

## ARIZE FEDERAL CREDIT UNION

650 SCIENCE PARK RD  
STATE COLLEGE, PA 16803  
814-237-5458

# **IMPORTANT CHANGE IN TERMS**

*The following Sections are added to your Membership Agreement. Please read this document carefully. **It includes an Arbitration Provision and Class Action Waiver.** You can opt out of the Arbitration Provision as provided below and you will not lose any of the rights and benefits of your accounts.*

## **Overdrafts**

“Overdraft” means there is not enough available balance in your account at the time a transaction is presented to us for payment (not when it is authorized). Overdrafts can result from checks, electronic payment transactions such as online bill payments, Automated Clearing House or ACH payments, debit card payments and ATM withdrawals or transfers. Should an Overdraft occur and you have signed up for Overdraft Protection, then we will first attempt to authorize and pay the item by transferring funds to your Checking Account from any approved personal line of credit, Mastecard Account or other deposit account (such as a Savings Account). If you have not signed up for Overdraft Protection or funds are not available in any of the above accounts when a transaction is presented to us, then we may either reject the transaction or we may, at our discretion, elect to pay it using our standard overdraft practices, which are called Courtesy Pay.

Courtesy Pay applies when we pay overdraft checks, Automatic Clearing House (ACH described below) transactions, bill pay and recurring debit card payments. If you choose to opt-in, Courtesy Pay can also apply to nonrecurring or one-time debit card payment transactions and ATM withdrawals and transfers. Without your affirmative consent, we may not authorize one-time debit card transactions or ATM withdrawals that will result in insufficient available balance in your account

If we pay an overdraft, then we will charge you an Overdraft Privilege Fee of \$35. If we decline to pay an overdraft that would result from a check, ACH or bill pay transaction, then it will be rejected and you will be charged a returned item (“NSF Fee”), which is also \$35. You will not be charged any fees if we decline to authorize a debit card payment transaction or ATM withdrawal or transfer. Overdraft Privilege Fees and NSF Fees are described in our Fee Schedule, which is updated periodically.

Note: Check and ACH payment transactions that are returned may be presented to us again for payment multiple times until paid. You may be charged an NSF Fee or Overdraft Privilege Fee each time a transaction is presented for payment, even if it was previously declined and a fee was previously charged.

The following is important information regarding your account balances, how transactions are authorized and posted to your account, and when an Overdraft or Return Item Fee will be charged. You should read these disclosures carefully. If you have questions, please see a branch representative or call 814-237-5458.

**YOUR CHECKING ACCOUNT BALANCE.** Your checking account has two balances: the “current” balance and the “available” balance. Both can be checked when you review your account online, on our mobile banking app, at an ATM, 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 current and available balances and how they work.

Your current balance is the full amount of all deposits into your account, even though some portion of a deposit may be on hold and may not be available to you (see our Funds Availability Disclosure), less payment transactions that have actually “posted” to or have been paid from your account, but not payment transactions that have been authorized and are pending. Thus, while the term “current” may sound as though the number you see is an up-to-date display of what is in your account that you can spend, that is not always the case. Any holds for purchase transactions, holds on deposits, or other checks, payments and fees that have not yet posted will not appear in your current balance. For example, if you have a \$50 current balance, but you just wrote a check for \$40, then your current balance is \$50 but it does not reflect the pending check transaction. So at that point, you actually have \$50, but you have already spent \$40. The current balance is the balance reflected on your account statements.

Your available balance is the amount of money in your account that is available for you to use without the risk of being charged an Overdraft Privilege Fee or NSF Fee. The available balance is the current balance less things like 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 a current balance of \$50 and an available balance of \$50. If you were to swipe your debit card at a restaurant to buy lunch for \$20, then that merchant could ask us to pre-authorize the payment. In that case, we will reduce your available balance by \$20 because once we authorize the transaction, we are obligated to pay. Your current balance would still be \$50 because this transaction has not yet posted, but your available balance would be \$30 because you have committed to pay the restaurant \$20. When the restaurant submits its bill for payment (which could be a few days later), we will post the transaction to your account and your current balance will be reduced by \$20.

