

CourtesyConnect®

Implementing Regulation E Overdraft Opt-In Rules for ATM and One-Time Debit Card Transactions

For Distribution to BSG Financial Clients Only
February 2, 2010

DISCLAIMER

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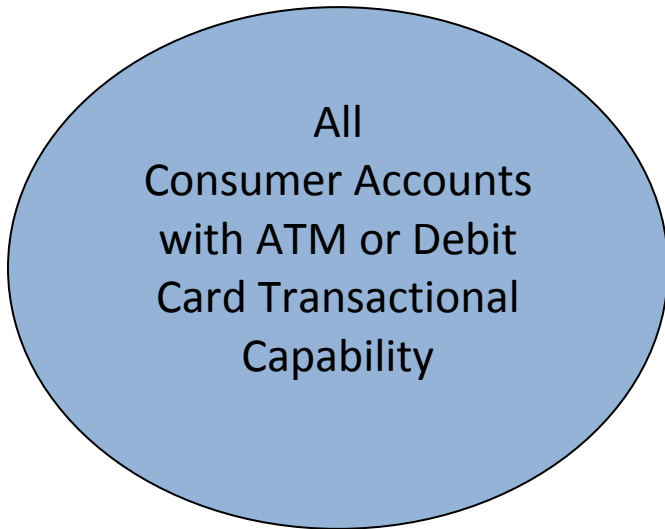
Regulation E: New ATM/Debit Card Rules for Overdraft Transactions

Highlights of the Final Rule Amendments

The "New Rules" require a financial institution (FI) to obtain affirmative consent from consumers before charging fees for the payment of overdrafts resulting from ATM and one-time debit card transactions. A financial institution must provide consumers with a clear disclosure of the fees and terms associated with its overdraft service using a mandatory Model Consent form.

- 1. Opt-In.** The New Rules require **consumers** (does not include business accounts) to opt in, or affirmatively consent, to the institution's overdraft service for ATM and one-time debit card transactions, before overdraft fees may be assessed on the account.
- 2. Right to Revoke.** The New Rules provide consumers an ongoing right to revoke consent.
- 3. Consumers Covered.** The opt-in right applies to all consumers, including existing account holders.
- 4. Conditioning the Opt-In.** The New Rules prohibit a financial institution from tying the payment of overdrafts for checks and other transactions to the consumer opting into the overdraft service for ATM and one-time debit card transactions.
- 5. Same Account Terms, Conditions and Features.** The New Rules require an institution to provide consumers who do not opt in with the same account terms, conditions and features, including price, as provided to consumers who do opt in.
- 6. Mandatory Compliance Date.** The mandatory compliance date is July 1, 2010, but an institution can implement the New Rules prior to that date at their discretion.

What accounts are subject to the new rules?



All consumer accounts with ATM or Debit Card transactional capability are subject to the new ATM/Debit Card notice and opt-in requirements, **including existing accounts**.

Misconceptions:

- The New Rules are limited to FI's with automated overdraft programs. **False.**
- The New Rules are limited to FI's with disclosed programs. **False.**
- The New Rules are limited to consumer accounts that participate in an overdraft program. **False.**
- The New Rules do not apply to FI's that only make ad-hoc overdraft decisions. **False.**

Charging an Overdraft Fee on an ATM or one-time Debit Card Transaction: FI's are permitted to charge an overdraft fee on an ATM or one-time Debit Card transaction if the FI has provided proper notification and received affirmative consent from the consumer.

Notice Exception: There is an exception to the "Opt-In Notice" requirement for consumer accounts. For consumer accounts where the FI does NOT pay overdrafts for ATM and one-time Debit Card transactions, the FI is not required to provide the Opt-In Notification.

Charging an Overdraft Fee on an ATM or one-time Debit Card transaction without Affirmative Consent: FI's are NOT permitted to charge an overdraft fee on an ATM or one-time debit card transaction without first obtaining affirmative consent. There are no exceptions to this rule, regardless of reason. By default, an institution that takes advantage of the notice exception (see above) is NOT permitted to charge an overdraft fee on an ATM or one-time Debit Card transaction (even when the overdraft is a result of a non-authorized debit or stand-in processor limitation) because the FI would not have provided proper notification or received affirmative consent from the consumer.

Note: The New Rules allow FI's to continue to authorize and pay overdrafts for ATM or one-time Debit Card transactions without obtaining affirmative consent, but they cannot charge an overdraft fee for providing that service.

What if an institution does not currently make the CourtesyConnect overdraft program available at the ATM and Debit Card channels?

If your institution is not currently offering the CourtesyConnect overdraft program via the ATM or Debit Card channels, the New Rules provide a great opportunity to provide this service to your customers that want their overdrafts paid at the ATM and Debit Card channels.

FI's that have not previously considered offering the service at the ATM and Debit Card channels should consider taking advantage of a new revenue source permitted under the New Rules when a consumer elects to opt-in.

Are there instances when an institution currently paying overdrafts for ATM and one-time Debit Card transactions should discontinue the practice?

An institution's systems should be able to effectively and efficiently:

- Accept overdraft transactions for those consumers that affirmatively opt in to the payment of overdrafts for ATM and one-time Debit Card transactions,
- Decline overdraft transactions for ATM and one-time Debit Card transactions on those accounts that do not opt in, and
- Prevent overdraft fee charges related to ATM and one-time Debit Card transactions for accounts that do not opt in.

An institution with systems that cannot accomplish these main goals should consider discontinuing their overdraft services at the ATM and Debit Card channels, unless they can develop a work-around until system changes can be implemented. See information regarding technical hurdles below.

