



Electronic Fund Transfer Policy

POLICY STATEMENT

It is the policy of Star Bank of Texas to comply with the requirements of the Electronic Fund Transfer Act and Regulation E. The bank permits customers to access their transaction and savings accounts by electronic fund transfer (EFT).

Through the execution of this policy, the board directs management to implement procedures that will establish the rights, liabilities, and responsibilities of all participants in the EFT system. It will be the responsibility of bank officers to be aware of the regulations and laws governing such transactions.

COVERAGE

This policy covers any transfer of funds initiated through an electronic terminal, telephone, computer, or magnetic tape for the purpose of ordering, instructing, or authorizing the bank to debit or credit a customer's account. This includes, but is not limited to:

- Point-of-sale transfers
- Automated teller machine (ATM) transfers
- Direct deposits or withdrawal of funds
- Transfers by telephone (except when conducted by a bank employee)
- Transfers resulting from debit card transactions
- Payroll and gift cards
- Electronic check conversions (ECKs)

KEY DEFINITIONS

Access device means a card, code, or other means of access to a customer's account, or any combination thereof, that may be used by the customer to initiate EFTs.

Account means a demand deposit (checking), savings, or other customer asset account, such as a payroll card, held directly or indirectly by a financial institution and established primarily for personal, family, or household purposes.

Customer means a natural person.

Preauthorized electronic fund transfer means an EFT authorized in advance to recur at substantially regular intervals.

Electronic fund transfer (EFT) means any transfer of funds that is initiated through an electronic terminal, telephone, computer, or magnetic tape for the purpose of ordering, instructing, or authorizing a financial institution to debit or credit a customer's account. The term includes, but is not limited to:

- Point-of-sale transfers
- Automated teller machine transfers
- Direct deposits or withdrawals of funds
- Transfers initiated by telephone
- Transfers resulting from debit card transactions, whether or not initiated through an electronic terminal

The term *electronic fund transfer (EFT)* does not include:

- Checks or drafts
- Check guarantee or authorization programs
- Wire or other similar transfers
- Securities and commodities transfers
- Automatic transfers by account-holding institution

The term *error* means:

- An unauthorized EFT
- An incorrect EFT to or from the customer's account
- The omission of an EFT from a periodic statement
- A computational or bookkeeping error made by the financial institution relating to an EFT
- The customer's receipt of an incorrect amount of money from an electronic terminal
- An EFT not identified correctly
- The customer's request for documentation or for additional information or clarification concerning an EFT, including a request the customer makes to determine whether an error exists

The term *error* does not include:

- A routine inquiry about the customer's account balance
- A request for information for tax or other recordkeeping purposes
- A request for duplicate copies of documentation

DISCLOSURE REQUIREMENTS

Disclosures required under Regulation E are to be clear and readily understandable, in writing, and in a form the customer may keep.

Initial Disclosures

Initial written disclosures will be made at the time a customer contracts for an EFT service or prior to the time of the first EFT involving the customer's account. If an EFT service is added to a customer's account and is subject to terms and conditions different from those described in the initial disclosures, the bank will provide disclosures for the new service.

The contents of such disclosures will include, as applicable:

- A summary of the customer's liability under Regulation E and under state or other applicable law or agreement for unauthorized EFTs.
- The telephone number and address of the person or office the customer should notify if they discover an error.
- Our bank's business days.
- The type of EFTs that the customer may make and any limitations on the frequency and dollar amount of transfers.
- Any fees we impose for EFTs or for the right to make transfers.
- A summary of the customer's right to receipts and periodic statements.
- A summary of the customer's right to stop payment of a preauthorized EFT and the procedure for placing a stop-payment order.
- A summary of our bank's liability to the customer for failure to make or to stop certain transfers.
- The circumstances under which, in the ordinary course of business, we may provide information concerning the customer's account to third parties.
- A notice that is substantially similar to the model form in the regulation concerning error resolution.
- A notice that a fee may be imposed by an ATM operator when the customer initiates an EFT or makes a balance inquiry, and by any network used to complete the transaction.

FEES FOR OVERDRAFTS CAUSED BY ATM AND ONE-TIME DEBIT CARD TRANSACTIONS

Star Bank of Texas has chosen to opt out all consumer accounts and not charge an overdraft fee when overdrawing an account by either an ATM transaction or a one-time debit card transaction.

