

NORRISTOWN BELL CREDIT UNION
EXPEDITED FUNDS AVAILABILITY POLICY

Effective January 1, 2018

Overview ®

In compliance with the Federal Reserve's – Regulation CC – (Expedited Funds Availability Funds Act), all banks, savings & loan institutions, and credit unions must follow explicit guidelines in which funds deposited by check are made available to members.

Determining the Availability of the Deposit

The length of the delay is counted in business days from the day of the deposit. Every day is a business day except Sundays and federal holidays. If a deposit is made before closing on a business day that we are open, we will consider that day to be the day of the deposit. However, if a deposit is made after closing or on a day we are not open, we will consider that the deposit was made on the next business day we are open. The length of the delay varies depending on the type of deposit and is explained below. Business days are defined as Mondays through Friday. Saturday's and Federal holidays are excluded as a business day.

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PROCEDURES IN EFFECT:

Same-Day Availability:

Funds from the following deposits are available on the day of the deposit:

- a) Cash (although Regulation allows for this to be a day later).
- b) Checks drawn on our credit union (although Regulation allows a longer hold).
- c) Wire transfers, including pre-authorized credits, such as Social Security benefits and payroll payments.
- d) Specified payroll checks (although Regulations allow for a longer hold).

Next Business Day Availability in place:

Funds from the following deposits will be made available on the first business day after the day of the deposit:

- a) First \$200 of a deposit excluding On-U's checks at or under \$5000 (see e) and including On-U's Checks above \$5000.
- b) First \$200 of Traveler's Checks.
- c) State and local government checks that are made payable to the member and deposited into the member's (named payee's) account in person/at NBCU location.
- d) Federal Reserve Bank checks, Federal Home Loan Bank checks, and postal money orders, if these items are made payable to the depositor and deposited to the member's (named payee's) account in person/at NBCU location.
- a) U.S. Treasury checks that are made payable to the member and deposited to the member's (named payee's) account.
- b) Cashier's, certified, and teller's checks that are payable to the member and are deposited into the member's (named payee's) account in person/at NBCU location.
- c) On-U's Checks at or below \$5000

Second Business Day Availability in place:

Funds from the following deposits will be made available on the second business day after the day of the deposit:

- a) Remainder (less first \$200 made available previously) of a deposit if less than \$5000
- b) \$4800 (excluding first \$200 made available previously) of a deposit, if greater than \$5000
- c) Remainder (less first \$200) of Traveler's Checks.
- d) Federal Reserve Bank checks, Federal Home Loan Bank checks, cashier's check, certified checks, teller checks, and postal money orders, if these items are made payable to the depositor and deposited to the member's (other than the named payee's) account if named payee is not here in person at NBCU location.

NORRISTOWN BELL CREDIT UNION
EXPEDITED FUNDS AVAILABILITY POLICY

- e) U.S. Treasury checks that are made payable to the member and deposited into account other than the named payee.
- f) Remainder (less first \$200 made available previously) of On-U.S. checks above \$5000.
- g) Redeposited On-U.S. Checks

Fifth Business Day Availability in place:

Funds from the following deposits will be made available on the fifth business day.

- a) ATM deposits. NBCU reserve the right in accordance with Regulation CC to place a hold on any ATM deposits releasing the funds on the fifth business day. (Internally, NBCU monitors deposits based on threshold analysis and activity pattern; any member may inquire as to their individual availability based on any “out of the ordinary deposit” made.)

Seventh Business Day Availability in place:

Funds from the following deposits will be made available on the seventh business day.

- a) Remainder (excluding first \$5000 made available previously) of a deposit, if greater than \$5000.
- b) Redeposited (other than On-U.S.) checks
- c) ATM deposits if NBCU doubts collectability (members are notified accordingly)

In conjunction with REG CC, NBCU reserves the right for those deposits received after 2:00 P.M. on any business day, in which the hold be extended as follows: The first \$200 from a deposit of a check will be made available on the second day regarding the after 2:00 p.m. deposit. The remaining funds will be available after the third business day.

