

# Know your overdraft options

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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. **Decide whether you want debit and ATM overdraft coverage.** Without overdraft coverage, your debit card is generally declined when you don't have enough money in your account to cover a purchase or ATM withdrawal. But you won't incur overdraft fees.
2. **Link 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 each time this happens, but it is usually much lower than the fee for an overdraft.
3. **Ask 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 is still a much 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. This applies to nonrecurring debit card purchases too.
- 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 may not always update your account balance immediately, or in the order you expect them to. Many consumers 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 is an independent federal agency built to protect consumers. We write and enforce rules that keep banks and other financial companies operating fairly. We also educate and empower consumers, helping them make more informed choices to achieve their financial goals.

Learn more at [consumerfinance.gov](https://consumerfinance.gov)

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