What system and technology hurdles must be addressed to implement the New Rules?

The following technical hurdles involve the institution's processing systems and should be reviewed with the appropriate internal and/or external experts to understand a system's current and planned capabilities.

- Systems must be able to distinguish opt-in accounts. System providers will need to designate a flag or field(s) for this purpose and use it to allow users to establish the applicable processing rules for authorizing and paying overdrafts, and charging fees for ATM and one-time Debit Card transactions. The designated field(s) should be flexible enough to record the consumer's ATM and one-time Debit Card overdraft transaction decision: opt-in, revocation, negative response, or no response. *Note: This designation should not be confused with opting out of the entire overdraft service.* Ideally, the system should allow users to schedule a future change to these flags or fields.

- Depending on an institution's systems and how they interface, the core system and/or card transaction system must be able to evaluate separate OD limits for each account in regards to ATM and Debit Card transactions to the consumer's decision opt-in decision. For accounts that opt-in, the OD limit needs to be set to an account's qualified OD limit for all transaction types. For accounts that do not opt-in, the OD Limit must be turned off or set to zero for the ATM and one-time Debit Card transactions, and should set to an account's qualified OD limit for all other transaction types.
- The institution's exception item processing system needs to be able to distinguish overdraft exceptions related to ATM and one-time debit Card transactions and be able to assess an overdraft fee for opt-in accounts and not charge a fee for non opt-in accounts. For all other transaction types resulting in an overdraft exception, the system needs to be able to charge the overdraft fee regardless of the accountholder's decision to opt-in or not.
- Under the New Rules, any fee charged as a result of a continuing negative balance on an account is defined as an overdraft fee. The processing system responsible for charging such fees must be modified to prevent the fees from being charged on accounts that have not opted in when the negative balance is the result of an ATM or Debit Card transaction. *Note: Several Federal Reserve individuals acknowledged that the New Rules do not provide enough information to understand whether an institution would be permitted to charge a negative balance fee on an account that did not opt-in when the negative balance is the result of both a check and a one-time Debit Card transaction. Clarifying information is expected to be issued soon.*

Is it permissible for an institution to accommodate the New Rules by setting up different product types or codes?

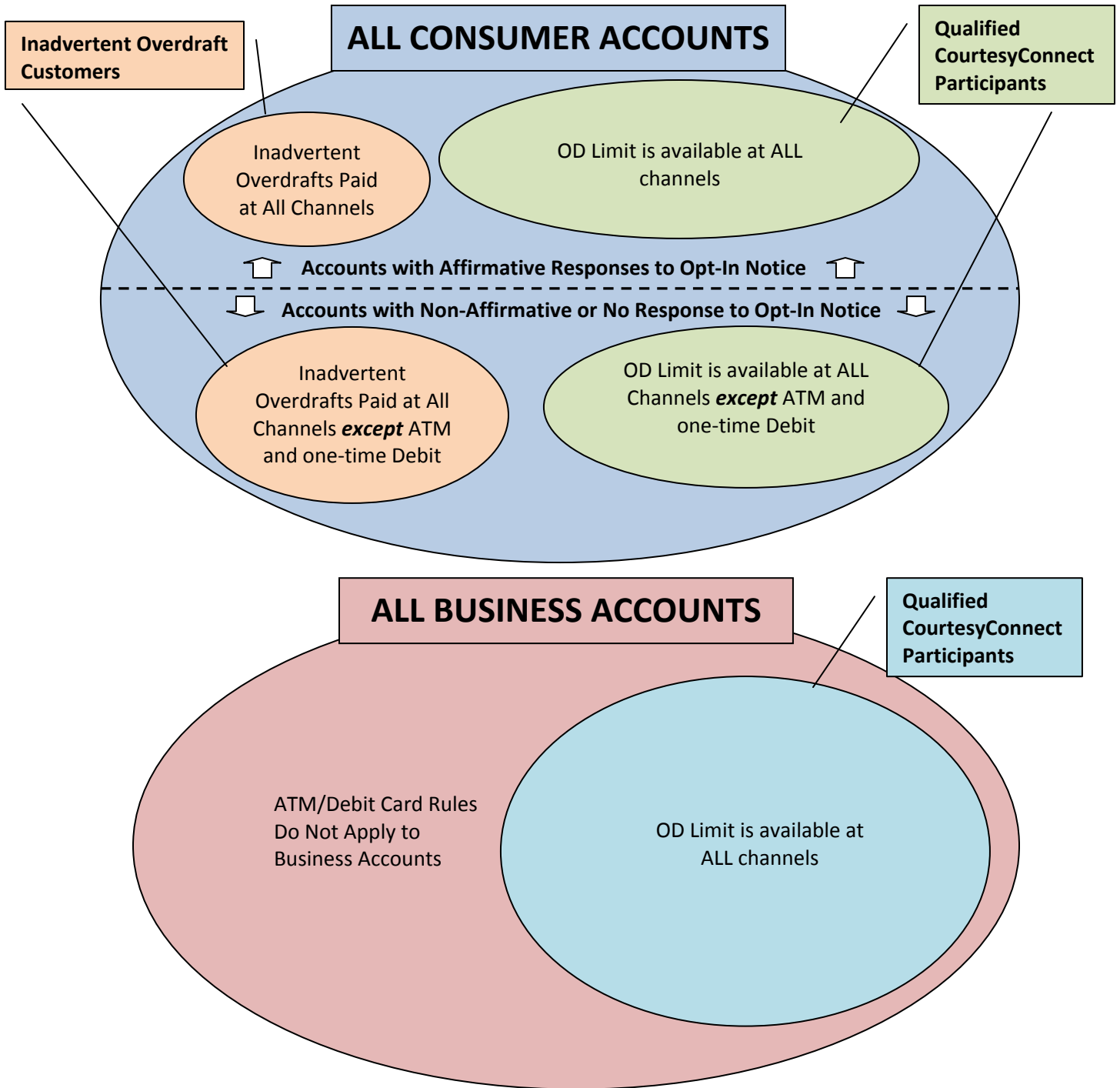
Yes, an institution may need to create new product types or codes to implement the correct processing procedures.



