AMERICAN FINANCIAL PATHWAYS

# Understanding Overdrafts

Know what happens when your account is short

## 1. What is an overdraft?

Your bank pays a transaction even though you do not have enough available money. Your balance goes below zero. You owe the shortage plus any applicable fees.

**You have $20. Your groceries cost $30.**

**Bank covers it:** your balance is **-$10**, before fees.

**Linked savings covers it:** $10 transfers; checking ends at **$0**, and savings has $10 less.*

**Bank declines it:** your **$20 stays**, but you need fewer items or another way to pay.

*Assumes an exact $10 transfer, no fees and no other activity. Transfer rules vary.

## 2. Know your options

| Service | How it works |
|---|---|
| **Standard overdraft coverage** | May cover checks and certain automatic or recurring payments. **The bank decides whether to pay.** |
| **Debit card overdraft service** | Generally a separate opt-in choice for ATM withdrawals and purchases like groceries. **Approval is not guaranteed.** |
| **Linked overdraft protection** | Uses eligible savings or available credit you have linked. **You must set it up.** Fees or interest may apply. |

*The names of these services may differ from one institution to another.

**Use protection as a backup.** Repeated transfers can drain savings or build debt. Without available linked funds or bank approval, a purchase may be declined.

## 3. Not sure? Ask your bank or credit union

☐ Which overdraft services are active on my account?

☐ What happens to my card purchases, ATM withdrawals and bills if I am short?

☐ Can I link savings? What happens if that account is short too?

☐ What fees or interest apply? Is there a grace period to avoid a fee, and what is the deposit deadline?

☐ How do I change my choices and turn on a low-balance alert?

Educational information only. Names, eligibility and terms vary. Verify your account details.
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