Overdraft Setup

The Overdraft Setup is used to define the overdraft coverage resulting in notices, share transfers, loan issues, and fees. Automated overdraft coverage for a Draft file will be used only if the Overdrafts option in Automated Operations Setup is set to "yes". Automated overdraft coverage for an ATM file will be used only if the ATM Overdrafts option under [Main Ribbon > System Settings > Automated Operations Setup] is set to "yes". Automated overdraft coverage for an ACH file will be used only if the ACH Overdrafts option in Automated Operations Setup is set to "yes".

All automated overdraft coverage is generated as the result of a file being updated. **Example:** Online ATM transactions that would result in a negative balance will not generate overdraft coverage and the transaction will be denied. See exception below.

**Note: For overdraft processing options for credit unions with an Online ATM Interface, see the last page in this chapter.
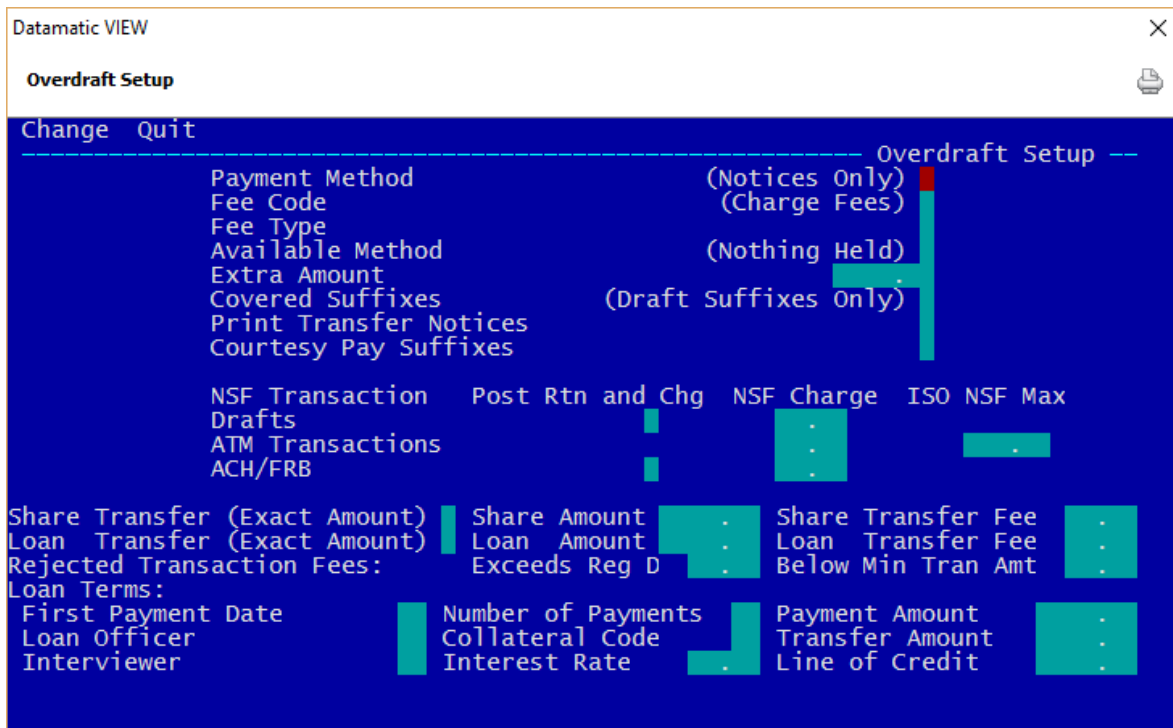

Figure 1

**Note: If there are not enough funds in the "from" account for overdraft protection coverage to cover the overdrawn amount and the transfer fee, if applicable, no funds will be transferred.

Payment Method

Definition: This field indicates the payment method of transactions that leave draft/share accounts with negative balances. ****Note:** This field indicates which type of overdraft coverage will be used for each draft/share account that is overdrawn for members that are coded to look at the Overdraft Setup screen. If a different selection is made for the Overdraft Coverage option on the Member Information window for a specific member, it will override the Payment Method on the Overdraft Setup screen.

