

## STATE BANK of TEXAS FUNDS AVAILABILITY POLICY

It is the policy of this bank to grant next day credit on most of our deposits made by our customers. However, we can delay funds by placing either of two types of holds; (1) case-by-case holds or (2) exceptions holds;

1. A Case-by-Case hold is just what it says; we place a hold on deposited funds for any reason, as long as we do not exceed the time limits outlined in the regulation. That schedule provides for checks deposited today must be available at 8:00 a.m. the morning of the second day.
2. An Exception hold is for use when special circumstances exist, allowing us to extend the time frame for the hold over the limits outlined in the availability schedule. It is the bank's policy to extend those time periods to no more than 7 days.

If a hold is placed on a deposit, the customer must be notified in writing of the exact amount of the hold and the number of business days it is to be held. Even if a hold is placed on certain funds, the first \$200 of the deposit must be available for withdrawal the next business day, or in the case of a large deposit hold on a government check or cashier's check, the first \$5000 must be made available for withdrawal. Therefore the hold notice must allow for the difference in the amount of the deposit and the amount of the actual hold.

### Same Day Availability Item

- Electronic direct deposits and wire transfer deposits

### Next Day Availability Items -

The following types of deposits must always be made available the next business day.

Cash, cashier's checks, certified and teller's checks, government checks (including U.S. Treasury checks, U.S. Postal money orders, state and local government checks, checks drawn on Federal Reserve or Federal Home Loan Banks) and On-us checks must ALWAYS be made available the next business day.

To qualify for next day availability, the deposit must be made at a staffed teller station and deposited into an account held by the payee of the check. This means that mail-in deposits and night depository transactions are not included. These items will be available within two days of deposit. However, U.S. Treasury checks and "on us" checks must receive next-day availability regardless of where the deposit is made.

\$200 Rule:

The regulation contains a special \$ 200 rule for check deposits not subject to next day availability. Under the rule, we must make available for withdrawal the less of \$200 or the aggregate amount deposited to all accounts, including individual and joint accounts, held by the same customer on the following business day from the date of deposit. This means that, when placing a hold, we must allow for the availability of \$200 for withdrawal and must not include this amount in the amount held. Note: The \$200 rule does not apply to holds for reasonable cause.

### EXEMPTIONS FROM NEXT DAY AVAILABILITY:

The two types of holds that we may place on deposits are "case-by-case" and "exception" holds. When any exception discussed below is used to delay availability, detailed supporting documentation must be retained with the appropriate hold form in central filing for two years.

Case-by-Case holds:

For specific reasons, we may require that certain deposits be held for the length of time allowed by Reg. CC's permanent availability schedule. This time limit is 2 days. These holds do not include checks that must receive required next day credit.

Our policy requires us to give notice to the customer of the case-by-case hold. The appropriate forms are available at teller stations and the Operations department.

**Exception Holds:**

In some instances we may hold deposited funds for longer than the periods outlined in the permanent availability schedules. The regulation allows for the extension of the time provided in the schedule by 5 business days for a total of 7 business days. This is in addition to the time already allowed in the permanent schedule. The six exceptions allowed by the regulation are considered "safeguards", and are intended to offer the bank a means of reducing risk based on certain factors by allowing us to stretch the time frames to the maximum availability. Our bank policy allows for the use of these exception holds when the following conditions allow:

**Re-deposited Check Exception:**

The bank may delay availability of funds from a check, if the check had previously been deposited and returned unpaid, unless the check was returned for missing endorsement or because it was postdated at the time it was presented for payment. The UCC requires that we notify our customer of any chargeback check within 24-48 hours of receipt.

**Repeated Overdraft Exception:**

If a customer's accounts, or accounts, have been repeatedly overdrawn during the preceding six months, the bank may delay the availability of funds from local and non-local checks. A customer's account may be considered "repeatedly overdrawn" in two ways - first, if the account has been overdrawn or would have been overdrawn had checks or other charges been paid, for six or more banking days during the preceding six months; or second, if a customer has overdrafts, or would have been overdrawn on two banking days within the preceding six month period totaling \$5000 or more.

