



**ICUL SERVICE CORPORATION**  
*HELPING CREDIT UNIONS COMPETE*

*A part of the Illinois Credit Union System*

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**ATM/DEBIT ANNOUNCEMENT – 5 – 4/23/10**

LSC would like to remind Credit Unions of upcoming changes to Regulation DD - Truth In Savings and Regulation E - Overdraft. This update provides a reminder of the opt-in requirement along with a sample member letter and opt-in form.

**Overdraft Fee Opt-In Requirements**

The effective date is July 1, 2010 for all accounts opened **after** this date. However compliance is not mandatory until August 15, 2010 for accounts opened **prior** to July 1, 2010.

A fee may not be assessed or charged on a member's account for paying an ATM or one-time debit card transaction when the member has insufficient or unavailable funds in the account unless the credit union has obtained the member's consent (**opt-in**) to the charging of a fee for the overdraft service.

**The opt-in requirement does not apply to--**

- Fees for overdrafts caused by other means such as ACH transactions, checks, or recurring debit card transactions. A recurring debit card transaction occurs if a member authorized a monthly payment of a recurring bill by means of his/her debit card. In determining whether a transaction is a recurring transaction (and thereby subject to a fee without the member opting-in) the credit union may rely on the coding of the transaction by the merchant or other institution as one-time or recurring.
- Fees for transferring funds from a separate account that is not tied to the debit card to cover the overdraft.
- Fees in connection with an overdraft line of credit.

Before opting-in, members must be provided with a notice in writing or electronically, describing the credit union's overdraft service. See attached sample of member consent form.

A member may indicate consent by telephone, electronically, or by providing a written consent in person or by mail. The consent may be contained on the application for a debit card, but there must be a separate signature or initials line, or a box to check, to indicate consent.

The credit union must provide the member with a written or electronic confirmation of the member's consent including a statement that the member has the right to revoke the consent at any time. The credit union may comply with the confirmation requirement by providing the member a copy of the member's completed opt-in form.

If the credit union implements opt-in, members that do not opt-in must not be treated differently than members that do opt-in.

- A credit union that allows overdraft for checks, ACH and other transactions not subject to this regulation, cannot require the opt-in as a condition for paying those types of overdrafts. As mentioned above, the credit union does not have to obtain consent for imposing a fee for overdrafts other than ATM or one-time debit card transactions.

A credit union must provide members who do not opt-in the same account terms and conditions and features provided to members that do opt-in, except for the overdraft service for ATM and one-time debit card transactions.

Please direct any additional questions to our Compliance Team at [TISCompliance@ilcusys.org](mailto:TISCompliance@ilcusys.org).

**THE NEW ELECTRONIC FUNDS TRANSFER ACT REQUIRES YOU TO MAKE A CHOICE AFFECTING YOUR CHECKING ACCOUNT. ENCLOSED IS A FORM THAT REQUIRES YOUR IMMEDIATE ATTENTION AND ACTION.**

On November 12, 2009, the Federal Reserve finalized changes to Regulation E, which implements the Electronic Funds Transfer Act that affects Overdrafts caused by ATM and one-time debit card transactions.

This regulatory change requires you to notify us whether you want us to pay ATM or one-time debit card transactions when you do not have enough money in your account to cover the transaction.

**HOW YOUR ACCOUNT WORKS TODAY**

Our current overdraft practice is to rely on your financial history to assist us in determining whether or not to pay an overdrafting ATM or one-time debit transaction allowing your account to overdraft to a negative balance. For this overdraft ability your account typically is assessed fee. In order for you to continue this service we need your consent authorizing us to do so. By doing so, these advantages offered will continue:

- **Convenience** – May allow your debit card purchases to be approved when you have insufficient funds.
- **Flexibility** – May allow you to make a purchase even if you can't make a deposit or transfer money until later that same day.
- **A Safety Net** – May cover you if you have an unexpected expense, such as a car tow.
- **Emergency Backup** – May allow you to use your debit card in an emergency, even if you don't have enough money in your account.

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**WHAT DO YOU NEED TO DO?**

Please complete and return the enclosed form to XXX Credit Union or call (XXX) XXX-XXXX, to notify us of your decision:

- If you **DO** authorize us, then we may pay at our discretion any ATM or debit card transaction that is processed when you do not have adequate funds in your account. This will create an overdraft, and you may be charged a \$XX.XX fee. Of course, we retain the right to pay or not pay any items when there is not enough money in your account to cover the transaction.
- If you **DO NOT** authorize us, then any ATM or debit card transaction that is processed when you do not have adequate funds in your account will be declined.

Your decision is required regarding whether we should pay or not pay ATM and one-time debit card transactions. If you do not respond to this letter, we will interpret your non-response as directing us to NOT pay ATM or debit card transactions when you do not have sufficient funds in your share draft account.

The government set an implementation date of August 15, 2010. Therefore, your decision for us to pay or not pay ATM and debit card transactions presented without sufficient funds will NOT be effective until August 15, 2010. Until that time, we will continue to follow our typical overdraft practices.

We value your membership and look forward to continuing to serve your financial needs. If you have any questions, or need assistance with your account, please call XXX-XXX-XXXX, or visit our website at XXXX.XXX.

## 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, which in essence, allows your account to go negative due to overdraft occurrences.
2. We may also offer overdraft protection plans, such as a link to a share/savings account or overdraft line-of-credit, which may be less expensive than our standard overdraft practice. 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:

- Share drafts/checks and other transactions made using your checking account number
- Automatic bill payments
- ACH transactions

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

- ATM transactions
- Everyday debit card transactions (any one-time transaction including a point-of-sale transaction, an on-line transaction, or a telephone transaction).

*This policy applies to overdrafts for ATM and everyday debit card transactions occurring—*

- (1) on or after August 15, 2010, for accounts opened prior to July 1, 2010, or
- (2) on or after the date an account is opened for accounts opened on or after July 1, 2010.

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 the Credit Union pays my overdraft?

Under our standard overdraft practices:

- We will charge you a fee of \$ \_\_\_\_\_ each time we pay an overdraft.
- There is no limit on the total fees we may charge you for overdrawing your account.

### What if I want the Credit Union to authorize and pay overdrafts on my ATM and everyday debit card transactions?

If you want us to authorize and pay overdrafts on ATM and one-time debit card transactions, call XXX-XXX-XXXX, or complete the form below and mail it to XXX Credit Union, XXX Credit Union Address.

***(You have the right to revoke your authorization at any time by contacting us using one of the authorization methods listed above.)***

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If there are multiple owners on the ATM and/or debit card account, either account owner can act on behalf of all owners on this account.

Only one (1) account owner signature is needed to add or remove the overdraft coverage.

**ADD COVERAGE** I want the Credit Union to authorize and pay overdrafts on my ATM and everyday debit card transactions. I understand I will be charged fees as listed above.

**REMOVE COVERAGE** I do not want the Credit Union to authorize and pay overdrafts on my ATM and everyday debit card transactions.

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Member Number

X \_\_\_\_\_  
**Member/Owner Signature**                      **Date**

## CREDIT UNION CONSENT CONFIRMATION

X \_\_\_\_\_  
Member/Owner Printed Name  
Coverage Added  
Coverage Removed

\_\_\_\_\_  
Member Number