GIFT CARDS/CERTIFICATES

A general-use prepaid card means a card, code, or other device that is:

- Issued on a prepaid basis primarily for personal, family, or household purposes to a consumer in a specified amount, whether or not that amount may be increased or reloaded, in exchange for payment
- Redeemable upon presentation at multiple, unaffiliated merchants for goods or services,
- A loyalty, award, or promotional gift card means a card, code, or other device that:
 - Is issued on a prepaid basis primarily for personal, family, or household purposes to a consumer in connection with a loyalty, award, or promotional program
 - Is redeemable upon presentation at one or more merchants for goods or services.

Sets forth the following disclosures, as applicable:

- The expiration date for the underlying funds, which must be included on the front of the card, code, or other device
- The amount of any fees that may be imposed in connection with the card, code, or other device, and the conditions under which they may be imposed, which must be provided on or with the card, code, or other device
- A toll-free telephone number and, if one is maintained, a Web site, that a consumer may use to obtain fee information, which must be included on the card, code, or other device

The terms "gift certificate," "store gift card," and "general-use prepaid card" do not include any card, code, or other device that is:

- Useable solely for telephone services
- Reloadable and not marketed or labeled as a gift card or gift certificate (For purposes of this paragraph, the term "reloadable" includes a temporary non-reloadable card issued solely in connection with a reloadable card, code, or other device.)
- A loyalty, award, or promotional gift card
- Not marketed to the general public
- Issued in paper form only
- Redeemable solely for admission to events or venues at a particular location or group of affiliated locations, or to obtain goods or services in conjunction with admission to such events or venues, at the event or venue or at specific locations affiliated with and in geographic proximity to the event or venue

If we sell gift cards or certificates, we will ensure that they include the appropriate disclosures that are clear and conspicuous. In general, these disclosures must be provided to the consumer in written or electronic form. Most but not all disclosures must be made in a retainable form and some may be given orally.

If we issue gift cards or certificates, we may not impose a dormancy, inactivity, or service fee unless:

- There has been no activity with respect to the certificate or card, in the one-year period ending on the date on which the fee is imposed
- The following are stated, as applicable, clearly and conspicuously on the gift certificate, store gift card, or general-use prepaid card:
 - The amount of any dormancy, inactivity, or service fee that may be charged
 - How often such fee may be assessed

- That such fee may be assessed for inactivity
- Not more than one dormancy, inactivity, or service fee is imposed in any given calendar month

We will not sell or issue a gift certificate, store gift card, or general-use prepaid card with an expiration date, unless:

- We have established policies and procedures to provide consumers with a reasonable opportunity to purchase a certificate or card with at least five years remaining until the certificate or card expiration date
- The expiration date for the underlying funds is at least the later of:
 - Five years after the date the gift certificate was initially issued, or the date on which funds were last loaded to a store gift card or general-use prepaid card
 - The certificate or card expiration date, if any
- The following disclosures are provided on the certificate or card, as applicable:
 - - The expiration date for the underlying funds or, if the underlying funds do not expire, that fact
 - A toll-free telephone number and, if one is maintained, a Web site that a consumer may use to obtain a replacement certificate or card after the certificate or card expires if the underlying funds may be available
 - Except where a non-reloadable certificate or card bears an expiration date that is at least seven years from the date of manufacture, a statement, disclosed with equal prominence and in close proximity to the certificate or card expiration date, that:
 - The certificate or card expires, but the underlying funds either do not expire or expire later than the certificate or card
 - The consumer may contact the issuer for a replacement card
 - No fee or charge is imposed on the cardholder for replacing the gift certificate, store gift card, or general-use prepaid card or for providing the certificate or cardholder with the remaining balance in some other manner prior to the funds expiration date, unless such certificate or card has been lost or stolen

Additional Disclosure Requirements for Gift Certificates or Cards

The following disclosures must be provided in connection with a gift certificate, store gift card, or general-use prepaid card, as applicable:

- *Fee disclosures.* For each type of fee that may be imposed in connection with the certificate or card (other than a dormancy, inactivity, or service fee subject to the disclosure requirements stated above), the following information must be provided on or with the certificate or card:
 - The type of fee;
 - The amount of the fee (or an explanation of how the fee will be determined); and
 - The conditions under which the fee may be imposed.
- *Telephone number for fee information.* A toll-free telephone number and, if one is maintained, a Web site, that a consumer may use to obtain information about fees must be disclosed on the certificate or card.

