

DEBIT CARD HOLDS

What you need to know about your available balance

What is a debit card hold?

When you use a debit card, the merchant will usually contact UCU electronically to get an authorization on your account. They are checking to make sure you have the money in your account to cover the purchase you are making. When UCU authorizes the amount given, the balance in your checking account is reduced by the amount of the purchase or requested amount. This is known as a **pre-authorization hold**. The merchant determines the amount of the hold. UCU establishes the length of time the hold remains in place. Typically the hold stays on your account until the funds are transferred to the merchant from your account, but no more than a maximum of three days.

How can a debit card hold affect my available balance?

In some situations, the dollar amount of the transaction is unknown when an approval is given. This may happen when you check into a hotel room, rent a car*, pay for gas at the pump or use your debit card to pay for your meal at a restaurant. In each of these transactions, the merchant may get an approval for a higher (estimated) amount—allowing for a tip, room service, and/or additional purchase amounts.

Here are a few real-life examples:

- Jane wants to purchase \$20 worth of gas at a self-serve gas station and will be paying at the pump using her debit card. The gas station runs the authorization for \$75 (a typical pre-authorization amount for gas stations). \$75 will be held and will reduce Jane's available balance for up to 3 days. The completed transaction for \$20 will post to her account the same day or up to 3 days depending on the merchant's submission date. If Jane had a minimal balance to begin with, this transaction may create an overdraft.
- Jim reserved a hotel room for \$100, which he will be paying for in cash when he stays there in a month. Jim reserves the room with his debit card and the hotel "holds" \$200 on his account. Jim has \$300 in his account. That evening he goes to the grocery store and purchases \$150 in groceries. He does not have an overdraft line of credit on his account, so his purchase for the groceries will be declined because his available balance is only \$100.

In both cases, the pre-authorization hold will be released after 3 days. If you have any future transactions that are posted to your account during this timeframe and you do not have the available balance, you may be declined or incur overdraft fees.

How can you avoid potential overdraft fees due to pre-authorization holds?

When you use your debit card in a situation where the merchant may estimate the charge (hotels, car rental*, paying for gas at the pump, restaurants), the following tips may help you avoid some frustration:

- When a business asks for your card in advance of service, ask if the company will request a pre-authorization approval, the amount of the approval, and how the amount is determined. Be sure the amount won't exceed your account balance.
- Pay the charges with the same card you used at the beginning of the transaction.
- When purchasing gas, avoid paying at the pump using your card as credit, but rather go inside to pay cashier, using your PIN.
- When reserving a hotel room, use a credit card versus your debit card.
- Ask UCU about adding a Linebacker Overdraft Line of Credit to your account. This line of credit would automatically cover the overdraft and does not involve a separate decision by the credit union as to whether or not to pay the overdraft each time. This is a line of credit and will accrue interest charges if a balance is carried.
- Always inquire with the merchant whether they will request a pre-authorization approval and what the amount will be prior to using their services or purchasing a product.

Remember to review "available balance" versus "balance" using Home Banking, Mobile Banking, or through e-Alert monitoring.

* Many rental car companies will not accept debit cards.