



## New Rules for Bank Overdraft Protection

New federal rules require debit and ATM card users to grant permission if they want certain overdrafts covered by their banks. As a result,

banks will soon be offering customers the ability to make decisions about overdrafts for transactions made with debit or ATM cards.

An overdraft occurs when you make a purchase or ATM transaction, but do not have enough money in your account to pay for it. For a fee, your bank will cover the balance when you become overdrawn. Within the next few weeks, your bank will likely be sending an explanation about how it treats overdrafts and will ask you to respond.

Generally banks cover overdrafts through either courtesy overdraft practices or overdraft protection plans. With courtesy overdraft practices, your bank covers your transaction for a flat fee of approximately \$20 to \$30 each time the account is overdrawn. For example, if you make a purchase with your debit card for \$150, but only have \$100 in your account, your account will be overdrawn by \$50, and your bank will charge you a fee.

With overdraft protection plans, your bank may offer a line of credit or a link to your savings account to cover transactions when you overdraw your account. Banks typically charge a fee each time you overdraw your account.

Previously some banks automatically enrolled customers in their courtesy overdraft practices for all types of transactions. Under new rules, banks must first obtain permission to apply overdraft practices to everyday debit card and ATM transactions before charging overdraft fees. To grant this permission, customers will need to respond to notice provided by banks and “opt in.”

If you do not opt in, beginning Aug. 15, your bank’s courtesy overdraft practices will not apply to your everyday debit card and ATM transactions. These transactions typically will be declined when you do not have enough money in your account.

If you open a new account *on or after* July 1, you must opt in if you want courtesy overdraft for everyday debit card and ATM transactions. If you open an account *before* July 1, you will receive a notice about your bank’s courtesy overdraft practices and will have to respond if you wish to opt in.

If you do opt in, you may cancel at any time. If you do not opt in, you may do so later.

The new rules do not cover checks or automatic bill payments that you may have set up for paying bills such as mortgage, rent or utilities. Your bank may still automatically enroll you in its courtesy overdraft practices for these types of transactions. If you do not want the service, you will need to contact your bank to determine cancellation policy.

*Source: Board of Governors of the Federal Reserve System*

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