

COURTESY PAY AGREEMENT AND DISCLOSURE

A section from the Consumer Member Account Agreement and Disclosure

Effective November 15, 2021

Please retain this important document for your records.

Overdraft Policy

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 available balance up to the amount of your Courtesy Pay limit, which is determined by us in our sole and absolute discretion. We refer to this service as our Courtesy Pay Service (hereinafter referred to as the "Service"). This Courtesy Pay Agreement ("Agreement") sets forth the terms and conditions applicable to the Service. The Service is available for checking accounts for which the primary checking account owner is 18 years of age or older and has been a member in good standing for at least ninety (90) days. We reserve the right to limit the Service to one (1) account per household or member.

What is an Overdraft?

Some transactions can result in an overdraft (i.e., negative available balance) in your checking account. These transactions include, but are not limited to: (1) the payment of checks, electronic transfers, telephone-initiated transfers, preauthorized payments under our Bill Pay service, or other withdrawal requests authorized by you including, but not limited to, ATM transactions, Visa Debit Card transactions, point-of-sale transactions, ACH transactions, and other preauthorized transfers, for which available funds are insufficient; (2) the return (unpaid) of items deposited by you; (3) the imposition of service charges by us; or (4) the deposit of items which are treated as not yet "available" according to our Funds Availability Policy. Refer to the sections on "Your Account Balance", "Authorization Holds for Debit Card Transactions", and "Payment Order of Items" for more information on circumstances which could result in an overdraft.

Your Account Balance

Your checking account has two kinds of balances: the "actual" balance and the "available" balance. Both can be checked when you review your account at a Credit Union-owned ATM, in Online Banking, by calling Member Services 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.

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. Your actual balance reflects transactions that have posted to your account, but not transactions that have been authorized and are pending, while pending deposits that are subject to holds under our Funds Availability Policy will be reflected in the actual balance even though they are not yet "available." 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.

Your available balance is the amount of money in your account that is available to you to use without incurring an overdraft. Your account is considered overdrawn when the available balance in your account is negative (less than \$0). 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 generally release the authorization hold (although there may be transactions where our system is unable to match the authorization hold with the submitted merchant transaction), post the transaction to your account, and reduce your actual and available balance by the amount of the posted transaction.

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, 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 available balance (less than \$0), we may 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.

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 Fee Schedule, 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 may charge you a Courtesy Pay Fee as disclosed in our Fee Schedule, even though the restaurant transaction was authorized and approved with a sufficient available balance.

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 we check your available balance at two separate times as explained above, in addition to the fact that 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.

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.

Finally, your available balance may not reflect the most recent deposits to your account. Refer to our Funds Availability Policy for information regarding the availability for withdrawal of your deposits. You should not assume that you can avoid overdrawing 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

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 accept or 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 have accepted or signed for it, depending on the merchant and its processing company. These payment requests are received real time throughout the day and are posted to your account as they are received.

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.

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.

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 to thirty (30) business days for certain transactions).

What Overdraft Transactions are Covered?

The Service is available for the payment of checks, electronic transfers, telephone-initiated transfers, preauthorized payments under our Bill Pay service, recurring Visa Debit Card transactions, other preauthorized transfers, point-of-sale transactions where a personal identification number (PIN) is used, ACH transactions, the return of (unpaid) items deposited by you, or the deposit of items which are treated as not yet “available” according to our Funds Availability Policy. The Service is not available for ATM transactions and one-time Visa Debit Card transactions, unless you opt-in, as described in the next section below.

Optional Overdraft Transactions

The following types of transactions require you to “opt-in” (in other words, you must provide us with your affirmative consent) if you would like to include them in the Service. Choosing not to opt in may result in these transactions being declined:

- ATM transactions
- One-time Visa Debit Card transactions

If you want the Credit Union to authorize and pay overdrafts for the above transactions, you must provide us with your consent by: (1) calling us at (805) 543-1816; (2) visiting any branch and speaking with a Member Service Representative; (3) mailing an opt in consent form to PO Box 5360, San Luis Obispo, CA 93403; or (4) through our Online Banking service. You can also opt-out of such optional overdraft transactions at any time through the same channels as are available to opt-in.

Eligibility for Courtesy Pay 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 your checking account (unless you opt-out of the Service—see 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 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;
- Your membership is not in good standing;
- You are more than fifteen (15) 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;

- A ChexSystems or any other negative indicator has been reported to us;
- You are a party to a bankruptcy proceeding;
- Any or all of your accounts with us are being reviewed for improper activity or transactions;
- Your checking account is classified as inactive;
- We determine you have had excessive checks returned for non-sufficient funds in a calendar year;
- You have an unresolved prior loss with us;
- We do not have a valid address for you; or
- We believe you are not managing your checking account in a responsible manner which may harm you or us.

