

Debit Card Overdraft Questions and Answers

What is an overdraft?

An overdraft occurs when you do not have enough money in your account to cover a payment you have authorized, but the credit union pays it as an accommodation, trusting that you will repay the amount of the overdraft.

What are the different options if I want payments paid when there is not enough money in the account to cover them?

There are a number of choices available. You have the option to link your checking account to another account such as a savings account. If eligible, you also might have the option to link the checking account to an overdraft line of credit, which we call our Flex loan. Fees and interest are usually charged with these options.

In addition, we may use our discretion and pay overdrafts under certain circumstances and then charge you an overdraft fee as a standard overdraft practice. We pay not only overdrafts caused by checks and electronic and automatic bill payments, but also ATM and other debit card transactions.

Why does CCU pay overdrafts?

We pay overdrafts because members often are willing to pay a fee to have important payments such as those for a mortgage or rent paid even if they don't have enough money in their account in order to avoid inconvenience, additional fees, and embarrassment. For example, you may want the credit union to pay a check or electronic or automatic payment made to a store, mortgage company, or landlord because if it is returned, you might have to pay a fee to the payment recipient and because in the future, your checks or electronic and automatic payments may no longer be accepted.

Do all financial institutions do this?

Most financial institutions may pay check and electronic and automatic bill payments that cause an overdraft. Some financial institutions may also pay ATM and other debit card overdrafts.

What does the new rule do?

The new rule mostly affects debit card transactions, specifically ATM transactions and one-time debit card transactions made for purchases at a store or on the internet. The new rule provides that you must expressly agree, that is, "opt-in," before the financial institution may pay an ATM or one-time debit card transaction and charge you a fee that will cause an overdraft on the account.

Sometimes Central pays my checks and electronic and automatic bill payments such as my mortgage even if I do not have enough money in the account. If I do not "opt-in," will Central still continue, at its discretion, to pay checks and electronic and automatic bill payments even if I do not have enough money in the account?

Since our practice is to pay your checks and electronic and automatic bill payments at our discretion, we will continue to do so for you, even if you have not opted in to including ATM and one time debit card transactions as overdrafts.

What about automatic bill payments that I have arranged to be paid through my debit card on a recurring basis? If I don't opt in, will they be returned if there isn't enough money in the account?

Automatic bill payments which recur regularly and are made with a debit card may still be paid, and a fee will be charged even if you have not agreed to have ATM and one-time debit card transactions overdrafts.

If I opt in, will Central always pay my ATM and one-time debit card transactions?

No. Unless you have signed up to link your checking account to another account such as an overdraft line of credit, called our Flex loan, Central does not guarantee that your ATM and one-time debit card transactions will be paid even if you opt in. These standard overdraft services are an accommodation provided at Central's discretion.

If I do NOT opt in, does it mean that I will never overdraw my account using my debit card for ATM and one-time transactions?

No. There are limited circumstances when it will not be possible for Central to avoid paying an ATM or other debit card transaction you made, even if there is not enough money in your account. You should not assume that because the ATM or other debit card transaction goes through that there is enough money in your account to cover it. You still must re-pay the credit union to cover the overdraft.

Beyond standard overdraft practices and linking my checking account to another account to cover overdrafts, are there other ways to avoid overdrafts?

The easiest way to avoid overdrafts is to keep track of your transactions and balance. You are also less likely to overdraw if you keep extra money -a cushion- in the account. E-Branch and MTS are available 24 hrs a day for you to access for account reconciliation.

How do I opt in?

In person – You can sign a form indicating your desire to opt in to have your one time debit card and ATM transactions paid. By phone – you can tell us that you wish to opt in and have your one time debit card and ATM transactions paid. We'll mail you confirmation of your request.

May I opt in at the time of the debit card transaction?

Unfortunately, no. If you think you will want your ATM and one-time debit card overdrafts paid and are willing to pay for it, you should opt in before you need it.