

## MEMBERSHIP AND ACCOUNT AGREEMENT

This Agreement covers your rights and responsibilities concerning your accounts and the rights and responsibilities of the Credit Union providing this Agreement (Credit Union). In this Agreement, the words “you,” “your,” and “yours” mean anyone who signs an Account Card, Account Change Card, or any other account opening document (Account Card), or for whom membership and/or service requests are approved through the Credit Union’s online application and authentication process. The words “we,” “us,” and “our” mean the Credit Union. The word “account” means any one or more share, deposit or other accounts you have with the Credit Union.

Your account type(s) and ownership features are designated by you on your Account Card or through the Credit Union’s online application and authentication process. By signing an Account Card or authenticating your request, each of you, jointly and severally, agree to the terms and conditions in this Agreement, and any Account Card, Funds Availability Policy Disclosure, Truth-in-Savings Disclosure, Electronic Fund Transfers Agreement and Disclosure, Privacy Notice, Schedule of Fees and Charges or Account Receipt accompanying this Agreement, the Credit Union’s Bylaws or Code of Regulations (Bylaws), Credit Union policies, and any amendments to these documents from time to time that collectively govern your membership, accounts and services. You also agree that your accounts and services are governed by applicable present and future federal and state laws and regulations, local banking customs, and the rules of any clearing house association with whom we may deal.

You agree that this Agreement applies only to accounts that are established and used primarily for personal, family or household purposes (“consumer accounts”). The Business Membership and Account Agreement applies to all other accounts (such as accounts for sole proprietorships, business, commercial, organizational, or non-profit purpose). Contact the Credit Union if your account is not a consumer account.

**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.

**1. MEMBERSHIP ELIGIBILITY** — To join the Credit Union, you must meet the membership requirements, including as applicable, the purchase and maintenance of the minimum required share(s) (“membership share”) as set forth in the Credit Union’s Bylaws or established from time to time by the Credit Union’s Board of Directors. You authorize us to check your account, credit and employment history, and obtain reports from third parties, including credit reporting agencies, to verify your eligibility for the accounts and services you request and for other accounts, products, or services we may offer you or for which you may qualify.

**2. INDIVIDUAL ACCOUNTS** — An individual account is an account owned by one member (individual, trust, or fiduciary) qualified for credit union membership. If the account owner dies, the interest passes, subject to applicable law, to the account owner’s estate or Payable on Death (POD) payee, subject to other provisions of this Agreement governing our protection for honoring transfer and withdrawal requests of an owner or owner’s agent prior to notice of an owner’s death, and to any security interest or pledge granted by the account owner, and subject to our statutory lien and offset rights.

**3. JOINT ACCOUNTS** — A joint account is an account owned by two or more persons.

**a. Rights of Survivorship.** Unless otherwise stated on the Account Card or documented through the Credit Union’s online application and authentication process, a joint account includes rights of survivorship. This means that when one owner dies, all sums in the account will pass to the surviving owner(s). For a joint account without rights of survivorship, the deceased owner’s interest passes to his or her estate. A surviving owner’s interest is subject to the Credit Union’s statutory lien and offset rights as to the deceased owner’s obligations and to any security interest or pledge granted by a deceased owner, even if a surviving owner did not consent to it.

**b. Control of Joint Accounts.** Any owner is authorized and deemed to act for any other owner(s) and may instruct us regarding transactions and other account matters. Each owner guarantees the signature or authenticated request of any other owner(s). Any owner may withdraw or transfer funds, pledge to us all or any part of the shares, or stop payment on items without the consent of the other owner(s). We have no duty to notify any owner(s) about any transaction. We reserve the right to require written consent of all owners for any change to or termination of an account. If we receive written notice of a dispute between owners or inconsistent instructions from them, we may suspend or terminate the account and require a court order or written consent from all owners in order to act. See section 9(c) below for important information about Access to Family of Accounts.

**c. Joint Account Owner Liability.** If an item deposited in a joint account is returned unpaid, a joint account is overdrawn, or if we do not receive final payment on a transaction, the owners, jointly and severally, are liable to us for the amount of the returned item, overdraft, or unpaid amount and any charges, regardless of who initiated or benefited from the transaction. If any account owner is indebted to us, we may enforce our rights against any account of the indebted owner, including all funds in the joint account, regardless of who contributed the funds.