However, there are constraints when designing products to implement the New Rules. FI's must provide products to consumers that do not opt in with the same terms, conditions and features as those products where consumers are allowed to opt in. For example, an institution is *prevented* from providing a product that has overdraft capability at all channels (Product A) to consumers to opt in and a product that has no overdraft capability for any channel (Product B) for consumers that did not opt in. A consumer that does not elect to opt in to having overdrafts paid for ATM or one-time Debit Card transactions must be provided the exact same product features as any other accountholder. In the example above, the institution would be in violation of the New Rules because Product B does not handle overdraft payments on check transactions whereas Product A does.

Should the Opt-In Notices only be sent to Qualified CourtesyConnect Participants?

Not necessarily. We recommend an institution to view the New Rules as a distinct Opt-In process for all Consumer accounts, rather than a component of the CourtesyConnect program.



There are several reasons an institution may want to treat the opt-in notice as a distinct process applicable to all consumer accounts with an ATM and/or Debit Card rather than limiting notices to qualified CourtesyConnect participants for the following reasons.

- For new customers, obtaining affirmative consent for the payment of overdrafts for ATM and one-time Debit Card transactions can be accomplished most effectively during the new account sign-up process. CourtesyConnect participants are usually not determinable at the time of new account sign-up because they must meet age and deposit screening criteria.
- For consumer accounts that opt-in and incur an overdraft for an ATM or Debit Card transaction even though the account had not qualified for a formal OD limit, the institution would be permitted to charge the overdraft fee; otherwise, they would not be permitted. This situation could present itself when overdrafts are the result of non-authorized debits or stand-in processing.
- By attempting to obtain affirmative consents on all new accounts and existing accounts, the financial institution is in the best position to understand its customer's needs and be better prepared to make future decisions regarding their overdraft services and other programs.

What is BSG's recommended Opt-In Notice process?

The Opt-In Notice process should be broken down into two main groups--a process for New Accounts and a process for Existing Accounts.

New Accounts

The New Rules permit an institution to require consumers to make their opt-in choice before opening a new account. We believe the most efficient and effective method for obtaining a decision is to use the Model Consent Form at the time of account opening for all new consumer accounts. The Model Consent Form is permitted to be used when signing up new accounts in person, by mail or on-line. There are certain types of accounts where FI's may not want to provide an Opt-In Notice such as when the product type does not allow the issuance of an ATM or Debit Card. Each institution will need to weigh the cost savings of not providing notices to these accounts versus the future cost of trying to obtain the decision if the consumer where to be issued an ATM and/or Debit Card. The Model Consent Form for New Accounts is located in the Appendix.

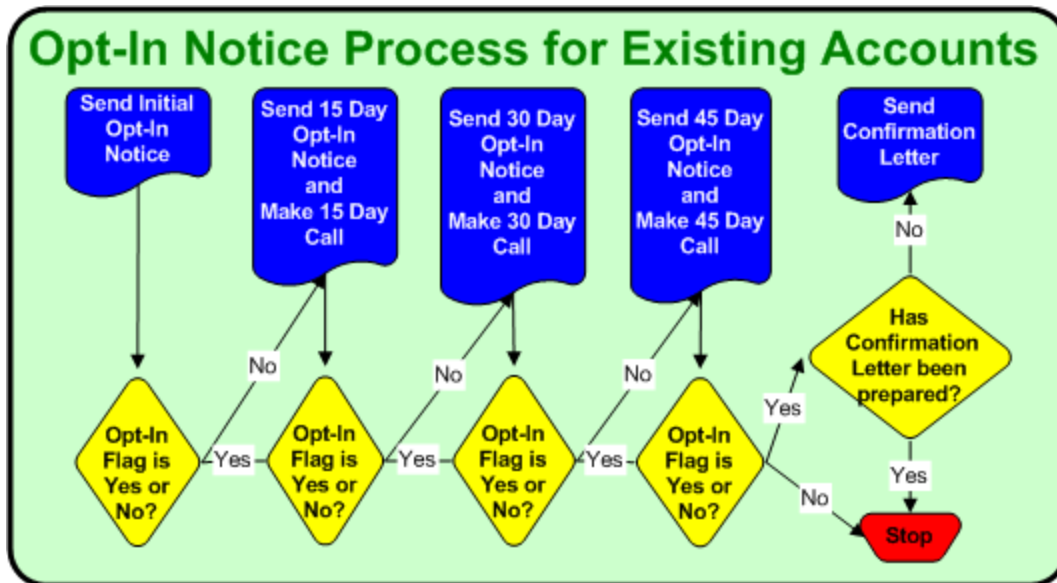
While the mandatory date for implementing the New Rules for new consumer accounts is July 1, 2010, an institution is permitted to implement prior to that date. There are many factors, such as revenue impact, technology and operational readiness, and public relations, which an institution should weigh before choosing to implement prior to July 1, 2010.

