

## Misc. Secured Funds for Debit Card Authorizations

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The purpose of this document is to provide detailed information with regards to miscellaneous secured funds added through online debit card processing. This information will be incorporated in the complete booklet for debit card processing.

### What determines if a hold is placed or not?

A hold is placed for all debit card authorizations, with few exceptions listed below.

#### ***A hold is not placed for authorizations on:***

- Automated Fuel Dispenses (AFDs), specifically the preliminary holds that are sent. See the section on AFDs for further detail.
- Transactions of \$1 or less.
- No holds on PIN based transactions unless they come from VISA/MCC Network.
- Force posts. These would be transactions that VISA/Mastercard pre-authorizes and does not send a hold through the switch. These transactions are never sent to CU\*Answers for a hold to be added. For example, a \$5.00 agreed upon limit without requiring an authorization.

### How are misc. secured funds for debit card transactions removed?

Misc. secured funds records are removed from the member's account by one of 3 ways.

- A completion message is received from the switch and is matched to the hold. The manner in which the completion record and authorization hold match is dependent on the switch. For example, some switches send and match authorizations based on an authorization ID. If the authorization ID (or other matching field) on the completion record matches that of an existing misc. secured funds record the system will release the hold. The system will post the transaction to the member's account. If the resulting available balance is negative the system will post the credit union's configured fee.
- If the completion message does not match exactly with a hold record the secured funds will not be removed. The system will automatically purge this hold record during EOD processing after the specified number of BOD/EOD cycles have run; the number of days is dictated by the BIN configuration. For example, a 2 day hold added at 4:58PM on Monday the 1<sup>st</sup> will release during EOD for Wednesday the 3<sup>rd</sup> (the second full BOD/EOD cycle to run). To view the BIN configuration the credit union can use BIN Config Inquiry found in menu MNATMD.
- In the event the hold must be removed prior to the purge date, the credit union can manually remove the hold via Update Misc. Secured Funds Infor in menu MNUPDT.

## How do Automated Fuel Dispenses (AFD's) work?

When a member is at a gas station, whether a hold is generated or not depends on where the member pays. A transaction authorized at the pump is considered an AFD, whereas if the member pays inside this would be considered a POS/Debit W/D and would generate a hold.

AFD transactions consist of three parts: the preliminary hold, the transaction hold, and the completion. The preliminary hold is a record sent from the merchant to verify funds in the member's account. This is typically sent through for \$1, \$75, or \$100; the amount may vary by merchant. While CU\*BASE acknowledges these "preliminary holds", CU\*BASE does not generate a temporary hold in the amount sent.

Once the transaction has completed, a hold may be sent for the actual transaction amount. Whether these are added as a secured funds record in CU\*BASE is dependent on the switch. Currently these are processed for PEMCO and Shazam, with FIS and Co-op being added to generate the hold tentatively effective May 2010.

Finally, a completion message is sent to post the transaction to the member's account. If a hold exists the secured balance will be released prior to posting.

## How are transactions posted in CU\*BASE when there is a matching record?

A common occurrence is one in which a member has a debit card authorization placed on the system leaving \$25 available, for example. The member had also written a check, which is returned NSF assessing a \$30 fee taking the member's account to a negative available balance situation. The completion record for the earlier authorized debit card transaction is sent through, which matches the secured funds record that was created in the system. In what order does this transaction post, and why, if the funds are secured, does the system still post an NSF/ANR fee?

- CU\*BASE receives the completion record from the switch.
- The system matches this to the secured funds record and releases the hold.
- The transaction is posted to the account (regardless of whether a match was found).
- The system posts the fee to the member's account as the resulting balance was taken negative (as in the example above).

Since, in the scenario above, the fee for the NSF check posted, this took the current balance below what had been secured for the initial debit card transaction. The ensuing posting of the debit card transaction takes the current balance (and available balance) to a negative situation, thus posting the debit card NSF fee. It has been suggested that a fee only post if it takes the *current* balance below zero. As you will see in the example below, this would result in no NSF fees posting to the member's account.

### Current System Processing

Transaction	Current	Available
	\$100	\$100
(\$75) Debit Card Hold	\$100	\$25
(\$50) Check	\$50	(\$25)
\$50 Check Rev.	\$100	\$25
(\$30) NSF Fee	\$70	(\$5)
\$75 Hold Match	\$70	\$70
(\$75) POS Posting	(\$5)	(\$5)
(\$30) NSF Fee	(\$35)	(\$35)

### Proposed System Processing

Transaction	Current	Available
	\$100	\$100
(\$75) Debit Card Hold	\$100	\$25
(\$50) Check	\$50	(\$25)
\$50 Check Rev.	\$100	\$25
<del>(\$30) NSF Fee</del>	<del>\$70</del>	<del>(\$5)</del>
\$75 Hold Match	\$100	\$100
(\$75) POS Posting	\$25	\$25
<del>(\$30) NSF Fee</del>	<del>(\$35)</del>	<del>(\$35)</del>

In the current system processing example the check posting takes the account's available balance negative resulting in the subsequent reversal and fee posting. Since the fee has now taken the available balance negative, when the \$75 completion message comes through the switch the secured funds are released, the transaction posts, and the member's account is taken to a negative current current/available balance. In so doing, the system will post another NSF (or ANR) fee. By changing the system to only assess a fee if the member's current balance is taken negative the credit union would lose all fee income, in this case, and the member would not be penalized for having spent the money twice.

### Additional Notes on Matching Authorizations

All Holds are matched by a 6 character Authorization ID. The Miscellaneous Hold file (MSCSEC, MSCSECH) contains a 12 character Auth ID but the first 6 positions are flooded with 000000. If it's not an exact match, the hold is not released, thus, the burden is on our message handler of making sure that the Completion Auth ID matches the original Authorization ID.

The Default for our message handler is to assign an Authorization ID that matches the ISO Seqno Of ISO Message Authorization Request. However, if it's a force Authorization, or Authorization Advice, we use the one sent to us in that message.

As we brought up new switches we found the default logic doesn't always work. Depending on where and by whom the request was generated, the return AUTH ID in the completion isn't guaranteed to match the original AUTH ID. Since we are restricted to 6 digits, we will try using the Message Trace or the last six digits of the Retrieval Reference number, or we may pull out one of the original acquirer data elements to use as matching.

## Rules and Exceptions by Switch

As each ATM/Debit Card processor is different, varying rules and exceptions exist that may cause their processing not to operate as detailed above. See below for any such exceptions by processor.

### ***FIS:***

- For FISERV the System Trace number is used as the AUTH ID.
- Effective May 2010, holds will be applied if the incoming record is an AFD Authorization Advice.

### ***CO-OP:***

- Effective May 2010, holds will be applied if the incoming record is an AFD Authorization Advice.

### ***PEMCO:***

- Holds will be applied if the incoming record is an AFD Authorization Advice.

### ***SHAZAM:***

- Holds will be applied if the incoming record is an AFD Authorization Advice.