

# Managing your checking account

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To be successful with your checking account, you first need to choose an appropriate product to meet your needs. The CFPB has a number of resources to help you choose a checking account including the [Consumer Guide to Selecting a Lower Risk Account](#) and the [Newcomer's Guide to Managing Money](#).

## The importance of good checking account management

Once you have your checking account, you need to manage it in order to keep it. Good account management helps you to avoid unnecessary fees and helps you to maintain the account. If you have trouble keeping enough money in your account to cover your payments or withdrawals, your bank or credit union might close the account and report you to a checking account reporting company. If there is a negative report, you could have trouble opening a new checking account with a financial institution for up to 7 years. Checking account reporting companies must comply with the Fair Credit Reporting Act (FCRA). This means, for example, that they must follow reasonable procedures to maximize the accuracy of the information that they provide to banks, and they can't include most information that's more than 7 years old. They can choose a shorter time period, and the checking account reporting companies typically disregard information that's more than five years old.

Here are some tips for reducing the fees on your checking or prepaid account:

## Pay attention to monthly service fees

Many financial institutions waive monthly service fees if you maintain a minimum balance or sign up for direct deposit. Some institutions waive these fees for senior citizens, students, or members of the military. Be sure to ask about these products if you think you might be eligible.

## Keep track of your balance and any outstanding payments

Keep track of your account balance and your account activity to avoid spending more than you have in your account. Keeping track of your balance also helps you to keep the minimum balance you need in your account to avoid monthly fees. Some of the steps you can take are:

- Monitor your account online or on your phone.
- Check your balance by phone or online before you withdraw cash at an ATM.
- Check your balance by phone or online before you write a big check or make a big payment.
- Sign up for transaction alerts and low-balance warnings via e-mail or text.
- Don't assume that the money you deposited is available immediately. Find out when the money you deposit will be available for your use. Ask if there is a "hold" on the money you deposit, and if so when the hold will be lifted.
- The payments that you make can be processed very quickly, so don't make a payment from your checking account unless the money to cover it is already in your account and past any hold period.

- Know that your payments and withdrawals are not always processed in the order in which you make them. Be sure that you have enough in your account to cover everything.
- Know when regular electronic transfers, such as a rent payment or utility bills, will be paid.

## Avoid overdraft fees

An overdraft occurs when you spend or withdraw more money than you have in your account and the bank or credit union pays to cover the shortfall. Overdrafts can be very expensive. Fees are generally charged “per item” and often as high as \$35 or more per each overdraft transaction. To resolve an overdraft, you generally have to pay back the amount of the negative balance plus all fees, and you may have to pay additional fees if you do not repay quickly.

To reduce the likelihood that you will overdraft, you can:

- Switch to a checking account that is designed not to allow overdraft. Such “no-overdraft” products can help you manage your spending, but can still charge you a fee if you overspend. For example, if you write a check or try to pay a bill when you don’t have enough money in your account, even if the transaction is declined.
- Choose not to “opt-in” to debit overdraft: Your bank or credit union can’t charge you a fee for an overdraft with your debit card unless you “opt-in” to overdraft coverage for these transactions. Keep in mind that [you could be charged a fee](#) for checks and online or direct debit (“ACH”) overdrafts even if you have chosen not to opt-in.
- Link your accounts: If you link your account, if you run out of money in your checking account, the bank will pull money from the place you’ve chosen. You can link your checking account to a savings account, if you have one and are able to maintain a balance in it to cover potential shortfalls. You pay a fee for this service, but

the fee is usually much lower than an overdraft fee. You may also be able to link your checking account to a credit card or line of credit, if you have one. While the fee you’re charged on your checking account may be much lower than an overdraft fee, you may also be charged a fee on the credit card or line of credit.

**TIP:** Don’t let terminology confuse you. “No-overdraft” products are designed to help you manage your spending and reduce the likelihood that you will overdraft. Banks and credit unions also offer overdraft programs, such as “overdraft coverage” and “overdraft protection”, that generally do allow overdrafts.

## Open and review all of the statements from your bank or credit union

Whether you get your account statements by mail, online, or both, review account statements every month to make sure they are correct and report errors immediately. Also watch for changes in your minimum balance requirement, fees, or other account terms.

## Spend only what you have

Never write a check or authorize an electronic payment for funds unless you know you will have enough money in your account to cover it. If you don’t have the funds you will be charged a non-sufficient funds (NSF) fee or an overdraft fee (for debit card payments and ATM withdrawals, only if you have opted in to overdraft) from the bank or credit union. Overdrawing your account or not paying fees could severely impact your ability to access financial services in the future.

## Use your financial institution’s ATMs

When you use ATMs in your bank’s or credit union’s network, there is generally no charge. However, many banks and credit unions will charge you for

using an out-of-network ATM, such as an ATM branded by another bank or credit union. The owner of the out-of-network ATM may also charge you a fee. Some banks and credit unions will reimburse you for fees you pay at ATMs on other networks. Many banks and credit unions offer ATM locator maps on their websites and mobile apps to help you find in-network ATMs.

The CFPB has additional resources to help you decide what types of financial products and services are right for you. This guide is part of a three-part series on checking accounts which addresses [choosing an account](#), managing your account to keep it, and [getting back into the banking system if you have had difficulty with an account](#). Helpful information is also included in our [Newcomer's Guide to Managing Money series](#).