**4. POD ACCOUNT DESIGNATIONS** — A Payable on Death (POD) account designation is an instruction to the Credit Union that an individual or joint account so designated is payable to the owner(s) during his, her, or their lifetimes and, when the last account owner dies, is payable to all surviving POD payees. If there are two or more POD payees, the surviving POD payee(s) will receive payment on the death of the last account owner. Any POD payee designation shall not apply to Individual Retirement Accounts (IRAs). We are not obligated to notify any payee of the existence of any account nor the vesting of the payee’s interest in any account, except as otherwise provided by law. This paragraph does not apply to an account held on behalf of or in the name of a trust.

**5. ACCOUNTS FOR MINORS** — We may require any account established by a minor to be a joint account with an owner who has reached the age of majority under state law and who shall be jointly and severally liable to us for any returned item, overdraft, or unpaid charges or amounts on such account. We may pay funds directly to the minor without regard to his or her minority. Unless a guardian or parent is an account owner, the guardian or parent shall not have any account access rights. We have no duty to inquire about the use or purpose of any transaction. We will not change the account status when the minor reaches the age of majority unless the change is authorized in writing by all account owners.



**6. UNIFORM TRANSFERS TO MINORS ACCOUNT** — A Uniform Transfers to Minors Account (UTMA) is an individual account created by a custodian who deposits funds as an irrevocable gift to a minor. The minor to whom the gift is made is the beneficiary of the custodial property in the account. The custodian has possession and control of the account for the exclusive right and benefit of the minor and, barring a court order otherwise, is the only party authorized to make deposits, withdrawals, or close the account. We have no duty to inquire about the use or purpose of any transaction. If the custodian dies, we may suspend the account until we receive instructions from any person authorized by law to withdraw funds or a court order authorizing withdrawals.

**7. AGENCY DESIGNATION ON AN ACCOUNT** — An agency designation on an account is an instruction to us that the owner authorizes another person to make transactions as agent for the account owner regarding the accounts designated. An agent has no ownership interest in the account(s) or credit union voting rights. We have no duty to inquire about the use or purpose of any transaction made by the agent.

**8. DEPOSIT OF FUNDS REQUIREMENTS** — Funds may be deposited to any account, in any manner approved by the Credit Union in accordance with the requirements set forth in the Truth-in-Savings 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, one or more account owners even if they are not endorsed by all payees. You authorize us to supply missing endorsements of any owners if we choose. 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. Endorsements must be made on the back of the check or draft within 1½ inches of 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.

**b. Collection of Items.** We act only as your agent and we are not responsible for handling items for deposit or collection beyond the exercise of ordinary care. Deposits made by mail or at unstaffed facilities are not our responsibility until we receive them. We are not liable for the negligence of any correspondent or for loss in transit, and each correspondent will only be liable for its own negligence. We may send any item for collection. Items drawn on an institution located outside the United States are handled on a collection basis only. You waive any notice of nonpayment, dishonor, or protest regarding items we purchase or receive for credit or collection to your account. We reserve the right to pursue collection of previously dishonored items at any time, including giving a payor financial institution extra time beyond any midnight deadline limits.

**c. Restrictive Legends and Other Limitations Not Binding on Credit Union.** Some check, draft or other items may contain restrictive legends or similar limitations on the item for a transaction. Examples of restrictive legends include "two signatures required," "void after 60 days," and "not valid over \$500.00." You agree that any such restrictive legend or other limitation is for your internal purpose only. We do not assume any obligation to support or enforce such legends or limitations. We are not liable for payment of any check, draft, item or other transaction contrary to a restrictive legend or other limitation contained in or on the item unless you have specifically notified us of the individual item or transaction, and we have specifically agreed in writing to the restriction or limitation for that individual item or transaction, and you have paid a special handling fee for that individual item or transaction.

**d. Final Payment.** All items or Automated Clearing House (ACH) transfers credited to your account are provisional until we receive final payment. If final payment is not received, we may charge your account for the amount of such items or ACH transfers and impose a return item fee on your account, even if we made funds available to you prior to receipt of final payment. Any collection fees we incur may be charged to your account. We reserve the right to refuse or return any item or fund transfer.

