

Dear Member:

PALCO Federal Credit Union understands that sometimes you may not have enough money in your account to cover certain transactions. This can occur when you are faced with unforeseen expenses, or may even occur when you have mistaken how much money is in your account. That is why PALCO Federal Credit Union currently authorizes and pays overdrafts for checks written on your account, recurring debit transactions, everyday debit card transactions, ATM transactions and ACH withdrawals.

Effective August 15, 2010 PALCO Federal Credit Union will not authorize and pay overdrafts for your ATM and everyday debit card transactions unless you ask us to. This change is due to a recent change in federal regulations.

If you would like PALCO Federal Credit Union to continue authorizing and paying overdrafts for ATM and everyday debit card transactions, you must request that we do so by opting in. To opt in, you must follow the directions on the enclosed form (What you Need to Know about Overdrafts and Overdraft Fees), and indicate that you want PALCO Federal Credit Union to authorize and pay overdrafts on ATM and everyday debit card transactions.

By opting in, PALCO Federal Credit Union will continue to authorize and pay overdrafts on ATM and everyday debit card transactions. That means that in most cases you will not be caught in the unfortunate or embarrassing situation of having your ATM or everyday debit card transaction declined because of insufficient funds.

As a reminder, you will still pay a \$25.00 fee each time PALCO Federal Credit Union covers overdrafts created by checks written on your account, recurring debit transactions, everyday debit card transactions, ATM transactions and ACH withdrawals. However, PALCO Federal Credit Union will only authorize and pay overdrafts for ATM and everyday debit card transactions, and charge a \$25.00 fee for doing so, if you opt in. PALCO Federal Credit Union reserves the right to require you to pay an overdraft immediately or on demand. Whether your overdrafts will be paid is discretionary and we reserve the right not to pay overdrafts created by any type of transaction. For example, we typically do not pay overdrafts if your account is not in good standing, or you are not making regular deposits, or you have too many overdrafts.

Please feel free to contact PALCO Federal Credit Union if you have any questions about this or any other matter as it relates to your account.

Sincerely,



Thomas J Rachael

Pres/CEO

Enclosure