



## **Discretionary Overdraft Privilege Policy**

(Applies to All Eligible Consumer and Commercial Accounts<sup>1</sup>)

It is the policy of First-Lockhart National Bank (“Bank,” “us” or “we”) to comply with applicable laws and regulations, and to conduct business in accordance with applicable safety and soundness standards. The information in this document is intended to help customers (“you”) understand what happens if your account is overdrawn and explain our Overdraft Privilege Program. This disclosure and the Overdraft Privilege Program apply to both consumer and commercial accounts. Understanding the concepts of overdrafts and non-sufficient funds (NSF) can help you avoid being assessed fees or charges.

At times, unanticipated expenses or unforeseen problems can leave you with too little cash in your checking account. Having a check returned due to insufficient funds can be a costly, inconvenient and potentially embarrassing experience. At the Bank, we do not encourage overdrafts. As always, we encourage you to manage your finances responsibly. Overdrafts should not be used to pay ordinary or routine expenses and you should not rely on overdrafts as a means to cover these expenses. However, we want to help you potentially avoid incurring additional merchant fees and possible damage to your credit history that might result if an item or transaction is returned unpaid. That’s why we provide a special overdraft service for Bank customers called the Overdraft Privilege Program.

### **What is an overdraft and how is an overdraft determined?**

Generally, an overdraft occurs when there is not enough money in your account to pay for a transaction, but we pay (or cover), in our discretion, the transaction anyway. An NSF transaction is slightly different. In an NSF transaction, we do not cover the transaction. Instead, the transaction is rejected and the item or requested payment is returned unpaid. In either situation, we can charge you an Overdraft Fee or a Returned Item (NSF) Fee, depending on whether the item is covered as an overdraft or returned unpaid. Please remember that we are not obligated to pay any item presented for payment if your account does not contain sufficient collected funds.

It is important to remember that your account has two balances: the Available Balance and the Ledger or Current Balance. Importantly, your Available Balance may not be the same as your account’s Ledger or Current Balance. Your account’s Ledger or Current Balance only includes transactions that have settled up to that point in time, such as deposits and payments that have posted to your account. The Ledger or Current Balance does not include outstanding items (such as checks that have not yet cleared and electronic transactions, including debit card transactions, which have been authorized but which are still pending). The ending statement balance reflected on your periodic statement is the Ledger or Current Balance for your account as of the statement date.

In contrast, your Available Balance takes transactions that have been authorized, but not yet settled (i.e. preauthorized holds), and subtracts them from the Ledger or Current Balance. When calculating your Available Balance, checks you have written and any “holds” placed on deposits or transactions that have not yet cleared are also subtracted from the Ledger or Current Balance.

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<sup>1</sup> Applies to all consumer and commercial account types, with the exception of Non-Profit, Public Funds, IOLTA, Fiduciary, Trust, Estate, Guardianship, Campaign, and Minor Accounts, which are not eligible for the Overdraft Privilege Program.

Please note that the Bank uses your Available Balance to authorize or decline ATM and everyday debit card transactions and to determine whether to pay an item. The Bank will generally place a hold on your account for any ATM or everyday debit card transactions that are authorized until the transaction settles. ATM and everyday debit card transactions usually settle within three business days after the transaction is authorized, but may take longer. The amount of the hold will reduce your Available Balance for the amount authorized, or as permitted under applicable payment network rules. Holds on authorized ATM and everyday debit card transactions will be removed prior to settlement where required by applicable payment network rules.

Please also note that, on debit card purchases, merchants may request a temporary hold on your account for a specified sum of money when the merchant does not know the exact amount of the purchase at the time the card is authorized. The amount of the temporary hold may be more or less than the actual amount of your purchase. Some common transactions where this occurs involve purchases of gasoline, hotel rooms, or meals at restaurants. When this happens, our processing system cannot determine that the amount of the hold exceeds the actual amount of your purchase. This temporary hold, and the amount charged to your account, will eventually be adjusted to the actual amount of your purchase, but it could be seven business days, or even longer in some cases, before the adjustment is made. Until the adjustment is made, your Available Balance, but not your Ledger or Current Balance, will be reduced by the amount of the temporary hold.