**e. 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 or preauthorized transfers by filling out a separate authorization document. You must notify us at least thirty (30) days in advance 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 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. If we are required to reimburse the U.S. Government for any benefit payment directly deposited into your account, we may deduct the amount returned from any of your accounts, unless prohibited by law.

**f. Crediting of Deposits.** Deposits will be credited to your account on the day we consider them received as stated in our Funds Availability Policy Disclosure.

**g. Bankruptcy.** Upon a bankruptcy filing, unless you cancel the authorization or as otherwise provided by law, we may continue making payments to third parties in accordance with your authorization on file with us. This applies, for example, to payments through Bill Payer, Check Free Bill Payer, Pre-Authorized Electronic Fund Transfer, etc.

## **9. ACCOUNT ACCESS —**

**a. Authorized Signature or Authentication.** Your signature on the Account Card, or authentication and approval of your account, authorizes your account access. We will not be liable for refusing to honor any item or instruction if we believe the signature is not genuine. If you have authorized the use of a facsimile signature, we may honor any check or draft that appears to bear your facsimile signature, even if it was made by an unauthorized person. You authorize us to honor transactions initiated by a third person to whom you have given your account information or authentication, even if you do not authorize a particular transaction.

**b. Access Options.** You may access your account in any manner we permit (e.g., at an automated teller machine, in person, by mail, Internet access, automatic transfer, or telephone, as applicable). We may return as unpaid any check or draft drawn on a form we do not provide, and you are responsible for any loss we incur handling such a check or draft. We may refuse to honor a power of attorney if our refusal is conducted in accordance with applicable state law.

**c. 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, lines of credit and mortgages. Your primary share account and all subaccounts attached to it are referred to as a "family of accounts." Any joint owner of an account or subaccount 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.”

**d. 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 9(c) for 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 member 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.

**e. Credit Union Examination.** We may disregard any information on any check or draft other than the signature of the drawer, the amount, and any magnetic encoding. You agree that we do not fail to exercise ordinary care in paying an item solely because our procedures do not provide for sight examination of items.

## 10. FUND TRANSFERS —

**a. Uniform Commercial Code Article 4A and Other Agreements.** Except as amended by this Agreement, electronic fund transfers we permit that are subject to Article 4A of the Uniform Commercial Code, including 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).

**b. Fedwire Transactions.** We may execute certain requests for an electronic fund transfer by Fedwire. Fedwire transactions are subject to Federal Reserve Board Regulation J.

**c. Authorization for Transfers/Debiting of Accounts.** You may order an electronic fund transfer to or from your account. We will debit your account for the amount of the electronic fund transfer and will charge your account for any fees related to the transfer.

**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.

**e. No Notice Required.** We will not provide you with next day notice of automated clearinghouse (ACH) transfers, wire transfers, and other electronic payments credited to your account. You will receive notice of such credits on your account statements. You may contact us to determine whether a payment has been received.

**f. Interest Payments.** If we fail to properly execute a payment order, and such action results in a delay in payment to you, we will pay you dividends or interest for the period of delay as required by applicable law. The dividends or interest paid to you will be based on the lowest nominal dividend or interest rate we were paying on any account during that period.

**g. Provisional Credit for ACH Transactions.** We may provisionally credit your account for an ACH transfer before we receive final settlement. If we do not receive final settlement, we may reverse the provisional credit or require you to refund us the amount provisionally credited to your account, and the party originating the transfer will not be considered to have paid you.

**h. Payment Order Processing and Cut-off Times.** Payment orders we accept will be executed within a reasonable time of receipt but may not necessarily be executed on the date they are received. Cut-off times may apply to the receipt, execution and processing of fund transfers, payment orders, cancellations, and amendments. If a request for a fund transfer, payment order, cancellation, or amendment is received after a cut-off time, it may be treated as having been received on the next fund transfer business day. Information about any cut-off times is available upon request. From time to time, we may need to suspend processing of a transaction for greater scrutiny of verification in accordance with applicable law, and this action may affect settlement or availability of the transaction.

**i. Identifying Information.** When you initiate a wire transfer, you may identify the recipient and any financial institution by name and by account or identifying number. The Credit Union and any other financial institutions facilitating the transfer may rely strictly on the account or identifying number, even if the number identifies a different person or financial institution. In the event you provide us with an incorrect account number or institution identifier number, you could lose the entire amount of the transfer.