As is the standard, the credit union will notify members when their availability to withdraw funds is delayed. If and/or when the availability is extended, the depositor will be provided written notice. In accordance with REG CC, these holds may be extended no more than 7 business days for existing accounts and no more than 9 days for new accounts.

Returned Check(s):

In accordance with REG CC, NBCU, as the paying financial institution of share drafts presented by a “paper draft” or “electronic draft”, will only send a returned share draft as unpaid to the institution that presented the share draft for payment. A “paper draft” is an actual paper share draft that the member has issued on their share draft account with NBCU. An “electronic draft” is any draft transaction that is presented for payment on a member’s share draft account through the ACH (Automated Clearing House) system. An “electronic draft” is an automated debit for an authorized payment, an electronically produced check image or an electronic presentment or previously returned unpaid to another institution. In the event of a returned “paper draft”, the actual returned check will be returned if authorized by NBCU as unpaid for any reason. In the event of an “electronic draft”, a notice of return via ACH return process will be returned if authorized by NBCU as unpaid for any reason.

This exception does not apply—

- (1) To a check that has been returned due to a missing endorsement and redeposited after the missing endorsement has been obtained, if the reason for return indication on the check states that it was returned due to a missing endorsement; or
- (2) To a check that has been returned because it was postdated, if the reason for return indicated on the check states that it was returned because it was postdated, and if the check is no longer postdated when redeposited

Regulation CC Amendments effective July 1, 2018:

Notice of nonpayment requirement

NORRISTOWN BELL CREDIT UNION
EXPEDITED FUNDS AVAILABILITY POLICY

If a paying institution determines not to pay a check in the amount of \$5,000 or more, it must provide notice of nonpayment such that the notice is received by the depository institution by 2 p.m. (local time of the depository institution) on the second business day following the banking day on which the check was presented to the paying institution.

Content of notices Requires a paying institution to include the following information in a notice of nonpayment: (1) name and routing number of the paying institution; (2) name of the payee(s); (3) amount of the check being returned; (4) date of the indorsement of the depository bank; (5) trace number associated with the indorsement of the depository bank; and (6) clear reason for nonpayment.

Liability of the paying institution or returning institution to the depository institution is limited to the amount of the loss incurred (up to the amount of the check), less the amount of the loss that the depository institution would have incurred even if the paying or returning institution had exercised ordinary care.

Reallocation of Remote Deposit Capture (RDC)

An institution that accepts an RDC check indemnifies the institution that receives a deposit of the original. An institution accepting the original check for deposit cannot make an indemnity claim against the RDC institution if the check has a restrictive indorsement that is inconsistent with the means of deposit (ex. “for mobile deposit only”)

The newly adopted indemnities are for losses caused by the fact that (1) the person on whose account the electronically-created item is drawn did not authorize the issuance of the item in the amount stated on the item or to the payee stated on the item, and (2) a person receives a transfer, presentment, or return of, or otherwise is charged for an electronically-created item such that the person is asked to make payment based on an item or check it has already paid. Each institution that transfers or presents an electronically-created item and receives settlement indemnifies the transferee institution, any subsequent collecting institution, the paying institution, and any subsequent returning institution. The transferees protected by these additional indemnities will have a claim against the indemnifying institution for damages regardless of whether the damages would have occurred if the item transferred had been derived from a paper check.

Indemnity amount cannot exceed the sum of the amount of the loss, up to the amount of the settlement or other consideration received by the indemnifying institution, and interest and expenses (including costs, reasonable attorney’s fees and other expenses of representation).

New Accounts:

An account is considered to be new during the first thirty calendar days after it is opened, (although we monitor new accounts up to 180 days): i.e. when the first deposit is made. An account is not new if each member on the account has an established transaction account relationship with NBCU. According to REG CC new account exceptions include:

- a) NBCU reserves the right to hold all aggregate deposits above \$5,000 on the new account to be released on the ninth business day, less the first \$200.00 available on second business day.
- b) Cash deposited in-person is available the same day.
 - 1. NBCU reserves the right to hold cash deposits for one day.
- d) U.S. Postal Money Orders, cashier’s checks, teller’s checks, certified checks, checks drawn on FRB or FHLB, state and local government checks and traveler’s checks up to \$5,000 in person and deposited into the named payee’s account is available the next business day.
 - 1. Not deposited in person it is available the second business day.
- e) U.S. Treasury Checks up to \$5,000 deposited into the named payee’s account is available the next business day whether in-person or not.
- f) Electronic Payments (direct deposited) is available the same day.

