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What Does New Overdraft Legislation Mean to Consumers?



CONSIDER THIS: New rules called Regulation E (Reg E) went into effect on July 1 and require consumers' consent before they can be charged overdraft fees. Every consumer with a personal checking account must inform their financial institution whether or not they will opt in for overdraft protection. Otherwise, those who do not opt in may be surprised at the checkout line when their purchases are denied for insufficient funds.

Reg E is aimed at preventing fees from being charged for ATM and one-time debit card overdrafts. An overdraft occurs when there is not enough money in the account to cover the transaction, and the financial institution pays the transaction.

If consumers DO opt in, when they have insufficient funds for a purchase, the financial institution will pay the overdraft and pass along the fee to the consumer. For example, someone in line at the grocery store making a \$50 purchase with only \$45 in their account would still be able to make the purchase, but would then be charged a fee from his or her financial institution.

Consumers who DO NOT opt in will no longer be charged overdraft fees when they have insufficient funds for a purchase, but the purchase will be denied. In this case, that same person at the grocery store would not be allowed to complete the purchase.

Reg E went into effect on July 1; however, for accounts already existing before July 1, fees may be charged until Aug. 15.

You may want to know:

1. How will consumers be notified about Reg E?
2. How do consumers opt in or opt out?
3. How should consumers decide what choice they should make?
4. What steps can consumers take to avoid overdrawing their accounts?
5. Can consumers opt in for check and not debit card overdraft protection?

An insider's perspective:

According to Janet Davis, president of TIC Federal Credit Union in Columbus, "Overdraft protection helps people know they are protected in situations where they make a mistake in managing their accounts or face unusual circumstances." Davis encourages people to manage their money and keep careful track of their accounts.

"Coupled with consistent money management, overdraft protection functions as it was intended, as a valuable service that helps consumers avoid the occasional possibility of having a purchase declined," she said. Davis reports that many of their members are making the decision to opt-in.

"After one week of having the information out to members, 94 percent of (TIC) members who have responded have chosen to opt in and have their accounts covered with overdraft protection," Davis added.



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*Views and opinions expressed on these videos do not necessarily reflect those of Georgia Credit Union Affiliates.

What Georgians Think:



Jackie
Lithia Springs



Lisa
Vinnings



Jamie
Forrest Park

Additional Information

- [Balance Track](#): Balance Track provides an educational module on using and managing a checking account. Consumers will find help learning to balance their checking accounts, track spending and avoid overdrawing their accounts.
- [Federal Reserve](#): This press release from the Federal Reserve outlines the new regulations concerning overdraft fees.
- [Managing Your Money](#): This Web site provides consumer information and insight regarding the new regulations and the options consumers have.
- [Protecting Yourself from Overdraft and Bounced-Check Fees](#): This article from the Federal Reserve Board provides tips on managing checking accounts and avoiding overdrafts.
- [Opt Out Overdraft](#): This article explores the pros and cons of opting in and out of overdraft protection.
- [New Bank Overdraft Fee Regulations - Will They Have the Desired Effect?](#): This article from the "Think Your Way to Wealth" Web site examines potential scenarios for why a person might want to opt in for overdraft protection.

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