

HFS FEDERAL CREDIT UNION CHANGE IN TERMS NOTICE
BUSINESS MEMBERSHIP AND ACCOUNT AGREEMENT

Publication Date: July 1, 2019

Effective Date: September 1, 2019

PLEASE READ CAREFULLY

The following changes to the Business Membership and Account Agreement (the "Business Agreement") are effective as of September 1, 2019. The Business Agreement continues in full force and effect, subject to the following amendments:

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT - To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, address, date of birth, if applicable, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

4. Account Access.

g. Access to Family of Accounts. Your primary share account may have multiple subaccounts attached to it, such as draft (checking) accounts, share certificates, credit cards, loans, and lines of credit. Your primary share account and all sub accounts attached to it are referred to as a "family of accounts." Any person with access to the account or any sub account has access to all information in the entire "family of accounts," even if that person does not have authority to make transactions in those other account or subaccounts. The information may include, for example, transactions, account history, balances, delinquencies, loans, applications, disbursements of funds, deposits, withdrawals, debits, draws, charges, transfers, payments, security, account statements, payable on death (POD) payees, and any other information concerning any account or subaccounts in the "family of accounts."

h. Authentication Code. If you or any other Authorized Person permits a third party to use an account authentication code (such as a user ID, password, passcode, personal identification number (PIN), or other access code), you and all other owners of the Account are responsible for all transactions that the third party authorizes or conducts, even if the third party exceeds the permission given to the third party. This means that the third party may make transactions in all accounts and subaccounts that can be accessed with the authentication code, whether or not the third party would otherwise have authority to make transactions in those accounts and subaccounts. Access includes all accounts and subaccounts, whether or not they are in the same "family of accounts". See section 4(g) for the definition of Family of Accounts. By giving the third party the authentication code, the third party is authorized to conduct any transaction (and receive any information) that the Account Owner could conduct (or receive) with the authentication code. If you do not want this to occur, change your authentication code and do not give your authentication code to others.

You agree to indemnify, defend, and hold HFS Federal Credit Union harmless against all claims regarding information given to any joint owner or any third party to whom you or any other Authorized Person has given access. The Credit Union may require you to execute a separate form of consent and indemnification as a condition of providing access.

5. DEPOSIT OF FUNDS REQUIREMENT. Funds may be deposited to accounts, in any manner approved by the Credit Union in accordance with the requirements set forth on our Business Account Disclosure. We have the right to refuse any deposit, limit the amount that may be offered for deposit, and return all or any part of a deposit. Deposits made by mail, at night depositories or at unstaffed facilities are not our responsibility until we receive them.

a. Endorsements. We may accept transfers, checks, drafts, and other items for deposit into any of your accounts if they are made payable to, or to the order, of the Account Owner even if they are not endorsed. If a check, draft or other item that is payable to two or more persons is ambiguous as to whether it is payable to either or both, we may process the check, draft or item as though it is payable to either person. If an insurance, government, or other check or draft requires an endorsement as set forth on the back of the check or draft, we may require endorsement as set forth on the item. We may, but are not required, to accept whether for cash or other value, checks, drafts, or items made payable to the Account Owner provided such items are endorsed with an original or facsimile signature of an Authorized Person or Authorized Signer. Endorsements must be made on the back of the share draft or check within 1½ inches from the top edge, although we may accept endorsements outside this space. However, any loss we incur due to a delay or processing error resulting from an irregular endorsement or other markings by you or any prior endorser will be your responsibility. If we offer a remote deposit capture service and you have been approved to use the service to make deposits to your account, you agree that, prior to transmitting check or draft images, you will restrictively endorse each original check or draft in accordance with any other agreement with us that governs this service. If a check, draft or other item that is payable to two or more persons is ambiguous as to whether it is payable to either or both, we may process the check, draft or item as though it is payable to either person.

d. Direct Deposits. We may offer direct deposit services, including preauthorized deposits (e.g., payroll checks, Social Security or retirement checks, or other government checks) or preauthorized transfers from other accounts. You must authorize direct deposits and preauthorized transfers by filling out a separate authorization document. You must notify us at least thirty (30) days in advance if you wish to cancel or change a direct deposit or preauthorized transfer option. Any cancellation or change will become effective once we receive notice from you and have a reasonable period of time to act on your request. If we are required to reimburse a government agency for any benefit payment directly deposited into your account, we may deduct the amount returned from any of your accounts, unless prohibited by law. If your account is overdrawn, you authorize us to deduct the amount your account is overdrawn from any deposit, including deposits of government payments or benefits as permitted under applicable law.