REGULATION CC AVAILABILITY GUIDE

(Notations have been made above when NBCU chooses to reduce hold times earlier than regulatory requirements)

NORRISTOWN BELL CREDIT UNION
EXPEDITED FUNDS AVAILABILITY POLICY

Key Notation: NBCU does not accept third party checks (i.e., the original payee endorses the check over to our member) as it increases our exposure to forgery losses unless the credit union verifies the identity/endorsement of the original payee. NBCU also does not cash checks for non-members drawn off of an NBCU account.

- 1) All holds listed are business days. NBCU reserves the right to utilize a 2:00 p.m. cut-off time. Deposits made after the cut-off hour may be considered to have been received on the next business day, less \$200 available on the second business day.
- 2) NBCU does not presently have branches in more than one state
- 3) NBCU does not presently own any proprietary ATM's.
- 4) The \$200 rule does not apply to checks deposited into nonproprietary ATMs.
- 5) Exception holds may also be placed on next-day (or second-day) items
- 6) The large deposit exception applies to the aggregate amount of all check deposits made on a single day. This exception cannot be invoked for deposits of cash or electronic payments (direct deposits). When a deposit consists of a mix of checks, as the depository credit union, NBCU has the discretion to which check(s) to apply the exception.
- 7) The \$200 rule does not apply to this exception.

NBCU Complies with the same day ACH regulations. These regulations are reflected in the ACH Transactions and Audit Policy (presented below) which is also shown in the infographic shown below:

Effective September 23, 2016:

- Additional ACH files containing credits only. One file will be available by 11:30 am which must be posted by 1:00 pm. Another file will be available by 3:00 pm which must be posted by close of business.

Effective 9/15/2017:

- Additional ACH files will consist of both debit and credit files. The required posting times will remain the same.

Effective 3/16/2018:

- Additional ACH files consisting both debit and credit files, will have a required posting time change. The file sent at 3:00 pm must be posted and available for member access by 5:00 pm. .

| Same-Day ACH Transactions | | | |
|----------------------------------|---|---|---|
| | Phase 1 | Phase 2 | Phase 3 |
| Implementation Date | Sept. 23, 2016 | Sept. 15, 2017 | March 16, 2018 |
| Transaction | Credits only | Credits and debits | Credits and debits |
| Processing Deadlines | 10:30 a.m. and 2:45 p.m. (Eastern time) | 10:30 a.m. and 2:45 p.m. (Eastern time) | 10:30 a.m. and 2:45 p.m. (Eastern time) |
| Settlement Times | 1 p.m. and 5 p.m. (Eastern time) | 1 p.m. and 5 p.m. (Eastern time) | 1 p.m. and 5 p.m. (Eastern time) |
| Funds Availability | End of RDFIs processing day | End of RDFIs processing day | 5 p.m. RDFI (local time) |