**j. Amendments and Cancellations of Payment Orders.** Any account owner may amend or cancel a payment order, even if that person did not initiate the order. We may refuse any request to amend or cancel a payment order that we believe will expose the Credit Union to liability or loss. Any request that we accept to amend or cancel a payment order will be processed within a reasonable time after it is received. You agree to hold us harmless from and indemnify us for all losses and expenses resulting from any actual or attempted amendment or cancellation of a payment order.

**k. Security Procedures.** We may require you to follow a security procedure to execute a payment order or certain electronic fund transfer transactions. We will notify you of any such security procedures. Unless we permit you to establish a different security procedure, you agree that the security procedures contained in the Credit Unions policies, of which we have notified you, are commercially reasonable verification of payment orders and other electronic fund transfers. If we permit you to establish a different security procedure, you agree that procedure is a commercially reasonable method of verifying electronic fund transfers.

**l. Duty to Report Unauthorized or Erroneous Fund Transfers.** You must exercise ordinary care to identify and report unauthorized or erroneous fund transfers on your account. You agree that you will review your account(s) and periodic 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.

**11. ACCOUNT RATES AND FEES** — We pay account earnings and assess fees against your account as set forth in the Truth-in-Savings Disclosure and Schedule of Fees and Charges. We may change the Truth-in-Savings Disclosure or Schedule of Fees and Charges at any time and will notify you as required by law.

**12. 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 will pay checks or drafts, permit withdrawals, and make transfers from available funds in your account. The availability of funds in your account may be delayed as described in our Funds Availability Policy Disclosure. We may also pay checks or drafts, permit withdrawals, and make transfers from your account from insufficient available funds if you have established an overdraft protection plan or, if you do not have such a plan with us, in accordance with our overdraft payment policy.

We may refuse to allow a withdrawal in some situations and will advise you accordingly if: (1) we believe there is a dispute between account owners (unless a court has ordered the Credit Union to allow the withdrawal); (2) a legal garnishment or attachment is served; (3) the account secures any obligation to us; (4) required documentation has not been presented; (5) you fail to repay a credit union loan on time; (6) we believe a signature may not be genuine; (7) an account holder is deceased or in bankruptcy proceedings; or (8) there are other circumstances which do not permit us to make the transaction. We may require you to give written notice of seven (7) to sixty (60) days before any intended withdrawals.

**b. Transfer Limitations.** We may limit the dollar amount or the number of transfers from your account. Please consult your Truth-in-Savings Disclosure or your Electronic Fund Transfers Agreement and Disclosure.

**13. CERTIFICATE ACCOUNTS** — Any time deposit, term share, share certificate, or certificate of deposit account, whichever we offer as allowed by applicable federal or state law (certificate account), is subject to the terms of this Agreement, the Truth-in-Savings Disclosure, and the Account Receipt for each account and any other documents we provide, the terms of which are incorporated herein by reference.

**14. OVERDRAFTS** —

**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.hfscu.org](http://www.hfscu.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 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; and (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 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.

**15. POSTDATED AND STALEDATED CHECKS OR DRAFTS —** You agree not to issue any check or draft that is payable on a future date (postdated). If you do issue a check or draft that is postdated and we pay it before that date, you agree that we shall have no liability to you for such payment. You agree not to deposit checks, drafts, or other items before they are properly payable. We are not obligated to pay any check or draft drawn on your account that is presented more than six (6) months past its date. If, however, the check or draft is paid against your account, the Credit Union shall have no liability for such payment.

#### **16. 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 owner may request a stop payment order on any check or draft drawn on the owner's account. To be binding, the order must be in writing, dated and signed, and must accurately describe the check or draft, including the exact account number, the check or draft number, and the exact amount of the check or draft. This exact information is necessary for the Credit Union's computer 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 assign 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.
- ii. **Duration of Order.** Oral stop payment orders will lapse within fourteen (14) calendar days unless confirmed in writing, or in a record if allowed by applicable law, within that time. Written stop payment orders are effective for six (6) months and may be renewed for an additional six (6) month period by requesting in writing that the stop payment order be renewed within a period during which the stop payment order is effective. We are not required to notify you when a stop payment order expires.
- iii. **Liability.** Fees for stop payment orders are set forth in the Schedule of Fees and Charges. Although payment of an item may be stopped, you may remain liable to any item holder, including us. You have the burden of establishing the fact and amount of loss resulting from the payment of an item contrary to a binding stop payment order. You agree to indemnify and hold the Credit Union harmless from all costs, including attorney's fees, damages, or claims related to our refusing payment of an item, including claims of any joint account owner, payee, or endorsee in failing to stop payment of an item as a result of incorrect information provided by you.