6. FUND TRANSFERS.

a. **Uniform Commercial Code Article 4A and Other Agreements.** Except as amended by this Agreement, fund transfers we permit that are subject to Article 4A of Uniform Commercial Code, including Automated Clearinghouse (ACH) credit transactions and wire transfers, will be subject to such provisions of the Uniform Commercial Code as enacted by the state where the main office of the Credit Union is located, except as otherwise provided in this Agreement. ACH transfers are subject to rules of the National Automated Clearinghouse Association (NACHA). You may be provided with a separate document providing details about certain types of fund transfer transactions available on your account. Any provisions in such documents purporting to limit your liability for unauthorized transactions, imposing liability on us for failing to stop a preauthorized electronic funds payment and imposing duties on us in the case of billing errors are not applicable to your account.

d. **Right to Refuse to Make Transfer/Limitation of Liability.** Unless we agree otherwise in writing, we reserve the right to refuse to execute any order to transfer funds to or from your account. We are not obligated to execute any order to transfer funds out of your account if the amount of the requested transfer plus applicable fees exceeds the available funds in your account. We are not liable for errors, delays, interruptions or transmission failures caused by third parties or circumstances beyond our control including mechanical, electronic or equipment failure. In addition, we will not be liable for consequential, special, punitive or indirect loss or damage you may incur in connection with funds transfers to or from your account.

f. **Interest Payments.** If we fail to properly execute a payment order and such action results in a delay in payment to you, applicable law requires that we pay you interest for the period of delay. Based on your account type, we will pay you such interest in the form of dividend or interest payments, whichever applies. You agree that the dividend or interest rate paid to you will be based on the lowest nominal dividend or interest rate we were paying on any account during that period.

l. **Duty to Report Unauthorized or Erroneous Funds Transfers.** You must exercise ordinary care to identify and report unauthorized or erroneous funds transfers on your account. You agree that you will review your account(s) and period statement(s). You further agree you will notify us of any unauthorized or erroneous transfers within the time frames described in the "Statements" section of this Agreement.

m. **Recording telephone Requests.** You agree that we may record payment order, amendment and cancellation requests as permitted by applicable law.

7. **ACCOUNT RATES AND FEES.** We pay account earnings and access fees against your account as set forth in our Business Account Schedule of Fees and Charges. We may change our fees and charges at any time and will notify you as required by law.

8. TRANSACTION LIMITATIONS.

a. **Restrictions.** We reserve the right to restrict withdrawals, transfers and other transactions from your account and shall not be liable for any restrictive action we take regarding (1) withdrawals, transfers or other transactions, or (2) the payment or non-payment of checks and drafts, except those damages which may arise solely as a result of the Credit Union's gross negligence.

We permit withdrawals only if your account has sufficient available funds to cover the full amount of the withdrawal, and may otherwise honor withdrawal requests in accordance with our overdraft policies or any overdraft protection plan you have established with us. Drafts or other transfers or payment orders which are drawn against insufficient available funds may be subject to a fee as set forth in our Business Account Schedule of Fees and Charges. If there are sufficient available funds to cover some, but not all, of your withdrawal request, we may otherwise allow you to make a withdrawal in an amount for which there are sufficient available funds.

We may limit or refuse a withdrawal or freeze an account in some situations, and will advise you accordingly; for example, if: (1) we believe a signature may not be genuine; or (2) we believe that there may be a dispute regarding ownership or control of the account, or between Authorized Persons or Authorized Signers (unless a court has ordered the Credit Union to allow the withdrawal); (3) a legal garnishment or attachment is served; (4) the account secures any obligation to us; (5) required documentation has not been presented; (6) you fail to repay a Credit Union loan on time; (7) for non-corporate accounts, a depositor is deceased; or, for corporate accounts, the corporation is in bankruptcy proceedings, or (if an entity) has been dissolved and the required disposition of the account has not been made; (8) someone with authority to do so requests us not to permit the withdrawal; or (9) there are other circumstances which do not permit us to make the withdrawal. We also reserve the right to refuse any withdrawal which is attempted by any method not specifically permitted by us. We may require you to give written notice of seven (7) to sixty (60) days before any intended withdrawals. Although we are required by law to reserve the right to require seven (7) days advance notice prior to permitting withdrawals, we do not presently exercise this right.

