

# How to Avoid Checking Account Overdrafts

## **Keep an eye on your balance and eliminate overdraft fees.**

*Most RFCU members never overdraft their RFCU checking accounts and never pay overdraft fees. Learn their secrets below and you can avoid these fees, too.*

## **What is an overdraft?**

Simply put, an overdraft is when you don't have enough money in your checking account to cover charges against it. These charges could be personal checks, debit card purchases, Bill Pay transactions, or ACH pre-authorized payments such as utility or insurance bills.

## **Why should you try to avoid overdrafts?**

Most overdrafts are honest mistakes or indications of a cash flow problem. Intentionally writing checks without funds behind them is considered check fraud. Even when it happens by mistake, it can create a significant amount of extra work in the banking system to resolve the transaction.

**Institutions charge penalty fees for people that overdraft their accounts.** To discourage this behavior and recover the cost of extra processing and collections efforts that overdrafts require, RFCU charges \$28 if an item is returned or if an item is paid by overdrawing the account. **Merchants also charge fees when paid with a bad check.**

If overdrafts get excessive, an institution may close the checking account and report the closure to credit bureaus. **A history of checking account abuse can prevent an individual from obtaining another checking account and negatively affect a person's credit rating.**

## **To prevent overdrafts you should actively manage the balance in your account.**

Taking a few simple steps to keep track of your balance can help you avoid costly overdraft fees.

- **Record all purchases** - check card purchases, checks, Bill Pay transactions, deposits, credits, transfers, and ATM withdrawals in your check register. Do this as soon as you initiate the transaction if it's a withdrawal (i.e. as soon as you write the check, use your debit card, etc.), or as soon as the transaction actually occurs if it's a deposit.
- **Remember to subtract any ACH preauthorized bill payments** you may have set up for loans, utilities, or insurance. Do this a few days in advance of the scheduled payment to ensure the money is in your account on payment day.
- **Keep a cash cushion in your account to cover potential mistakes.** An amount equal to at least one week's typical bills is a good rule of thumb if possible.
- **Review your electronic account statement promptly each month** and verify the entries in your check register. You can check your account balance online with Online Banking.
- **Balance your account regularly.**
- **Set up a Balance is Less Than Notification in Online Banking.** To set up a notification look under the "Notifications" section (under the "Transfers" tab). Pick a minimum safety balance and you will receive an email if your balance drops below that amount.
- **Make sure you have enough money in the account to cover your transactions before you make them.** You can replenish your checking account before your transactions with deposits, a transfer from another RFCU savings or checking account, or a line-of-credit advance from your Visa Credit Card or Home Equity Line of Credit. You can do any of these things remotely 24 hours a day, at no cost using Online Banking.

Online Banking users, please remember that your balance in Online Banking only reflects transactions that have cleared your account up to that moment. Checks and debit card purchases that have not cleared and ACH withdrawals scheduled to occur in the next few days are not reflected in that balance.



## RFCU offers protection against occasional mistakes.

Even if you consider yourself a conscientious person, there may be a rare occasion when you write a check and discover that there isn't enough money in your account to cover it. Numbers may get transposed when you enter a deposit in your check register, or a fast-food debit purchase that didn't come with a receipt could push your balance lower than expected. And as more and more checks are being processed electronically (Check 21) checks clear more quickly than in the past.

Rockland Federal Credit Union extends Overdraft Service to members in good standing. (You must be a member for at least 30 days to be eligible for this service.) It allows the credit union to pay withdrawals to your checking account that would cause it to be overdrawn. If you do not have enough money in your account for a check, pre-authorized withdrawal, ATM or debit card transaction, RFCU will usually decline the transaction. In these cases, you may be unable to complete the transaction unless you have another form of payment. If you want RFCU to authorize and pay these overdrafts, you can request Overdraft Service.

All members who would like to be eligible for this service must "Opt-In." **Having Overdraft Service does not guarantee that RFCU will authorize your overdrafts in all cases. If RFCU authorizes and pays an overdraft, you will be charged a fee of \$28.00\*.** Whether we pay or return an item, your account may be assessed a fee, either as an Overdraft Service charge or a Non-Sufficient Funds charge, but you will not be charged both fees by us. You will only be charged a Non-Sufficient Funds charge if we do not pay the item.

You may opt-out of the Overdraft Service in its entirety at anytime in writing. If you choose to do so you may be subject to insufficient funds fees assessed by the credit union and merchants. RFCU reserves the right to revoke Overdraft Service privileges at anytime without prior notifications and to deny the payment of any transaction.



### How to Request Overdraft Service

Call us at 1-800-562-7328 or visit your local branch office.

### Other Overdraft Options:

For your protection, you should link your checking account to another RFCU account that provides protection against returned items or overdrafts. If you have sufficient funds available in your linked account, your overdraft will be honored and you won't be subject to the embarrassment and merchant fees that could be caused if one of your checks bounce.

- **Overdraft Line of Credit-** Open an unsecured line of credit and if your checking account balance ever falls into a negative zone, the overdraft amount is automatically charged to your Overdraft Line of Credit, up to your available credit limit.
- **Overdraft Protection from Savings-** Your RFCU Savings Account can kick in to cover an overdraft against your checking account (maximum of six times per month in combination with other Federal Reserve Regulation D transactions). If you choose this overdraft protection option, funds are automatically transferred from your savings to your checking account.