PERIODIC STATEMENTS

The bank will provide each customer with a periodic monthly statement for each account accessed by means of an EFT. Customers may elect to receive these statements either by mail, online, or in person at the bank. For those customers who elect the latter option, it is not necessary for the bank to keep the customer's physical statements on file, but the bank must be able to generate copies of the statements when requested. Periodic statements, which may include information regarding transactions other than EFTs, will disclose:

- The amount involved and the date the transfer is initiated, the type of transfer, the identity of the customer's account with the bank, the identity of any third party to whom or from whom funds are transferred, and the location or identification of the electronic terminal involved
- The amount of any fee or charge assessed by the bank during the covered period for EFTs
- The balances in the customer's account at the beginning and close of the statement period
- The address and telephone number of the bank the customer should use to ask about a statement or report an error

CHANGE IN TERMS NOTICE

We will mail or deliver a written change in terms notice to our customers 21 days before the effective date of any change in a term or condition that we disclosed initially, if the change would result in:

- Increased fees for the customer
- Increased liability for the customer
- Fewer types of available EFTs
- Stricter limitations on the frequency or dollar amount of transfers

ERROR RESOLUTION DISCLOSURE AND PROCEDURES

As a part of the initial disclosure the customer will be informed of the measures to be taken to resolve errors to the account as a result of:

- An unauthorized transfer made by someone who has no authority to transfer funds from the account
- A transfer that is omitted when the electronic system malfunctions
- A computer or bookkeeping error
- An ATM dispenses an incorrect amount of money
- A failure to identify an EFT on a receipt, notice, or statement required by the regulation
- A customer request for additional information or clarification concerning an EFT

Our bank will also provide either a complete error resolution notice annually to each customer with an account subject to the rule or will provide a short-form error resolution notice with each periodic statement.

In general, if we receive an error notice in writing from our customer, we will investigate and determine whether an error occurred within 10 business days of receiving a notice of error. We will report results to the customer within three business days after completing our investigation and correct the error within one business day after determining that an error occurred.

If we are unable to complete our investigation within 10 business days (20 days for new accounts), we may take up to 45 days from receipt of a notice of error to investigate and determine whether an error occurred. However, in order to extend the investigation period, we must provisionally credit the customer's account in the amount of the alleged error (including interest where applicable) and allow the customer full use of the funds during our investigation. We may take up to 90 days to investigate an error from a foreign transaction or if the customer has not had an account with us for at least 30 days.

CUSTOMER LIABILITY FOR UNAUTHORIZED TRANSACTIONS

We may hold our customer liable for an unauthorized EFT involving the customer's account as long as we have provided accurate disclosures and the customer has given us timely notice. Notice is considered timely if the customer tells us within two business days after learning of the loss or theft of the access device. A customer must report an unauthorized EFT that appears on a periodic statement within 60 days of the financial institution's transmittal of the statement to avoid liability for subsequent transfers. If the customer fails to do so, and we establish that the unauthorized EFT would not have occurred had the customer notified us within the 60-day period, the customer's liability shall not exceed the amount of the unauthorized transfers that occur after the close of the 60 days and before notice to the institution. If

timely notice is given, the customer's liability shall not exceed the lesser of \$50 or the amount of unauthorized transfers that occur before notice to the financial institution.

If state law or an agreement between the customer and the financial institution imposes less liability than is provided by this section, the customer's liability shall not exceed the amount imposed under the state law or agreement. For example, if we offer a co-branded debit card with Visa or MasterCard, then the customer will have no liability for unauthorized transactions unless we suspect the report is fraudulent.

REVIEW

The compliance officer will review this policy on an annual basis and recommend to the board of directors any changes in policy deemed necessary to comply with new revisions to the regulation implementing the Electronic Fund Transfer Act (EFTA), or when it is felt that the policy should be strengthened or broadened.

RECORD RETENTION

Records showing compliance with all EFTA requirements will be retained for a period of not less than two years from the date disclosures are required to be made or action is required to be taken.