

## Avoiding Overdraft Fees

Overdraft fees can be expensive, but avoidable with careful banking practices.

You may be charged overdraft fees for debit card purchases, checks you wrote, or ATM withdrawals if there are not enough funds in your bank or credit union account to cover the transaction. These fees can add up quickly and lead to financial stress.

The best thing you can do to avoid overdraft fees is to closely monitor your transaction activity to make sure you have enough money in your account *before* you make a purchase. Many banks and credit unions offer online banking, allowing you to check your balance anytime, day or night, without having to set foot in the bank or credit union. That way, you can find out how much money you have in your account at any time.

There are several ways to set up accounts that help avoid overdraft fees. They include:

- **Linking your transaction account to a savings or money market account.** If you run out of money in your checking account while making a purchase, your bank or credit union can automatically transfer money from your savings account into your checking account to cover overdrafts and avoid overdraft fees.
- **Sign up for low balance mobile and text alerts.** These alerts can be sent automatically to your cell phone, letting you know when the balance in your account is getting low.
- **“Opt-out” of overdraft protection.** Federal law only allows financial institutions to charge overdraft fees if the consumer “opts-in” to the account feature. This usually happens when a consumer first opens their account at their local bank or credit union. If you later decide that, because of fees, overdraft protection is not for you, you can visit the bank or credit union and tell them you wish to opt-out of overdraft protection. Once you opt-out, debit card purchases and ATM transactions will be denied if the transaction would result in your account being overdrawn, but you will not incur an overdraft fee. Note that opting out does not protect against overdrafts if you write a paper check or set up automatic payments and have insufficient funds in your account.

Federal regulators, like state agencies, are also interested in helping consumers avoid paying overdraft fees. Below are links to the Consumer Financial Protection Bureau (CFPB) and the Federal Deposit Insurance Corporation (FDIC) websites. They contain helpful information for consumers about how to use overdraft protection properly and provide tips on how to limit the amount of overdrafts (and fees).

<https://www.fdic.gov/consumers/overdraft/index.html>

<https://www.consumerfinance.gov/about-us/blog/understanding-overdraft-opt-choice/>

[http://files.consumerfinance.gov/f/201602\\_cfpb\\_consumer-guide-to-managing-your-checking-account.pdf](http://files.consumerfinance.gov/f/201602_cfpb_consumer-guide-to-managing-your-checking-account.pdf)