

A line of credit is a better option and comes at a much better rate.

### 3. Courtesy pay

Should you inadvertently overdraw your checking account, programs such as courtesy pay can help. Courtesy pay programs, also referred to as bounce privilege programs, work like this: If you have arranged it, funds for overdrafts first will come from your linked account; if sufficient funds aren't available, the credit union may elect to cover your overdrafts up to a certain amount.

Courtesy pay can save you the embarrassment and inconvenience of a returned check as well as the fee merchants normally charge for checks returned to them. If you're good at managing your account, your fees will be zero.

Courtesy pay fees generally will be a lot less than the fees you would accumulate without it. The fees might be about the same as the financial institution's charge for nonsufficient funds, but less than the total NSF fee *plus* the penalties that merchants or other businesses impose for receiving a bad check. Keep in mind, some financial institutions also charge daily fees of \$5 to \$15 until you bring the account back to a positive balance.

Members who strongly benefit from these programs are those who use automatic bill payment services. If you're using a bill payment service your bills automatically are paid every month by the vendor or by ACH (automated clearing house). Say you forget to deposit your paycheck because you're in a hurry to go out of town. You won't have enough money in your account for the auto-

matic bill pay to go through. Courtesy pay could help you out—after your overdraft protection kicks in.

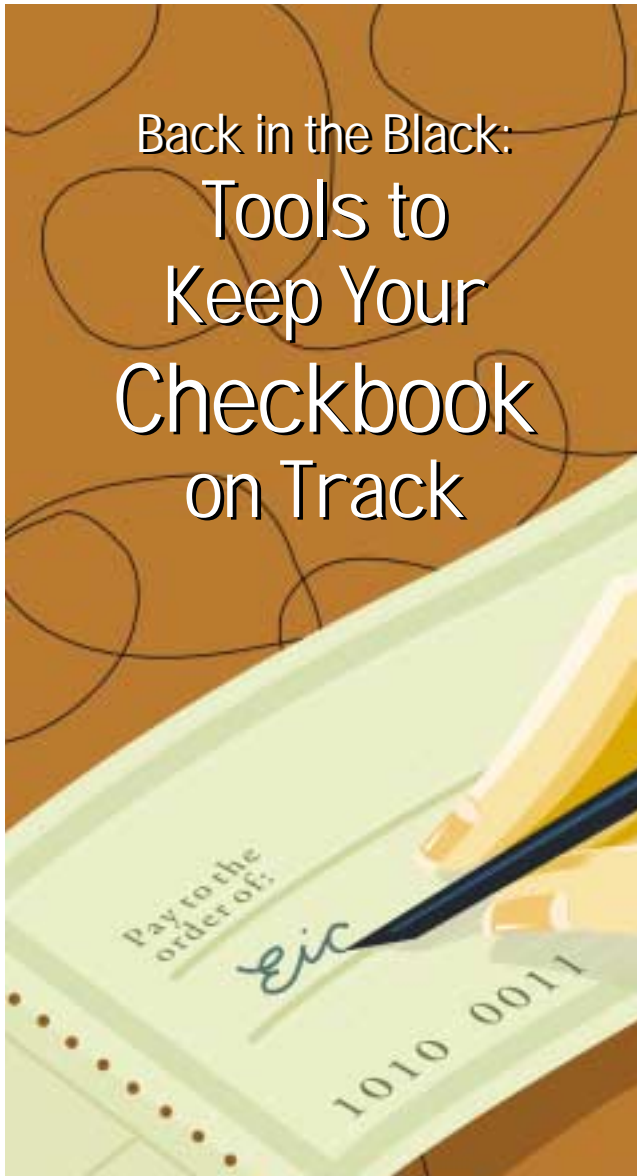
These tools can help you stay on track, but the best way to stay on top of your finances and prevent being overdrawn in the first place is to be aware of what you're spending—every day. If you frequently use your debit and ATM cards, focus on recording every transaction in a timely manner. And eliminate missed deposits by setting up an old service standby—direct deposit.

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## Back in the Black: Tools to Keep Your Checkbook on Track



Ever bounce a check? If you're like most Americans you probably answered yes. In fact, Americans bounce more than 125 million bad checks each year. And that figure could go higher as new check-clearing rules and improved technologies decrease your float—the time it takes your checks to clear. With so many online transactions, recurring automated bill payments, growing use of debit cards, and so many trips to the ATM (automated teller machine), keeping track of the balance in your checkbook can become a guessing game—one that becomes expensive if you're not careful.

An *overdraft* means you don't have money to cover a check or other transactions against your checking account, but your credit union pays it anyway. A *bounced or NSF* (nonsufficient funds) fee occurs when your financial institution returns your check to whomever you wrote it—without paying it. And when that happens, the store or service person or landlord, for example, also can charge you a *returned check* fee.

A bounced check every now and then could be a fluke. But if it's more than an occasional event, examine your habits. Start by keeping a balanced checkbook; being diligent in recording debit card and ATM transactions, and other fees; and keeping better routines and records overall. But if there's still a bit of bouncing going on, consider using these three tools:

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Ask at your credit union what overdraft services it offers.

## 1. Transfer from other accounts

This kind of protection kicks in when you've pre-arranged to have funds from one account transfer to your share draft/checking account when you don't have enough in your checking account to cover a transaction. Some financial institutions charge a fee for each transfer, ranging from \$2 to \$10. Others charge a flat annual fee.

Open consumers acquire this protection for “just in case” circumstances—just in case your checking balance is lower than you thought. At some credit unions you'll have to request this service and choose which account the transferred money will come from; at others the credit union automatically sets it up for you.

A link to another account will cover you if you make an honest mistake, such as forgetting to make a deposit into your account before leaving on vacation. Or, you might forget to record an ATM withdrawal, or deposit a check that doesn't clear in time to cover checks you've written.

The best thing about this service is it helps avoid NSF fees. For instance, if you write a bad check, you could end up paying the financial institution anywhere from \$15 to \$35—on top of a \$50 to \$60 fee to the merchant for the returned check. Keep in mind that credit union NSF and overdraft fees typically are lower than banks' fees.

If you write a bad check to your mortgage company, you also might be hit with a late payment fee of \$50 or more.

## 2. Line of credit

A line of credit generally covers amounts higher

than those associated with the *occasional* bounced check.

You apply for a line of credit just as you would apply for a signature loan—and it's just as easy. You'll have an available line of credit with a maximum line amount, for example, \$5,000. If you overdraw your share draft/checking account, the credit union transfers a matching amount from the line of credit into

your checking account. Again, some financial institutions charge a fee, in the \$2 to \$8 range, per transfer.

While this service generally means avoiding bounced check fees, keep in mind that interest rates on a line of credit can run as high as credit card rates—or higher. This line of credit is different from a home equity loan in that this line of credit is not secured. A home equity loan may carry a much lower interest rate, secured by your home.

A line of credit also is beneficial to consumers who instead might be tempted to use a payday lender. Payday lenders, competing in a multi-billion dollar industry, charge consumers hundreds of dollars in fees—sometimes equivalent to interest rates as high as 470%. Payday lenders frequently assess fees of \$10 to \$35 per \$100 borrowed.

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