



Checking 101

Checking Out Checking Accounts





Checking 101

Checking Account Basics

- A check is a written order that represents cash
- Credit Union checking accounts are also called SHARE DRAFT accounts
- A share draft is equivalent to a check, and is accepted almost anywhere

How Does It Work?

- You write out a check to a store for payment
- The store accepts the check as payment, and deposits it into their bank account
- That bank sends the check to the Federal Reserve Bank
- The Federal Reserve Bank cashes the check and withdrawals the funds from your account

Choosing a Checking Account

When shopping for a checking account, compare the following:

Fees & Fines

Service charges are usually based on the number of checks you write a month, your minimum balance, and other accounts you have.

Interest

Some checking accounts pay interest if a minimum balance is maintained. Generally, the higher your balance, the more interest you'll earn, and the fewer fees you'll pay.

Minimum Balances

Many accounts require you to keep a minimum amount of money in your checking account to avoid service fees.

Checking/Share Draft Tips

- Never accept a check that appears to be altered, and don't make changes to checks written to you.
- Never make a check payable to "Cash" or "Bearer"; this will allow anyone to cash it.
- Destroy blank checks and deposit slips you won't use.
- Sign the check last, if you sign it before you fill-in the name of the person you're paying and the check is stolen, anyone can fill in their name and cash it.
- If a teller asks you for identification, it's a security measure that protects your money.
- Save your checking receipts and statements for seven years if needed for tax purposes.



Checking 101

Overdrafts

An overdraft occurs when money is withdrawn from a draft/checking account and the available balance goes below zero. When this happens, the check will be returned to its originating financial institution (or “**bounces**”). The financial institution will typically charge a fee, and we will always charge a fee. This can be VERY costly.

It's important to balance your checkbook as often as possible so you always know how much money is in your account.

Overdraft Protection

If you have a Penn State Federal checking and savings account, you can choose to have automatic overdraft protection. This means, if you write out a check, but don't have the funds to cover it in your checking account, we'll pull the remaining funds from your savings account, if available. A fee is charged each time you use this service.

Electronic Account Access

Here are several ways to electronically access your money:

1. Automated Teller Machines (ATM) - allow for cash withdrawals, money transfer between accounts, balance inquiries and deposits. Watch for service fees at non-Penn State Federal ATM machines.
2. VISA Debit Cards - may be used anywhere VISA is accepted. They act as checks, taking funds directly out of a checking account. Simply slide, insert or TAP the card in a point of sale (POS) machine; you may use it as either credit (you'll have to sign) or debit (you'll use your PIN) - but remember your funds will ALWAYS be taken out of your checking account.
3. EMV chip technology is becoming the global standard for credit card and debit card payments. Named after its original developers (Europay, MasterCard® and Visa®), this technology features payment instruments (cards, mobile phones, etc.) with embedded microprocessor chips that store and protect cardholder data.
4. Bill Payment - is a money transfer scheduled from a checking account on a predetermined date to pay a bill. Payments can be scheduled as a one time payment or recurring.
5. ACH (Automated Clearing House) Payments - are electronic payments that are created when a customer gives authorization to directly debit funds from a checking or savings account for the purpose of paying a bill.
6. Mobile Deposit - Utilizes a downloaded App that uses the camera on your phone, tablet or mobile device to take a photo of the front and back of a check to be deposited to your checking or saving account.

Stop Payment

Is a request made to your financial institution to cancel a check or payment that has not yet been processed. If you or the person you wrote a check to lost it, you can place a stop payment. You'll be charged a fee for the service.

Keeping Your Money Safe

- When choosing a PIN (Personal Identification Number), make it a random number, not a predictable one such as your birthday or address.
- Memorize your PIN. Don't share it with anyone else or write it on your ATM or Debit Card.
- If you lose your card, contact Penn State Federal IMMEDIATELY; you will be issued a new card and your old card will be deactivated.
- Be cautious withdrawing cash at night or use well-lit or drive-up ATMs.



