



WHAT YOU NEED TO KNOW:

# New Overdraft Rules for Debit and ATM cards

New Federal Reserve rules give debit and ATM card users additional options regarding overdrafts. In the coming months, banks, credit unions, and other financial institutions must offer you the ability to make decisions about overdraft services for transactions made with your debit or ATM cards.

Expect your bank to send you an explanation of its overdraft services; here is an [example \(38 KB PDF\)](#). Here are some key things you need to consider when reading the notice:

## The basic facts

**Types of overdraft services.** An overdraft occurs when you make a purchase or ATM transaction but don't have enough money in your account to pay for it. For a fee, your bank's overdraft services will cover you when you become overdrawn. This fee can apply to each time you overdraw your account.

Generally, there are two types of overdraft services:

- **Standard overdraft services.** Your bank will cover your transaction for a flat fee of about \$20-30 **each** time you overdraw your account. 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. If you then make an ATM withdrawal for \$50, your account will be overdrawn by \$100 and you will be charged another fee. In this example, if the fee your bank charges for overdraft services is \$30, you will pay a total of \$60 in fees.
- **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, but overdraft protection plans may be less expensive than standard overdraft services.

## The new rules

- **You choose.** In the past, some banks automatically enrolled you in their standard overdraft services for all types of transactions when you opened an account. Under the new rules, your bank must first get your permission to apply these services to **everyday debit card and ATM transactions** **before** you can be charged overdraft fees. To grant this permission, you will need to respond to the notice and opt in (agree).
- **Existing accounts.** If you do not opt in (agree), beginning August 15, 2010, your bank's standard overdraft services won't apply to your everyday debit card and ATM transactions. These transactions typically will be declined when you don't have enough money in your account, but you will not be charged overdraft fees.
- **New accounts.** If you open a new account on or after July 1, 2010, your bank cannot charge you overdraft fees for everyday debit card and ATM transactions unless you opt in. If you open a new account before July 1, 2010, your bank will treat you as an existing account holder: you will receive a notice about your bank's overdraft services and will have to decide if you want them for everyday debit card and ATM transactions.
- **Flexibility.** Whatever your decision, the new overdraft rules give you flexibility. If you opt in, you can cancel at any time. If you do not opt in, you can do so later.
- **Checks and automatic bill payments.** The new rules **do not cover checks or automatic bill payments** that you may have set up for paying bills such as your mortgage, rent, or utilities. Your bank may still automatically enroll you in their standard overdraft services for these types of transactions. If you do not want your bank's standard overdraft services in these instances, talk to your bank; you may or may not have the option to cancel.

## Useful terms...

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- **everyday debit card transactions**  
purchases made with your debit card on a day-to-day basis (excludes all checks and automatic bill payments)
- **overdraft**  
an overdraft occurs when you write a check, make an ATM transaction, use your debit card to make a purchase, or make an automatic bill payment or other electronic payment for an amount greater than the balance in your checking account
- **opt in**  
giving your bank permission to include you in a particular service
- **opt out**  
declining a particular service offered by your bank