Values:	0 = Notices Only	This prepares a notice for the member indicating that the account is overdrawn. No fees are assessed and no coverage is attempted.
	1 = Share Only	Indicates an attempt to transfer from the share account(s) as designated in the Share Suffix field to cover an overdrawn account. This also prepares a notice for the member indicating the transfer and/or the resulting negative balance.
	2 = Share then Loan	Indicates a first attempt to transfer from the Share Account(s) as designated in the Share Suffix field to cover an overdrawn account. If sufficient funds are not available, a Line of Credit Loan (75) transfer is attempted. This also prepares a notice for the member indicating the transfers and/or the resulting negative balance.
	3 = Loan then Share	Indicates a first attempt to add on the Line of Credit Loan (75) to cover the overdrawn account. If sufficient funds are not available, the Share Suffix(s) is tried for available funds. This also prepares a notice for the member indicating the transfers and/or the resulting negative balance.
	4 = Loan Only	Indicates an attempt to transfer from the Line of Credit Loan (75) to cover an overdrawn account. This also prepares a notice for the member indicating the transfer and/or the resulting negative balance.

Example: If the Payment Method field had a value of 1 (Share Only), when a member overdraws their account, funds will be transferred from their share account.

The system will <u>not</u> transfer from a suffix 75 loan if there is a loan that is delinquent - period. When the Payment Method is Loan Only, a transfer will be made if there are sufficient funds available in the loan **and** there are no loans that are delinquent. When the Payment Method is Loan then Share, the loan part will work the same way as Loan Only. For the share part, it looks at the Available Method and if 0, it will transfer amounts above and beyond any delinquent loan amounts.

**Note: The system does <u>not</u> look at the Available Method option for the loan portion of a transfer. It only looks at this option for the share portion of a transfer.

Fee Code

Definition: This field indicates how to resolve transactions that leave draft/share accounts with negative balances.

Values: 0 -   **Charge Fees** = Fees are charged automatically to the member when the member's account is overdrawn. Any draft/share account can be charged; no account is exempt.

1 -   **Charge Fee if Coded for Draft Charges** = Indicates that the fees are charged. Do this only if the member's account has been setup to incur draft service charges.

2 -   **Overdraw Account by Amount of Fee** = Fees are charged, even if the fee will result in a balance less than the minimum specified under Main Ribbon > System Settings > Minimum and Available Setup]. The account could be left with a negative balance.

Fee Type

Definition: The Fee Type field allows for multiple fees to be charged for share or loan transfers. (This is not referring to NSF fees. They are always charged per NSF item.)

Values: 1 = Single Fee (4 items NSF but 1 transfer fee)
2 = Multiple Fee (4 items NSF and 4 transfer fees)

Available Method

Definition: The value in this field determines how to compute the available balance in the 00 Share suffix. This can be used for Payment Method codes 1, 2, and 3 only.

Values: 0 =   Nothing held (except minimum balance for 00 and 01). The system will still transfer from share accounts only after leaving enough in the share to cover an amount delinquent on a loan(s). In other words, transfers will only be made with funds over and above amounts to cover amounts for delinquent loans.

1 =   Hold 1/3 of the transfer amount from the available balance based on the day of the month for loans coded with automatic transfer. (See [Main Ribbon > System Settings > Minimum and Available Setup] for available computation.)

2 =   Biweekly, Weekly, Monthly is for loans that are coded for transfer and a percentage of the payment amount is held after each payroll has posted through Payroll Deduction. (See [Main Ribbon > System Settings > Minimum and Available Setup] for available computation.)

3 =   Weekly, Monthly, Biweekly is for loans that are coded for transfer and a percentage of the payment amount after each payroll and split has posted through Payroll Deduction. (See [Main Ribbon > System Settings > Minimum and Available Setup] for available computation.)

4 =   Hold 1/4 of the payment amount based on the date entered in the Available Days for Type 4 field on the Minimum and Available Setup. (See [Main Ribbon > System Settings > Minimum and Available Setup] for available computation.)

