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How do I avoid or minimize overdraft fees?

If you pay overdraft fees regularly, you are paying a lot for very short-term cash advances. Here are some steps to reduce those costs:

Track your balance. To avoid overdraft fees and not-sufficient funds (NSF) fees, you should always track your balance as carefully as you can. It may be possible to sign up for low balance alerts through your bank, credit union, or other service providers. These alerts can help 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, so you can ensure you have enough money in your account.

Opt out of overdraft coverage. If you are paying a lot of overdraft fees, consider opting out of overdraft coverage for debit purchases or ATM withdrawals. Without overdraft coverage, your card will be declined if you don't have enough money in your account to cover a debit purchase or ATM withdrawal. You won't be able to complete the transaction, but you won't incur an overdraft fee either. If you have chosen a debit card overdraft program, you can change your mind any time. Just let your financial institution know and it must honor your change request as soon as reasonably practicable.

Link to a savings account. To reduce the costs of overdrafting, 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 as long as you have sufficient funds in your savings account. You may be charged a transfer fee each time this happens, but it is usually much lower than the fee for an overdraft.

Get a line of credit. As an alternative to a linked savings account, ask your bank or credit union if you are eligible for a line of credit or link to a 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 usually a much cheaper way to cover a brief cash shortfall.

The CFPB is currently looking closely at overdraft practices and collecting information about them. If you have an experience you would like to share with us, [we'd like to hear from you.](#)