



The Federal Reserve released new Regulation E amendments that affect all financial institutions (FI). Every FI will need to obtain an opt-in authorization from each checking account holder before charging an overdraft courtesy pay fee caused by a one-time debit card transaction or an ATM transaction. **Note:** ATM transactions do not apply to NECU, since we do not allow the account to go negative at the ATM.

These new rules prevent financial institutions from automatically enrolling customers/ members in overdraft protection programs and collecting fees when a consumer spends more money than they have in their checking account.

Northeast Credit Union's Courtesy Pay is a service added to the member's checking account to cover ACH debits, checks and draft card purchases. Courtesy Pay is used when a member does not have enough money in their account to cover a transaction that is being processed. With Courtesy Pay, NECU will allow the account to go into a negative balance and will provide the funds needed for the transaction to be processed.

1. What is "Reg E"?

Regulation E, often referred to as "Reg E", is a Federal Reserve regulation known as The Electronic Funds Transfer (EFT) Act. It was implemented in the US in 1978 to establish the rights and liabilities of consumers as well as the responsibilities of all participants in EFT activities.

2. What are the new changes?

The changes require banks to obtain a customer's consent before the financial institution can authorize any ATM or Debit Card transaction to be paid if that transaction would overdraw their account. It also prohibits financial institutions from charging overdraft fees unless the member has authorized the financial institution to pay the transactions which caused the overdraft. A member's consent is known as "opting in" to the regulation. It is usually referred to in the shortened version "Opt In". If a joint account, only one account owner needs to provide "Opt In" consent.

3. What changed with the overdraft privilege program?

On August 15, 2010, Regulation E, the regulation that governs electronic transactions required account holders to affirmatively consent to the overdraft service as it applies to one-time debit card point-of sale transactions. In other words, you must sign an "opt-in" form if you want to continue to have Courtesy Pay cover everyday Point of Sale (POS) transactions whether it is by entering a PIN or signing for the transaction.

4. How does this affect Northeast Credit Union's existing Courtesy Pay program?

- Existing members who would like to receive Courtesy Pay benefits **are** required to Opt-in to our Courtesy Pay program.
- New members are not eligible to participate in this program for 180 days, and then they must meet all criteria.
- If a member does not officially Opt-in to the program, we have to assume that the member is choosing to Opt-out, and therefore, will decline any one-time debit card transactions that would bring the account into the negative.
- The credit union cannot automatically enroll members into the Courtesy Pay program for one-time debit card transactions. For us to pay the overdraft and assess a fee, the member must officially opt-in.

5. How can a member “opt-in”?

If you want us to authorize and pay overdrafts on everyday debit card transactions you can do so in the following manner:

- Mail: NECU, 100 Borthwick Avenue, PO Box 1240, Portsmouth, NH 03802-1240.
- Online: www.necu.org/courtesypay
- Online banking: [Through a member’s online banking account](#)
- Phone: 888.436.1847
- Fax: 603.422.9849

6. For joint account holders, do both parties have to opt in?

If two or more members jointly hold an account(s), NECU will treat an opt-in by any of the joint member as opt-in for that account. Similarly, NECU will treat an opt-out by any of the joint members as opt-out for that account.

7. What about if the member has an automatic transfer set up to pay from their savings/share and/or Visa?

These will not be affected by the new regulation.

8. What does Opt-In do for a member?

When a member uses their debit card for a one-time POS transaction and they do not have enough funds in their checking account, the Courtesy Pay program may approve the transaction. This will eliminate the embarrassment of being declined with the merchant at the time of purchase.

9. How long does it take to have my Opt-In or Opt-Out to be effective?

It generally takes up to 1 business day (Monday-Friday, excluding holidays) to make your selections effective.

10. Do the regulation changes apply to all debit card transactions?

No. They only apply to what are termed “everyday” debit card transactions. This refers to a transaction that is performed to pay a single purchase and not made on a regular or “recurring” basis, normally for the same amount and at approximately the same time each month. These “recurring payments” which the member has authorized for payment of utilities or other types of regular bills are not included in the “Opt In” requirements. Those recurring transactions can be authorized by NECU if they would overdraw the account, and a Non-Sufficient Funds (NSF) fee can be charged to the member.

11. What types of accounts are covered?

The Courtesy Pay program can only cover deposit accounts to the extent that they may be overdrawn by everyday debit card transactions.

12. Does Courtesy Pay cover overdrafts done through Bill Pay?

No. A member can set up their bill payments for overdraft protection linked to their savings or credit card, but if the funds are not available, the payment is declined.

13. Why does a member have to do this?

A new revision to the federal regulation (Regulation E) became effective on August 15th, 2010. The regulation was created so that members could choose to allow, or not allow, financial institutions to authorize everyday debit card transactions if the account had insufficient funds and be charged a fee for that service.

The regulation states that NECU needs to receive permission (or as the regulation calls it, “opt-in”) from members to continue to allow use of the Courtesy Pay program on an account. If NECU did not receive a member’s permission by August 15, 2010, or choose to opt-in, NECU will no longer allow transactions that make an account negative, and a member’s card will be declined, unless they decide to opt-in.

