

Know your overdraft options

An overdraft occurs when you don't have enough money in your account to cover a transaction, and the bank or credit union pays for it anyway. You then have to pay back the amount your account was overdrawn, plus overdraft fees from your bank or credit union.

If you regularly pay overdraft fees, there may be steps you can take to reduce or eliminate them.

Three options to consider

- 1. Opting out of debit and ATM overdraft coverage.** Without overdraft coverage, when you don't have enough money in your account to cover a purchase or ATM withdrawal, your debit card is generally declined. But you won't incur overdraft fees.
- 2. Linking your checking account to a savings account.** If you overdraw your checking account, money is taken from your linked savings account to cover the difference. You may be charged a transfer fee, but less than the fee for an overdraft.
- 3. Asking your financial institution if you're eligible for a line of credit.** You may also be able to link overdraft coverage to your credit card or credit line. You may have to pay a fee when the credit line is tapped, and you pay interest on the amount you borrowed, but this still can be a cheaper way to cover a brief cash shortfall.

What you should know about overdraft fees

- Institutions can't charge you for overdrafts on ATM transactions unless you have opted in, which means that you agree to fees on these transactions.
- Overdraft fees vary, but many banks and credit unions charge \$30 or more per transaction.
- Banks and credit unions can charge you for each overdraft, which means you could incur multiple overdraft fees in one day (although some financial institutions set daily maximums).
- Many financial institutions also charge an additional fee if you fail to repay the shortfall within a few days.
- Deposits, withdrawals, and other transactions don't always update your account balance immediately, or in the order you expect them to. Many people find even if they keep close track, they still overdraw their accounts.

Change your mind?

You can change your overdraft decision at any time. Just let your financial institution know.

Tips to avoid overdrafts:

- Track your balance carefully
- Sign up for low-balance e-mail or text message alerts
- Know when prescheduled electronic transfers, such as rent, mortgage payments or utility bills, will be paid, and how much they will be
- Know when the money you deposit will be available for your use

About us

The Consumer Financial Protection Bureau (CFPB) is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives.

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