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Business Overdraft and Courtesy Pay Addendum

Section 1: General

1. You are responsible for keeping track of the funds in your account that are available for you to use before you write a check, make a cash withdrawal at an ATM, or use your debit card for a transaction. Among other things, you should keep a running balance that reflects all of your transactions. It is imperative that you keep track of the transactions you may have authorized (such as outstanding checks or automatic bill payments you have authorized), as your available balance (discussed in more detail below) will not reflect these transactions until they are paid from your account.

2. "Overdrawing" your account means that there are not sufficient available funds in your account to pay for a transaction, but the transaction is paid under either an optional overdraft protection plan or the Courtesy Pay Service or Select Accept Service, which results in a negative "overdrawn" balance. Some transactions that can result in an overdraft in your checking account include, but are not limited to:

(1) the payment of checks, electronic fund transfers, telephone-initiated transfers, preauthorized payments under our Bill Payer Service, or other withdrawal requests authorized by you; (2) the return (unpaid) of items deposited by you; (3) the assessment of service charges by us; or (4) the deposit of items that are treated as not yet "available" according to our Funds Availability Policy.

3. This document discusses in Section 2 how to determine and manage your account balances. Section 3 then discusses how we will post transactions to your account. Based on these policies, your transactions can result in transaction(s) being presented for processing when your account's available balance is insufficient to pay the transaction(s). Sections 4 and 5 discuss the two kinds of services the Credit Union offers to allow for the payment of these transactions.

Section 2: Your Checking Account Balance

1. Your checking account has two kinds of balances: the “actual” balance and the “available” balance. Both can be checked when you review your account online, at a Credit Union-owned ATM, by phone, or at a 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 actual and available balances and how they work.

2. Your actual balance is the amount of money that is actually in your account at any given time, but not all funds included in the actual balance are considered available for transactions on your account. The actual balance is also referred to as: (a) your “current balance” on Credit Union ATM screens and in online and mobile banking; and (b) your actual balance when you use our automated telephone banking system. Your actual balance reflects transactions that have posted to your account, but not transactions that have been authorized and are pending or pending deposits that are subject to holds under our Funds Availability Policy. While the term “actual” may sound as though the number you see is an up-to-date indication of what is in your account that you can spend, that is not always the case. Your actual balance will not reflect any purchases, holds, fees, other charges, or deposits made on your account that have not yet posted. For example, if you have a \$50 actual balance, but you just wrote a check for \$40, then your actual balance is \$50 but it does not reflect the pending check transaction. So at that point, you have an actual balance of \$50, but you have already spent \$40.

3. Your available balance is the amount of money in your account that is available to you to use without incurring an overdraft fee. The available balance takes into account factors such as holds placed on deposits and pending transactions (such as pending debit card purchases) that the Credit Union has authorized but that have not yet posted to your account. For example, assume you have an actual balance of \$50 and an available balance of \$50. If you were to use your debit card at a restaurant to buy lunch for \$20, then that merchant could ask us to pre-authorize the payment in that amount (or even a different amount). Under this example, if the merchant requested preauthorization in the amount of \$20, we will place a “hold” on your account for \$20 (referred to as an “authorization hold”). Your actual balance would still be \$50 because this transaction has not yet posted, but your available balance would be \$30 because of the restaurant’s preauthorization request that resulted in an authorization hold on \$20 in your account. When the restaurant submits its bill for payment (which could be a few days later and for a different amount than the amount of the authorization hold), we will post the transaction to your account and your actual balance will be reduced by the amount of the posted transaction.

4. We use your available balance at the time a transaction posts to determine when your account is overdrawn. Your account is considered overdrawn when the available balance in your account is negative (less than \$0).

5. Your available balance may not reflect all of your debit card transactions. We use your available balance at the time a transaction posts to determine when your account is overdrawn and whether fees will be assessed. For debit card transactions involving merchant authorization holds, we look at the available balance at the time a transaction posts to determine whether the transaction results in an overdraft and potential related fees. In making this determination, we check your available balance at two separate times—first, at the time a merchant authorization request is received, and second, when the transaction

"settles" and posts to your account. If your available balance is insufficient to pay the preauthorization amount requested by a merchant and you have not opted into the Select Accept Service, we will decline the request. If your available balance is sufficient to cover a merchant's authorization request, the authorization request will be approved and an authorization hold will be placed on your account in the amount of the merchant's authorization request. If the transaction later "settles" and posts to your account at a time when the available balance is insufficient to pay the posted transaction without causing the account to have a negative balance (less than \$0), we will charge a Courtesy Pay Fee on that transaction even though the available balance was sufficient to cover it at the time the transaction was authorized. Your account is considered overdrawn when the available balance in your account is negative (less than \$0).