Regulation CC – Funds Availability Chart

NORRISTOWN BELL CREDIT UNION
EXPEDITED FUNDS AVAILABILITY POLICY

| <i>When Deposited Item Is ...</i> | <i>And the Deposit Is ...</i> | <i>Then the Hold Is ...</i> |
|--|--|--|
| ● Cash | ● Deposit made in person to an employee | ● Same Business Day |
| | ● Otherwise | ● Next Business Day |
| ● On-Us Items | ● Deposit made in person to an employee | ● Same Business Day |
| | ● Otherwise | ● Next Business Day |
| ● Checks | ● Amounts up to \$5,000 | ● First \$200 available Next Business Day ● Remainder available 2 nd Business Day |
| | ● Amounts over \$5,000 | ● See Large Deposit Exception Hold |
| ● Electronic Payments | ● Pre-authorized payments (Direct Deposit) | ● Same Business Day collected |
| | ● Others | ● Next Business Day |
| ● Federal Reserve Bank Check ● Federal Home Loan Bank Check ● Cashier's, Certified, or Teller's Checks | ● Deposited in person; and ● Deposited into the named payee's account | ● Next Business Day |
| | ● Not deposited in person; and ● Deposited into the named payee's account | ● 2 nd Business Day |
| | ● Deposited into account other than the named payee's whether or not in person | ● 2 nd Business Day |
| ● U.S. Treasury Check | ● Deposited into named payee's account | ● Next Business Day |
| | ● Deposited into account other than the named payee | ● 2 nd Business Day |
| ● U.S. Postal Money Orders | ● Deposited in person; and ● Deposited into the named payee's account | ● Next Business Day |
| | ● Not deposited in person; and ● Deposited into the named payee's account | ● 2 nd Business Day |
| | ● Deposited into account other than the named payee's whether or not in person | ● 2 nd Business Day |
| ● State or Local Government Checks | ● Deposited in person; and ● Deposited into the named payee's account | ● Next Business Day |
| | ● Not deposited in person; and ● Deposited into the named payee's account | ● 2 nd Business Day |
| | ● Deposited into account other than the named payee's whether or not in person | ● 2 nd Business Day |
| ● ATM Deposits* *U.S. Treasury Checks deposited into a proprietary ATM receive next-day availability if deposited into the account of the named payee. The \$200 rule does not apply to checks deposited into nonproprietary ATMs. | ● Deposits at a proprietary (owned by credit union) ATM | ● First \$200 available Next Business Day ● Remainder available 2 nd Business Day |
| | ● Deposits at a non-proprietary (not owned by the credit union) ATM | ● 5 th Business Day |

NORRISTOWN BELL CREDIT UNION
EXPEDITED FUNDS AVAILABILITY POLICY

| <i>When Deposited Item Is ...</i> | <i>And the Deposit Is ...</i> | <i>Then the Hold Is ...</i> |
|--|---|---|
| <ul style="list-style-type: none"> ● Large Deposit – Aggregate amounts over \$5,000 | <ul style="list-style-type: none"> ● Aggregate amounts over \$5,000 | <ul style="list-style-type: none"> ● First \$200 available Next Business Day ● \$4,800 available 2nd Business Day ● Remainder available 7th Business Day |
| | <ul style="list-style-type: none"> ● On-Us Item(s) – Aggregate amounts over \$5,000 | <ul style="list-style-type: none"> ● First \$200 available Next Business Day ● Remainder available 2nd Business Day |
| <ul style="list-style-type: none"> ● Redeposited Checks-returned unpaid once already ● Repeated Overdrafts overdrawn 6 or more banking days in 6 months or overdrawn greater than \$5,000 on 2 or more banking days in 6 months ● Reasonable Cause to Doubt Collectability ● Emergency Conditions (computer failure, severe weather) | <ul style="list-style-type: none"> ● Checks | <ul style="list-style-type: none"> ● 7th Business Day |
| | <ul style="list-style-type: none"> ● On-Us Item(s) | <ul style="list-style-type: none"> ● 2nd Business Day |
| <i>New Accounts – Applicable During the First 30 Calendar Days</i> | | |
| <ul style="list-style-type: none"> ● Cash | <ul style="list-style-type: none"> ● Deposit made in person to an employee | <ul style="list-style-type: none"> ● Same Business Day |
| | <ul style="list-style-type: none"> ● Otherwise | <ul style="list-style-type: none"> ● Next Business Day |
| <ul style="list-style-type: none"> ● Checks | <ul style="list-style-type: none"> ● Any amount or origin of deposit | <ul style="list-style-type: none"> ● 9th Business Day |
| <ul style="list-style-type: none"> ● Electronic Payments | <ul style="list-style-type: none"> ● Pre-authorized payments (Direct Deposit) | <ul style="list-style-type: none"> ● Same day funds collected |
| | <ul style="list-style-type: none"> ● Others | <ul style="list-style-type: none"> ● Next Business Day |
| <ul style="list-style-type: none"> ● U.S. Postal Money Orders, cashier's, teller's, certified checks, checks drawn on FRB or FHLB, state and local government checks, and traveler's checks | <ul style="list-style-type: none"> ● Deposited into named payee's account ● Amounts up to \$5,000 | <ul style="list-style-type: none"> ● Next Business Day |
| | <ul style="list-style-type: none"> ● Amounts over \$5,000 | <ul style="list-style-type: none"> ● 9th Business Day |
| <ul style="list-style-type: none"> ● U.S. Treasury Checks | <ul style="list-style-type: none"> ● Whether or not in person, deposited into named payee's account ● Amounts up to \$5,000 | <ul style="list-style-type: none"> ● Next Business Day |
| | <ul style="list-style-type: none"> ● Amounts over \$5,000 | <ul style="list-style-type: none"> ● 9th Business Day |

