

Debit Card Holds to Bring Real-Time Available Balances and Prevent Overdraft Fees

Starting August 15, Coastal will be implementing a new hold policy to help prevent overdrafts when you use your debit card. This should eliminate inadvertent negative balances due to card usage and the fees associated with them. It will also help us comply with new Federal regulations that alter the way all financial institutions handle and assess fees on debit card transactions that cause an account to be overdrawn. However, it will also affect your available balances. To help you fully understand the impact, we'd like to explain the process.

For years, Coastal's practice has been to avoid allowing deliberate overdrafts when you use your debit card. Whenever you use your card at a merchant, you are usually given two choices, "debit" or "credit." When you select "debit" and enter your PIN, the transaction is treated like an ATM withdrawal and the funds are deducted from your account right away. In this case, Coastal's policy is to decline the transaction if you lack sufficient funds.

On the other hand, if you select "credit" and don't enter your PIN (you typically have to sign, unless it's for a small dollar amount), or if the card is not present (i.e. online or over the phone) then the transaction is treated a bit different. The merchant first sends an authorization request to your financial institution and, in Coastal's case, if you have sufficient funds available, authorization is given. However, the funds are not deducted from your account until the item actually posts to your account, anywhere from the same day to three days later. If you have drawn your balance down in the meantime with other transactions, there has been a possibility that your account would be inadvertently taken into the negative. Because we have already authorized that purchase, Coastal is required to pay the item and then we charge you a \$28 fee per item for having overdrawn your account.

After August 15, when you present your debit card at a merchant and select "credit," we will place a hold on your account for the amount that the merchant provides when they request the authorization, essentially mimicking a real-time transaction. What this means, is that your available account balance will immediately be lowered to reflect the funds that have "already been spoken for." This should effectively eliminate any accidental overdrafts on card transactions. Once the actual item posts to your account, the hold should clear immediately.

Please be aware of a few situations where this could cause confusion. Some businesses, particularly car rental companies and hotels, will send an authorization that is higher than the actual anticipated charge, in order to account for additional, incidental charges. Because of this, your available balance may be significantly lower than expected until the actual charge comes through. To avoid surprises, especially if you do not keep a high checking account balance, we suggest using a credit card instead of a debit card to pay for hotel stays and car rentals. Also be mindful that gas stations may do the same thing.

The bottom line is, after August 15, both "debit" and "credit" transactions on your debit card will have a similar, real-time effect on your available balance. If you typically use your debit card for travel, minimize the impact by becoming familiar with those companies' practices, or simply switch to a credit card for big-ticket transactions.