The following example illustrates how this works:

Assume your actual and available balance are both \$50, and you use your debit card at a restaurant for \$20. If the restaurant requests preauthorization in the amount of \$20, an authorization hold is placed on \$20 in your account, so your available balance is only \$30. Your actual balance would remain \$50. Before the restaurant charge is sent to us for payment, a check that you wrote for \$40 clears. Because your available balance is only \$30 (due to the authorization hold of \$20), your account will be overdrawn by \$10, even though your actual balance is \$50. In this case, if we pay the \$40 check under the Courtesy Pay Service, we will charge you a Courtesy Pay Fee as disclosed in our *Business Schedule of Fees and Charges*, which will be deducted from your account, further increasing the overdrawn amount. In addition, when the restaurant charge is finally submitted to us for payment, we will release the authorization hold and pay the transaction amount (which may be \$20 or even a different amount, for example, if you added a tip) to the restaurant. Because the amount of the restaurant charge exceeded your available balance at the time the restaurant charge "settled" (i.e., posted to your account), we will charge you a Courtesy Pay fee as disclosed in our *Business Schedule of Fees and Charges*, even though the restaurant transaction was authorized and approved with a sufficient available balance.

6. YOU ACKNOWLEDGE 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. This is because your available balance may not reflect all your outstanding checks, automatic bill payments that you have authorized, or other outstanding transactions that have not yet 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.

7. Also, your available balance may not reflect all of your debit card transactions.

For example, if a merchant obtains our prior authorization but does not submit a one-time debit card transaction for payment within three (3) business days of authorization (or for up to thirty (30) business days for certain types of debit card transactions, including but not limited to car rental transactions and international transactions), we must release the authorization hold on the transaction. The available balance will not reflect this transaction once the hold has been released, which generally occurs when the transaction has been received by us and paid from your account. Refer to the section entitled "Authorization

Holds for Debit Card Transactions” below for information about how authorization holds affect your available balance.

8. Finally, your available balance may not reflect the most recent deposits to your account. Refer to the Business Funds Availability for information regarding the availability for withdrawal of your deposits. You should not assume that you can avoid overdrafting your account by making a deposit before a check or other item is presented for payment because your deposit may not be immediately available for withdrawal.

Authorization Holds for Debit Card Transactions.

9. When you use your debit card to pay for goods or services, the merchant may seek preauthorization from us for the transaction. When we preauthorize the transaction, we commit to make the requested funds available when the transaction finally posts and as such, we generally place a temporary hold against some or all of the funds in the account linked to your debit card, based on the amount of the preauthorization request from the merchant. We refer to this temporary hold as an “authorization hold,” and the amount of the authorization hold will be subtracted from your available balance as authorization requests are received by us throughout each day. Until the transaction finally settles or we otherwise remove the hold (for example, we may remove the hold because it exceeds the time permitted, as discussed below, or we determine that it is unlikely to be processed), the funds subject to the hold will not be available to you for other purposes. At some point after you sign for the transaction, it is processed by the merchant and submitted to us for payment. This can happen hours or sometimes days after you signed for it, depending on the merchant and its processing company. These payment requests are received in real time throughout the day and are posted to your account as they are received.

10. The amount of an authorization hold may differ from the actual transaction amount because the actual transaction amount may not yet be known to the merchant when the authorization request is submitted. For example, this can happen in connection with transactions where your debit card is swiped before your actual transaction amount is known, such as at a restaurant or gas station (e.g., at a restaurant, you may choose to add a tip to the transaction amount). For these types of transactions, there may be no authorization hold, or the amount of the authorization hold may be different from the transaction amount. In some other cases we may not receive an authorization request from the merchant, and there will be no authorization hold reflected in your available balance. We cannot control how much a merchant asks us to authorize, or when a merchant submits a transaction for payment

11. We are permitted to place an authorization hold on your account for up to three (3) business days (or for up to thirty (30) business days for certain types of debit card transactions) from the time of the authorization or until the transaction is paid from your account. However, if the transaction is not submitted for payment, we will release the authorization hold, which will increase your available balance until the transaction is submitted for payment by the merchant and finally posted to your account. If this happens, we must honor the prior authorization and will pay the transaction from your account.