10. OVERDRAFTS AND DISHONORED ITEMS

a. **Payment of Overdrafts.** An overdraft of your account can occur if, on any day, the available funds in your share or deposit account are not sufficient or you do not have enough money in your account to pay the full amount of a check, draft, transaction, or other item (collectively referred to as "Item"), plus any applicable fee that is posted to your account. Should there be an overdraft of your account, we may return the Item or pay it, as described below, even if you have an overdraft protection plan or other overdraft service. We are not required to pay any Item that exceeds the available balance in your account. **THE CREDIT UNION USES YOUR AVAILABLE BALANCE TO CALCULATE WHETHER YOU HAVE SUFFICIENT FUNDS TO PAY ITEMS, INCLUDING CHECKS AND DRAFTS, AS WELL AS ACH, DEBIT CARD AND OTHER ELECTRONIC TRANSACTIONS.**

Your checking account has two kinds of balances: the "current balance" and the "available balance." Your current balance reflects the full amount of all settled deposits to your account as well as settled payment transactions that have been posted to your account. It does not reflect checks you have written and are still outstanding or transactions that have been authorized but are still pending.

Your available balance is the amount of money in your account that is available for you to use. An available balance is based on transactions that institutions have authorized (and therefore are obligated to pay) but not yet settled, along with settled transactions. The available balance for your account is determined according to our Funds Availability Policy Disclosure. **Pending transactions and holds placed on your account may reduce your available balance and may cause your account to become overdrawn regardless of your current balance.** You should assume that any Item which would overdraw your account based on your available balance may create an overdraft. You may check your available balance and current balance online at www.hfsfcu.org, at an ATM, by visiting a credit union branch or by calling us at (808) 930-1400 or toll free at (800) 216-2666.

The following illustrates the difference between current balance and available balance:

- If a member has a \$100.00 current balance but uses his/her debit card to buy dinner for \$40.00, then there is a pre-authorization hold on his/her account (at the request of the restaurant), and his/her available balance (the money he/she has left to use) is \$60.00. In other words, the \$40.00, which the member just spent, is no longer available for use. His/her current balance is still \$100.00 until the restaurant charge is submitted and posted to his/her account.
- On the deposit side, if the Credit Union chooses to put a hold on a check, for example, an out-of-state check in the amount of \$5,000.00, the hold will be placed on the entire amount of the check. In this example, his/her available balance is \$0.00 and his/her current balance is \$5,000.00.

The Credit Union's determination of an insufficient available account balance may be made at any time between presentation and the Credit Union's midnight deadline with only one review of the account required. We do not have to notify you if your account does not have sufficient available funds in order to pay an Item. Your account may be subject to a fee (currently \$25.00 pursuant to the Business Account Schedule of Fees and Charges; this fee may change in the future) for each Item regardless of whether we pay or return the Item. We will charge a fee each time an Item is submitted or resubmitted to the Credit Union for payment (an Item can be resubmitted to the Credit Union for payment a maximum of two times); therefore, you may be assessed more than one fee as a result of a returned Item and resubmission(s) of the returned Item.

If we provide overdraft services, this service allows us to authorize payment for the following types of transactions regardless of whether your share or deposit account has sufficient funds: (1) share drafts/checks and other transactions made using your checking account, except as otherwise described below; (2) automatic bill payments; (3) ACH transactions. For one-time debit card transactions, you must affirmatively consent to overdraft service coverage. Without your consent, the Credit Union may not authorize and pay a one-time debit card transaction that will result in insufficient funds in your account. If you have established a service linking your share or deposit account with other individual or joint accounts, you authorize us to transfer funds from another account of yours to cover an insufficient Item, including transfers from a share or deposit account, an overdraft line-of-credit account, or other account you so designate. Services and fees for these transactions are shown in the document the Credit Union uses to capture your affirmative consent and the Business Account Schedule of Fees and Charges.