Managing Your Checking

Depositing a Check

- Before cashing or depositing a check, it must be endorsed (or signed).
- You must sign the check on the backside and exactly match what's written on the "Pay to the Order" line on the front of the check.
- If your name is misspelled on the front, first sign the way it was made payable, then sign the correct way.
- If you plan on depositing the entire amount of a check, write "Deposit Only" under where you've endorsed the check; this will prevent it from being cashed if lost or stolen.
- If you want to sign a check over to someone else, you must write "Pay To The Order Of _____", and then sign; the check now becomes this persons.

Writing a Check

Although checks and share drafts come in different designs and colors, check writing requirements are all the same.

1. *DATE*- write the current date (month, day, year), this is the date at the time of signing the check.
2. *PAY TO THE ORDER OF*- must be the exact name of the person or business you are paying.
3. *DOLLAR AMOUNT BOX*- must match the amount on the Dollar amount line .
4. *DOLLAR AMOUNT LINE*- dollar amount must be written out completely, this amount is the legal amount of the check.
5. *SIGNATURE*- is required by the person writing the check, who must be on the account from where the check is being written.
6. *MEMO LINE*- is not required to be completed for cashing, it's purpose is for your records.

Managing Your Checkbook

- Your checks come with a register for you to record all your transactions.
- In the register, write the amount of each check, the date, and to whom you wrote the check.
- Don't forget to record withdrawals made at the teller line, ATM withdrawals and POS transactions.

Balancing Your Checkbook

- Once a month, you'll receive an account statement via mail or e-statement.
- The statement will list your account balance at the beginning and end of the month, deposits, transfers, withdrawals, cashed checks, and fees.
- You must compare the statement to your register to see if the balances match.
- If they don't match, you either missed a transaction in your register, made a math error, a check you wrote hasn't been cashed, or an item hasn't cleared.
- Notify Penn State Federal if you notice any error made on the account.



Examples

Sample Check

Your Name _____ 91-1234/1234 101
 Your Address _____
 Your City, State, ZIP _____ DATE _____

PAY TO THE ORDER OF _____ \$ _____
 _____ DOLLARS

BANK NAME _____
 BANK ADDRESS _____

MEMO _____

⑆ 23456789 ⑆ ⑆ 22222222 ⑆ ⑆ ⑆ ⑆

ROUTING NUMBER (ALWAYS 9 DIGITS) YOUR ACCOUNT NUMBER

Sample Checkbook Register

MW Checkbook Register						
<input checked="" type="checkbox"/> Print Check		Bank Account: Your Checkbook	Posting Date: 08/06/00 12			
Date	Number Type	Payee/Account	Payment	C	Deposit	Balance
08/01/00	1001	Deluxe Toys	\$122.00	<input type="checkbox"/>		\$878.00
	CHK	Inventory				
08/02/00	1002	Oregon Telephone Co.	\$103.95	<input type="checkbox"/>		\$774.05
	CHK	Utility Expense				
08/02/00		Bank Fee	\$10.00	<input type="checkbox"/>		\$764.05
	FEE	Miscellaneous Expense				
08/02/00		VISA Deposit		<input type="checkbox"/>	\$583.17	\$1,357.22
	DEP	Cash In Drawer				
08/03/00	1003	Candy Makers	\$318.04	<input type="checkbox"/>		\$1,039.18
	CHK	- Multiple -				
08/04/00		Cash/Check Deposit		<input type="checkbox"/>	\$293.75	\$293.75
	DEP	Cash In Drawer				
08/04/00	1004	Office Supply, Inc.	\$33.70	<input type="checkbox"/>		\$260.05
	CHK	Office Supplies Expense				



Reconciling

Reconciling Your Account

STEP 1

Mark in your checkbook register every item that appears on your statement. If there is an item on your statement not listed in your check register, determine if it is accurate. If the item is correct, list it in your check register. If the item is incorrect, call your financial institution immediately to have it investigated.

STEP 2

Your financial institution should provide you with a monthly reconciliation worksheet with your statement. Enter the ending balance shown on your statement.

STEP 3

List the deposits and other credits that are in your checkbook register, but are not on your statement. Add these to your ending balance.