9 = Do not hold delinquent loans. The system will still transfer from a share account regardless if loans are delinquent. The fact that there is a delinquent loan(s) is ignored.

Extra Amount

Definition: The Extra Amount indicates an additional transfer amount to be transferred from the share to replenish an overdrawn draft/share account. This option only applies to overdraft transfers from a share suffix (not a 75 loan suffix). *****Note:** Usually this is used when there is a share transfer fee and the share transfer type field uses the "Exact Amount" option. Then when the fee is taken from the draft/share account there is enough to cover the fee. Leave BLANK if no additional money is to be transferred from the share account to replenish an overdrawn account.

Values: 1.00 to 9999.99

Example: Assume the Extra Amount field is set to 10.00. If a member overdraws their account $30.00, the system will transfer $30.00 plus $10.00 (the value in the Extra Amount field) into the overdrawn draft/share account.

Covered Suffixes

Definition: The Covered Suffixes field defines which suffixes will be covered by overdraft protection. If no coverage then no overdraft notice will be generated, no fees will be assessed and the item will not show on the NSF report. The suffix will show on the Overdrawn Shares Report.

Values: 0 = Draft Suffixes Only - Overdraft protection will only cover Draft Suffixes.
                   1 = All Share Suffixes - Overdraft protection will cover all Share Suffixes.

HSA Suffixes - The system will not allow suffixes coded as an HSA to become overdrawn as a result of a draft, ACH or ATM/Debit card posting. Any NSF transactions will reject on the NSF report, therefore, are not subject to overdraft protection. These account types do not qualify for overdraft protection. Also, if an HSA suffix is entered in one of the overdraft coverage account fields (under Member Information), a message of "Invalid Account Suffix" will be displayed.

The system looks for suffixes listed on the Member Information window in the Overdraft Coverage Account 1-5 fields. In order for the 00 suffix to have funds transferred to for overdraft coverage, a suffix other than the 00 will need to be entered in the Overdraft Coverage Account 1-5 fields.

Print Transfer Notices

Definition: The Print Transfer Notices field determines if Overdraft Transfer notices will be printed with the NSF and Reject notices. Credit unions that do not mail the Overdraft Transfers notices can use this option so that these notices will not be printed.

Values: Y = Yes   (Default) The system will print the Overdraft Transfer notices.
                     N = No   The system will not print the Overdraft Transfer notices.

Courtesy Pay Suffixes

Definition: The Courtesy Pay Suffixes field determines if Courtesy Pay will be done and which suffixes will be covered by Courtesy Pay, if offered by the credit union. This is for both ACH and Draft files. If set to "Drafts Only", share suffix items will be returned and fees charged accordingly or the suffix will remain overdrawn depending on how the credit union is setup. The default selection is All.

Values: A = All (draft and share suffixes)
                     D = Drafts Only
                     N = None (This turns off Courtesy Pay completely.)

Drafts (Post NSF Returns and Charges)

Definition: The Post NSF Returns and Charges field determines how the system will respond when there are Non-Sufficient Funds (NSF) during the posting of a Draft file.

Values:		
	Y = Yes	The system will automatically return funds and post charges when NSF is received. ****Note:** If the member has Courtesy Pay and the available money is enough to pay ALL NSF drafts, the system will pay the drafts and charge the Paid Draft Fee. The notice will also reflect the CPay wording.
	N = No	There will be NO returns and NO charges will be assessed. NSF notices will be generated. Overdraft coverage is determined by the Payment Method.
	F = Fee Only	There will be NO returns but charges will be assessed. This option will create an NSF Notice and will charge a Fee. This might be used by credit unions that want to manually decide whether or not Draft items will be returned or paid but have a fee charged regardless.
	S = Select	This value is ONLY used when the credit union has the Share Draft Auto Returns software.

Drafts (NSF Charge Amount)

Definition: The NSF Charge Amount field determines the fee that will be assessed when a NSF transaction is posted. Each NSF item will be charged the NSF charge amount. The fee will NOT be posted if the Post NSF Returns and Charges field is set to NO.