Except as otherwise agreed in writing, if we exercise our right to use our discretion to pay such Items that result in insufficiency of funds in your account, we do not agree to pay them in the future and may discontinue coverage at any time without notice. If we pay these Items or impose a fee that results in insufficient funds in your account, you agree to pay the insufficient amount, including the fee assessed by us, in accordance with our standard overdraft services or any other service you may have authorized with us, or if you do not have such protections with us, in accordance with any overdraft payment policy we have, as applicable.

b. How transactions are Posted to Your Account. Basically, there are two types of transactions that affect your account: credits (deposits of money into your account) and debits (payments out of your account). It is important to understand how each is applied to your account so that you know how much money you have and how much is available to you at any given time. This section explains generally how and when we post transactions to your account.

i. **Credits.** Deposits are generally added to your account when we receive them. However, in some cases when you deposit a check, the full amount of the deposit may not be available to you at the time of deposit. Please refer to the Funds Availability Policy Disclosure provided at the time you opened your account for details regarding the timing and availability of funds from deposits.

ii. **Debits.** There are several types of debit transactions. Common debit transactions are generally described below. Keep in mind that there are many ways transactions are presented for payment by merchants, and we are not necessarily in control of when transactions are received.

iii. **Checks.** When you write a check it is processed through the Federal Reserve System. We receive data files of cashed checks from the Federal Reserve each day. The checks drawn on your account are compiled from these date files and paid each day. We process the payments in accordance with the Funds Availability Policy Disclosure.

iv. **ACH Payments.** We receive data files every day from the Federal Reserve with Automated Clearing House (ACH) transactions. These include, for example, automatic bill payments you have authorized. ACH transactions for your account are posted throughout the day.

v. **PIN-Based Debit Card Purchase Transactions.** These are purchase transactions using your debit card for which a merchant may require you to enter your personal identification number (PIN) at the time of sale. They are processed through a PIN debit network. These transactions are similar to ATM withdrawal transactions because the money is usually deducted from your account immediately at the time of the transaction. However, depending on the merchant, a PIN-based transaction may not be immediately presented for payment. These payment requests are received throughout the day and are posted to your account when they are received.

vi. **Signature-Based Debit Card Purchase Transactions.** These are purchase transactions using your debit card that are processed through a signature-based network. Rather than entering a PIN, you typically sign for the purchase; however, merchants may not require your signature for certain transactions. Merchants may seek authorization for these types of transactions. The authorization request places a hold on funds in your account when the authorization is completed. The "authorization hold" will reduce your available balance by the amount authorized but will not affect your current balance. The transaction is subsequently processed by the merchant and submitted to us for payment. This can happen hours or sometimes days after the transaction, depending on the merchant and its payment processor.

The amount of an authorization hold may differ from the actual payment because the final transaction amount may not yet be known to the merchant when you present your card for payment. For example, if you use your debit card at a restaurant, a hold will be placed in an amount equal to the bill presented to you; but when the transaction posts, it will include any tip that you may have added to the bill presented to you. This may also be the case where you present your debit card for

payment at gas stations, hotels and certain other retail establishments. We cannot control how much a merchant asks us to authorize, or when a merchant submits a transaction for payment.

c. **Order of Payments.** Checks, drafts, transactions, and other Items may not be processed in the order that you make them or in the order that we receive them. We may, at our discretion, pay a check, draft, or Item, and execute other transactions on your account in any order. The order in which we process checks, drafts, or Items, and execute other transactions on your account may affect the total amount of overdraft fees that may be charged to your account. Please contact us if you have questions about how we pay checks or drafts and process transfers and withdrawals.

d. **Dishonored Items.** We may redeposit Items taken for deposit, cash or other value, or we may return the Item to you and charge your account. If your account does not contain sufficient funds to reimburse us for the amount of the Item, you must repay us for the amount we are unable to collect from your account. If we choose to redeposit an Item, we are not required to notify you that the Item was returned unpaid. We may charge your account and/or seek recovery directly from you for any Item that is returned due to your breach of warranty under the Uniform Commercial Code as adopted in the state where our main office is located.