12. In certain instances, when the amount of the authorization hold is either more or less

than the amount of the actual transaction, we may maintain the authorization hold even after the purchase amount is actually paid from your account. However, in these instances, we will not maintain an authorization hold for longer than three (3) business days (or for up thirty (30) business days for certain transactions).

Section 3: How Transactions Are Posted to Your Account.

1. There are basically two types of transactions in your account: credits or deposits of money into your account, and debits or payments out of your account. 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 generally how and when we post transactions to your account.

2. We can receive credit and debit transactions in different forms at various times each business day. We reserve the right to determine the timing and order in which such transactions are posted to your account to the extent permitted by law. We determine the order in which we process and post credits and debits to your account based on a number of factors.

3. We may pay or authorize some transactions, and decline or return others, in any order we deem appropriate to the extent permitted by law. When the available balance in your account is not sufficient to cover all of the transactions presented that day, some posting orders can result in more returned items and more overdraft and returned item fees than other posting orders.

4. Some items are received by us individually and others are received in batches at various times each business day. Items that we currently receive individually include ATM withdrawals, point-of-sale (POS) transactions, and teller transactions. These individual items are generally posted to your account as they are received by us each business day. Items that we currently receive in batches include checks drawn on your account presented by other financial institutions, "on us" checks, and ACH and debit card transactions. If multiple checks are presented on any given day in a single batch, they are cleared in the order of receipt, regardless of the check number sequence. We generally post batched transactions as they are received throughout each business day (subject to certain exceptions). For non-check batched transactions we receive at the same time on a particular business day, we will generally post those non-check batched transactions from lowest dollar amount to highest dollar amount.

The order in which items are posted to your account will depend on a number of factors. For example, in connection with our item posting process, we reserve the right to: (i) establish different categories of items, (ii) establish a posting order for each category of item(s), (iii) establish different posting orders for items within each category, and (iv) change the timing of when items are posted during the day and whether they are posted individually or in batches. Except to the extent limited by applicable law, we have the right to change any of the factors described in (i), (ii), (iii) and (iv) listed above at any time without notice to you.

5. The foregoing is a general description of how certain types of transactions are posted. These practices may change and we reserve the right to pay items in any order we choose as

permitted by law.

Payment of Overdrafts Payment of Overdrafts.

1. We are not obligated to pay any item presented for payment if your account does not contain sufficient available funds. If we pay a transaction that overdraws your account, we are not obligated to continue paying such transactions in the future. We may pay all, some, or none of your overdrafts, without notice to you. If we do not authorize and do not pay an overdraft, then we decline or return the transaction unpaid. The *Business Schedule of Fees and Charges* for your account explains when we charge you fees for overdraft and for declined or returned items and the dollar amount of the fees. Please review your *Business Schedule of Fees and Charges* for your account carefully. You are liable to us to repay any overdrafts on your account whether you created them or not. If you do not pay us, and we take collection action against you, you agree to pay for our costs of collection. We may close, without notice, any account with excessive insufficient funds activity, and report the account to a consumer reporting agency.
2. We assess a fee for each item that we either pay, which results in an overdraft, or do not pay, which would have resulted in an overdraft had we paid it. If we pay an item in accordance with our Courtesy Pay Service or Select Accept Service (described in more detail below), we will charge a Courtesy Pay Fee as disclosed in the *Business Schedule of Fees and Charges*.
3. We limit the number of Insufficient Funds (NSF) and Courtesy Pay Fees we charge in a business day. We will not charge a fee if your ending account balance is overdrawn by \$5 or less and we pay the item. The maximum number of overdrafts due to insufficient or unavailable funds that will be subject to overdraft charges in one day is three (3).
4. We recommend that you enroll in one of the optional overdraft protection plans described below. These plans can help you avoid overdrafts and returned items. While fees apply when you use an optional overdraft protection plan, the fees under the plan are less expensive than NSF and Courtesy Pay Fees.
5. **Transfers to Cover Overdrafts.** You understand and agree that we have the right to transfer available funds to your checking account from any of your other account(s) with us (excluding IRAs and certificate accounts), including account(s) upon which you are a joint owner, in an amount equal to the overdraft and related fees.
6. If we pay an item drawn against insufficient funds on an account with more than one (1) member on the signature card, each member, and agent if applicable, drawing or presenting the item creating the overdraft, shall be jointly and severally liable for such overdrafts including Courtesy Pay or NSF fees (if any).
7. **NSF Transactions.** We are not obligated to pay any item presented for payment if your account does not contain sufficient available funds. If we do not authorize and do not pay an overdraft, then we decline or return the transaction or item unpaid and charge a related NSF Fee as stated in our *Business Schedule of Fees and Charges*. You are responsible for

ensuring that your account includes sufficient available funds to pay the transactions you initiate or authorize when they are processed for payment from your account, and you also acknowledge that the timing of when merchants or payees submit transactions to us for payment may vary.