Existing Accounts

By default, existing accounts are the consumer accounts opened before the effective date chosen by the financial institution or the mandatory date, whichever is earlier. For accounts opened prior to July 1, 2010, a financial institution must not assess any overdraft fees or charges on a consumer's account on or

after August 15, 2010 for paying an ATM or one-time debit Card transaction, unless the institution has obtained an affirmative opt-in notice.

We believe a series of letters and calls designed to educate and elicit a response from existing accounts is the best method for obtaining a decision. The following diagram is an example of an Opt-in Notice process that is simple and easy to manage in CourtesyConnect.



A financial institution can take advantage of the letter generation and call list features within CourtesyConnect to adopt this process. **In order to accomplish this within CourtesyConnect, the value in the Opt-In field used by the institution's processing system (for designating the consumer's opt-in choice) must be included on the daily Account Summary file that CourtesyConnect already receives.** CourtesyConnect can key off the information in that field (and any others in the Account Summary file) to generate letters and a call queue for virtually any scenario an institution desires to utilize.

When designing your institution's Opt-In Notice process, the CourtesyConnect application is capable of using any additional fields the institution needs to provide to facilitate the proper targeting of letters and calls. For example, an institution may decide they want to only send Opt-In Notices to existing accounts with at least one NSF item in the past year.

CourtesyConnect can improve the efficiency of an institution's Opt-In Notice process by employing highly targeted follow-up letters and/or calls to consumers with a demonstrated need for overdraft services at the ATM and/or Debit Card channel. CourtesyConnect can generate customized calls and letters for accounts incurring a recently declined ATM and Debit Card transaction due to insufficient funds or uncollected funds. This capability requires an institution to provide debit decline transaction information on the daily NSF file sent to CourtesyConnect. If detail information isn't available, a financial institution can send a debit decline flag on the daily Account Summary file denoting accounts that incurred a debit decline due to insufficient funds or uncollected funds on the previous day.

What should be included in the Opt-In Notice package to existing accounts?

At a minimum, BSG Financial recommends sending a cover letter explaining the regulatory change accompanied by the Model Consent Form. An institution should consider including a pre-paid postage envelope and a "Please Reply" card to elicit a prompt response. Please see examples of letters, call scripts and the enclosure in the Opt-In Notice Appendix.

Do the New Rules require changes to existing CourtesyConnect program materials and notices?

Yes, an institution will want to review and change materials referencing ATM and Debit Card transactions. Below is a list of the changes to the CourtesyConnect "best practice" communication materials.

1. **Program Qualification Notices.** The template referred to as Program Qualification Notice will remain unchanged but should only be sent to consumers that have opted in and provided affirmative consent for ATM and one-time debit card transactions. It has been re-named Program Qualification for Affirmative Opt-Ins.

A new Program Qualification Notice for No Response Opt-Ins has been added to the communication materials. It should be sent to newly qualified CourtesyConnect participants that have not opted in. It informs these participants that their ATM and everyday Debit Card transactions will not be covered unless they choose to opt-in. The Model Consent Form for New Accounts should be included when sending this letter.

2. **Branch Brochure.** A new question has been added to the brochure: Will my ATM and everyday Debit Card transactions be included in the CourtesyConnect program?
3. **Depositors Account Agreement.** A new paragraph has been added to the example account agreement stating:

For consumer accounts, we attempt to NOT pay overdrafts for ATM or everyday Debit Card transactions when there are insufficient funds in your account **unless** you ask us to. In the event we authorize and pay an overdraft for an ATM or everyday Debit Card transaction when you have not asked us to, you agree to immediately deposit sufficient funds to bring your account to a positive balance.

The above materials are included in the CourtesyConnect Program Appendix.

Opt-In Notice Appendix

ATM / Debit Card Opt-In Cover Letter - Existing Accounts

June 1, 2010

Mr. John Doe
123 Main Street
Anytown, US 12345

NOTICE OF CHANGE TO OUR OVERDRAFT SERVICE PRACTICES

Dear Mr. Doe,

Paying attention to your financial needs is our top priority. As a valued customer, we want to inform you about an upcoming change in our discretionary overdraft service practices <<including the Program Name>>. The change will affect your account when there is an overdraft caused by an **ATM or everyday Debit Card transaction**. No other transaction types are affected by this change.

Currently, we may authorize and pay overdrafts on your checks, ACH, online, ATM and everyday Debit Card transactions; however, **a new federal regulation will go into effect on August 15, 2010** that prevents us from continuing to provide you with this service for your **ATM and everyday Debit Card transactions** unless you use one of the methods below to ask us to continue.

If you would like to continue this part of the service uninterrupted, please call [telephone number], visit [Web site], or complete the attached form and [present it at a branch] [mail it to:], and select the following choice:

"Yes, I want [Institution Name] to authorize and pay overdrafts on my ATM and everyday debit card transactions."

We must receive your decision prior to August 15, 2010. If we do not receive your decision to continue the service prior to August 15, 2010, we will be required to decline overdrafts transactions for ATM and everyday debit card transactions if there are insufficient funds in your account. Please take action right now to avoid the loss of this service.

Sincerely,

Jane Smith
<<Program Name>> Customer Service Representative

ATM / Debit Card Opt-In Form - Existing Accounts

What You Need to Know about Overdrafts and Overdraft Fees

An overdraft occurs when you do not have enough money in your account to cover a transaction, but we pay it anyway. We can cover your overdrafts in two different ways:

1. We have standard overdraft practices that come with your account and are also incorporated into our "<<Program Name>>."
2. We also offer overdraft protection plans, such as a line of credit or link to a savings account, which may be less expensive than our standard overdraft practices. To learn more, ask us about these plans.

This notice explains our standard overdraft practices.

What are the standard overdraft practices that come with my account?

