

# DENISON STATE BANK

## OVERDRAFT PRIVILEGE

### Policies and Procedures

**Officer Position Responsible for This Policy: Chief Deposit Officer**

---

It is the policy of Denison State Bank (“we, us, or our”) to comply with applicable laws, rules and regulations, and to conduct business in accordance with strict safety and soundness standards.

A non-sufficient funds balance (overdraft/negative balance) may result from:

- A. The payment of checks, electronic funds transfers, or other withdrawal requests initiated;
- B. Preauthorized payments;
- C. The return, unpaid, of items deposited;
- D. Charging the account for applicable service charges and fees;
- E. The deposit of items to the account which, according to our Funds Availability Policy, are treated as not yet “available” or “finally paid.”

We are not obligated to pay any item initiated for payment against an account if the account does not contain sufficient collected funds. Rather than automatically returning, unpaid, all non-sufficient funds items, if an eligible account type has been open for at least thirty (30) days and thereafter is maintained in good standing as explained below, we will consider, without obligation on our part, approving reasonable overdrafts up to an assigned Overdraft Privilege Limit, including our fees. Maintaining an account in “good standing” includes the following:

- 1. Continuing to make deposits consistent with past practices, and depositing at least \$300 or more in the account within each thirty (30) day period,
- 2. The account holder is not in default on any loan obligation to us,
- 3. We reserve the right to require an account holder to pay outstanding overdraft (negative) balance, including our fees, immediately or on demand, and
- 4. The account is not the subject of any legal or administrative order or levy, such as bankruptcy or a tax lien.

This service applies to a variety of transactions, including checks and other transactions made using a checking account number, automatic bill payments, and everyday debit card transactions; however, we will not include everyday debit card transactions within our Overdraft Privilege Service without first receiving an account holder’s affirmative consent to do so. Absent affirmative consent, everyday debit card transactions will not be paid under Overdraft Privilege Service.

This discretionary service will generally be limited to a \$900 overdraft (negative) balance for eligible Beyond accounts and \$500 overdraft (negative) balance for eligible Basic accounts. Our Overdraft Privilege service does not constitute an actual or implied agreement between the bank and the account holder. Nor does it constitute an actual or implied obligation of or by us. Our Overdraft Privilege service represents a purely discretionary courtesy or privilege that we may provide to the account holder from time to time and which may be withdrawn or withheld by us at any time without prior notice or reason or cause.

Our normal fees will be charged for each transaction initiated for payment from a checking account that does not have sufficient collected funds. Those fees include our paid item fee of \$25.00 per overdraft item, or return item fee of \$25.00 per returned unpaid item. The daily limit, on consumer checking accounts only, for these fees will be \$150.00. Typically, we will charge our normal fee whether we approve an overdraft item for payment or return it unpaid. In addition, if an account is overdrawn for seven (7) or more business days, we will charge an additional \$3.00 per day. Continuous overdraft charges will be limited, on consumer checking accounts only, to fifteen (15) continuous charges, which may extend from one statement cycle to the next.

DSB will not charge the overdraft fee of \$25.00 on items causing a daily ending overdraft balance of (-\$10.00) or less on consumer checking accounts.

Paid item fees and return item fees will be included in and count against an assigned Overdraft Privilege limit. Whether overdrafts will be paid or not is at our sole discretion and we reserve the right not to pay. For example, we typically do not pay overdrafts if an account is not in good standing as described above, or if too many overdrafts have occurred. We may refuse to pay an overdraft at any time, even though an account is in good standing and even though we may have previously paid overdrafts. The account holder will be notified by mail of any non-sufficient funds items paid or returned; however, we have no obligation to notify an account holder before we pay or return any item. The amount of any overdrafts including our fees that are owed us shall be due and payable immediately.

If there is an overdraft paid by us on an account with more than one owner on the signature card, each owner, and agent if applicable, drawing/presenting the item creating the overdraft, shall be jointly and severally liable for such overdrafts including our fees.

### **Bank Follow-Up Action on Excessive or Chronic Overdrafts**

FDIC-supervised institutions must now monitor consumer checking accounts for “excessive or chronic overdrafts.” If an account holder overdraws his or her account on more than six (6) occasions in a rolling 12-month period, the bank must undertake “meaningful and effective follow-up action.” An “occasion” occurs each time an overdraft transaction generates a fee. This would include a per-transaction overdraft fee or a daily fee for an outstanding overdraft status. We will make reasonable efforts to provide account holders with information on how to reduce or eliminate overdrafts and returns. The goal is to ensure that account holders are able to make informed choices among available options to manage checking accounts. We will do this by contacting account holders via telephone, in person, by mail, or by email. When the seventh overdraft occasion occurs, an enhanced periodic statement will be sent to the account holder on their next regular statement data with a counseling message.

### **Alternative Service: Overdraft Protection**

We offer an alternative overdraft protection service that can be applied for. Account holders may save money on the total fees paid for overdraft services. In situations in which a checking account’s daily ending balance is negative, this service allows increments of \$50.00 to be automatically transferred from an authorized savings or checking account into a targeted checking account. This will keep the checking account balance from becoming overdrawn. There is no charge to use this service. However, the regular transfer limits in place on savings accounts do apply to these automated transfers. If an account is registered for this Overdraft Protection, then the checking account(s) cannot have the discretionary Overdraft Privilege.

**Account Eligibility and Limitations:**

Overdraft Privilege is available only for eligible checking accounts that are maintained in good standing as defined above. Those eligible personal accounts are Basic and Beyond. Accounts not eligible for this service are savings accounts, money market accounts, business and public funds accounts, non-profit accounts, certain trust accounts, and accounts established for minors not of legal age. We may, in our sole option and discretion, limit the number of accounts eligible for Overdraft Privilege to one account per household and/or one account per taxpayer identification number.

**Transactions That May Cause or Create Overdrafts Using Your Overdraft Privilege Limit:**

NSF transactions initiated for payment against a checking account may be paid by us using an assigned Overdraft Privilege limit, including our fees. Our OD/NSF fee may be imposed for paying, or not paying, overdrafts created by checks, in-person (teller) withdrawals, ATM withdrawals, or any other electronic means. The bank processes items by trancode (type of transaction), then in check sequence order on presented paper checks.

**You May Always Opt-Out:**

An account holder may choose at any time to not participate in Overdraft Privilege by notifying us. We will explain what this "Opt Out" means and the potential consequences. An opt-out form must be signed and held on file at the bank. Furthermore, an account holder may revoke your affirmative consent to have everyday debit card transactions considered for payment under the Overdraft Privilege Service without removing other items from this service.

**For Further Assistance:**

Overdrafts should not be used to pay ordinary or routine expenses, and an account holder should not rely on overdrafts as a means to cover these expenses. Account holders who need help with financial obligations, should contact any Denison State Bank employee in the loan, deposit, bookkeeping or teller departments.

**Overdraft Balances:**

If an account is continuously overdrawn for 60 days, the overdrawn balance in the account shall be charged to a loss unless approved by the loan committee based on anticipated deposits or specific circumstance. If the balance or any part thereof is subsequently collected, it shall be credited to income. Overdraft balances from accounts overdrawn for 60 days or more shall be referred to the collection department.

**Implementation of the Program:**

The Overdraft Administrator shall prepare procedures and disclosures for the implementation of this policy and shall provide training for the program to affected personnel of the institution. The Compliance Officer shall monitor the program and shall report the results of compliance with the program to the Board of Directors at least annually.

Updated October 2013