**Please be aware that, while the Bank uses your Available Balance to authorize or decline ATM and everyday debit card transactions and to determine whether to pay an item, the Bank uses the Ledger or Current Balance at the time all types of transactions post or settle to your account when determining whether any transaction will cause your account to overdraw and for charging Overdraft and Returned Item Fees.** This means that you may be assessed Overdraft and/or Returned Item Fees per each item based on your Ledger or Current Balance at the time of settlement, even though your Available Balance may show a different balance amount due to the inclusion of pending and hold items. Please remember that, for consumer accounts, we will not charge fees for overdrafts caused by ATM or everyday debit card transactions, if you have not opted-in to that additional service (described below).

Keeping track of your balance is important. You can review your Available and Current or Ledger balance in a number of ways including reviewing your periodic statement, reviewing your balance online, accessing your account information by phone, or coming into one of our branches. The arrangement of balance and/or transaction alerts for your account is also available through online and mobile banking.

### **How are items posted to my account?**

The Bank reserves the right to decide the posting order of items. The processing order of these items is important because if there is not enough money in the account to pay for the items in the order they are processed in accordance with the processing order, there may be an overdraft on your account which may result in Overdraft or Returned Item Fees or an increase in the amount of these fees.

No posting order is neutral to all parties to a transaction and understanding this fact, the Bank has chosen to post items in the following general order: (1) Deposits - deposits (subject to our Funds Availability Policy) and other credits to your account received prior to the cutoff time, (2) ATM Card Transactions and Debit Card Transactions - ATM card and debit card transactions in time-stamp order (if available), (3) Items deposited to your account that are returned to us unpaid are posted according to the transaction code and posted in ascending order, (4) Teller Cash Withdrawals - checks you write that are cashed at one of our branches are posted according to the transaction code and posted in check number order, (5) Online Banking, Telephone Transfers, ACH Debits and Wire Transfers - online banking, telephone transfers, ACH debits and wire transfers are posted according to the transaction code and posted in ascending order, (6) Checks - all other checks presented against your account (including paper checks, substitute checks created from paper checks, remotely-created drafts, and checks that have been converted to electronic transactions) are posted in check number order, and (7) Bank

Fees - Non EFT bank fee transactions are posted according to the transaction code and posted in ascending order.

The Bank reserves the right to change the payment order if the Bank suspects fraud or possible illegal activity affecting the account. The Bank also reserves the right to post in any order, as permitted by law. Please note that account statements do not necessarily report debits and credits in the order that we posted them to an account.

Knowing when funds you deposit into your account will be made available is another important concept that can help you avoid being assessed fees or charges. Please see our “*Funds Availability Policy*” for information on when different types of deposits will be made available for withdrawal. For those accounts to which our funds availability policy disclosure does not apply, you can ask us when you make a deposit when those funds will be available for withdrawal. An item may be returned after the funds from the deposit of that item are made available for withdrawal. In that case, we will reverse the credit of the item. We may determine the Ledger or Current Balance in your account for the purpose of deciding whether to return an item for insufficient funds at any time between the times we receive the item and when we return the item or send a notice in lieu of return. We need only make one determination, but if we choose to make a subsequent determination, the Ledger Balance at the subsequent time will determine whether there are insufficient available funds.

### **What is the Overdraft Privilege Program?**

The Overdraft Privilege Program is a discretionary overdraft service available to eligible checking accounts. If your account qualifies and is in “good standing” (described below), we will consider, without obligation on our part, paying items for which your account has insufficient or unavailable funds up to an assigned overdraft limit (“Overdraft Protection Limit”), instead of automatically returning those items unpaid. Under this service, we would consider paying these items under the Overdraft Privilege Program, as long as your eligible account is in “good standing”.

As a discretionary courtesy, eligible checking accounts (both consumer and commercial) that are open for at least thirty (30) days and are in “good standing” (described below) will receive an Overdraft Protection Limit of up to a negative balance of \$800 for eligible consumer accounts and up to a negative balance of \$1,500 for eligible commercial accounts. The Overdraft Protection Limit applicable to your account may be increased or decreased for certain eligible accounts at any time, in the Bank’s sole discretion, including, but not limited to, due to consideration of the age of the account, deposit balances, deposit regularity, previous overdraft activity, account status relating to any legal or administrative order or levy, or status of loan obligations with the Bank.