We use available balance to decide whether to pay or not pay transactions. We also use available balance **at the time transactions are posted and actually paid (not when they are authorized)** to decide whether to charge Overdraft Privilege Fees. The following example illustrates how this works:

Assume your current and available balance are both \$100, and you swipe your debit card at a restaurant for \$60. As a result, your available balance will be reduced by \$60 so your available balance is only \$40. Your current balance is still \$100. Before the restaurant charge is sent to us for posting, a check that you wrote for \$50 clears. Because you have only \$40 available (you have committed to pay the restaurant \$60), your account will be overdrawn by \$10, even though your current balance was \$100. In this case, we may reject the check, in which case you will be charged a Return Item fee. If you are eligible for Courtesy Pay, then we may pay the \$50 check, but you will be charged an overdraft privilege fee of \$35 because your available balance was not sufficient at the time of payment to cover the check. Also, when the \$60 restaurant charge is later submitted to the Credit Union and posted to your account, you will not have enough money in your available balance because of the intervening check, and you will be charged a fee for that transaction as well, even though your available balance was positive when it was authorized.

It is very important to understand 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 your available balance may not reflect all the outstanding checks and automatic bill

payments that you have written or authorized, or other outstanding transactions that have not 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 posted to your account.

In addition, 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), we must release the authorization hold on the transaction. The available balance will not reflect this transaction once the hold has been released until the transaction has been received by us and paid from your account.

Your available balance can be checked on our mobile banking application, online, at Arize owned ATMs or by calling us at 814-237-5458.

**PAYMENT ORDER OF ITEMS:** The law permits us to pay items (such as checks) drawn on your account in any order. To assist you in handling your account with us, we are providing you with the following information regarding how we process the items drawn on your account(s). When processing items drawn on your account, our policy is to pay them in the order that they are received. If an item is presented without a sufficient available balance of funds in your account to pay it, we may, at our discretion, pay the item (creating an Overdraft) or return the item (NSF). The amounts of the Overdraft Privilege Fee and the NSF Fee is disclosed in the Fee Schedule. We encourage you to make careful records and practice good account management. This will help you to avoid writing checks without a sufficient available balance of funds and incurring the resulting fees. An Overdraft Privilege Fee may be imposed for Overdrafts created by checks, in-person withdrawals, ATM withdrawals, or by other electronic means, as applicable, regardless of the amount of the item paid.

**HOW TRANSACTIONS ARE POSTED TO YOUR ACCOUNT.** There are basically two types of transactions in your account: credits or deposits of money into your account, and debits or payments out of your account. It is important to understand how each is applied so that you know how much money is available to you at any given time. This section explains generally how and when we post transactions to your account.

**Credits.** Most deposits are added to your account when we receive them. For some checks, the full amount of the deposit may not be immediately available. For details on the availability for withdrawal of your deposits, see the Funds Availability Disclosure in this Agreement.

**Debits.** There are several types of debit transactions. The most frequent types of debit transactions are described generally below. Keep in mind that there are many ways transactions are presented for posting to your account by merchants, and the Credit Union is not necessarily in control of when transactions are received.

- **Checks.** When you write a check, it is processed through the Federal Reserve system. We receive data files of cashed checks from the Federal Reserve each day. The checks drawn on your account are compiled from these data files and posted to your account each day. We process the payments from low to high dollar value.
- **ACH Payments.** We receive data files every day from the Federal Reserve with Automated Clearing House or ACH transactions. These include, for example, automatic bill pays you have signed up for. Each day, the ACH data files are grouped together and posted to your account at the end of the day. We post credits first, then debits.

- **Point of Sale (POS) Debit Card PIN Transactions and ATM withdrawals.** These are transactions where you use your debit card and you enter your PIN number at the time of the sale or withdrawal. Money is usually deducted from your account immediately at the time of the transaction. However, some POS debit card payment transactions are not presented for payment immediately; it depends on the merchant.
- **Signature POS Debit Card Transactions.** These are transactions where you make a purchase with your debit card and you are typically asked to sign for the purchase. As described above, in these situations, the merchant may seek prior authorization for the transaction. When that happens, we generally reduce your available balance by the amount authorized. We refer to this as an “authorization hold.” Authorizations are deducted from your available balance but not your current balance as they are received by us throughout each day. At some point after you sign for the transaction, it is processed by the merchant and submitted to us for payment from (posting to) your account. This can happen hours or sometimes days after you signed for it, depending on the merchant and its processing company. These payment requests are received in real time throughout the day and are posted to your account as they are received. Please note: the amount of an authorization hold may differ from the actual payment because the final transaction amount may not yet be known to the merchant when the authorization request is submitted. For example, if you use your card at a restaurant, a hold will be placed in the amount of the bill presented to you, but when the transaction posts it will include any tip that you may have added to the bill. The opposite may happen at hotels, rental car companies and gas stations. If you go to a gas station and use your debit card, the merchant may authorize \$50 but you may actually only pump \$20. Your available balance may be reduced by the authorization amount and it will not be adjusted until the transaction is presented for payment. We cannot control how much a merchant asks us to authorize, or when a merchant submits a transaction for payment. The fact that we put an authorization hold on your available balance does not mean the authorization is set aside and made available to pay the specific transaction authorized. The hold is simply a reduction in your available balance based on the fact that we have authorized a transaction and the Credit Union is therefore obligated to pay it when presented.
- Debit card transactions can be recurring or nonrecurring. Recurring transactions are where you use your debit card to set up a recurring monthly payment, such as a gym membership. Nonrecurring transactions are one time transactions that are authorized each time you use your debit card. Using your debit card at a restaurant is an example of a one-time or nonrecurring transaction. We will rely on how the merchant characterizes the transaction for purposes of processing it and your only recourse for an improperly coded transaction is with the merchant who submitted it to us.