14. Do members have the ability to see if they are opted in or opted out of Courtesy Pay through online banking?

Yes. Members have the ability to see if they are opted in or out through online banking.

15. There will be cases where NECU pays an authorized debit card transaction that overdraws a member's account due to intervening transactions that reduce the available balance below the authorized amount of the transaction. Can NECU charge a fee for paying this overdraft?

NECU may pay the overdraft, but it cannot charge a fee for doing so unless the member has opted in to the credit union's overdraft service for paying one-time debit card transactions.

16. What is the difference between an overdraft and an NSF fee?

An overdraft occurs when you don't have the money in your account to pay one or more of your transactions, but as a courtesy we may honor the transactions and allow your account to temporarily have a negative available balance. An NSF occurs when you don't have the money in your account to pay one or more of your transactions and you have exhausted the available balance of all of your elected overdraft protections (e.g. savings, reserve line-of-credit). The item is not paid by NECU and it is declined.

17. Do members still need to meet eligibility criteria for Courtesy Pay benefits?

Yes, a member's Courtesy Pay can be removed at our discretion and we will still reserve the right to refuse to pay any item that is presented. We will continue to generate and send letters notifying the member that Courtesy Pay has been removed when applicable.

18. If a member goes to the ATM and get funds that overdraw their account will they be assessed a fee?

No. NECU does not provide funds at an ATM for greater than the available limit in your checking account.

19. Can a member keep Courtesy Pay for checks and electronic debits, but not for debit card transactions?

Yes. Members have the option to opt-in to one and opt-out of the other.

20. If a member has multiple member numbers with checking accounts associated to each, will they be required to Opt-in to each one separately to receive Courtesy Pay?

The member must opt-in to the Courtesy Pay program for each share draft account. NECU can't do one global opt-in or opt-out when multiple accounts are involved.

21. What will happen if a member chooses to opt-out? Will they be charged a fee if they overdraft their account?

The member will not be charged a fee if they opt-out and overdraw the account with a one-time check/debit card transaction, but they will not be able to use their debit card until their account is brought positive, or pending deposits are available.

22. Is there any limit to the number or amount of overdraft fees an institution can impose once the member has opted in?

There is no limit on the total fees NECU can charge you for overdrawing your account.

23. If NECU pays a check from an overdrawn account, are they allowed to charge a fee even if the member has not opted in?

Yes. Checks are not covered by this regulation.

24. What is meant by one-time debit transactions?

A one-time transaction is defined as a transaction that is performed to pay a single purchase. This differs from a debit transaction that was set up in a recurring method to pay utility bills, insurance premiums, mortgages, etc.

25. Why do I have to “opt-in” when I already have the service?

The final rule is intended to provide members with the right to make an active, informed decision regarding the use of overdraft services. As part of the rule changes, members must take an action to remain covered for these types of transactions.

26. What happens if a member doesn’t “opt-in”?

NECU will not be able to authorize and pay overdrafts for debit card Point of Sale (POS) transactions and your transaction will be declined at the time of the transaction. Only share drafts and ACH transactions will continue to be paid under the courtesy pay program.

27. What happens if a member changes their mind?

A member has the right to revoke their decision and “opt-in” or “opt-out” at any time through the same manner as listed above.

28. If a member’s account is held jointly, who can complete the opt-in form?

The rule states that any owner on an account can opt-in or opt-out of the overdraft program.

29. How does the regulation define “overdraft services”?

The regulation defines “overdraft service,” as “a service under which an institution assesses a fee or charge on a consumer’s account for paying a transaction when the consumer has insufficient funds in the account.”

30. Are all member accounts (personal and business) subject this new requirement?

No. Regulation E only covers “consumer accounts,” so the rules only apply to accounts established primarily for personal, family or household purposes. Currently this regulation does not apply to business accounts.

31. What happens with the automatic, recurring debit card payments that a member sets up with a merchant?

Automatic or recurring charges that are set up to debit an account (phone bill, gym membership, etc.) may continue to be authorized at our discretion, even if you do not opt-in.

32. What is the difference between everyday debit card transactions and recurring debit card transactions?

Everyday debit card transactions are those individual, one-time (non-recurring) debit card purchases you make through your day-to-day spending, e.g., at a store, over-the-phone, or online. A recurring debit card transaction is one a member arranges with a merchant ahead of time by providing their debit card number and authorizing the card to be charged on an ongoing basis (e.g., such as a monthly gym membership).

33. Are there other options for a member to consider besides courtesy pay?

The courtesy pay program helps prevent members from being declined when using their debit card at a store, over-the-phone, or online. Another option is overdraft protection; a member can link their checking account to a second NECU account, such as a savings account or credit card. If there is not enough money in the member’s checking account to cover the cost of a transaction, money from the linked account is automatically transferred to help make up the difference. Overdraft Protection also helps prevent returned checks and other overdrafts from occurring. There is a fee for each occurrence that this service is used when tied to a savings account. No overdraft protection fee is applied if established with an NECU Visa credit card account.

34. What if a member has a combination of different transactions that causes the overdraft? Can NECU charge a fee if I opted-out?

NECU may charge an overdraft fee for checks, ACH, and recurring debit card or online bill pay overdrafts as normal. If one of these types of transactions causes an overdraft, NECU may charge a fee.