If your account does not have sufficient available funds when a transaction or item is presented to us for payment and, as a result, returned unpaid, the merchant or payee of your transaction or item may choose to resubmit the same transaction, and may do so multiple times. In the event a transaction or item is resubmitted for payment at a time when your account lacks sufficient available funds to pay it and we decline it, we will charge a related NSF Fee for each such resubmitted item each time that same transaction is presented and returned unpaid (per presentment).

Optional Overdraft Protection Plans.

8. We offer optional overdraft protection plans that you may apply for, such as a Line of Credit loan account where your line of credit is used for overdraft protection, and an Overdraft Protection Service where funds from a linked savings account are used for overdraft protection. If you qualify for and opt to use these optional services, we will look first to these services for overdraft protection before applying our discretionary Courtesy Pay Service when your account is overdrawn.

9. If you do not have sufficient available credit on your Line of Credit or the funds in your Savings Account are not sufficient to pay the overdraft on your checking account, then you understand that the overdraft may be paid by our Courtesy Pay Service or Select Accept Service, subject to the terms and conditions of the Courtesy Pay Service Section below, if you are eligible for the Courtesy Pay Service or Select Accept Service. If you are not eligible for the Courtesy Pay Service or Select Accept Service, then the item causing the overdraft will be returned or the transaction denied. If you decline to utilize any of the optional overdraft protection plans and you are not eligible for our Courtesy Pay Service or Select Accept Service, and there are insufficient funds in your checking account to pay an item, your items will not be paid, they will be returned, and an NSF Fee will be charged for each item returned. Transfers will appear on your periodic statements for each applicable account.

10. **Limits on Overdraft Protection.** We will not transfer more than the available account balance in a linked savings account or the available credit (as of the end of the previous business day) on a Line of Credit account, even if the amount of the overdraft is more than the available amount. If the available balance in a linked savings account or the available credit on a Line of Credit account is not enough to pay the transactions you have initiated on any day plus the Overdraft Transfer Fee, we will transfer enough funds to pay one or more transactions, plus the fee. Any transactions that are not paid by the transfer will either be paid or returned, and Overdraft Transfer Fees or NSF Fees will be charged as if you did not have overdraft protection.

11. **Termination of Optional Overdraft Protection Plans.** We may terminate optional overdraft protection services at any time with or without notice. Any owner of the checking account, any owner of a linked savings account used for overdraft protection, or any

borrower on a Line of Credit account used for overdraft protection may cancel overdraft protection in person or in writing. Cancellation will be effective after we have received notice and have had a reasonable time to act on it.

Courtesy Pay Service (Including Select Accept)

1. In accordance with our commitment to provide valued service and benefits, we may, at our discretion, pay your overdrafts that would cause your eligible checking account to have a negative balance. We refer to this service as our Courtesy Pay Service (hereinafter referred to as the "Service"). The Service is different than the Line of Credit and the Overdraft Protection Service plans. The Service is a backup to your existing overdraft protection plans and will only be activated if funds are not available from those plans. This Courtesy Pay Section sets forth the terms and conditions applicable to the Service.

2. **What Overdraft Transactions are Covered?** The Service is available only for the payment of checks, electronic transfers, over-the-counter transactions or teller window transactions, one time and recurring Debit Card transactions, and ACH drafts and debits. The Service is not available at all for ATM transactions.

3. **Eligibility for the Service.** The Service is not a credit product and requires no application or credit approval process; it is a feature that is automatically included with eligible checking accounts (unless you Opt-Out of the Service entirely as described below). Eligibility is at the sole discretion of the Credit Union and is based on you managing your checking account in a responsible manner.