14. **STOP PAYMENT ORDERS; LOST, DESTROYED OR STOLEN OFFICIAL CHECKS OR MONEY ORDERS.**

a. **Stop Payment Order of Checks or Drafts on Your Account.**

(i) **Request.** Any Authorized Person or Authorized Signer may request a stop payment order on any check or draft drawn on your account. To be binding, the order must accurately describe the check or draft, including the exact account number, check or draft number, and amount of the check or draft. This exact information is necessary for the Credit Union to identify the check or draft. If we receive incorrect or incomplete information, we will not be responsible for failing to stop payment on the check or draft. In addition, we must receive sufficient advance notice of the stop payment order to allow us a reasonable opportunity to act on it. If we recredit your account after paying a check or draft over a valid and timely stop payment order, you agree to sign a statement describing the dispute with the payee, to transfer to us all of your rights against the payee or other holders of the check or draft, and to assist us in any legal action.

17. **PLEDGE OF SHARES, RIGHT OF OFFSET AND STATUTORY LIEN.** Unless prohibited by law, you pledge and grant as security for all obligations you may have now or in the future, except obligations secured by your principal residence, all shares and dividends and, all deposits and interest, if any, in all accounts you have with us now and in the future. If you pledge a specific dollar amount in your account(s) for a loan, we will freeze the funds in your account(s) to the extent of the outstanding balance of the loan or, if greater, the amount of the pledge if the loan is a revolving loan. Otherwise, funds in your pledged account(s) may be withdrawn unless you are in default. You agree we have the right to offset funds in any of your accounts against any obligation owed to us. Federal or state law, depending on whether we have a federal or state charter, gives us a lien on all shares and dividends and all deposits and interest, if any, in accounts you have with us now and in the future. Except as limited by state or federal law, the statutory lien gives us the right to apply the balance of all your accounts to any obligation on which you are in default. After you are in default, we may exercise our statutory lien rights without further notice to you.

21. **NOTICES.**

b. **Notice of Amendments.** Except as prohibited by applicable law, we may at any time change the terms of this Agreement. We will notify you in writing to your current mailing address or via electronically, if you opted to do so, of any changes in terms, rates, or fees as required by law.

g. **Notify Us of Any Change in Your Information.** You agree to notify us of any change in your current contact information including your post office address, physical address, phone number, and, if you registered for online banking, your email address, by visiting any of our branch offices, calling us at (808) 930-1400 for the Island of Hawaii, (800) 216-2666 for Neighbor Islands and Continental USA, sending us an e-mail at hfs_operations@hfsfcu.org or by writing to us at: HFS Federal Credit Union, 632 Kinoole Street, Hilo HI 96720-3894. If you are enrolled in online banking, you may update your email address at any time by logging onto online banking and clicking on the menu option labeled "Manage Contact Info". If you need information on how to update your email address, request a paper copy or any other questions, please contact us during regular business hours.

23. **STATEMENTS.**

b. **Examination.** You are responsible for promptly examining each statement upon receiving it and reporting any irregularities to us. If you fail to report to us, any irregularities such as forged, altered, unauthorized, unsigned, or otherwise fraudulent items drawn on your account, erroneous payments or transactions, or other discrepancies that are reflected on your statement within a reasonable time of receiving your statement, we will not be responsible for your loss. In addition, we will not be responsible for any such items, payments, transactions, or other discrepancies reflected on your statement if you fail to notify us within sixty (60) days of the mailing date we sent or otherwise provided the statement to you. We also will not be liable for any items that are forged or altered in a manner not detectable by a reasonable person, including the unauthorized use of a facsimile signature machine.

26. **TERMINATION OF MEMBERSHIP; LIMITATION OF SERVICES –** You may terminate your membership by giving us written notice or by withdrawing your minimum required membership share, if any, and closing all your accounts. You may be expelled from membership for any reason allowed by applicable law. We may restrict account access and services without notice to you when your account is being misused; you may have demonstrated conduct which is abusive in nature; as outlined in any policy we have adopted regarding restricting services; or as otherwise permitted by law. You may also be denied services for causing a loss to the Credit Union. Should we terminate your membership, the balance in your account shall be returned to you in accordance with Section 25 (Termination of Account) above.

If you have any questions about the foregoing changes or would like to discuss other account options, you may contact us by visiting any of our branch offices, calling us at (808) 930-1400 for the Island of Hawaii, (800) 216-2666 for Neighbor Islands and Continental USA, sending us an e-mail at hfs_operations@hfsfcu.org or by writing to us at: HFS Federal Credit Union, 632 Kinoole Street, Hilo HI 96720-3894.