**b. Claims for Lost, Destroyed or Stolen Official Checks or Money Orders.** If a Credit Union Official Check or Money Order is lost, destroyed or stolen, you may be able to assert a claim with respect to the Official Check or Money Order, if permitted under applicable law. You must provide us with exact information to identify the Official Check or Money Order. Timing of your claim must conform to applicable law; and we must receive sufficient advance notice to allow us a reasonable opportunity to act on your request. Our stop payment fee for checks also applies to a claim with respect to an Official Check or Money Order, whether or not your claim is enforceable. Although your claim may be enforced, you may remain liable to any item holder, including us. You agree to indemnify and hold the Credit Union harmless from all costs, including attorney's fees, damages or claims related to any action taken by the Credit Union because of a claim for a lost, destroyed or stolen Official Check or Money Order. Except as provided by law, you cannot place a stop payment order on an Official Check or Money Order. Contact the Credit Union for details.

**17. CREDIT UNION LIABILITY** — If we do not properly complete a transaction according to this Agreement, we will be liable for your losses or damages not to exceed the amount of the transaction, except as otherwise provided by law. We will not be liable, for example, if: (1) your account contains insufficient funds for the transaction; (2) circumstances beyond our control prevent the transaction; (3) your loss is caused by you or another financial institution's negligence; or (4) your account funds are subject to legal process or other claim. We are not liable if checks, drafts or other items were forged or altered so that the forgery or alteration could not be reasonably detected. We will not be liable for consequential damages, except liability for wrongful dishonor. We exercise ordinary care if our actions or nonactions are consistent with applicable state law, Federal Reserve regulations and operating letters, clearinghouse rules, and general financial institution practices followed in the area we serve. You grant us the right, in making payments of deposited funds, to rely exclusively on the form of the account and the terms of this Agreement. Any conflict regarding what you and our employees say or write will be resolved by reference to this Agreement. The amount of our liability shall not exceed \$50.00, the amount of the transaction, or the amount of your loss, whichever is less, except as otherwise required by law.

**18. CHECKS OR DRAFTS PRESENTED FOR PAYMENT IN PERSON** — We may refuse to accept any check or draft drawn on your account that is presented for payment in person. Such refusal shall not constitute a wrongful dishonor of the check or draft, and we shall have no liability for refusing payment. If we agree to cash a check or draft that is presented for payment in person, we may require the presenter to pay a fee. Any applicable check or draft cashing fees are stated in the Schedule of Fees and Charges.

**19. REMOTELY CREATED CHECKS OR DRAFTS** — For purposes of this paragraph, "account" means a transaction account, credit account, or any other account on which checks or drafts may be drawn. A remotely created check or draft is a check or draft created by someone other than the person on whose account the check or draft is drawn. A remotely created check or draft is generally created by a third party payee as authorized by the owner of the account on which the check or draft is drawn. Authorization is usually made over the telephone or through online communication. The owner of the account does not sign a remotely created check or draft. In place of the owner's signature, the remotely created check or draft usually bears a statement that the owner authorized the check or draft or bears the owner's printed or typed name. If you authorize a third party to draw a remotely created check or draft against your account, you may not later revoke or change your authorization. It is your responsibility to resolve any authorization issues directly with the third party. We are not required to credit your account and may charge against your account any remotely created check or draft for which the third party has proof of your authorization.

**20. 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 upon 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 federal or state 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.

**Your pledge and our statutory lien rights will allow us to apply the funds in your account(s) to what you owe when you are in default, except as limited by federal or state law.** If we do not apply the funds in your account(s) to satisfy your obligation, we may place an administrative freeze on your account(s) in order to protect our statutory lien rights and may apply the funds in your account(s) to the amount you owe us at a later time. The statutory lien and your pledge do not apply to any Individual Retirement Account or any other account that would lose special tax treatment under federal or state law if given as security. By not enforcing our right to apply funds in your account(s) to your obligations that are in default, we do not waive our right to enforce these rights at a later time.

