

Front Royal Federal Credit Union

Reg E Discretionary Overdraft Privilege Policy

It is the policy of the Front Royal Federal Credit Union to comply with all applicable laws and regulations and to conduct business in accordance with applicable safety and soundness standards.

The Membership and Account Agreement and Disclosure provided to you at the time you opened your account with us controls the duties, obligations and rights of the Depositor, the Authorized Signatories and Front Royal Federal Credit Union with regard to your share draft account. The Membership and Account Agreement (and all amendments thereto) and its terms shall control any possible conflict, if any, between any provision of this Discretionary Overdraft Privilege Policy and the Membership and Account Agreement and Disclosure. A copy of the Membership and Account Agreement and Disclosure is available to you on request from your Front Royal Federal Credit Union officer.

Overdraft privilege is not a line of credit. However, if you inadvertently overdraw your account, we will have the discretion to pay the overdraft, subject to the limit of your overdraft privilege and the amount of the overdraft fee. Front Royal Federal Credit Union is not obligated to pay any item presented for payment if your account does not contain sufficient available funds. Any discretionary payment by Front Royal Federal Credit Union of an overdraft share draft for items, such as ATM withdrawals, does not obligate Front Royal Federal Credit Union to pay any other overdraft share draft (or item), or to provide prior notice of its decision to refuse to pay such share draft (or item).

Pertinent to Front Royal Federal Credit Union's commitment to always to provide you with the best level of service, now and in the future, if your checking account (primarily used for personal and household purposes) has been open for at least sixty (60) days, and thereafter you maintain your account in good standing, which includes at least:

- A. Bringing your checking account balance to a positive balance within every thirty (30) day period for a minimum period of 24 hours;
- B. Not being in default on any loan or other obligation to Front Royal Federal Credit Union and
- C. Not being subject to any legal or administrative order or levy

Front Royal Federal Credit Union will have the discretion to pay overdrafts within the overdraft privilege limits, but payment by Front Royal Federal Credit Union is a discretionary courtesy and not a right of the member or an obligation of Front Royal Federal Credit Union. This privilege for consumer share draft or share accounts will generally be limited to a maximum of \$500 overdraft (negative) balance. Of course, any and all fees and charges, including without limitation the non-sufficient funds fees (as set forth in our fee schedules and deposit account agreement and disclosure), will be included as part of this maximum amount. Please refer to the Fee Schedule included in the Truth-in-Savings Disclosure for current fee rates.

The sum of the discretionary overdraft privilege (negative) balance, including any and all fees and charges, including all non-sufficient funds/overdraft fees is due and payable upon demand, and Depositor and each Authorized Signatory will continue to be liable, jointly and severally, for all such amounts, as described in the Membership and Account Agreement and Disclosure with a maximum repayment period of 30 days.

Accounts must be charged off and closed within 45 days of having a negative balance. The Front Royal Federal Credit Union will set a maximum total charge off limit for the Courtesy Pay Program of \$150,000 per year.

Again, while Front Royal Federal Credit Union will have the discretion to pay overdrafts on accounts in good standing (as described above), any such payment is a discretionary courtesy, and not a right of the member or an obligation of Front Royal Federal Credit Union and Front Royal Federal Credit Union in its sole and absolute discretion, can cease paying overdrafts at any time without prior notice of reason or cause.

ADDITION TO REG E POLICY Effective July 1, 2010

Requirements for overdraft services

The amendment to Regulation E policy limits the ability of our financial institution to assess an overdraft fee for paying automated teller machine (ATM) and one-time debit card transactions that overdraw a consumer's account, unless the consumer affirmatively consents, or opts in, to our institution's payments of overdrafts for these transactions

For purposes of this section, the term "overdraft service" means a service under which a financial institution assesses a fee or charge on a consumer's account held by the institution for paying a transaction (including a check or other item) when the consumer has insufficient or unavailable funds in the account. The term "overdraft service" does not include any payment of overdrafts pursuant to –

(1) A line of credit subject to the Federal Reserve Board's Regulation Z (12 CFR part 226), including transfers from a credit card account, home equity line of credit, or overdraft line of credit;

(2) A service that transfers funds from another account held individually or jointly by a consumer, such as a savings account; or

(3) A line of credit or other transaction exempt from the Federal Reserve Board's Regulation Z (12 CFR part 226) pursuant to 12 CFR 226.3(d).

Our financial institution shall not assess a fee or charge on a consumer's account for paying an ATM or

one-time debit card transaction unless the institution:

(i) Provides the consumer with a notice in writing, or if the consumer agrees, electronically, segregated from all other information, describing the institution's overdraft service;

(ii) Provides a reasonable opportunity for the consumer to affirmatively consent, or opt in, to the service for ATM and one-time debit card transactions;

(iii) Obtains the consumer's affirmative consent, or opt-in, to the institution's payment of ATM or one-time debit card transactions; and

(iv) Provides the consumer with confirmation of the consumer's consent in writing, or if the consumer agrees, electronically, which includes a statement informing the consumer of the right to revoke such consent.

Our financial institution does not:

(i) Condition the payment of any overdrafts for checks, ACH transactions, and other types of transactions on the consumer affirmatively consenting to the institution's payment of ATM and one time debit card transactions pursuant to the institution's overdraft service; or

(ii) Decline to pay checks, ACH transactions, and other types of transactions that overdraw the

consumer's account because the consumer has not affirmatively consented to the institution's overdraft service for ATM and one-time debit card transactions.

Our financial institution shall provide to consumers who do not affirmatively consent to the institution's overdraft service for ATM and one-time debit card transactions the same account terms, conditions, and features that it provides to consumers who affirmatively consent, except for the overdraft service for ATM and one-time debit card transactions.

Our financial institution may decline to authorize and pay any ATM or one-time debit card transactions when the institution has a reasonable belief at the time of the authorization request that the consumer does not have sufficient funds available to cover the transaction. We may apply this exception on an account-by-account basis.

For accounts opened prior to July 1, 2010, our financial institution will not assess any fees or charges on a consumer's account on or after August 15, 2010, the financial institution must not assess any fees or charges on a consumer's account on or after August 15, 2010 for paying an ATM or one-time debit card transaction pursuant to the overdraft service, unless the institution has complied with 205.17(b)(1) and obtained the consumer's affirmative consent.