We do authorize and pay overdrafts for the following types of transactions:

1. Checks and ACH transactions made using your checking account number
2. Automatic bill payments

After August 15, 2010, we will not authorize and pay overdrafts for the following types of transactions unless you ask us to (see below):

1. ATM transactions
2. Everyday debit card transactions

We pay overdrafts at our discretion, which means we do not guarantee that we will always authorize and pay any type of transaction.

If we do not authorize and pay an overdraft, your transaction will be declined.

What fees will I be charged if [Institution Name] pays my overdraft?

Under our standard overdraft practices:

1. We will charge you a fee of up to \$30 each time we pay an overdraft.
2. Also, if your account is overdrawn for 5 or more consecutive business days, we will charge an additional \$5 per day.
3. There is no limit on the total fees we can charge you for overdrawing your account.

What if I want [Institution Name] to authorize and pay overdrafts on my ATM and everyday debit card transactions?

If you also want us to authorize and pay overdrafts on ATM and everyday debit card transactions, call [telephone number], visit [Web site], or complete the form below and [present it at a branch][mail it to:

 No, I do not want [Institution Name] to authorize and pay overdrafts on my ATM and everyday debit card transactions.

Yes, I want [Institution Name] to authorize and pay overdrafts on my ATM and everyday debit card transactions.

Printed Name: _____

Date: _____

[Account Number]: _____

ATM / Debit Card Opt-In Form - New Accounts

What You Need to Know about Overdrafts and Overdraft Fees

An overdraft occurs when you do not have enough money in your account to cover a transaction, but we pay it anyway. We can cover your overdrafts in two different ways:

3. We have standard overdraft practices that come with your account.
4. We also offer overdraft protection plans, such as a link to a savings account, which may be less expensive than our standard overdraft practices. To learn more, ask us about these plans.

This notice explains our standard overdraft practices.

What are the standard overdraft practices that come with my account?

We do authorize and pay overdrafts for the following types of transactions:

3. Checks and other transactions made using your checking account number
4. Automatic bill payments

We do not authorize and pay overdrafts for the following types of transactions unless you ask us to (see below):

3. ATM transactions
4. Everyday debit card transactions

We pay overdrafts at our discretion, which means we do not guarantee that we will always authorize and pay any type of transaction.

If we do not authorize and pay an overdraft, your transaction will be declined.

What fees will I be charged if [Institution Name] pays my overdraft?

Under our standard overdraft practices:

4. We will charge you a fee of up to \$30 each time we pay an overdraft.
5. Also, if your account is overdrawn for 5 or more consecutive business days, we will charge an additional \$5 per day.
6. There is no limit on the total fees we can charge you for overdrawing your account.

What if I want [Institution Name] to authorize and pay overdrafts on my ATM and everyday debit card transactions?

If you also want us to authorize and pay overdrafts on ATM and everyday debit card transactions, call [telephone number], visit [Web site], or complete the form below and [present it at a branch][mail it to:

No, I do not want [Institution Name] to authorize and pay overdrafts on my ATM and everyday debit card transactions.

Yes, I want [Institution Name] to authorize and pay overdrafts on my ATM and everyday debit card transactions.

Printed Name: _____

Date: _____

[Account Number]: _____]

ATM / Debit Card Opt-In Enclosure for Existing Accounts

PLEASE REPLY

Please read and complete the enclosed form, or call xxx-xxx-xxxx, or visit our website at www.xxxxxxxx.com to continue having us pay overdrafts for your ATM and everyday Debit Card transactions. These transactions will be denied if we don't receive your timely decision.

ATM / Debit Card Opt-In - 15 Day Letter - Existing Accounts

June 15, 2010

Mr. John Doe
123 Main Street
Anytown, US 12345

NOTICE OF CHANGE TO OUR OVERDRAFT SERVICE PRACTICES

Dear Mr. Doe,

A few weeks ago we sent you a letter informing you of an upcoming change to our overdraft service practices <<, including Program Name>>. We have not received a reply telling us of your decision as to how you want us to handle your ATM and everyday Debit Card transactions in the event of an overdraft. Please take the time to review this letter and the attached information.

The change will affect your account when there is an overdraft caused by an **ATM or everyday Debit Card transaction**. No other transaction types are affected by this change.

Currently, we authorize and pay overdrafts on your checks, ACH, online, ATM and everyday Debit Card transactions; however, **a new federal regulation will go into effect on August 15, 2010** that prevents us from continuing to provide you with this service for your **ATM and everyday Debit Card transactions** unless you use one of the methods below to ask us to continue.

If you would like to continue this part of the service uninterrupted, please call [telephone number], visit [Web site], or complete the attached form and [present it at a branch] [mail it to:], and select the following choice:

"Yes, I want [Institution Name] to authorize and pay overdrafts on my ATM and everyday debit card transactions."

We must receive your decision prior to August 15, 2010. If we do not receive your decision to continue the service prior to August 15, 2010, we will be required to decline overdrafts transactions for ATM and everyday debit card transactions if there are insufficient funds in your account. Please take action right now to avoid the loss of this service.

Sincerely,

Jane Smith
<<Program Name>> Customer Service Representative

ATM / Debit Card Opt-In - 30 Day Letter - Existing Accounts

June 30, 2010

Mr. John Doe
123 Main Street
Anytown, US 12345

NOTICE OF CHANGE TO OUR OVERDRAFT SERVICE PRACTICES

Dear Mr. Doe,

We have not received a reply telling us of your decision as to how you want us to handle your ATM and everyday Debit Card transactions in the event of an overdraft. Please take the time to review this letter and the attached information.