Notes:

- All holds listed are business days following the banking day of deposit. Some credit unions establish a cutoff hour for receipt of deposits. Deposits after that cut-off time will be considered received on the next banking day.
- Most credit unions do not include on-us items in the daily cash letter. Instead credit unions clear on-us checks immediately by debiting the accountholder on which the on-us items are drawn.
- Accepting third-party checks (i.e., the original named payee endorses the check over to your member) increases the credit union's exposure to fraud unless the credit union verifies the identity/endorsement of the original payee(s).

Notification of Special Condition Holds:

NBCU reserves the right that funds deposited by check may be delayed under the following circumstances:

NORRISTOWN BELL CREDIT UNION
EXPEDITED FUNDS AVAILABILITY POLICY

- a) When we believe a check deposited will not be paid – reasonable cause to doubt collectability (e.g. we suspect check kiting, received notification that check is going to be returned, check is stale-dated).

Notification: On the receipt at time of deposit.

- b) Check(s) deposited totaling more than \$5000 on any one day.

\$200 available next business day
\$4800 available second business day
Remainder available 7th business day

Notification: On the receipt at time of deposit.

- c) A re-deposited check that had previously been returned unpaid (Excludes missing endorsements, which have since been supplied), and resubmitted.

On-us – Second Business day
All other- 7th business day

Notification: On the re-deposited receipt at time of re-deposit.

- d) A member who had repeatedly overdrawn his/her account in the last six months who meets the following conditions:

1. If an account is overdrawn 6 or more business days in the last six months, or overdrawn more than \$5000 on 2 or more business days in the last 6 months.

On-us – Second Business day
All other- 7th business day

Notification: On the receipt at time of deposit.

- e) There is an emergency, such as computer interruption, severe weather, a war, a suspension of payment by another financial institution, an emergency condition beyond the control of NBCU.

Seventh business day

Notification: Notice on a reasonable form within the reasonable time frame given the circumstances. NBCU is not required to provide a notice if the funds subject to the exception became available before the notice is sent.

Hold On Other Funds:

NBCU reserves the right to place a hold on any funds of the member, upon receipt of a check for deposit or cashing, provided that:

- a) The amount of funds held does not exceed the amount of the check.
- b) The funds are made available within the time specified in the regulation for the type of check deposit taken.
- c) This hold is disclosed.

Hold Notice Components:

When NBCU delays immediate availability of funds for withdrawal, NBCU will provide the depositor with a written notice. The notice shall include the following information:

- a) The account number, which lists at least four digits of the account

NORRISTOWN BELL CREDIT UNION
EXPEDITED FUNDS AVAILABILITY POLICY

- b) Date of deposit
- c) Amount of deposit being delayed
- d) Date the funds will be available for withdrawal

Timing of Notice: This notice shall be provided to the depositor at the time of the deposit, unless the deposit is not made in person to an employee of NBCU or the decision to extend the time when the deposited funds will be available is made after the time of the deposit. If notice is not given at the time of the deposit, NBCU shall mail or deliver the notice the member not later than the first business day following the business day the deposit is made.

Exception Hold Notice Components:

When NBCU extends the delay for availability of funds for withdrawal, NBCU will provide the depositor with an exception written notice. The notice shall include the following information:

- a) A number or code, which need not exceed four digits, that identifies the member's account;
- b) The date of the deposit;
- c) The amount of the deposit that is being delayed;
- d) The reason the exception was invoked; and
- e) The time period within which the funds will be available for withdrawal.