This is a general description of how certain types of transactions are posted. These practices may change and we reserve the right to pay items in any order we choose as permitted by law.

We may receive multiple deposit and withdrawal transactions on your account in many different forms throughout each business day. This means that you may be charged more than one \$35 fee if we pay multiple transactions when your account is overdrawn.

**The best way to know how much money you have and avoid paying overdraft fees is to record and track all of your transactions closely.**

**IF YOU DO NOT UNDERSTAND THIS AGREEMENT OR HAVE ANY QUESTIONS, PLEASE CONTACT US AT 814-237-5458 OR GO TO [www.arizefcu.org](http://www.arizefcu.org).**

We will decide to pay overdrafts on a case-by-case basis, in our sole and absolute discretion.

For your overdrafts cleared, you promise to immediately pay us all sums, including the fees and charges for this service advanced to you or any other person you permit to use your checking account and/or who causes an overdraft on your checking account.

We may terminate or suspend the Courtesy Pay services at any time without prior notice. In no event shall any termination relieve you of your obligation to repay such sums already paid, including but not limited to, Courtesy Pay fees, collection costs, and attorneys' fees, if any. Please refer to the Courtesy Pay Policy.

### **Arbitration and Waiver of Class Action**

You and the Credit Union agree that we shall attempt to informally settle any and all disputes arising out of, affecting, or relating to your accounts, or the products or services the credit union has provided, will provide or has offered to provide to you, and/or any aspect of your relationship with the credit union (hereafter referred to as the "Claims"). If that cannot be done, then you agree that any and all Claims that are threatened, made, filed or initiated after the Effective Date (defined below) of this Arbitration and Waiver of Class Action provision ("Arbitration Agreement"), even if the Claims arise out of, affect or relate to conduct that occurred prior to the Effective Date, shall, at the election of either you or us, be resolved by binding arbitration administered by the American Arbitration Association ("AAA") in accordance with its applicable rules and procedures for business disputes ("Rules"), whether such Claims are in contract, tort, statute, or otherwise. The Rules can be obtained on the AAA website free of charge at [www.adr.org](http://www.adr.org); or, a copy of the Rules can be obtained at any credit union branch upon request. Either you or we may elect to resolve a particular Claim through arbitration, even if one of us has already initiated litigation in court related to the Claim, by: (a) making written demand for arbitration upon the other party, (b) initiating arbitration against the other party, or (c) filing a motion to compel arbitration in court. **AS A RESULT, IF EITHER YOU OR WE ELECT TO RESOLVE A PARTICULAR CLAIM THROUGH ARBITRATION, YOU WILL GIVE UP YOUR RIGHT TO GO TO COURT TO ASSERT OR DEFEND YOUR RIGHTS UNDER THIS ACCOUNT AGREEMENT (EXCEPT FOR CLAIMS BROUGHT INDIVIDUALLY WITHIN SMALL CLAIMS COURT JURISDICTION, SO LONG AS THE CLAIM REMAINS IN SMALL CLAIMS COURT).** This Arbitration Agreement shall be interpreted and enforced in accordance with the Federal Arbitration Act set forth in Title 9 of the U.S. Code to the fullest extent possible, notwithstanding any state law to the contrary, regardless of the origin or nature of the Claims at issue. This Arbitration Agreement does not prevent you from submitting any issue relating to your accounts for review or consideration by a federal, state, or local governmental agency or entity, nor does it prevent such agency or entity from seeking relief on your behalf. This Arbitration Agreement shall not apply to: (1) actions that are initiated in or transferred to small claims court or a comparable court of limited monetary jurisdiction, so long as they are prosecuted individually; (2) actions initiated by or against "covered borrowers" under the Military Lending Act; (3) claims involving residential mortgage secured loans covered by Regulation Z; and (4) any other claims where arbitration is prohibited by law.