The change will affect your account when there is an overdraft caused by an **ATM or everyday Debit Card transaction**. No other transaction types are affected by this change.

Currently, we authorize and pay overdrafts on your checks, ACH, online, ATM and everyday Debit Card transactions; however, **a new federal regulation will go into effect on August 15, 2010** that prevents us from continuing to provide you with this service for your **ATM and everyday Debit Card transactions** unless you use one of the methods below to ask us to continue.

If you would like to continue this part of the service uninterrupted, please call [telephone number], visit [Web site], or complete the attached form and [present it at a branch] [mail it to:], and select the following choice:

"Yes, I want [Institution Name] to authorize and pay overdrafts on my ATM and everyday debit card transactions."

We must receive your decision prior to August 15, 2010. If we do not receive your decision to continue the service prior to August 15, 2010, we will be required to decline overdrafts transactions for ATM and everyday debit card transactions if there are insufficient funds in your account. Please take action right now to avoid the loss of this service.

Sincerely,

Jane Smith
<<Program Name>> Customer Service Representative

ATM / Debit Card Opt-In - 45 Day Letter - Existing Accounts

July 15, 2010

Mr. John Doe
123 Main Street
Anytown, US 12345

NOTICE OF CHANGE TO OUR OVERDRAFT SERVICE PRACTICES

Dear Mr. Doe,

We've tried to contact you by phone and letter several times, but time is running out. We have not received your reply telling us of your decision as to how you want us to handle your ATM and everyday Debit Card transactions in the event of an overdraft. Please call us anytime at 555-123-4567 to make your decision.

We must receive your decision prior to August 15, 2010. If we do not receive your decision to continue the service prior to August 15, 2010, we will be required to decline overdrafts transactions for ATM and everyday debit card transactions if there are insufficient funds in your account. Please take action right now to avoid the loss of this service.

Sincerely,

Jane Smith
<<Program Name>> Customer Service Representative

ATM / Debit Card Opt-In Confirmation Letter - All Accounts

June 15, 2010

Mr. John Doe
123 Main Street
Anytown, US 12345

Dear Mr. Doe,

This letter is being sent to you to confirm your choice to have [Institution Name] authorize and pay overdrafts on your ATM and everyday Debit Card transactions in accordance with our overdraft service practices <<, including Program Name>>. This letter is for your information and requires no further action unless this is not what you intended.

You may revoke this election at anytime by calling [telephone number], visiting our website at [Web site], or preparing a letter asking us to revoke your election and presenting it at your nearest branch or mailing it to: [Institution Address].

Sincerely,

Jane Smith
<<Program Name>> Customer Service Representative

ATM and Debit Card Follow-up Call Script

[Use pleasant tone; assume the possibility that system information has not been updated for recent responses]

Hello, my name is _____ and I'm with (Name of Institution). I'm calling about a letter we recently mailed you notifying you of a new federal regulation preventing us from continuing to pay overdrafts for your ATM and everyday Debit Card transactions unless you ask us to continue.

We're notifying you in advance so you can avoid the possibility of having your debit card purchase declined due to insufficient funds. Our records show we haven't received a decision from you telling us how to handle your ATM and everyday Debit Card transactions in the event of an overdraft.

[If talking to person rather than voicemail]

Do you want us to continue to authorize and pay your ATM and Debit Card transactions when your account has insufficient funds? [If "Yes" or "No", update the opt-in field in the core system; If customer is not sure, update the opt-in field as "Undecided" and offer to get answers to any questions they may have or send them the opt-in form]

[If leaving voicemail or undecided]

Please call us at xxx-xxx-xxxx or visit our website at xxx.xxxxxxxx.com or mail us the opt-in form we sent you to make your choice as soon as possible.

Thank you for your time, and again, thank you for banking with (Name of Institution).

CourtesyConnect® Program Appendix

CourtesyConnect® Program Qualification Notice for Affirmative Opt-Ins

January 2, 2010

John Doe
102 Main Street
Anywhere US 99999

Optional
language for
notices sent in
advance.

Dear Mr. Doe,

Paying attention to your financial needs is our top priority. As a valued customer, we are pleased to inform you about our overdraft policy, CourtesyConnect®<<, which will begin on January 10, 2010>>. At our discretion, we may pay your non-sufficient fund items, including any applicable fees, up to a limit of a \$500 deficit balance for qualifying accounts. Your checking account #123-4567-8 qualifies under this policy as long as you maintain your account in good standing; however, we reserve the right to limit, restrict, or prohibit the payment of items depending on the circumstances. This policy is in effect for checks, ATM withdrawals, debit card transactions, preauthorized automatic debits, telephone-initiated transfers or other electronic transactions where there are insufficient funds in your account to cover the transaction. Overdraft lines of credit or other overdraft protection services will remain unchanged and in the event of an overdraft will be accessed for coverage before the CourtesyConnect® policy.

CourtesyConnect® is part of our discretionary overdraft policy and as such we are under no obligation to pay items when your funds are non-sufficient. However, we want to provide good service believing you'll make a deposit immediately to bring your account to a positive balance. **The usual non-sufficient funds fee of \$25 will be assessed for each non-sufficient item processed.** Transactions may not be processed in the order in which they occurred, and the order in which transactions are received and processed can affect the total amount of overdraft fees assessed. We hope to save our accountholders substantial fees charged by merchants and other payees for returned items. If you do not wish to be included under this policy and would prefer to have all of your non-sufficient fund items returned, please call 555-1234. The same non-sufficient fund fees will be assessed whether your items are paid or returned.