Please note that the amount of any overdraft plus any and all fees and charges, including without limitation the Overdraft and Returned Item Fees for each item (as set forth in our Fee Schedules and Account Agreement), will be deducted from your Overdraft Protection Limit. Please note that it may be possible that your account will become overdrawn in excess of the Overdraft Protection Limit as a result of the assessment of a fee. Of course, we can’t promise to pay every overdraft and we are never obligated to pay your overdrafts, even if your account is in good standing and even though we may have previously paid overdrafts for you. This service represents a purely discretionary privilege or courtesy that we may provide to you from time to time and which may be withdrawn or withheld by us at any time; without prior notice or reason or cause.

The Overdraft Privilege Program applies to a variety of transactions, including checks and other transactions made using your checking account number, automatic bill payments, ATM transactions and everyday debit card transactions; however, for consumer accounts, we will not include ATM and everyday debit card transactions within our consumer Overdraft Privilege Program or the Overdraft Protection Limit without first receiving your affirmative consent to do so (described below). Absent your affirmative consent, ATM and everyday debit card transactions generally will not be paid under the Overdraft Privilege Program for consumer accounts.

## What does the Overdraft Privilege Program cost?

There are no additional costs associated with the Overdraft Privilege Program, unless you use it. Under the Overdraft Privilege Program, you will be charged our standard per item Overdraft Fee or Returned Item Fee set forth in our Fee Schedule (currently each fee is \$32.50 per item), depending on whether the item is covered or returned unpaid.

Please note we will not charge more than \$97.50 in Overdraft and Returned Item Fees combined on a daily basis. We will also not charge an Overdraft Fee or a Returned Item Fee for any items in the amount of \$20.00 or less. Further, we will not charge an Overdraft Fee for any overdrawing items that result in a negative balance of less than -\$35.00, nor will we charge a Returned Item Fee for any items returned where the account has a negative balance of less than -\$35.00 at the time of presentment. No interest will be charged on the overdraft balance. To help you manage your account, the total fees you have paid for items (both paid and returned) during the current month and for the year-to-date will be reflected on your monthly checking statement.

Please be aware that an item may be presented multiple times by the merchant or other payee until it is paid, and that we do not monitor or control the number of times an item is presented for payment. It is the policy of the Bank to endeavor to only charge one (1) Returned Item or Overdraft Fee per each item, regardless of the number of times the item is presented for payment. Be aware, however, that the Bank does not control how an item is presented for payment and a merchant or other payee may present an item in a manner that does not allow the Bank's processing system to identify that it is a re-presented item that has previously been assessed a Returned Item Fee. If the Bank's processing system cannot identify that an item has been re-presented for payment, you understand and agree that you may be inadvertently charged additional Returned Item or Overdraft Fees if the item is presented for payment multiple times. In that event, you understand and agree that you must contact the Bank to identify the fees attributable to the same item being re-presented for payment and the Bank will refund any such fees to your account.

If there is more than one (1) owner on the signature card, each owner, and agent, if applicable, drawing/presenting the item creating the Overdraft or Returned Item Fee(s) shall be jointly and severally liable for such fee(s). Each fee will be due and payable upon demand. We may use subsequent deposits, including direct deposits of social security or other government benefits, to cover any overdrafts and Overdraft and Returned Item Fees.

## How does the Overdraft Privilege Program work?

As long as you maintain your account in "good standing," we may approve your overdraft items up to the Overdraft Protection Limit as a non-contractual courtesy. Remember, whether your overdrafts will be paid or not is at our sole discretion and we reserve the right not to pay your overdraft items at all times. The fact that we may honor withdrawal requests that overdraw the Ledger or Current Balance of the account does not obligate us to do so later. So you can NOT rely on us to pay overdrafts on your account regardless of how frequently or under what circumstances we have paid overdrafts on your account in the past.

