Learning about Checks

In this guide, you will learn about checks: how to deposit money, how to write checks and how to keep track of your money

Writing a check

When you write checks, always use a blue or black ink pen and write neatly. Every time you write a check, you'll fill in the following six spots:

1. Date: Write the date.
2. Pay to the Order of: Write the name of the check’s recipient. Be sure to write legibly so your check is accurately processed.
3. $ Amount: Write the check’s amount using numbers. When you write the number, start at the left and don’t leave space. People could add in more numbers if you do.
4. Dollars: Write, in words, how much the check is for. When you write the words for the dollars, start at the left side. Write any cents as a fraction. (See sample.) Draw a line through the extra space.
5. Signature: Sign your name on the signature line, just like it is on the top of the check. Don’t sign it until you use it. If you sign it ahead of time, someone else could use the check.
6. Memo: Note what the payment is for. (See sample.)
### Manage the Money in Your Account

A check register helps you keep track of the money in your checking account. Whenever you deposit or withdraw money or use your ATM or debit card, write the transaction in the check register immediately. When you write something in your check register, it’s called “recording a transaction”. The columns in your check register are labeled. Here’s what each column is for:

<table>
<thead>
<tr>
<th>Number or Code</th>
<th>Description</th>
<th>Date</th>
<th>Payment/Debit</th>
<th>Code for Transaction</th>
<th>Service Fee</th>
<th>Deposit/Credit</th>
<th>Balance</th>
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</thead>
<tbody>
<tr>
<td>A</td>
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</tbody>
</table>

1. **Number or Code:** This is the check number or transaction code. The check number is found in the upper right corner of each check. Every check has a different sequential number. The following codes indicate other types of transactions, or more information about the transaction:
   - ATM—Automatic Teller Machine
   - D—Deposit
   - DC—Debit Card
   - E—Electronic Check
   - TT—Telephone Transfer
   - T—Tax Deductible
   - O—Other

2. **Date:** Enter the date you wrote the check.
3. **Description of Transaction:** This tells what you did. Did you deposit money? Write a check? Use the ATM or debit machine? Make a telephone transfer? Describe your transaction here.
4. **Payment/Debit:** Write the check or withdrawal amount.
5. **Code for Transaction:** This is where you fill in a code for transactions you make when you aren’t writing a check. When you get your statement, every month you’ll place a “✓” through this box when you see the transaction listed.
6. **Service Fee:** If your financial institution charges you money to write each check or to withdraw money from the ATM, write that fee in this space.
7. **Deposit/Credit:** Did you deposit money into your account? Write down any deposit into your account.
8. **Balance:** To find out how much money you have, add the deposited money to what you had before, or subtract the withdrawal amount from what you had before. The money left is your balance.
**Depositing Money in Your Account**

When you’re ready to deposit money at your financial institution, you need to fill out a form called a deposit ticket.

You’ll find your deposit tickets in your checkbook, behind the checks. As with checks and the check register, there are areas you need to fill in. Use a pen and write neatly. Below are the spots to fill in on your deposit ticket:

1. **Date:** The date you are depositing money.
2. **Cash:** The amount of cash you are depositing. Add it all together, and write it down here.
3. **Check Entry Area:** This is where you write down each check you’re depositing. Put each check amount on its own line.
4. **Additional Check Entry Area:** The back also has space for checks, if you run out of room on the front.
5. **Total From Other Side:** If you have more than three checks and wrote them down on the back side, add them up and put the total here. If you are depositing three checks, this is the place you write down the third one.
6. **Subtotal:** Add items 2, 3 and 5.
7. **Less Cash Received:** If you want to deposit part of the money, and get part of the money in cash, write down how much you want to receive in cash.
8. **Sign Here:** If you want cash back, sign your name here.
9. **Net Deposit:** Add all the cash and all the checks together. If you are receiving cash back, subtract that amount. The result is your net deposit. Write down that amount here.
Endorsing a check

If you’ve got a job, chances are you get paid either through direct deposit, or a check. To deposit that check, you need to endorse it. That means you sign your name in ink on the back of the check. Sign your name the same way it’s written on the check. If your name is spelled wrong, also sign your name the correct way on the next line.

There are a few ways to endorse your check:

**BLANK ENDORSEMENT**

Sign your name the same way it’s written on the front of the check, only when you’re ready to cash it or deposit the money into your account. Once the check is signed on the back (endorsed), someone else could get your money if you lose the check.

