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Important Information About Overdraft Services

New federal law affects how overdraft services are provided for your account.

What is an overdraft service?

An overdraft service is when a financial institution pays a transaction even though a customer does not have sufficient funds available in the deposit account to cover the amount of the transaction. A fee is charged for this service. Most financial institutions provide this service automatically – customers do not have to apply for or select to use the overdraft services.

A plan that transfers money from a credit card, loan account, or another deposit account is not considered an overdraft service.

Does the financial institution have to pay the transaction if it overdraws the account?

No. The service is discretionary. The institution may authorize and pay the transaction or it may decline the transaction. For most institutions, if the transaction is paid, the customer is obligated to promptly bring the account to a positive balance.

What is the effect of the new federal law?

After August 15, 2010, financial institutions cannot provide overdraft services for ATM transactions or everyday debit transactions unless their customers have instructed them to do so.

What is an everyday debit transaction?

Generally, an everyday debit transaction is when you use your debit card or card number to make a purchase at a gas station, store, restaurant, or other merchant, or by phone or the Internet. Using your debit card to authorize automatic payment of a recurring bill, such as your utility bill, is not considered an everyday debit card transaction.

Does this affect me if I always keep enough money in my account to cover my transactions?

It might. To understand how, it's important to know about debit holds. You may have experienced a debit hold without even knowing it.

For example, if you use your debit card at a gas station, the transaction will be authorized before you can start the pump. At the time of the authorization, the amount of the transaction is unknown. The gas station will obtain authorization for a selected amount, (\$50, for example) and a debit hold will be placed on your account for that amount.

Depending on the technology used, that debit hold might remain on your account for an extended period of time, even if your purchase was for a lesser amount. Because of this, you may have more money in your account than the records show, and a financial institution may have to deny a transaction even though you have sufficient funds in your account.

Also, keep in mind that a financial institution will deny a transaction if the records show you do not have sufficient funds available in your account at the time it is asked to *authorize* the transaction even if you expect to have deposited sufficient funds in your account by the time the transaction is presented for *payment*.

If you want us to continue to offer you this service after August 15, 2010, you will need to authorize us to do so.

Watch for more information

We will be sending you more information regarding overdraft services and easy ways you can authorize us to continue to offer you those services. Please review the information carefully and give us your authorization at the appropriate time.