charged-off and reported or referred to Chex System.

PROCEDURES FOR COLLECTION EXCEPTIONS

In certain instances, account holders will inform operations personnel that they will be unable to bring the account back to a positive balance within the 30 day period from the date of the overdraft. The account holder may then be offered a "Second Chance" program, whereby the overdraft limit is suspended, the overdraft balance is charged-off bringing the account to a zero balance, and the account remains open. The member continues to use their share draft account as normal, while making payments to the institution until the charged-off balance is eliminated.

Accounts that are accepted into this “Second Chance” program will be monitored closely, and any future overdrafts will not be permitted while in this program, and negative deviations from the scheduled elimination of the charged-off overdraft will result in immediate closing of the account, any positive balance in the account being applied to the elimination of the charged-off overdraft and additional collection efforts pursued for any remaining balance.

PROGRAM REVIEW

A review will be conducted by an officer, or their designee, on a periodic basis to determine not only staff compliance with this policy, but also to identify account holders who may be offered alternative means of handling their finances (i.e. – Line of Credit, Automatic Transfer from Other Account, Opt Out of the Program). This review shall be documented, along with correspondence to/from account holders resulting from the review.

OVERDRAFT AND RETURN ITEM CHARGES

Overdraft and Return Item Charges shall be set at \$35.00 with subsequent changes requiring prior board approval and a minimum 30 day notification to account holders prior to implementation. Refunds of these fees will require approval of an officer or supervisor after an initial “one time” courtesy refund and re-education of the consumer on the policies for overdrafts.

OVERDRAFT NOTICES TO ACCOUNT HOLDERS

Account holders will be mailed at the earliest possible time a notice for each instance of overdraft or increase in overdraft. This notice will disclose the amount of the overdraft, the debit(s) which created the overdraft, the fee assessed for the overdraft and contact information should they desire to discuss the overdraft.

Additionally, collection letters will be mailed beginning with the 10th consecutive calendar day of an overdraft. The collection letters shall note the date and amount of the overdraft outstanding, and remind the account holder of the time limit to resolve the overdraft.