![BLANK ENDORSEMENT Example]

**SPECIAL ENDORSEMENT**

Do this when you want to give someone else the money. Write “pay to the order of” and that person’s name below it. Then sign your name underneath. Now only that person can cash the check.

![SPECIAL ENDORSEMENT Example]

**RESTRICTIVE ENDORSEMENT**

If you want your check to be very safe, such as when you send it to your financial institution in the mail, write “for deposit only” and sign underneath. Now the check can only be deposited into your account, not cashed.

![RESTRICTIVE ENDORSEMENT Example]
Review Your Monthly Statement

Every month, you’ll get a statement from your financial institution. This statement tells you:

- Every check that you wrote (the ones that have been processed—see example on next page).
- Money you took out of the ATM, transferred by telephone or any other withdrawals.
- All of your debit card transactions.
- All of your deposits.
- Your ending balance (how much you have in your account on the date the statement was printed).

The envelope containing your statement may also contain your canceled checks. You may receive pictures or images of the checks you’ve written, or a paper document or image of a substitute check. These are the checks you’ve already written that have cleared (paid out of your account) by your financial institution. Any checks you’ve written that have not cleared are called outstanding checks.

Your monthly statement gives you information about your account’s activity every month. Here are the different sections:

- **Return Address:** This is where your financial institution sends your statement from.
- **Account Information:** Here is where you will find your personal information, like the type of account you have, account number and social security number.
- **Deposits:** This is where your deposits are listed. You’ll see the date and the amount of money you deposited.
- **Checks and Deductions:** These are all the checks you wrote for the month. You’ll see the date, check number, and the amount. If you see dots or stars between the check numbers, that means either you are missing a check, or that the check is outstanding. ATM and other withdrawals are here too.
- **Daily Balances:** You’ll see dates listed, and how much money was in your account on that day.
- **Ending Balance:** A summary of your account for the month. You’ll see how much money you started with, how many withdrawals you made, how much money you deposited, and how much money you have left.
- **Customer Service Number:** The phone number to call if you have any questions about your account.

*The style of statement for each financial institution may vary slightly.*
**CheckProcessing**

**Substitute Checks**

Legislation was passed by the federal government in 2004 that permits financial institutions to create and submit substitute checks, or image replacement documents from electronic images for processing.

This is an example of a substitute check that may be included in your monthly statement.

1. Endorsements on back side of the check.
2. Image of check is on the new document.

**Balance Your Account**

1. In this section we’ll talk about how to keep records. The first thing we’ll cover is how to reconcile your accounts. That just means you’ll see how much you deposited into your account, how much you spent, and how much you have left. To reconcile your account you will look at your check register and your statement together and compare them.
2. Open the envelope with your statement. If your financial institution sends your canceled checks to you, they will also be in the envelope. Many financial institutions keep the real checks and return a list or picture image of your
3. Check or substitute check, on your statement.
4. If you get your checks back, put them in order according to the check number.
5. Look at the statement; find the first check number listed.
6. Look at your check register. Find that same check number and place a check mark in the column labeled “✓” or “Code*”. Do this for every check on your statement.
7. Do Steps 3 and 4 above for every deposit. Check it off on your statement and check it off on your register.
8. If you see checks in your check register that are not listed on the statement, they have not cleared the financial institution yet. Don’t check them off. They will be listed on a future statement.
9. If you have any other service fees or charges for checks, ATM withdrawals, financial institution services, or automatic deductions (i.e. a car loan) listed on your statement, write them in your check register. Don’t forget to subtract those charges from your balance in your check register.
10. If your financial institution pays interest on your checking account, add the interest amount to your check register.

Now your checkbook should be up to date!
Most of the time, your checkbook balance and the statement won’t match. That is normal. This happens because of those outstanding checks we discussed earlier and any deposits that you made after the statement was printed.

<table>
<thead>
<tr>
<th>HOW TO BALANCE YOUR ACCOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1.</strong> Check off in your account register each transaction shown on the front of your statement.</td>
</tr>
<tr>
<td><strong>2.</strong> Enter the total of the deposits made to your account but not listed on the statement.</td>
</tr>
<tr>
<td><strong>3.</strong> Enter the total withdrawals from line 1 and subtract from line 2.</td>
</tr>
<tr>
<td><strong>4.</strong> Enter the ending balance from the front of your statement.</td>
</tr>
<tr>
<td><strong>5.</strong> Enter the total of the deposits listed on the statement in the proper columns.</td>
</tr>
<tr>
<td><strong>6.</strong> Enter the total withdrawals from line 1 and subtract from line 2.</td>
</tr>
</tbody>
</table>