Values: Credit Union defined.

Example: In this example the Post NSF Returns and Charges field is set to Yes. If the NSF Charge Amount field had the value of 10.00, the member would be charged $10.00 when a NSF transaction was posted.

ATM Transactions (NSF Charge Amount)

Definition: The NSF Charge Amount field determines the fee that will be assessed when a NSF transaction is posted. Each NSF item will be charged the NSF charge amount.

Values: Credit union defined.

ATM Transactions (ISO NSF Max)

Definition: The ISO NSF Max field represents the maximum daily amount (if applicable) that can be charged to a suffix that is overdrawn as the result of an ATM/Debit Card transaction(s). This only applies to credit unions that use the Automatic ATM Overdraft program for ISO ATM Interfaces which is run during End of Day processing. Once the NSF charges have reached the daily maximum, the system will not charge anymore ATM/Debit Card NSF fees for that day. This could result in partial charges. In order for any ATM/Debit Card NSF fees to be assessed, the suffix has to be coded as "Allowed" (Opt In) for the NSF Fee (ATM/Debit) field.

**Note: This does not affect the Batch or Positive File ATM/Debit Card overdrafts.

> **Example:**   The charge for an ATM/Debit Card overdraft is **$10 per item with a $25 maximum** per day. If there are three ATM/Debit Card NSF items, the system would charge $10 + $10 + $5 for a total of $25.

### ACH/FRB (Post NSF Returns and Charges)

Definition: The Post NSF Returns and Charges field determines how the system will respond when there is Non-Sufficient Funds (NSF) during the posting of an ACH/FRB file.

Values:	Y = Yes	The system will automatically return funds and post charges when a NSF is received. ****Note:** If the member has Courtesy Pay and the available money is enough to pay ALL NSF ACH/FRB items, the system will pay the ACH/FRB items and charge the Paid ACH Fee. The notice will also reflect the CPay wording.
	N = No	There will be NO returns and NO charges will be assessed. NSF notices will be generated. Overdraft coverage is determined by the Payment Method.
	F = Fee Only	There will be NO returns but charges will be assessed. This option will create an NSF Notice and will charge a Fee. This might be used by credit

unions that want to manually decide whether or not ACH items will be returned or paid but have a fee charged regardless.

S = Select   This value is ONLY used when the credit union has the Select ACH/FRB Items to Return software.

Note: In order for this option to be effective, the setting for ACH Overdrafts under [Main Ribbon > System Settings > Credit Union Setup > Overdrafts and Check Register tab] must be set at either "Allow" or "Drafts". If "Reject" is selected, there is no reason to have ACH overdraft protection.

```
Reject
Allow
Drafts
```
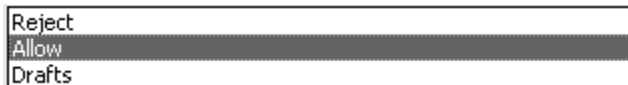
Allow -   This option will ALLOW Draft and Share suffix withdrawals to post to a member's account even if there are non-sufficient funds available.

Drafts -   This option will ALLOW DRAFT suffixes to be taken into the negative. Draft suffixes having negative balance can then be covered by overdraft protection. The money hits GL Suspense (999999) for any share transactions that reject.

ACH/FRB (NSF Charge Amount)

Definition: The NSF Charge Amount field determines the fee that will be assessed when a NSF transaction is posted. Each NSF item will be charged the NSF charge amount. The fee will NOT be posted if the Post NSF Returns and Charges field is set to NO.

Values: Credit union defined.

Example: In this example the Post NSF Returns and Charges field is set to Yes. If the NSF Charge Amount field had the value of 10.00, the member would be charged $10.00 when a NSF transaction was posted.

Share Transfer

Definition: If the credit union has the system automatically transfer from a share account to cover an overdraft, this field will define whether it will transfer exactly the amount of the overdraft or in increments.

Values: M = Multiples   The system automatically transfers multiples of the Share Amount field to cover an overdrawn draft/share account. It will calculate the amount to cover all overdrafts and rounds the overdrawn amount to the next highest increment.