**21. LEGAL PROCESS** — If any legal action is brought against your account, we may pay out funds according to the terms of the action or refuse any payout until the dispute is resolved, as permitted by law. Any expenses or attorney fees we incur responding to legal process may be charged against your account without notice, unless prohibited by law. Any legal process against your account is subject to our lien and security interest.

We may comply with any legal process including, but not limited to any order, garnishment, levy, subpoena, warrant, writ of attachment and execution, which we believe to be valid. We may charge a legal processing fee upon receipt of such legal process in addition to research, copying and all other applicable fees and costs. If we are not fully reimbursed for our fees and costs by the party which served the legal process, we may charge such fees and costs to your account in accordance with the Schedule of Fees and Charges.

We shall not be liable to you for honoring any legal process received by or served upon us. You agree to indemnify, defend and hold us harmless from all claims, actions, losses, damages, liabilities, attorneys' fees and costs resulting from or in any way related to our response to any legal process.

**22. ACCOUNT INFORMATION** — Upon request, we will give you the name and address of each agency from which we obtain a credit report regarding your account. We agree not to disclose account information to third parties except when: (1) it is necessary to complete a transaction; (2) the third party seeks to verify the existence or condition of your account in accordance with applicable law; (3) such disclosure complies with the law or a government agency or court order; (4) you give us written permission; or (5) as otherwise permitted by applicable law. We may provide information to credit bureaus about an insolvency, delinquency, late payments or default on your account to include in your credit report. You agree that we may provide information about your account, including without limitation account histories and account documents, to any co-signer, obligor, guarantor, accommodation mortgagor, or owner or co-owner of any asset securing any obligation you owe to us.

## **23. NOTICES** —

**a. Name or Address Changes.** You are responsible for notifying us of any name or address change. The Credit Union is only required to attempt to communicate with you at the most recent address you have provided to us. Any change of address notification received from the U.S. Postal Service will be treated as if you notified us. We may, if we choose, accept oral notices of a change in address and may require any other notice from you to us be provided in writing.

**b. Notice of Amendments.** Except as prohibited by applicable law, we may change the terms of this Agreement at any time. We will notify you in writing to your current mailing address or via electronically, if you opted to do so, of any change in terms, rates, or fees as required by law. We reserve the right to waive any terms of this Agreement. Any such waiver shall not affect our right to future enforcement.

**c. Effect of Notice.** Any written notice you give us is effective when we receive it and have sufficient time to act upon it. Any written notice we give to you is effective when it is deposited in the U.S. mail, postage prepaid, and addressed to you at your statement mailing address, and will be effective whether or not received by you. If there are multiple owners of one account, notice to any account owner is considered notice to all account owners.

**d. Electronic Notices.** If you have agreed to receive notices electronically, we may send you notices electronically and discontinue mailing paper notices to you until you notify us that you wish to reinstate receiving paper notices.

**e. How to Reach Us Quickly.** We may not immediately receive and review e-mail messages that we receive. We will not take action based on e-mail requests until a Credit Union employee actually reviews the message and has a reasonable opportunity to act. If your request requires immediate attention, you may notify us at (808) 930-1400 for the Island of Hawaii, (800) 216-2666 for Neighbor Islands and Continental USA, or write to us at: HFS Federal Credit Union, 632 Kinoole Street, Hilo HI 96720-3894, or visit any of our branch offices.

**f. Protect Your Information.** Please do not provide confidential information in e-mail. We will never contact you by email, telephone, mail or other type of correspondence and request your PIN, password, passcode, user ID, or other authentication code. If you are contacted by anyone asking for your PIN, password, passcode, user ID, or other authentication code, you should refuse and immediately contact us. You may be the target of identity theft.

**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 e-mail 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](mailto: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 e-mail 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 e-mail address, request a paper copy or any other questions, please contact us during regular business hours.

**24. TAXPAYER IDENTIFICATION NUMBER AND BACKUP WITHHOLDING** — You agree that we may withhold taxes from any dividends or interest earned on your account as required by federal, state or local law or regulations. Your failure to furnish a correct Taxpayer Identification Number (TIN) or meet other requirements may result in backup withholding. If your account is subject to backup withholding, we must withhold and pay to the Internal Revenue Service (IRS) a percentage of dividends, interest, and certain other payments. If you fail to provide your TIN within a reasonable time, we will close your account and return the balance to you, less any applicable service fees.