**Reasonable Cause to Doubt Collectibility Exception:**

This exception may be applied to all checks that ordinarily receive next day or second day availability. To trigger this exception, the bank must have "reasonable cause" to believe that the check is not collectible and must disclose the basis for the extended hold to the customer. For example, reasonable cause may include a phone call to the paying bank indicating that:

There has been a stop payment placed on the check;

There are insufficient funds in the drawer's account to cover the check; or

The check will be returned unpaid.

**Large Deposit Exceptions:**

The bank may extend hold schedules when a check deposits exceed \$5000 on any one day. A hold may be applied to the amount in excess of \$5000. To apply the rule, the bank may aggregate deposits made to multiple accounts held by the same customer, even if the customer is not the sole owner of the accounts. This exception applies only to check deposits, not to cash, EFT, or check deposits that qualify for next day availability.

**Emergency Conditions Exception:**

The bank may extend the hold placed on a local check and non-local check deposits under emergency conditions such as:

- An interruption of communications facilities
- An interruption of computer facilities
- Suspension of payments by another bank
- War
- Other emergency conditions beyond the control of the bank.

**New Account Exception:**

An account is considered a "new account" for the first 30 days after it is established. An account is not considered "new" if each customer on the account has another established active account at the bank for at least 30 calendar days. The new account exception applies only during the 30-day period, beginning on the date the account is established, and does not cover all deposits made to the account.

Although the regulation exempts new accounts from the standard availability schedules for consumer issued checks, next-day availability is required for deposits of cash and for electronic payments. Additionally, the first \$5000 of a day's aggregate deposits of government checks (including federal, state and local governments) cashier's checks, certified, Electronic Funds Transfers (EFT), or traveler's checks must be given next-day availability. The amount in excess of \$5000 must be made available no later than the seventh business day following the day of deposit (deposited items must be payable to the account holder to qualify for next day availability). For other types of deposits (payroll, personal checks, etc.) the maximum hold is 7 seven business days for the amount greater than \$200 which is available on the deposit date.

Our policy once again requires that the customer be given written notice of our intent to hold funds. The hold notice must be delivered to the customer at the time that the deposit is made or, if the customer is not available when the decision is made to place a hold, the notice must be mailed to the customer no later than the next business day. The notice must indicate the reason that the bank believes the longer period of time is necessary. If a hold is placed on the basis of confidential information, such as a suspected kite, we need only disclose to the customer that the hold is based on confidential information that the check may not be paid. We must maintain a record in our files of the notice and a brief explanation of the facts, or any documents, supporting the exception. Again, when any exception is used to delay availability, detailed supporting documentation must be retained with the appropriate hold form in central filing for two years. The appropriate Exception Hold Notice is available in from the Compliance Officer.

List of Exceptions:

Many checks may not be returned to the depository financial institution by the time funds must be made available for withdrawal for local checks and non-local checks. Therefore, Regulation CC adopted the following exceptions:

- Large deposits (over \$5,000 from checks deposited in a single day)
- Re-deposited checks (unless the reason for return was "missing endorsement" or post dated check)
- Repeated overdrafts
- Reasonable cause to doubt collectability
- Emergency conditions

Reasonable Cause to Doubt Collectibility Exception:

For "reasonable cause to doubt collectability", the bank may delay the time funds must be made available for withdrawal for not only local checks and non-local checks but also:

- Federal Reserve Bank Checks
- Federal Home Loan Bank Checks
- Cashier checks
- Certified checks

Reasonable cause requires the existence of facts that would cause a well-founded belief in the mind of a reasonable person. The reason unless confidential must be included in the notice provided to the customer.

The notice must include information regarding overdraft and returned check fees if the bank wishes to assess such when this exception is imposed.

#### **CONTENTS OF THE NOTICE:**

Written notice should contain the following information:

- Customer's account number
- The date of the deposit
- Amount of the deposit
- The amount of the deposit that is being delayed
- The reason the exception was invoked
- The day the funds will be available for withdrawal (unless emergency condition)

**TIMING OF THE NOTICE:**

The notice should be provided to the "depositor" at the time of deposit for deposits made in person to an employee of the bank.

For the following:

- Night depository
- Through the mail

A notice of exception must be mailed to the customer not later than the close of the business day following the banking day on which the deposit was made.

Notice to the customer may be provided later if the facts upon which the determination to invoke the exception do not become known until after notice would otherwise have been given. The bank must mail the notice of exception to the customer as soon as practicable, but not later than the business day following the day the facts become known.