Blank = Exact Amt.   Leaving this field blank indicates that the exact dollar amount of the overdraft is transferred.

When the value of **"Multiples"** is selected, the system will transfer less than the multiple amount in the Share Amount field, **if** less than the multiple is available **and** the lesser amount will cover the overdrawn amount <u>and</u> the fee.

Share Amount

Definition: This field will only be used if the Share Transfer type is set to M. The Share Amount will indicate the increment amount (in multiples of) in which the assigned share account is decreased to cover an overdrawn draft/share account.

Values: Credit union defined.

Example: A share transfer type M (multiples) assigned with the share amount in $25.00 increments. If a member overdraws their draft/share account by $15.50, the system automatically transfers $25.00. However, if a member overdraws their draft/share account by $25.01, the system automatically rounds that dollar amount to the next highest increment amount and transfers $50.00.

Share Transfer Fee

Definition: The Share Fee charged for transferring an amount from a share account to an overdrawn draft/share account. The transfer fee is deducted from the overdrawn account. The system automatically transfers this amount in addition to the overdrawn balance, if the Share Transfer type is blank (Exact Amount).

Value: Credit union defined.

Example: If the Share Transfer Fee field was set to $5.00, the member would be charged $5.00 when funds are transferred to cover an overdrawn draft/share account.

For ATM or Debit Card batch transactions, the system will <u>not</u> assess the Share Transfer Fee for transactions under $5.00, regardless of transfer amount. The system will make the transfer to cover the NSF item(s) as long as funds are available in the "from" account. This works this way due to the fact that surcharges sometimes come through as separate transactions. (Example: $20.00 - withdrawal and $2.00 - surcharge rather than $22.00 as one transaction.) This way the member does not get double charged a fee for the same transaction. The system does not differentiate between a surcharge and an ATM or Debit Card transaction that is less than $5.00.

Example: $3.00 ATM transaction   No transfer fee is assessed, if a Share Transfer was needed to cover an overdraft.

For Draft and ACH batch transactions less than $5.00, a transfer fee, if applicable, would be assessed if a Share Transfer was needed to cover an overdraft.

Loan Transfer

Definition: The Loan Transfer is used to cover an overdrawn draft/share account by issuing a line of credit loan advance (75 suffix). If the credit union has the system automatically transfer from the 75 suffix loan to cover an overdraft, this field will define whether it will transfer exactly the amount of the overdraft or in increments.

Values: | M = Multiples | The system automatically rounds the overdrawn amount to the next highest increment of the loan amount field and issues that multiple amount as an advance against the 75 suffix loan to cover an overdrawn draft/share account. (See note below.) |
| Blank = Exact Amt. | Leaving this field blank indicates that the exact dollar amount is to be issued as an advance against the 75 suffix loan for an overdrawn draft/share account. |

When the value of **Multiples** is selected, the system will transfer less than the multiple amount in the Loan Amount field, **if** less than the multiple is available **and** the lesser amount will cover the overdrawn amount <u>and</u> the fee.

Loan Amount

Definition: This field will only be used if the Loan Transfer type is set to M. The Loan Amount will indicate the increment amount (in multiples of) in which the line of credit loan (75 suffix) is issued to cover an overdrawn draft/share account.

Values: Credit union defined.

Example: A Loan transfer type (M) assigned with the Loan Amount in $100.00 increments. If a member overdraws their draft/share account by $63.74, the system automatically transfers $100.00. However, if a member overdraws their draft/share account by $100.05, the system automatically rounds that dollar amount to the next highest increment amount and transfers $200.00.

Loan Transfer Fee

Definition: The Loan Fee charged for issuing a line of credit loan (75 suffix) to cover an overdrawn draft/share account. The transfer fee is deducted from the overdrawn account. The system automatically transfers this amount in addition to the overdrawn balance, if the Loan Transfer type is blank (Exact Amount).

Values: Credit union defined.

Example: If the Loan Transfer Fee field was set to $3.50, the member would be charged $3.50 when funds are transferred to cover an overdrawn draft/share account.