For consideration for the Overdraft Privilege Program and the Overdraft Protection Limit, your account must have been open for at least thirty (30) days, and thereafter you maintain your account in "good standing", which includes at least:

- Bringing your account balance to a positive balance within every thirty (30) day period for a minimum period of 24 hours;
- Having deposits totaling at least \$400 or more within each thirty (30) day period;
- Demonstrating consistent deposit activity;
- Not being in default on any loan or other obligation to the Bank; and
- Not being subject to any legal or administrative order or levy, such as bankruptcy or tax lien.

If your account is not in “good standing,” we will typically return any items or transactions that would overdraw your account and assess a Returned Item Fee per item. Please note that the Bank reserves the right to limit participation in the Overdraft Privilege Program to one account per household or per taxpayer identification number, and to discontinue this service and return any overdrawing items at any time without prior notice.

**What if I want the Bank to authorize and pay overdrafts on my ATM and everyday debit card transactions for my consumer accounts?**

For consumer accounts, we will not charge fees for overdrafts caused by ATM withdrawals or everyday debit card transactions, if you have not also opted-in to that additional service. Please see our “Overdraft Services Consent Form” for information on how to opt-in or opt-out of that service. Absent your affirmative consent (opt-in), ATM and everyday debit card transactions generally will not be authorized if your Available Balance in your consumer account is insufficient. A consumer customer who does not affirmatively consent (opts-out) to overdraft protection for the payment of ATM and/or everyday debit card transactions, agrees to not overdraw their account for ATM and everyday debit card transactions (\$0 debit card overdraft limit).

If you would like access to the Overdraft Privilege Program for ATM withdrawals and everyday debit card purchases for your consumer account, you’ll need to opt-in to that additional service by contacting your local branch, calling 1-877-398-3416, or visiting [www.firstlockhart.com](http://www.firstlockhart.com). If you opt-in, you may cancel at any time. If you do not opt-in, you can do so later at any time.

**How do I know when I have an overdraft or use my Overdraft Protection Limit?**

You will receive an Overdraft notice each time items are paid where there was an insufficient balance in your account, including notice of the Overdraft Fees charged against your account. You will need to subtract the total fees when balancing your checkbook.

**What if I go beyond the Overdraft Protection Limit?**

Overdrafts that exceed the Overdraft Protection Limit will typically be returned unpaid to the payee and a Returned Item Fee will be charged per item to your account. A Non-Sufficient Funds (NSF) notice will be sent to notify you of any items that are returned unpaid. You will need to subtract the total fees when balancing your checkbook.

**How quickly must I repay the items overdrawing my account?**

You should make every attempt to bring your account to a positive end-of-day balance as soon as possible, and are required to bring your account to a positive balance within 30 calendar days to remain in good standing. If you are not able to bring your account to a positive balance within 35 calendar days, your Overdraft Protection Limit may be suspended and you will receive notice from the Bank that any additional items will be returned unpaid and Returned Item Fees will be assessed per item until you bring your account to a positive balance.

**What are some other ways I can cover overdrafts at the Bank?**

The best way to avoid overdrafts and fees is to keep track of your Available Balance and your Ledger or Current Balance by entering all checks, debit card purchases, and ATM withdrawals in your check register, reconcile your checkbook regularly, and manage your finances responsibly. You can also take advantage of the Bank’s account alerts. If you bank online or use our mobile banking services, you may establish an alert threshold to let you know when your balance is nearing your alert threshold. However, if a mistake occurs, the Bank offers additional ways to cover overdrafts in addition to the Overdraft Privilege Program, such as a link to another

account or a line of credit (subject to credit approval). To learn more about these other ways to cover overdrafts, contact us at 1-877-398-3416 or visit one of our branches.

**What if I do not want the Overdraft Privilege Program on my account?**

The Overdraft Privilege Program is always optional. If you prefer that the Bank not cover any items or transactions as overdrafts when there are not sufficient funds in your account, you can opt-out or remove the discretionary Overdraft Privilege Program from your account at any time by contacting your local branch or calling 1-877-398-3416. Please note that, if you opt-out or remove the Overdraft Privilege Program from your account, any items or transactions that would overdraw your account will generally be returned unpaid and a Returned Item Fee of \$32.50 per item will be imposed.