## **25. STATEMENTS —**

**a. Contents.** If we provide a periodic statement for your account, you will receive a periodic statement of transactions and activity on your account during the statement period as required by applicable law. If a periodic statement is provided, you agree that only one (1) statement is necessary for joint accounts. For share draft or checking accounts, you understand and agree that your original check or draft, when paid, becomes property of the Credit Union and may not be returned to you, but copies of the check or draft may be retained by us or payable through financial institutions and may be made available upon your request. You understand and agree that statements are made available to you on the date they are mailed to you, or if you have requested, on the date they are made available to you electronically. You also understand and agree that checks, drafts, or copies thereof are made available to you on the date the statement is mailed to you or is provided to you electronically, even if the checks or drafts do not accompany the statement.

**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, payment, 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.

**c. Notice to Credit Union.** You agree that the Credit Union's retention of checks or drafts does not alter or waive your responsibility to examine your statements or the time limit for notifying us of any errors. The statement will be considered correct for all purposes, and we will not be liable for any payment made or charge to your account unless you notify us in writing within the above time limit for notifying us of any errors. If timely notice is given, we reserve the right to make a final reasonable determination regarding whether and in what amount any adjustment shall be made. If you fail to receive a periodic statement, you agree to notify us within fourteen (14) days of the time you regularly receive a statement.

**26. INACTIVE ACCOUNTS** — As allowed by applicable law, we may classify your account as inactive or dormant and assess a fee if you have not made any transactions in your account over a specified period of time. The period of inactivity, the fee for servicing an inactive or dormant account, and the minimum balance required to avoid the service fee, if any, are set forth in our Schedule of Fees and Charges. You authorize us to transfer funds from another account of yours to cover any service fees, if applicable. To the extent allowed by law, we reserve the right to transfer the account funds to an account payable and to suspend any further account statements. If a deposit or withdrawal has not been made on the account and we have had no other sufficient contact with you within the period specified by state law, the account will be presumed to be abandoned. Funds in abandoned accounts will be reported and remitted in accordance with state law. Once funds have been turned over to the state, we have no further liability to you for such funds, and if you choose to reclaim such funds, you must apply to the appropriate state agency. We will notify you as required by state law before paying the funds in your account to the state. To the extent allowed by law, we reserve the right to transfer the account funds to an account payable and to suspend any further account statements.

**27. SPECIAL ACCOUNT INSTRUCTIONS** — You may request that we facilitate certain trust, will, or court-ordered account arrangements. However, because we do not give legal advice, we cannot counsel you as to which account arrangement most appropriately meets the specific requirements of your trust, will, or court order. If you ask us to follow any instructions that we believe might expose us to claims, lawsuits, expenses, liabilities, or damages, whether directly or indirectly, we may refuse to follow your instructions or may require you to indemnify us or post a bond or provide us with other protection. We may require that account changes requested by you, or any account owner, such as adding or closing an account or service, be evidenced by a signed Account Change Card or other document which evidences a change to an account and accepted by us.

**28. TERMINATION OF ACCOUNT** — We may terminate your account at any time without notice to you or may require you to close your account and apply for a new account if: (1) there is a change in owners or authorized signers; (2) there has been a forgery or fraud reported or committed involving your account; (3) there is a dispute as to the ownership of the account or of the funds in the account; (4) any checks or drafts are lost or stolen; (5) there are excessive returned unpaid items not covered by an overdraft protection plan; (6) there has been any misrepresentation or any other abuse of any of your accounts; (7) we reasonably deem it necessary to prevent a loss to us; (8) we deem it necessary to protect the Credit Union from any risks or losses, or otherwise deem it to be in the best interests of the Credit Union, our member or our employees; (9) you violate any Credit Union policy, procedure or standard or any law, regulation or rule; or (10) deliberately or repeatedly violating security procedures or safety rules. You may terminate an individual account by giving written notice. We reserve the right to require the consent of all owners to terminate a joint account. We are not responsible for payment of any check, draft, withdrawal, transaction, or other item after your account is terminated; however, if we pay an item after termination, you agree to reimburse us.