The Courtesy Pay Service is a Benefit

ANY COURTESY PAY PAYMENT WILL BE MADE BY US ON A CASE-BY-CASE BASIS, IN OUR SOLE AND ABSOLUTE DISCRETION. THE COURTESY PAY 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 COURTESY PAY SERVICE IS A PRIVILEGE THAT THE CREDIT UNION PROVIDES FROM TIME TO TIME AND WHICH MAY BE WITHDRAWN OR WITHHELD BY THE CREDIT UNION AT ANY TIME, WITHOUT PRIOR NOTICE, REASON OR CAUSE.

How the Courtesy Pay Service is Administered

If the Service is available to you, we will generally pay your overdraft items against your available balance up to your approved limit, including fees. It is important to understand that overdrafts occur when a transaction is processed against an insufficient "available balance." For further explanation of "available balances" please see the section entitled "Your Account Balance" or speak with a Member Service Representative. You understand 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 checking account is in good standing and even if we have paid previous overdrafts.

When is the Overdraft Payment Due?

The total of the overdraft (negative) available 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 with us sufficient funds to cover the overdraft paid by us and pay the related fees.

Payment Order of Items

The order in which items are paid is important if there is not enough money available to pay all of the items that are presented. There is no policy that is favorable in every instance. If the smallest items are paid first, you may have fewer NSF or overdraft fees, but the largest, and perhaps more important items (such as rent or mortgage payments) might not be paid. When processing items (checks received through the Federal Reserve) drawn on your account, our policy is to pay them in the order they are presented to us on processing files. Checks presented for payment over the counter at one of our branches by a non-member are processed real time. Point of Sale (POS) transactions are processed real time by placing a hold on your account until the merchant presents the charge for payment. These holds can reduce funds available for several days, which affect the need for Courtesy Pay. Automated Clearing House (ACH) transactions (credits before debits) are processed throughout the day as ACH files are received in the order presented to us.

Courtesy Pay Fees

A Courtesy Pay Fee will be charged to your checking account, in accordance with our current Fee Schedule, for each overdraft that is authorized and paid against an insufficient available balance in your checking account 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 overdraft check or other item/transaction under the Service, you are subject to a Non-Sufficient Funds (NSF) Fee for each such item, each time it is presented for payment in accordance with our Fee Schedule. Your periodic statement will itemize Courtesy Pay Fees and NSF Fees for each cycle, as well as the year-to-date total of fees.

Nonsufficient Funds (NSF) Fees

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 pay an overdraft, then we decline or return the transaction or item unpaid and charge a related NSF Fee as stated in our Fee Schedule. 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. We do not control or monitor the number of times a transaction or item is presented to us for payment. 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 returned unpaid or a Courtesy Pay Fee if a resubmitted item is paid when your account lacks sufficient available funds to pay it.

Transfers to Cover Overdrafts

You also agree that we have the right to transfer available funds from other accounts you may have with us to cover the overdraft and pay the related fees. You understand and agree that we may transfer funds to your checking account from any of your other account(s) with us (excluding IRAs), including account(s) upon which you are a joint owner, in an amount equal to the overdraft, which we may pay according to the terms and conditions of this Agreement and to pay the related fees.

Your Right to Opt-Out of the Courtesy Pay Service

If you prefer not to have the Service, please telephone us at (805) 543-1816 Monday through Friday, 9:00 a.m. to 6:00 p.m. opt out of the Service through Online Banking, speak to a Member Service Representative in one of our branches or write to us at PO Box 5360, San Luis Obispo, CA 93403 and include your name, member number and a statement that you are opting out of the Credit Union's Courtesy Pay Service and we will remove the Service from your checking account. If you opt out in writing, you must include the date and your signature. If you opt-out of the Service, you will still be charged our NSF Fee for each item returned, each time it is presented for payment and returned unpaid due to an insufficient available balance.

Optional Overdraft Protection Plans

We also offer overdraft protection plans, such as a link to a regular share savings account or line of credit account, which may be less expensive than our Courtesy Pay Service, although transfers through such overdraft protection plans are also potentially subject to fees and finance charges depending on the type of protection plan. The terms of such overdraft protection plans will be separately disclosed to you if you are approved for and enrolled in such a plan. To learn more, ask us about these plans.