For ATM or Debit Card batch transactions, the system will <u>not</u> assess the Loan Transfer Fee for transactions under $5.00, regardless of transfer amount. The system will make the transfer to cover the

NSF item(s) as long as funds are available in the "from" account. This works this way due to the fact that surcharges sometimes come through as separate transactions. (Example: $20.00 - withdrawal and $2.00 - surcharge rather than $22.00 as one transaction.) This way the member does not get double charged a fee for the same transaction. The system does not differentiate between a surcharge and an ATM or Debit Card transaction that is less than $5.00.

> **Example:** $3.00 ATM transaction   No transfer fee is assessed, if a Loan Transfer was needed to cover an overdraft.

For Draft and ACH batch transactions less than $5.00, a transfer fee, if applicable, would be assessed if a Loan Transfer was needed to cover an overdraft.

Rejected Transaction Fees:

Exceeds Reg D

Definition: The fee that is charged when an item(s) rejects for Exceeds Reg D. The number of Reg D transactions allowed by the credit union is entered under [Main Ribbon > System Settings > Transaction Setup]. The item(s) will show on the NSF Report and the notice generated will reflect the appropriate return reason and fee. The offset for the fee is posted to the Overdraft Fees general ledger account. This applies to both share drafts and ACH.

Value: Credit Union defined.

Below Min Tran Amt

Definition: The fee that is charged when a share item(s) rejects for Below Min Tran Amt. The Minimum Check Amount and Suffix is entered under [Main Ribbon > System Settings > Transaction Minimum Setup]. The item(s) will show on the NSF Report and the notice generated will reflect the appropriate return reason and fee. The offset for the fee is posted to the Overdraft Fees general ledger account. This applies to share drafts only.

Value: Credit Union defined.

******This Next Section should be reviewed carefully.

Loan Terms:

Definition: The following information is only used if the overdraft program makes a loan advance. ********IMPORTANT:** If the loan terms are changed on the Overdraft Setup screen to be different than those defined on the existing setup of the Line of Credit Loan (75 suffix); the loan terms entered on the Overdraft Setup Screen ALTER all of the Line of Credit Loans (75 suffix) issued to cover an overdrawn draft/share account from this setup date forward. Only use this option if all of the 75 suffix loans are to be the same. In other words, all of the payments are due on the same date, number of payments is the

same, payment amounts are the same, etc. One, two or all the fields can be used. **These fields are only used if the overdraft loan is paid off and the overdraft program makes another loan advance.** Anything filled in on these fields would override what is filled in at the loan level and change the loan.

First Payment Date

Definition: The day of the month on which the first payment is made for the line of credit loan (75 suffix). ****Note:** This is the payment date which indicates when each payment on the loan is due. If this field is left blank, the system defaults to the First Payment Date field on the member's suffix 75 Overdraft Loan Setup.

Values: Credit union defined.

Example: If the First Payment Date were set to 15, on the 15th of the month that the loan was issued would be the date that the first payment would be due.

Number of Payments

Definition: The two (2) digit number which indicates the Number of Payments to pay off the loan. This does not affect any calculation in the system. ****Note:** If this field is left blank, the system defaults to the Number of Payments field on the member's suffix 75 Overdraft Loan Setup.

Values: Credit Union defined.

Example: If the Number of Payments field were set to 10, the loan would be set to be paid off in 10 payments.

Payment Amount

Definition: The payment amount as agreed to under the contract. ****Note:** If this field is left blank, the system defaults to the Payment Amount field on the member's suffix 75 Overdraft Loan Setup.

Values: Credit union defined.

Loan Officer

Definition: The Loan Officer field defines the credit union's loan officer. ****Note:** If this field is left blank, the system defaults to the Loan Officer field on the member's suffix 75 Overdraft Loan Setup.

Values: Credit Union defined.

Collateral Code

Definition: The collateral code field defines the security being held as collateral for the loan. ****Note:** If this field is left blank, the system defaults to the Security field on the member's 75 suffix Loan Setup.

Values: Credit Union defined.