We reserve the right to limit the Service to one (1) account per member. We may suspend or permanently revoke the Service from your checking account, in our sole and absolute discretion, based on any one or more of the following criteria:

- You are not making regular deposits into your checking account;
- You do not bring your checking account to a positive balance for at least one full business day within a thirty (30) day period;
- Your membership is not in good standing;
- You are more than thirty-one (31) days past due or are in default in any other respect on any loan or other obligation to us;
- You have an outstanding balance due on an overdraft repayment plan;
- Your checking account is subject to any legal or administrative orders or levies;
- You have insufficient credit or negative credit history;
- You are a party to a bankruptcy proceeding;
- Any or all of your account(s) with us are being reviewed for improper activity or transactions;
- Your checking account is classified as inactive;
- You use the Service to pay items written to check cashing agencies;

- You have had excessive number of items returned for non-sufficient funds in a calendar year;
- You have an unresolved prior loss with us;
- We do not have a valid mailing or email address for you; or
- We believe you are not managing your checking account in a responsible manner which may harm you or us.

4. The Service is a benefit. Any payment made by us under the Service will be made on a case-by-case basis, in our sole and absolute discretion. The Service does not constitute an actual or implied agreement between you and the Credit Union, nor does it constitute an actual or implied obligation of the Credit Union. The Service is a privilege that the Credit Union provides from time to time and which may be withdrawn, limited, or withheld by the Credit Union at any time, without prior notice, reason or cause.

5. Limits to Your Use. The negative balance to which you can overdraw your account by using the Service is determined by us in our sole and absolute discretion. We may pay your overdrafts at our discretion, including fees; however, you acknowledge and agree that we reserve the right to further limit the number and amount of checks or other items/transactions that may be paid by us through the Service during any given month.

6. How the Service is Administered. At our sole discretion, we may notify you by mail, or, if you have agreed to receive notices from us in an electronic format, you may be notified electronically, of any nonsufficient funds checks, items or other transactions that have been paid or returned; however, we are not required to so notify you. You also acknowledge and agree that we have no obligation to notify you before we pay or return any check, item or other transaction. We may refuse to pay any overdrafts without first notifying you even though your account is in good standing and even if we have paid previous overdrafts.

7. When is the overdraft payment due? The total of the overdraft (negative) balance in your checking account, including any and all fees and charges, is due and payable upon demand, and you are required to immediately deposit sufficient funds to cover the overdraft paid by us and pay the related fees.

8. Courtesy Pay Fees. A Courtesy Pay Fee will be charged to your checking account, in accordance with our *Business Schedule of Fees and Charges*, for each overdraft that is authorized and paid through the Service. This means that more than one Courtesy Pay Fee may be assessed against your checking account per day depending upon the number of overdrafts authorized and paid through the Service. You understand that your Courtesy Pay Limit will be reduced by the amount of each overdraft paid by us through the Service and the amount of the related Courtesy Pay Fee imposed until such amounts are repaid by you as set forth herein at which time we may replenish your Courtesy Pay Limit by the amount of the repayment. If we choose not to pay the item/transaction under the Service, you are subject to an NSF Fee for each such item in accordance with our *Business Schedule of Fees and Charges*. Your periodic statement will itemize Courtesy Pay Fees and NSF Fees for each cycle, as well as the year-to-date total of fees.

9. **Optional Overdraft Protection Plans.** As discussed in more detail above, we also offer optional overdraft protection plans, such as a link to a savings account or a Line of Credit account, which may be less expensive than our Courtesy Pay Service. To learn more, please ask us about these plans.

10. **Your Right to Opt-Out of the Service.** If you prefer not to have the courtesy pay service, contact us at Kinecta Federal Credit Union, PO Box 10003 Manhattan Beach, CA 90266 or send a secured message through online banking and we will remove the Service from your checking account. If you Opt-Out of the courtesy pay service, you will still be charged an NSF Fee for each item returned.

11. **Default.** You will be in default under the terms of this document if you fail to live up to any of the terms and conditions set forth herein or you are in default on any loan obligation with us and/or a negative balance exists in any deposit account with us on which you are an owner. If you are in default, in addition to any other rights we may have, we may temporarily suspend overdraft or Courtesy Pay privileges, terminate the Service or close your checking account and demand immediate payment of the entire unpaid negative balance.

12. **Termination; Suspension.** We may terminate or suspend the Service at any time without prior notice. In no event will any termination relieve you of your other obligations under this Agreement, including your obligations to repay any negative account balance, overdraft fees, collection costs, and attorneys' fees, if any.