While we have adopted this policy to allow for consistent treatment of overdraft transactions, we are not encouraging you to overdraw your account. Accountholders should not become dependent on this policy to meet short-term cash needs. Accountholders that do not bring their overdrawn balance to a positive balance within 20 days will be suspended from the program. Abuse of the policy may result in suspension. There are other more prudent options to cover overdrafts, such as lines of credit and transfers between accounts. We are happy to discuss those options in an effort to meet your needs.

For more details, please read our **Discretionary Overdraft Policy** or call me at 555-1234. CourtesyConnect®, just another way we pay attention to you and your financial needs.

Sincerely,

Jane Smith
CourtesyConnect® Coordinator

CourtesyConnect® Program Qualification Notice for No Response Opt-Ins

January 2, 2010

John Doe
102 Main Street
Anywhere US 99999

Optional
language for
notices sent in
advance.

Dear Mr. Doe,

Paying attention to your financial needs is our top priority. As a valued customer, we are pleased to inform you about our overdraft policy, CourtesyConnect®<<, which will begin on January 10, 2009>>. At our discretion, we may pay your non-sufficient fund items, including any applicable fees, up to a limit of a \$500 deficit balance for qualifying accounts. Your checking account #123-4567-8 qualifies under this policy as long as you maintain your account in good standing; however, we reserve the right to limit, restrict, or prohibit the payment of items depending on the circumstances. This policy is in effect for checks, recurring debit card transactions, preauthorized automatic debits, telephone-initiated transfers or other electronic transactions (except ATM and everyday debit card transactions) where there are insufficient funds in your account to cover the transaction. There is no additional charge to include service for your ATM and everyday debit card transaction, but we must receive authorization from you as soon as possible (see attached for more information). Overdraft lines of credit or other overdraft protection services will remain unchanged and in the event of an overdraft will be accessed for coverage before the CourtesyConnect® policy.

CourtesyConnect® is part of our discretionary overdraft policy and as such we are under no obligation to pay items when your funds are non-sufficient. However, we want to provide good service believing you'll make a deposit immediately to bring your account to a positive balance. **The usual non-sufficient funds fee of \$25 will be assessed for each non-sufficient item processed.** Transactions may not be processed in the order in which they occurred, and the order in which transactions are received and processed can affect the total amount of overdraft fees assessed. We hope to save our accountholders substantial fees charged by merchants and other payees for returned items. If you do not wish to be included under this policy and would prefer to have all of your non-sufficient fund items returned, please call 555-1234. The same non-sufficient fund fees will be assessed whether your items are paid or returned.

While we have adopted this policy to allow for consistent treatment of overdraft transactions, we are not encouraging you to overdraw your account. Accountholders should not become dependent on this policy to meet short-term cash needs. Accountholders that do not bring their overdrawn balance to a positive balance within 20 days will be suspended from the program. Abuse of the policy may result in suspension. There are other more prudent options to cover overdrafts, such as lines of credit and transfers between accounts. We are happy to discuss those options in an effort to meet your needs.

For more details, please read our **Discretionary Overdraft Policy** or call me at 555-1234. CourtesyConnect®, just another way we pay attention to you and your financial needs.

Sincerely,

Jane Smith
CourtesyConnect® Coordinator

Branch Brochure

Cover:

CourtesyConnect®:
Questions and Answers about CourtesyConnect®

Inside:

How do we handle an item presented for withdrawal on your account when there are insufficient funds in your account to cover the transaction?

A non-sufficient fund item (NSF item) is a transaction on your account where the amount of the transaction is greater than the available balance in your account.

What is CourtesyConnect®?

The CourtesyConnect® program is a discretionary, non-contractual courtesy for qualified accountholders, where we MAY pay items up to a \$500 deficit balance, including applicable fees, in your account and charge our standard NSF/OD fee per item presented. This program is a discretionary courtesy and payment of your NSF item is NOT guaranteed.

If an item such as a check, ATM withdrawal, debit card transaction, preauthorized automatic debit, telephone-initiated transfer or other electronic transfer is processed by us and insufficient funds exist to pay that item, we are under no obligation to pay that item. However, in an effort to provide excellent service, we may pay, at our discretion, items, including any applicable fees, up to a \$500 deficit balance, for accounts in good standing. CourtesyConnect® is not a line of credit. It is a discretionary policy, and not a right or obligation guaranteed to you to pay your overdrafts. Please see the Discretionary Overdraft Policy on the back of this brochure for more information. Our standard non-sufficient fund/overdraft fee of \$25 will be assessed for each non-sufficient fund item that is processed.

How will it benefit me?

We hope this policy helps you understand how we make overdraft payment decisions and that you will manage your finances carefully. In the event something unexpected happens where your account does not have the available funds to cover your checks, ATM withdrawals, debit card transactions, preauthorized automatic debits, telephone-initiated transfers or other electronic transactions, our policy may help you avoid the embarrassment and costs of returned items.

Will my ATM and everyday Debit Card transactions be included in the CourtesyConnect program?

We must have your authorization on file before setting up the service for ATM and everyday Debit Card transactions. There is no additional charge to activate service for your ATM and everyday Debit Card transactions. Please call us at (123) 456-7890 or visit our web site at www.AnyBank.com to activate this service.

Is CourtesyConnect® a line of credit or loan?

CourtesyConnect is not a line of credit or a loan. As a non-contractual courtesy, we may pay your overdrafts up to the CourtesyConnect® limit, which can be suspended or withdrawn at any time.

Do I have to apply for CourtesyConnect®?

No. This is an internal policy that covers checking accounts, which meet our requirements and are in good standing. Please see the Discretionary Overdraft Policy on the back of this brochure for more information.