Your statement will include a reconciliation form (usually on the back). This is a form to help you reconcile your account. Just like all the other forms we’ve talked about, there are spots for you to fill in. Usually, the reconciliation form guides you to:

1. List deposits, checks, and other withdrawals that you have written in your check register, but are not listed on the statement in the proper columns.
2. Write down the total of the deposit list and the checks/withdrawals list.
3. Write down the ending balance printed on the front of your statement.
4. Enter the total deposits from line 2. Add lines 3 and 4, enter on subtotal line.
5. Enter the total withdrawals from line 1 and subtract from subtotal.
6. Now the balance of your checkbook should match the ending balance on your statement.

If you have trouble reconciling your account, call the customer service number listed on your statement.
Do’s and Don’ts

THINGS NOT TO DO

- **Don’t write checks for more money than you have in your account.** You might have heard it called “bouncing a check” or “writing a bad check.” The financial institution calls it non-sufficient funds (NSF). Here is what can happen if you write checks without enough money in your account:
  - You could be charged an overdraft fee by your financial institution.
  - The place to which you wrote the “bad” check could charge you another fee.
  - The place to which you wrote the “bad” check could decide not to take your checks in the future.
  - Your name could go on a risk check or “risk credit” list, and other places won’t take your checks.
  - Your checking account could be closed by your financial institution and you won’t be allowed to write any checks at all. Your financial institution may report this information to other financial institutions, and they may refuse to open a checking account for you for up to seven years.
  - You could get letters and phone calls from the people you owe the money to.

*BUT... It’s easy to keep these things from happening. Just keep track of how much money you have in your checking account, and don’t write checks for more than that amount.*

- **Don’t sign blank checks.** They can be stolen and used by someone else.
- **Don’t erase mistakes on a check.** Either write “VOID” across the entire check and next to its number in the check register and tear up the check, or fix the check and write your initials next to the mistake.
- **Don’t use other people’s checks or let them use yours.**
- **Don’t use a pencil, only use a pen.** People can erase the numbers when you write in pencil. Always use a blue or black ink pen.

THINGS TO DO

- **Keep all your checks in a safe place.** Checks are money and can be stolen and used by other people, just like cash. If your checks are ever lost or stolen, call your financial institution immediately!
- **Keep track of the money you take out of the ATM and debit card withdrawals made**—they add up quickly.
- **Put the right date on your checks.**
- **Sign your name as it’s printed on the check.**
- **Write the check amount as far to the left as you can.**
Glossary

Automated Teller Machine (ATM): Also known as a money machine or cash machine.
Bad Check, or Bounced Check: A check that is written when there is not enough money in the account.
Balance: The amount of money you have in your account.
Cash: Money in the form of bills or coins.
Check: A document used for payment.
Check 21: Federal legislation passed in 2004 that permits financial institutions to create and submit substitute checks from electronic images for processing.
Check Register: A form to keep track of your checking account transactions.
Checking Account: A payment method to manage your money efficiently.
Cleared Check: A check that has gone through the financial institution’s processing center and is listed on your monthly statement.
Debit Card: A card that can be used at an ATM or merchant. Unlike a credit card, the funds are deducted from your checking account.
Deposit: The money you put into your account, or (as a verb) to put money into your account.
Deposit Ticket: The form you use to put money into your account.
Electronic Check: When you write a check to a merchant and the merchant hands the check back to you. The check is converted to an automatic deduction to your checking account.
Endorse: To sign your name on the back of a check in order to cash it or deposit it.
Financial Institution: A business that deals with money. For example, a bank or credit union.
Less Cash Received: The amount of cash you get back when you make a deposit.
Memo: The area on a check that notes what the check was written to pay for.
Non-sufficient Funds (“NSF”): See Bad Check.
Non-sufficient Funds Fee: The fee that is charged by a financial institution or business when a check does not clear.
Outstanding Check: A check that is still going through financial institution processing (has not yet cleared).
Overdraft: When your account goes below zero—there is not enough money to cover the withdrawal.
Record a Transaction: The act of writing down a transaction in your check register.
Statement: The documentation you get every month from your financial institution that list all of the activities in your account for the month.
Transaction: When money goes into, or out of, your account. Can include deposits, withdrawals, payments, fees, ATM transactions or transfers.
Void: This means that a check is not good or not usable. You would write “VOID” across a check that has a mistake written on it, tear it up, and throw it away.
Withdrawal: When you take money out of your account. This can be by check, ATM, automatic payment or other methods.