**1. Selection of Arbitrator.** The Claims shall be resolved by a single arbitrator. The arbitrator shall be selected in accordance with the Rules, and must have experience in the types of financial transactions at issue in the Claims. In the event of a conflict between the Rules and this Arbitration Agreement, this Arbitration Agreement shall supersede the conflicting Rules only to the extent of the

inconsistency. If AAA is unavailable to resolve the Claims, and if you and we do not agree on a substitute forum, then you can select the forum for the resolution of the Claims.

**2. Effective Date.** This Arbitration Agreement is effective upon the 31st day after we provide it to you (“Effective Date”), unless you opt-out in accordance with the requirements of the RIGHT TO OPT-OUT provision below. If you receive your statements by mail, then the Arbitration Agreement was provided to you when it was mailed. If you receive your statements electronically, then it was provided to you when you were sent notice electronically.

**3. Arbitration Proceedings.** The arbitration shall be conducted within 50 miles of your residence at the time the arbitration is commenced. Any claims and defenses that can be asserted in court can be asserted in the arbitration. The Arbitrator shall be entitled to award the same remedies that a court can award, including any kind of relief that could be awarded by a court, including injunctive relief. Discovery shall be available for non-privileged information to the fullest extent permitted under the Rules. The Arbitrator shall not be permitted to make errors of law in rendering an award. The Arbitrator’s award can be entered as a judgment in court. Except as provided in applicable statutes, the arbitrator’s award is not subject to review by the court and it cannot be appealed; provided, however any party to the arbitration shall be entitled to seek review for errors of law made by the Arbitrator. The credit union shall pay for any filing, administration, and arbitrator fees imposed on you by the AAA. However, you will be responsible for your own attorneys’ fees. The Arbitrator can award fees and costs to the prevailing party in the arbitration if permitted by contract or applicable law. Nothing contained in this Arbitration Agreement shall prevent either you or the credit union from applying to any court of competent jurisdiction for emergency provisional relief, such as a temporary restraining order, a temporary protective order, an attachment or any other pre-judgment remedies.

**4. Scope of Arbitration.** Any determination as to whether this Arbitration Agreement is valid or enforceable in part or in its entirety will be made solely by the arbitrator, including without limitation any issues relating to whether a Claim is subject to arbitration; provided, however, the enforceability of the Class Action Waiver set forth below shall be determined by the Court.

**5. Class Action Waiver.** ANY ARBITRATION OF A CLAIM WILL BE ON AN INDIVIDUAL BASIS. YOU UNDERSTAND AND AGREE THAT YOU ARE WAIVING THE RIGHT TO PARTICIPATE AS A CLASS REPRESENTATIVE OR CLASS MEMBER IN A CLASS ACTION LAWSUIT.

**6. Severability.** In the event the Class Action Waiver in this Arbitration Agreement is found to be unenforceable for any reason, the remainder of this Arbitration Agreement shall also be unenforceable. If any provision in this Arbitration Agreement, other than the Class Action Waiver, is found to be unenforceable, the remaining provisions shall remain fully enforceable.

**7. Right to Opt-Out.** You have the right to opt-out of this Arbitration Agreement and it will not affect any other terms and conditions of your Membership Agreement or your relationship with the Credit Union. To opt-out, you must notify the Credit Union in writing of your intent to do so within 30 days after the Effective Date. Your opt-out will not be effective and you will be deemed to have consented and agreed to the Arbitration Agreement unless your notice of intent to opt-out is received by the Credit Union in writing at 650 Science Park Rd., State College, PA 16803 within such 30 day time period. Your notice of intent to opt-out can be a letter that is signed by you or an email sent by you that states “I elect to opt-out of the Arbitration Agreement” or any words to that effect.

FOR MORE DETAILS or if you have questions, you may call us at 814-237-5458 or visit a branch. If you have questions about AAA procedures, you should check AAA’s website, [www.adr.org](http://www.adr.org), OR call AAA at (800) 778-7879.