What do I have to do to use it?

Subject to the Discretionary Overdraft Policy, if you overdraw your account and we choose to cover your overdraft, the transaction will take place automatically. Accountholders should not become dependent on this policy to meet short-term cash needs.

How will I know I am overdrawn?

We will mail you a letter to notify you immediately each time there is a non-sufficient fund item processed on your account.

What if I overdraw more than \$500?

In most instances, any items, including applicable fees, which exceed the CourtesyConnect® limit will be returned. If you have special circumstances, please call us. We want to serve you.

How quickly do I have to deposit funds to cover an overdraft?

The Discretionary Overdraft Policy states that you are required to deposit funds ***immediately*** to cover any overdrafts. If you do not deposit funds to cover your overdraft in 20 days, we will suspend your CourtesyConnect® privileges until your account is in good standing. If you go 45 days with a negative balance, and do not reply or deposit funds, your account will be closed and reported to a consumer reporting agency and/or collection agency.

Other Ways to Cover NSF's

Overdraft Line of Credit – an overdraft line of credit requires a contractual loan agreement to be signed and is available to qualifying accountholders. NSF items are covered up to the value of the line of credit for a transfer fee of \$5.00 per NSF item. Interest is charged on the outstanding balance of the line of credit. Payments of interest and outstanding principal are required to be made monthly. For more information, contact a customer service representative.

Transfer from Another Account - Arrangements can be made to automatically transfer funds from one of your other accounts with our institution to an account that has a NSF item transaction for a transfer fee of \$5.00 per NSF item. This service must be set-up in advance of an NSF item transaction. Please speak to your customer service representative about designating which accounts you would like transfers to come to and from.

Back: Discretionary Overdraft Policy

SAMPLE OF DEPOSIT ACCOUNT AGREEMENT DISCLOSURE STATEMENT SECTION FOR NON-SUFFICIENT FUNDS AND OVERDRAFTS

Non-Sufficient Funds and Overdrafts

You do not have the right to withdraw or transfer funds or authorize payments from your account that are not available or uncollected.

If you or any authorized party submits a withdrawal, transfer or payment request by any means with which a withdrawal, transfer or payment request can be made from your account and the available or collected funds in that account are "non-sufficient," we have the right to refuse that request and charge you the non-sufficient funds (NSF) fee disclosed to you in our schedule of charges for each item. An "item" is any authorized method of access to funds in your account, including, but not limited to, a paper check, a draft, an ATM withdrawal, a debit card transaction, an ACH transaction, a preauthorized automatic debit, a telephone-initiated transfer, an online banking transaction or any other electronic transaction. Fees imposed by us are not considered "items."

If, however, we complete a withdrawal, transfer or payment request for an item even though there are non-sufficient funds in your account, this will create an "overdraft" and you will be charged the overdraft fee disclosed to you in our schedule of charges. An overdraft fee is charged for each item that exceeds the account balance. This may result in multiple fees for successive overdrafts. For example, if you have exceeded your account balance and a check is presented for payment, you use your debit card and you make an ATM withdrawal then this would result in three separate overdraft fees. Our payment of any overdraft does not mean you have a line of credit. If your account is overdrawn for any reason, you agree to immediately deposit sufficient funds to bring your account to a positive balance.

For consumer accounts, we attempt to NOT pay overdrafts for ATM or everyday Debit Card transactions when there are insufficient funds in your account unless you ask us to. In the event we authorize and pay an overdraft for an ATM or everyday Debit Card transaction when you have not asked us to, you agree to immediately deposit sufficient funds to bring your account to a positive balance.

If more than one item is presented to us as a withdrawal, transfer or payment request on a given day, and there are available funds to complete one or more requests but less than all of them, we have the right to decide the order of the items for which we will complete the request and which items will be refused (if any). This means we can complete the request for the largest item, if we choose, and reject all smaller items, or any other order we elect including, for example, random order.

Although subject to change without notice, it is our current practice to process items each evening for those received prior to the daily cut off time, as follows. We sort items for processing first by transaction type in the following order: ATM withdrawals, debit card transactions, pre-authorized debit transactions, telephone-initiated transfers, other electronic transactions and paper-based checks or drafts. Within transaction types, items are processed by item sequence, which would be the earliest date/time for electronic items and the lowest check or draft number for paper-based items. For example, if we receive two of your checks for payment and you make a debit card transaction in the same day, these items will be processed against your account balance that evening. Your account balance is adjusted downward as each item is processed for the amount of the item, if the item is paid, and/or any applicable non-sufficient fund/overdraft fee that is charged. A non-sufficient fund/overdraft

fee will be charged for each item if the amount of the item is greater than the adjusted account balance at the time it is processed.

You have NO right to choose the order of the item(s) for which we will complete your withdrawal, transfer or payment request(s).

Under no circumstance shall you have the right to rely upon us to complete your withdrawal, transfer or payment requests if your account does not have sufficient funds even if we have previously completed such requests on one or more occasions. (Any practice that is more beneficial to you than our written obligation will NOT supercede these written rules.)

In the event of any oral or implied agreement to complete your withdrawal, transfer or payment requests when your account has non-sufficient funds, this Agreement shall prevail and no oral or implied agreement shall be enforceable.

If any of your accounts is overdrawn for any reason, you agree to immediately deposit sufficient funds to bring your account to a positive balance. Each account owner is individually and jointly responsible for depositing sufficient funds to bring your overdrawn account to a positive balance if such overdraft was caused by any authorized withdrawal, transfer or payment request, regardless of whether such owner participated in the transaction or benefited from it.