



## **What You Should Know About Overdraft Fees**

### **Learn more about bank overdrafts and how to avoid the fees**

Bank overdrafts occur and an overdraft fee is charged to you when a debit transaction (for example, a check, ATM withdrawal or debit card purchase) exceeds the available balance in your account. As a checking account customer, you know how important it is to keep track of your balances to avoid the inconvenience and expense of overdrafts and accompanying fees. Learn more about overdraft fees and how to avoid them with this helpful guide.

### **What is an available balance?**

The available balance is the amount of money in your account, minus any holds (such as outstanding debit card authorizations) and uncollected funds as a result of a bank's funds availability policy. You can determine your available balance at the ATM, by phone or by accessing your account online.

### **What is an outstanding debit card authorization?**

An outstanding debit card authorization is the amount immediately deducted from your available balance while the bank waits for the final settlement request from the merchant, which can last several days. A final settlement request is an instruction from the merchant to the bank to deduct the exact amount of your final purchase. It follows after the debit card authorization request and completes the transaction. While the majority of transactions are settled within one business day, the actual timing rests with the merchant and is out of your bank's control.

Keep in mind, until then, the outstanding authorization amount may be larger or smaller than your actual purchase amount. In some cases when final settlement is delayed, the outstanding authorization is released, which causes your available balance to appear larger than you might otherwise expect.

### **Can an outstanding debit card authorization result in overdraft fees for me?**

A merchant's outstanding debit card authorization request will alter the available balance in your account. If, as a result, your available balance falls below zero at day's end, then overdraft fees will be charged. For example, a debit card authorization may lead to overdraft fees in certain circumstances:

Customers who spend the funds in their account, anticipating a delay between purchase and settlement, may experience an overdraft fee. This is because the outstanding debit card authorization reduces the available balance in the account even though the actual purchase has not posted yet.

- **Example:** Bill has a \$100 available balance and makes a \$75 debit card purchase. His available balance will be immediately reduced by \$75, or the amount of the outstanding debit card authorization. If he attempts another debit card purchase or ATM withdrawal beyond the remaining available balance, the transaction will be denied. In addition, if checks are posted to the account that exceeds the available balance, overdraft fees may be charged.

If a merchant obtains an authorization for your debit card, but then your purchase is paid for by other means, the merchant must submit a reversing transaction to remove the debit card authorization. If they do not do this, the available balance will be reduced until the hold expires, normally two business days.

- **Example:** Jane has \$250 in her account and uses her debit card to pay \$175 for theater tickets. She decides, after the card is swiped, to pay by cash. The theater operator does not reverse her debit card authorization immediately and her available balance is reduced by \$175. That night a \$200 check she had previously written posts to her account. As a result the account is overdrawn and a fee is charged.

You may incur an insufficient funds fee in a month where no negative balance is reported on your statement. That can happen when a check is returned for non-sufficient funds. When a check is presented for payment against your balance but authorized debit card purchases have those funds reserved, we may return the check because it would have overdrawn the account.

### **Can I cover an overdraft and avoid fees?**

If you overdraw your account during the day, you can cover it and avoid overdraft fees by making a sufficient deposit that same day. Review our bank's funds policy to determine which deposits could become available the same day.

If your account remains overdrawn, several things will happen:

- You will be charged an overdraft fee. You could avoid this by signing up for online banking alerts to know when your account has a low balance or is overdrawn.
- Your account will be forwarded to our collections department, which will contact you to ensure that you are aware of the overdraft and to discuss ways to bring the account positive.
- We may also transfer funds from your other accounts to cover the overdraft.
- Finally, if the account has not been brought back to positive within 35 calendar days, the account will be closed and you may be reported to ChexSystems, a national clearinghouse of check writing information. This may impair your ability to open a checking account elsewhere.

### **Manage your account to avoid overdraft fees**

The simplest way to avoid overdrafts is to balance your checking account on a daily basis. Be sure to record fees and regular account charges and don't assume transactions will not post to your account for several days.

