Dear Valued Members,

We hope this message finds you well. At CapEd Credit Union, we are committed to keeping you informed about important updates that may affect your financial well-being. As part of our ongoing effort to provide transparency and exceptional service, we want to share key details regarding recent regulatory changes related to overdraft protection and non-sufficient funds (NSF) fees and how these changes could impact our services. Regulatory Changes and Transparency

As of March 31, 2024, new regulations require credit unions with assets exceeding $1 billion to disclose their earnings from overdraft and NSF fees. This initiative aims to enhance transparency and address growing concerns about the fairness and impact of these fees on consumers.

Since the release of these new reporting requirements, there have been questions from consumer groups and individuals directed towards banks and credit unions about overdraft and NSF fee revenue. These new reporting requirements could prompt a change in how banking regulators view these fees, and so this letter shares what potential changes could be coming and how they might impact banks and credit unions, including CapEd.

Overdraft Fees – What Are They?

Overdraft fees generally fall into two categories. The first is overdraft protection. At CapEd, this is called Courtesy Pay, which members may choose to enroll in and use. Courtesy Pay fees are ‘pay for service fees’ or pay to use the service. There are two types of Courtesy Pay – Standard Courtesy Pay and Extended Courtesy Pay. The second category is NSF fees, which occur when a member overdraws their account and hasn’t opted into Courtesy Pay. This fee is a penalty for overdrawing.

Most financial institutions like CapEd rely on overdraft fee income to help cover operational costs. While this is a reality, I have observed each institution has a different philosophy in how they go about setting a fee and then charging for the service. While most financial institutions charge a fee for Courtesy Pay services and NSF, it is a relatively small number of consumers who use Courtesy Pay services or incur an NSF fee.

Potential Impacts from Regulation

As I look at the reporting requirements coming from regulators, it is apparent they are wanting fees to be more uniform among the consumer base rather than congregated among a small percentage of consumers. Regulators are considering legislation that will limit overdraft fees to the cost of the service, which if implemented would likely reduce overdraft fees to somewhere between $5 to $10 per instance. Also, regulators seem to not like the fundamental premise of a consumer overdrawing their checking account balance and are looking at limiting the number of overdraft occurrences a consumer could have. If either or both regulatory changes occur, it would mean a fundamental change in the way financial institutions charge for their services and cover costs for their operational services. If the fees charged for overdraft services are limited or terminated based on regulation, then financial institutions will have no choice but to charge fees in other areas of their service operations to make up for the lost revenue.

At this point, no regulatory changes have occurred. For many financial institutions they continue to operate as usual. This is the case for CapEd. We will continue to offer the best services to our members at the least cost we can and still maintain a financially sound institution. If you have questions or want more information, please review our blog on our website www.capedcu.com/learn/blog where you can find more information on Courtesy Pay services and NSF fees at CapEd.

Respectfully,

Todd Erickson

President and Chief Executive Officer