



Wealth Management 101 Regulation E – Privilege Pay

On November 12, 2009, the Federal Reserve issued rule changes to Regulation E (Electronic Fund Transfers) concerning Overdraft Programs (Privilege Pay) and the handling of overdrafts caused by ATM and debit card transactions. In effect, the new regulation states that an institution cannot charge a fee for an ATM/debit transaction unless the consumer has been given the opportunity to opt-in to an overdraft program. The new rule is effective July 1, 2010.

Since Main Street Financial does not allow Privilege Pay to be used for ATM withdrawals this portion of the regulation does not affect Main Street Financial or our members. We extensively researched and studied member use of debit cards and Privilege Pay to determine what direction to take in regard to the new opt-in debit transaction rule. We found that only 5%–8% of our checking account holders use Privilege Pay; about 60% of the transactions are due to debit card overdrafts. To meet the July 1st opt-in requirement, Main Street Financial would have to use a significant amount of resources and money to mail letters to over 7,200 checking accounts holders. Due to low member usage, it was decided that as of July 1, 2010, we would no longer allow Privilege Pay to be used for debit card transactions. On that date when an authorization is requested on a debit card, the transaction will be rejected if there are insufficient funds in the account. Given the nature of the debit card network, slow presentment and merchants allowed to make some transactions without approval, there will still be times when a transaction could overdraft a checking account. If this occurs, the transaction will be paid and the account overdrawn, but no fee will be charged. However, the member will still be required to bring the account back to a positive balance.

Privilege Pay will continue to cover checks, ACH and other debit transactions; fees will be charged for each occurrence unless the transaction does not take the account below a negative \$10.00. The new Regulation E requirements do not call for an opt-in for this coverage; however as of January 1, 2010, Main Street Financial has been giving new checking account holders the option to either opt-in or opt-out of this program. If your account is an older account, you can also exercise the option to opt-out of the Privilege Pay program. If you would like more information about Privilege Pay and how to opt-in or opt-out of this program, please stop by your local Financial Resource Center, visit our website at msfinancialfcu.org, or call us at **800.436.8328**.

Remember, the best way to avoid overdrafts and fees is to balance your account monthly. If you need help balancing your checking account, or need any other financial advice including budgeting information you can call BALANCE at **888.456.2227** or visit them at balancepro.net. BALANCE is a free professional, confidential money management information and counseling service Main Street Financial provides to our members.

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