**29. TERMINATION OF MEMBERSHIP; LIMITATION OF SERVICES** — You may terminate your membership by giving us written notice or by withdrawing your minimum required membership share(s), if any, and closing all your accounts. We may restrict account access and services without notice to you when your account is being misused; you 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 be denied services for causing a loss to the Credit Union, or you may be expelled for any reason as allowed by applicable law. Should we terminate your membership, the balance in your account shall be returned to you in accordance with Section 28 above.

**30. DEATH OF ACCOUNT OWNER** — You agree to notify us in writing upon the death of any owner or person authorized on the account. We may continue to honor all transfer orders, withdrawals, deposits, and other transactions on an account until we know of a member's death. Once we know of a member's death, we may pay checks or drafts or honor other payments or transfer orders authorized by the deceased member for a reasonable time unless we receive instructions from any person claiming an interest in the account to stop payment on the checks, drafts, or other items. Anyone claiming a deceased owner's account funds agrees to indemnify us for any losses resulting from our honoring that claim or those instructions. We may offset any obligation for which the decedent was liable prior to paying the net balance to any beneficiary, payee, joint owner, or transferee, provided that we will not offset funds in any Individual Retirement Account or any other account that would lose special tax treatment under state or federal law if given as security. This Agreement will be binding upon any heirs or legal representatives of any account owner.

**31. UNLAWFUL INTERNET GAMBLING AND OTHER ILLEGAL ACTIVITIES** — You agree that you are not engaged in unlawful Internet gambling or any other illegal activity. You agree that you will not use any of your accounts, access devices or services for unlawful Internet gambling or other illegal activities. We may terminate your account relationship if you engage in unlawful Internet gambling or other illegal activities.

**32. SEVERABILITY** — If a court holds any portion of this Agreement to be invalid or unenforceable, such portion shall be deemed amended and enforced to the maximum extent possible, and the remainder of this Agreement shall not be invalid or unenforceable and will continue in full force and effect. All headings are intended for reference only and are not to be construed as part of the Agreement.

**33. ENFORCEMENT; COSTS** — You are liable to us for any losses, costs, or expenses we incur resulting from your failure to follow this Agreement; for any action we take in response to a subpoena, garnishment or other proceeding; or any action we take if we believe there may be a dispute regarding ownership or control of the account. You authorize us to deduct any such losses, costs, or expenses from your account without prior notice to you. If we bring a legal action to collect any amount due under or to enforce this Agreement, we shall be entitled, subject to applicable law, to payment of reasonable attorney's fees and costs, including fees on any appeal, bankruptcy proceedings, and any postjudgment collection actions.

**34. GOVERNING LAW** — This Agreement is governed by the Credit Union's Bylaws, federal laws and regulations, the laws, including applicable principles of contract law, and regulations of the state in which the Credit Union's main office is located (Hawaii), and local clearinghouse rules, as amended from time to time. As permitted by applicable law, you agree that any legal action regarding this Agreement shall be brought in the county in which the Credit Union is located.

**35. NEGATIVE INFORMATION NOTICE** - We may report information about your loan, share, or deposit accounts to credit bureaus. Late payments, missed payments, or other defaults on your accounts may be reflected in your credit report.

#### LOCATIONS AND INFORMATION

**Hilo**

632 Kinoole Street  
Hilo, Hawaii 96720-3894

**Kona Coast Shopping Center**

74-5586 Palani Road, Suite 5  
Kailua-Kona, Hawaii 96740-3119

Web Site: [www.hfsfcu.org](http://www.hfsfcu.org)  
Email: [hfs\\_operations@hfsfcu.org](mailto:hfs_operations@hfsfcu.org)  
Phone: 808-930-1400  
Toll Free: 800-216-2666  
Fax: 808-935-2091

**Honokaa**

45-3600 Mamane Street  
Honokaa, Hawaii 96727-6971

**Prince Kuhio Plaza**

111 E. Puainako Street  
Hilo, Hawaii 96720-5266

**Keaau**

16-589 Old Volcano Road  
Keaau, Hawaii 96749

**Waimea**

65-1158 Mamalahoa Hwy.  
Waimea Center, Suite 21  
Kamuela, Hawaii 96743