Transfer Amount

Definition: The transfer amount is the loan amount to be transferred as a line of credit loan (75 suffix). ****Note:** If this field is left blank, the system defaults to the Transfer Amount field on the member's 75 suffix Loan Setup.

Values: Credit union defined.

Interviewer

Definition: The Interviewer field defines the code for the individual who interviews members requesting a loan. ****Note:** If this field is left blank, the system defaults to the Loan Officer field on the member's suffix 75 Overdraft Loan Setup.

Values: Credit Union defined.

Interest Rate

Definition: The four (4) digit rate charged on all line of credit loans (75 suffix). ****Note:** If this field is left blank, the system does NOT change the interest rate on the 75 suffix loan.

Values: Credit union defined.

Line of Credit

Definition: The line of credit amount which is the signature limit amount assigned to the line of credit loan. ****Note:** If this field is left blank, the system does NOT change the line of credit on the 75 suffix loan.

Values: Credit union defined.

When finished, press enter. Select Yes in the upper right corner of the screen and press enter again to save the changes and close the screen.

ATM Overdraft Processing for Online ATM/Debit Card Interfaces

An automatic overdraft processing job is available for credit unions with Online ATM/Debit Card Interfaces. The overdraft processing is done with End of Day processing as a batch job, rather than at the time of the overdraft. This also opens up the possibility that the member may resolve the overdraft situation prior to End of Day processing thus avoiding the need for overdraft processing to occur. This job looks for share and share draft suffixes that have a negative balance as a result of an ATM/Debit Card transaction and are still overdrawn when End of Day is processed.

> For credit unions with an Online ATM Interface, it is very important to verify the [Main Ribbon > System Settings < Automated Operations Setup > ATM Overdrafts] option.
>
> For credit unions that want to utilize the new automatic overdraft processing job, the **ATM Overdrafts** option **must** be set to "Y" for Yes. On the other hand, if the credit union does not want the new automatic overdraft processing to take place, the **ATM Overdrafts** option **must** be set to "N" for No.
>
> Also, if the credit union wants to charge an NSF fee, the amount must be entered under [Main Ribbon > System Settings > Overdraft Setup > ATM Transactions - NSF Charge].

First any overdraft coverage from a share and/or suffix 75 loan is attempted. Any applicable NSF fees (Overdraft Setup screen - ATM Transactions - NSF Charge) will be assessed, if the member has opted in for the suffix overdrawn. For items that either no overdraft coverage was available or there were not enough funds to cover the overdrawn amount, the suffix will just remain overdrawn. At this point, Courtesy Pay doesn't really come into play because these items cannot be returned. The standard ATM NSF Report and NSF notices will be generated and will be included with the reports for that day in the Archive folder under Reports on the Navigation Bar.

As far as NSF fees, these will only be charged for suffixes for which the member has opted in. The system checks the **"NSF Fee (ATM/Debit)"** field on the Suffix Inquiry for the overdrawn suffixes. If this field is set to **"Not Allowed"**, no NSF fee will be charged. Also, the ATM NSF Report will display the message **"NSF Fees not allowed"** for suffixes that are set to **"Not Allowed"** for ATM/Debit NSF fees. The credit union can use this report to follow up with these members to resolve the negative balance(s).

There is an option under [Main Ribbon > System Settings > Overdraft Setup > ISO NSF Max] that can be used to enter the maximum daily amount (if applicable) that can be charged to a suffix that is overdrawn as the result of an ATM/Debit Card transaction(s). This only applies to credit unions that use the Automatic ATM Overdraft program for ISO ATM Interfaces which is run during End of Day processing. Once the NSF charges have reached the daily maximum, the system will not charge anymore ATM/Debit Card NSF fees for that day. This could result in partial charges.

> **Example:** The charge for an ATM/Debit Card overdraft is **$10 per item with a $25 maximum** per day. If there are three ATM/Debit Card NSF items, the system would charge $10 + $10 + $5 for a total of $25.

**Note: The offset to any NSF fees charged is posted to the general ledger account under [Main Ribbon > System Settings > Payable and Suspense Account Setup > Overdraft Fees].