

Credit & Debit Card Authorization Hold

The following general explanation of banking term and processes is meant to assist you in understanding the charges associated with your purchase(s) from Reid Supply (or from any other merchant). For specific information on how your account has been affected, you must contact your financial institution.

Authorization hold (also **card authorization, preauthorization, or preauth**) is the within the banking industry of authorizing electronic transaction done with a debit or credit card and hold this balance as unavailable either until the merchant (Reid Supply in this case) clears the transaction (also called a settlement), or the holding “falls off”. Debit card authorization hold can fall off the account (thus rendering the balance available again) anywhere from 1-5 days after the transaction date depending upon your bank’s policy. Credit card holds may last as long as 30 day, depending on the issuing bank.

Signature-based (non-PIN-based) credit and debit card transactions are a two-step process, consisting of an authorization and a settlement.

When you place an order with Reid Supply and pay with a debit card, you trigger the following events:

- A preauthorization hold for the amount of the parts, plus an estimate for shipping, taxes, etc... that may apply is placed on your debit card account. This will typically show on your account as “pending transaction”. The money never leaves your account but it is unavailable to you until the hold “falls off”.
- The actual order charge will post to the debit card account. Contrary to popular belief, this process is not instantaneous: the transaction may not appear on your statement or online account activity for one to two days.
- There may be a period of “overlap” where both the preauthorization and the actual charge appear on the online activity for one to two days before the authorization hold “falls off”. Only the actual order charge removes money from the debit card account. However, the funds held by the preauthorization hold are not available for other transactions until it is release by YOUR bank. If you, as a debit card holder, are not aware of the available balance on your card, this process can result in overdraft or over limit fees being charge to your account by YOUR bank.

Good As Of: 8/5/2010

Example:

This example is for balance representation only and is not an example of a bank statement. While Reid Supply in this example, it applies to all debit/credit card transactions regardless of the merchant.

	Available Funds	Actual Funds
January 4, 2010		
Opening balance:	\$500	\$500
Reid Supply-Pending Transaction \$30 in parts, \$10 shipping	\$40	\$0
Ending balance:	\$460	\$500
January 5, 2010		
Opening balance:	\$460	\$500
Reid Supply-\$30 in parts, \$15 shipping	\$45	\$45
Ending balance:	\$415	\$455
January 6, 2010		
Balance:	\$415	\$455
January 7, 2010		
Opening balance:	\$415	\$455
Reid Supply-Pending Transaction (preauthorization) “falls off”	\$40	\$0
Ending balance :	\$455	\$455
January 8, 2010		
Payment made by cardholder to bank	\$45	\$45
Ending balance:	\$500	\$500

Preauthorization Hold Time Line Example

4-Jan-10	5-Jan-10	6-Jan-10	7-Jan-10
\$40 Preauth/Pending Transaction			Preauth drops off
	\$45 Actual Charge		
	\$85 in funds unavailable		

In this example, on January 5th and 6th it looks like there are two charges from Reid Supply on your account. Only one is the actual charge, however \$85 (\$40 preauthorization (preauth) and \$45 actual charge) is temporarily “tied up” because of the purchase on January 4th. Since the Preauth is not a charge it may not be reflected on an online or ATM balance. This can create a false impression of the balance, and can cause you to spend more than you actually have available in the account. This may result in overdraft or over limit fees from your financial institution.

If you have any questions regarding this publication, please contact Accounts Receivable at telephone number (231) 777-3951.

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