

What Does New Overdraft Legislation Mean to Consumers?

ATLANTA, GA (July 12, 2010) - 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.

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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