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# What's your status when it comes to overdraft coverage?

BY [GAIL HILLEBRAND](#)

The Consumer Financial Protection Bureau is issuing a consumer advisory today on overdraft coverage and fees. Have you opted in for debit and ATM overdraft coverage and fees on your checking account? The CFPB wants you to know your options.

Many banks and credit unions offer different types of overdraft coverage when you overdraw your checking account using a check or online bill payment. This coverage can allow you to pay bills, make payments, or withdraw funds even when your account doesn't have the money to cover the transaction. Overdraft fees can add up, and these short-term cash advances can be costly.

For most banks, the overdraft fee is a fixed amount regardless of the amount of the transaction. You can incur several overdraft fees in a single day. This means that your \$4 cup of coffee can end up costing you \$35 and a small pack of gum can cost you another \$35 all in the same day. That can be more than some consumers can bear.

Many financial institutions also charge an additional extended overdraft fee if you fail to repay the shortfall within a few days.

Institutions can't charge you for overdrafts on ATM or point-of-sale debit card transactions unless you have opted in. Knowing your status allows you to decide what is best for you. You can choose not to have debit overdraft, and there are steps you can take to reduce or eliminate overdraft fees. Here are some options to consider:

- **Make your choice on one-time debit and ATM overdraft coverage.** If you previously opted-in to overdraft coverage for one-time debit card or ATM transactions, you can change your mind and opt out. This means that your debit or ATM card will be declined if you don't have enough money in your account to cover a purchase or ATM withdrawal. However, it also means you won't incur fees on these transactions.
- **Link your checking account to a savings account.** If you overdraw your checking account, money will be taken from your linked savings account to cover the difference. You may be charged a transfer fee when this happens, but it is usually much lower than the fee for an overdraft.
- **Ask your financial institution if you're eligible for a line of credit or linked credit card to cover overdrafts.** You may have to pay a fee when the credit line is tapped, and you will owe interest on the amount you borrowed, but this is still a much cheaper way to cover a brief cash shortfall.
- **Track your balance as carefully as you can and sign up for low balance alerts** to let you know when you are at risk of overdrawing your account. If you have regular electronic transfers, such as rent, mortgage payments or utility bills, make sure you know how much they will be and on what day they occur. You also need to know when the funds you have deposited become available for your use. That way you can ensure you have enough money in your account.

## Change your mind?

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

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**Chris Kilian**

In the comments above regarding steps to take to reduce overdraft fees the article says:

"If you previously opted-in to overdraft coverage for one-time debit card or ATM transactions, you can change your mind and opt out. This means that your debit or ATM card will be declined if you don't have enough money in your account to cover a purchase or ATM withdrawal. However, it also means you won't incur fees on these transactions."

This is not entirely true: If you don't opt-in, or you did and have opted-out a bank does not HAVE to decline your transaction if you don't have enough money - although this is what will happen most of the time. A bank can still pay your debit card or ATM transaction; they just can't charge you a fee for it. Depending on who you bank with, there are some banks that are doing this as part of their customer service, or because of certain limitations in their processing systems.



**srmrktng**

Chris, you are beginning to sound like a lawyer. The statement is entirely true, unless you can name a bank with a policy to waive all one-time debit card overdraft fees for their customers/members.

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