

Look out for “Courtesy Overdraft/Bounce Protection” continued

What is “Courtesy Overdraft/ Bounce Protection”?

Many banks automatically cover overdrafts, letting you write checks, withdraw money, and use your debit card even though there’s no money in your account. This comes with a big price:

- An overdraft fee of \$35-\$40 for **each** transaction that exceeds your balance (most banks let you make **up to 7** overdraft transactions per day without telling you that you’ve overdrawn your account)
- A \$2-\$12 daily fee until you have paid off the balance (you usually have between 5 and 30 days to pay it off, depending on the bank)

How do I avoid getting charged?

- The best thing to do is **keep track of how much money you have in your account**. Record withdrawals, checks, debit purchases, and bill payments and check your monthly statements. In addition to expenses take into account any monthly fees and ATM charges.
- Consider linking your checking account to a savings account (if you have one). Banks charge a small fee to transfer money from one account to the other.
- Open an overdraft line of credit with the bank, a loan in the case of an overdraft. It costs about \$15/year plus interest.



**University Neighborhood Housing Program
Financial Education and Justice**

Jumelia Abrahamson
2751 Grand Concourse
Bronx NY 10468

Phone: 718-933-3101
Fax: 718-933-3624
E-mail: Jumelia@unhp.org

University Neighborhood Housing
Program
Financial Education and Justice

**Keep your
“free
account”
totally
free...**

**Managing your
account to**

INTEREST PAID YEAR 1 DATE 0.03 ONE NY FEEDS OFFICE

ACCOUNT SUMMARY									
BEGINNING BALANCE	DEPOSITS		CHECKS PD		OTHER SUBTRACTS		CREDIT IMPREST FC	ENDING BALANCE	
	N	AMOUNT	N	AMOUNT	N	AMOUNT			
493.44		21.41					1,000.00	1,724.85	1,724.85

ACCOUNT ACTIVITY				
POSTING DATE	DESCRIPTION	DEBITS	CREDITS	DAILY BALANCE
12-03-03	ENDING BALANCE			4473.02
12-03-03	OLD NAVY CHECK PURCHASE 0839 REBO DR		10.91	369.11
	MORRIST CTR, 1100 WHELLE DRIVE, MORRIST, NY			
12-05-03	CHECK NUMBER 0839		7.00	428.11
12-08-03	ATM ENVOYER DEPOSIT	190.00		
	ATM ENVOYER DEPOSIT			
12-08-03	CHECK NUMBER 0840		10.97	508.14
12-09-03	CHECK NUMBER 0840		41.50	95.64
12-10-03	DIRECT DEPOSIT	60.00		

Basic Checking vs. Free Checking

Basic Checking:

- For people who write a few checks a month and use a debit card to cover some day-to-day expenses.
- Usually require you to maintain a **minimum balance** OR to make specific transactions (use Direct Deposit; make a certain amount of debit purchases) to avoid monthly maintenance fees
- May still have monthly fees regardless of balance or transactions
- Only let you write a certain number of checks a month. After that, you have to pay a “per item” fee for each one you write

Free Checking:

- Write checks and use your debit card all you want with no monthly fees
- No minimum balance or transaction requirements
- No monthly maintenance fees
- No limit to the amount of checks you can write every month — totally free checking

Some banks advertise their checking accounts as free, but in reality, are offering you a basic account with minimum balance/transaction requirements. Make sure that “free” really means free before you sign up for anything.

Know what other fees exist

ATM Fees

- While it’s free to withdraw money from you bank’s ATM, your bank will charge you when you use other banks’ ATMs. Fee: **\$1.00-\$3.00**
- You also get charged by the bank that owns the ATM. Fee: **\$0.99-\$3.00**

Abandoned Account

If you abandon your account for three or more years, the money will be handed over to the government and you will be charged. Fee: **\$0.00-\$12.00**

Account Closed Early

If you close your account within 90 to 180 days of opening it (depending on the bank), you will be charged. Fee: **\$0.00-\$50.00**

Cost of Checks

Checks aren’t free at most banks. You have to pay each pack of checks you order. Fee: **\$12.00-\$20.00** for 150 checks

Inactive Account

If you make no deposits or withdrawals for a period of time, from 90 days to a year depending on the bank, many banks will charge you for having an inactive account. You may be able to avoid this fee if your balance is greater than a certain amount. Fee: **\$0.00-\$12.00**

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What does it mean to overdraw an account?

- Writing a check
- Withdrawing money from an ATM
- Making a debit card purchase

OR

- making an automatic/online payment for more money that you have in your account is called an **overdraft**.

What happens when I overdraw my account?

Your bank has the option of covering it or not.

- If it does, your transaction will be completed and you will be charged an **overdraft fee**
- If your bank chooses not to cover it, the transaction will not be completed and you will be charged a **non-sufficient funds (NSF) fee**. You may also be charged a fee (usually \$20-\$30) by the person or company you wrote a check to.