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What are overdraft fees?



Maintaining a positive checking account balance is an essential part of managing a bank account. Still, we're only human — unexpected expenses or accidental slip-ups that send your account into the red can happen to anybody. When it does, you might find your checking account hit with an overdraft fee. Let's take a closer look at what overdraft fees are and how they work.

Understanding overdraft fees

When you spend more money than what's in your account, it's said to be overdrawn. Your bank may temporarily cover the deficit and charge an overdraft fee to help facilitate the completion of your [transaction](#).

To help clear the overdraft, you often need to add enough funds to cover the deficit, as well as any fees incurred. If the account balance stays negative for an extended period, your account may incur multiple additional fees depending on the bank's policies for your account. Checking accounts that continue to be overdrawn past a certain time might even be closed.

What is overdraft protection?

Banks may offer customers several ways to help respond to and manage an overdrawn bank account. Typically, there are three main options when it comes to a bank's [overdraft protection](#).

Overdraft coverage

Overdraft coverage allows your bank to authorize a transaction that would overdraw your account, putting your account in overdraft status. The transaction is typically authorized at the bank's discretion, based on your account history.

Standard overdraft coverage typically encompasses checks, automatic payments and recurring payments. To cover every day debit card purchases, you may need to opt-in to enable additional debit card [overdraft services](#).

This overdraft coverage could result in an overdraft fee that's generally between \$20 and \$40, depending on your bank's policies. Some banks may charge a separate extended overdraft fee if your account remains overdrawn for multiple days. Contact your financial institution for more information about their specific overdraft fees.

Overdraft protection transfers

Overdraft protection allows you to link additional bank accounts (such as a [savings account](#)) to transfer funds in the event of an overdraft. There may be an overdraft transfer fee attached, but it's generally less than a standard overdraft fee. And the transfer fee may also be charged on a per-day basis, instead of per transaction, which could help save you money. Check with your financial institution for specific fee information.

Overdraft lines of credit

Overdraft lines of credit are similar to overdraft protection transfers. Instead of being linked to a [savings account or checking account](#), they're linked to a credit card or line of credit. It's helpful to remember that you may be charged interest on the amount you use, the interest rate may be high and there could also be an overdraft transfer fee even if you have overdraft protection services.

Steps you can take to help avoid overdraft fees

The following are a few basic things you can do that may help lower your chances of an overdraft.

Monitoring your checking account balances

Keeping a close eye on your account can help you avoid making purchases that could overdraw your checking account. Many banks offer account alerts to automatically notify you when your balances dip below a certain threshold.

Quickly covering negative balances

Some banks may offer customers a grace period before applying overdraft fees. So, if you do overdraw, you could help avoid those extra charges by bringing your account balance back up within that time.

Opting out from overdraft services

Opting out of [overdraft services](#) could help you avoid overdrawing your account and incurring possible associated fees. If you opt out of the services, your transaction may simply be declined if you have an insufficient balance.

In summary

Overdraft fees allow banks to extend customers the courtesy of completed transactions. If an overdraft does occur, it's helpful to fix it as soon as you can. Contact your bank to find out more about their specific overdraft protection services.

[Learn more about Chase's overdraft services](#)

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