



## Discretionary Pay Policy

Policies & Procedures

Revision Dates  
8/22/07, 6/23/10, 6/23/10

BOD Approval Date  
May 23, 2012

It is the policy of Birmingham Bloomfield Credit Union (BBCU) to comply with all applicable laws and regulations and to conduct business with applicable safety and soundness standards.

The Deposit Account Agreement and Disclosures are provided to the member at the time the account is opened and this controls the duties, obligations, and rights of the Depositor, the Authorized Signatories and BBCU regarding their checking account. The Deposit Account Agreement (and all amendments thereto) and its terms shall control any possible conflict, if any, between any provisions of this Discretionary Pay Policy and the Deposit Account Agreement and Disclosure. A copy of the Deposit Account Agreement and Disclosure is available upon request.

### **Description of Service**

Discretionary Pay is not a line of credit. BBCU at its sole discretion may honor and pay checks, automatic debits (ACH), and recurring ATM/debit card purchases drawn against a checking account that does not have sufficient funds available at the time of the presentment. ATM and onetime debit card transactions will require member opt-in. Discretionary Pay will be applied only after the account’s other sources of overdraft protection (savings and credit lines) have been depleted.

### **Eligibility**

Discretionary Pay may be available for all checking accounts that have been opened for 3 months and when: the member, whose name appears first on the account, is 18 years of age or older; and, are in good standing with BBCU (accounts have positive balances at least once every 30 days; all loans and VISA are current); no member on the account has caused a loss to BBCU; and the account is not under administrative/legal order or a levy and the member (s) have not filed for bankruptcy and is/are not insolvent. The maximum limit of Discretionary Pay for each qualifying member is \$1,000 per checking account.

### **Responsibility**

If BBCU pays an overdraft on an account with more than (1) owner on the signature card, all owners drawing/presenting the item (thereby creating the overdraft item) are jointly and severally liable for such overdrafts plus applicable fees. Discretionary Pay Limit will be suspended for accounts whose negative balance exceeds thirty (30) consecutive days and collection action will be taken. At sixty (60) consecutive calendar days the account must be written off even if a payment plan is in place. In such a situation any funds received will be treated as a recovery.

### **Fees**

Whether the Non Sufficient Funds (NSF) item is returned or paid, a per-item fee will be charged to the members’ accounts as, respectively, either a NSF fee or a Discretionary Pay fee, as set forth in the Rate & Fee Schedule.

**Notification**

Members will be notified by mail or e-mail of any NSF item returned or paid through the Discretionary Pay system. However, BBCU has no obligation to notify the member before it pays an NSF item.

**Limitations**

BBCU's Discretionary Pay Plan is non-contractual and discretionary. BBCU may refuse to provide this service on any checking account at any time. The member does not have a contractual right to the overdraft courtesy, nor is it guaranteed by the Discretionary Payment Plan.

Since the credit union is contractually obligated to pay debit card items, we can assess the Discretionary Pay fee only if the member opts-in for the service. However, the credit union may consider outstanding Debit Card transactions in determining the available balance of a member's account.

**Opting Out**

Members may "opt out" of the Discretionary Pay program by notifying BBCU in writing. Once a member has "opted out" of the program, they must wait at least 60 days to request reinstatement.

**Maximums**

The maximum Discretionary Pay Policy commitment liability will not go beyond 10% of BBCU's assets. The maximum negative share advances will be 1% of total commitments. The maximum limit of Discretionary Pay for each qualifying member is \$1,000 per checking account.

**Write offs**

Discretionary Pay negative balances are to be written off when deemed uncollectible but no later than sixty (60) consecutive calendar days from date first overdrawn. The account is to be written off to the Allowance for ODP Losses. The fees are then to be reversed out of the Allowance for ODP Losses and Income accounts. BBCU uses a rolling two year historical average based on the month end total of advanced balances multiplied by the write off ratio.

A monthly report will be presented to the Board of Directors showing the name, account number and amount written off to the ODP Loss Account.