STEP 4

List the checks, ATM withdrawals, fees and other debits that are on your checkbook register, but not listed on the statement. Subtract these from your balance in Step 3 to get your new ending balance.

STEP 5

Verify the ending balance in your checkbook register matches this amount.





Practice

Managing Your Checkbook:

Student Instructions

1. Using the sample checks on the following page, write a check for the first three transactions highlighted below.
2. Enter all checks, deposits, and ATM transactions on the Sample Checkbook Register Worksheet, using a beginning balance of \$500.00. Follow the correct sequence of dates when completing this exercise.

Checks

Number	Date	TO	Purpose	Amount
6801	9/01	Athletic Shoe Co.	Running Shoes	\$55.63
6802	9/06	Food Mart	Groceries	\$22.36
6803	9/10	Federal Credit Union	Cash withdrawal	\$25.00
ATM	9/17	ATM Cash Withdrawal		\$15.00
6804	9/23	Phone Calls Unlimited	Phone bill	\$26.75
6805	9/28	Energy Plus Utility	Electric bill	\$23.00

Deposits

Date	Source	Amount
9/4	Work paycheck	\$285.00 (you request \$50 cash back)
9/18	Work paycheck	\$330.00
9/18	Birthday Gift cash	\$25.00
9/28	Refund check	\$35.50



6801

PAY TO THE ORDER OF _____ DOLL

BANK NAME
BANK ADDRESS

MEMO _____

⑆ 23456789 ⑆ ⑆ 22222222 ⑆ ⑆ 0101

↑ ROUTING NUMBER (ALWAYS 9 DIGITS) ↑ YOUR ACCOUNT NUMBER

6802

PAY TO THE ORDER OF _____ DOLL

BANK NAME
BANK ADDRESS

MEMO _____

⑆ 23456789 ⑆ ⑆ 22222222 ⑆ ⑆ 0101

↑ ROUTING NUMBER (ALWAYS 9 DIGITS) ↑ YOUR ACCOUNT NUMBER

6803

PAY TO THE ORDER OF _____ DOLL

BANK NAME
BANK ADDRESS

MEMO _____

⑆ 23456789 ⑆ ⑆ 22222222 ⑆ ⑆ 0101

↑ ROUTING NUMBER (ALWAYS 9 DIGITS) ↑ YOUR ACCOUNT NUMBER



Glossary

Share Account - is a savings account at a credit union. Share savings accounts pay dividends and have withdrawal and activity limitations.

Share Draft is a type of draft, which credit unions use, as a way to access funds in individual accounts. Share draft accounts at credit unions are the equivalent of personal checking accounts at banks.

Bounced Check is slang for a check that cannot be processed because the account holder has non-sufficient funds (NSF).

Point of Purchase (POS) is the place where a customer executes the payment for goods or services, and where sales taxes may become payable, whether it be in a physical store, where POS terminals and systems are used to process card payments, or a virtual sales point such as a computer or mobile electronic device.

Post Dated Check is a check written with a future date. In other words, the date that appears on the check is after the date when the check was written. Even with a future date appearing on the check, the check could clear (be paid from) the checking account prior to that date. Each financial institution will have their own policy. Penn State Federal will not cash or accept a post dated check for deposit.

Dividends are similar to interest. It's important to remember most credit unions call the money it pays you for keeping your money on deposit at the credit union a dividend.

Reconciliation is an accounting process that uses two sets of records to ensure figures are correct and in agreement. It confirms whether the money leaving an account matches the amount that's been spent, and making sure the two are balanced at the end of the recording period.

ABA Routing Transit Number (ABA RTN) is a nine-digit code, used in the United States, which appears on the bottom of negotiable instruments such as checks to identify the financial institution on which it was drawn.

Personal Identification Number (PIN) is a numeric or alpha-numeric password used in the process of authenticating a user accessing a system.

Restrictive endorsement places a limitation on the use of a check or other negotiable financial instrument. The most common restrictive endorsement is the phrase "For Deposit Only" written along with the payee's signature on the back of a check.