Checking Account Overdrafting

Overdrafting Defined:
- Refers to a charge sent to a financial institution that exceeds the available funds of the account being charged. For example writing a check for $20.00 when there is only $15.00 available in the account. The charge exceeds the available fund by $5.00 in this case.

For many people, overdrafting a checking account is an easily avoidable oversight. Many financial institutions and businesses assess fees on checks that exceed the amount available in the checking account. This can lead to numerous fees that can amount to more of the purchase. These charges may also apply to debit card purchases that exceed an available account balance.

Overdrafting a checking account can also lead to more serious consequences if the problem is not resolved in a timely manner, such as:
- Criminal charges may be filed for theft or fraud
- Your financial institution may close your account
- Unpaid fees may be sent to collection agencies
- May negatively impact credit score and credit report

Ways to prevent overdrafting:
- Simple: Don’t spend more than you have!
- Keep a record of all checking account purchases (including checks and debit card purchases) and fill out a checking account register to track available balance.
- Regularly check account statements for balances but be aware the total available amount in the account may not reflect purchases that have not been deducted yet!
- Many banks have safeguards on debit cards that prevent overdrafting accounts. These safeguards may include denying a debit card purchase that is higher than the available amount in the account.
- Some banks offer “overdraft” protection. This may include loaning your checking account money if a check or debit card payment request exceeds the available amount. **BE AWARE** though that high fees and interest rates may apply for this type of service!!

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