Timing of notice: The notice shall be provided to the depositor at the time of the deposit, unless the deposit is not made in person to an employee of NBCU (as the depository financial institution), or, if the facts upon which a determination to invoke one of the exceptions in paragraph below this section (a through e) to delay a deposit only become known to NBCU after the time of the deposit.

(a) *New accounts.* For purposes of this paragraph, checks subject to §229.10(c)(1)(v) include traveler's checks.(1) A deposit in a new account— (i) Is subject to the requirements of §229.10 (a) and (b) to make funds from deposits by cash and electronic payments available for withdrawal on the business day following the business day of deposit or receipt; (ii) Is subject to the requirements of §229.10(c)(1) (i) through (v) and §229.10(c)(2) only with respect to the first \$5,000 of funds deposited on any one business day; but the amount of the deposit in excess of \$5,000 shall be available for withdrawal not later than the ninth business day following the business day on which funds are deposited; and (iii) Is not subject to the availability requirements of §§229.10(c)(1)(vi) and (vii) and 229.12. An account is considered a new account during the first 30 calendar days after the account is established. An account is not considered a new account if each member on the account has had, within 30 calendar days before the account is established, another account at the depository financial institution (NBCU) for at least 30 calendar days.

(b) *Large deposits.* Sections 229.10(c) and 229.12 do not apply to the aggregate amount of deposits by one or more checks to the extent that the aggregate amount is in excess of \$5,000 on any one business day. For members that have multiple accounts at NBCU, then NBCU may apply this exception to the aggregate deposits to all accounts held by the member, even if the member is not the sole holder of the accounts and not all of the holders of the accounts are the same.

(c) *Redeposited checks.* Sections 229.10(c) and 229.12 do not apply to a check that has been returned unpaid and redeposited by the member or NBCU. This exception does not apply—(1) To a check that has been returned due to a missing endorsement and redeposited after the missing endorsement has been obtained, if the reason for return indication on the check states that it was returned due to a missing endorsement; or (2) To a check that has been returned because it was postdated, if the reason for return indicated on the check states that it was returned because it was postdated, and if the check is no longer postdated when redeposited.

(d) *Repeated overdrafts.* If any account or combination of accounts of NBCU's (as the depository institution) member has been repeatedly overdrawn, then for a period of six months after the last such overdraft, §§229.10(c) and 229.12 do not apply to any of the accounts. NBCU may consider a member's account to be repeatedly overdrawn if—(1) On six or more business days within the preceding six months, the account balance is negative, or the account balance would have become negative if checks or other charges to the account had been paid; or (2) On two or more business days within the preceding six months, the account balance is negative, or the account balance would have become negative, in the amount of \$5,000 or more, if checks or other charges to the account had been paid.

(e) *Reasonable cause to doubt collectability— (1) In general.* Sections 229.10(c) and 229.12 do not apply to a check deposited in an account at a depository NBCU as the depository institution has reasonable cause to believe that the check is uncollectible from the

NORRISTOWN BELL CREDIT UNION
EXPEDITED FUNDS AVAILABILITY POLICY

paying financial institution. Reasonable cause to believe a check is uncollectible requires the existence of facts that would cause a well-grounded belief in the mind of a reasonable person. Such belief shall not be based on the fact that the check is of a particular class or is deposited by a particular class of persons. The reason for the financial institution's (NBCU's) belief that the check is uncollectible shall be included in the notice required under paragraph (g) of this section.

If the notice is not given at the time of the deposit, the depository financial institution (NBCU) shall mail or deliver the notice to the member as soon as practicable, but no later than the first business day following the day the facts become known to NBCU, or the deposit is made, whichever is later.

Funds Availability Policy Changes:

- a) If there are any changes made to this policy regarding the availability of funds, members will be notified 30 days prior to making the changes unless the changes accelerate availability, then notification to members is not required.

Funds Availability Disclosure:

- a) Located in office lobby and on website.