



Lesson 3

Using Your Bank Account

03

USING CHECKS

In the last lesson, we learned what checks are. In this lesson, we'll learn when checks are used, how to write a check, and how to cash a check.

When are checks used?

- Some employers use checks to pay you for the job you've done.
- Some landlords require a check to pay your rent.
- If you do your taxes by mail, you need a check to pay taxes or receive a tax refund (more information on taxes in a future lesson).
- You may need a check to pay for some things that cost large amounts of money (for example, buying a car).
- You can use a check when you want to pay for something in a more secure way than with cash, but you can't be there in person (for example, paying a bill by mail).
- You can use a check when you want to give someone a payment to be used in the future (for example, if you're giving your landlord a check for next month's rent three days in advance). Checks are usually valid for 90 days after the date written.
- Your employer may require a check to sign you up for direct deposit. More information is given on direct deposits in lesson 4. Your employer may need the check to be voided (example given later).

TRUE OR FALSE - USING CHECKS

Using the information above, look at the following statements and decide whether they are true or false. If the statement is true, put “T,” and if the statement is false, put “F.”

- ___ 1. Flores wants to buy a car, and she wants to pay in a secure, easy way. Flores can write a check to buy a car.
- ___ 2. Mr. Estevar can send a check in the mail to his niece for her birthday instead of sending cash.
- ___ 3. Mr. Aboud files his taxes by mail. He must withdraw cash in order to pay his taxes by mail.
- ___ 4. Instead of waiting until the first of the month to give his landlord cash, Mr. Estevar can write a check today for his landlord to deposit on the first of the month.
- ___ 5. Flores wants to sign up for direct deposit to get her paycheck. She must arrange this with her bank.



HOW TO WRITE A CHECK

Here is an example of a blank check:

The image shows a blank check form with the following fields and labels:

- NAME**: A line for the name.
- ADDRESS**: A line for the address, with sub-labels "CITY, STATE ZIP" below it.
- 0123**: A number in the top right corner.
- 01-23456789**: A number below the top right corner.
- DATE**: A line for the date.
- PAY TO THE ORDER OF**: A line for the payee's name, followed by a dollar sign (\$) and a box for the amount.
- BANK NAME**: A line for the bank name, with sub-labels "ADDRESS" and "CITY, STATE ZIP" below it.
- DOLLARS**: A label below the amount box.
- FOR**: A line for the purpose of the check.
- ⑆0 234 56 78⑆ 0 234 56 7890 23⑆ 0 23**: A MICR line at the bottom.

When you write a check you need to write the:

- Date, on the line that says “DATE”. If you’re writing the check in advance, write the date that you want the check to be cashed after (for example, if you’re paying March 2020 rent and writing the check on February 25, you should write “March 1, 2020” or “3/1/2020” on the “DATE” line. The date in the USA is written month/day/year.)
- Who the check is for (for example, your landlord or property management company if you are paying rent), write this on the line that says “PAY TO THE ORDER OF”
- How much money the check is for, in the white box to the right of the “PAY TO THE ORDER OF” line. If the check is for \$10, write “\$10.00.
- The amount of money the check is worth in words (for example, for a check worth \$10 you would write “ten dollars and 00/100 cents”), on the line below the “PAY TO THE ORDER OF” line.
- Signature, on the bottom right line. Use your first name and surname.
- A description of what the check is for, on the bottom left line (for example, you could write “December rent” if the check is written to your landlord to pay your rent in December). This is not necessary, but is a good idea to help you stay organized.

Example of writing a check:

Flores needs to pay her rent for June 2020. Her monthly rent is \$450, and she pays her rent directly to her landlord. Her landlord’s name is Julia Matthews. Look at the following example check:

(continued on next page)

NAME
ADDRESS
CITY, STATE ZIP

0123
01-23456789

1 DATE

PAY TO THE ORDER OF 2

3

4 DOLLARS

BANK NAME
ADDRESS
CITY, STATE ZIP

5 FOR 6

⑆0123456789⑆ 012345678901234 0123

1. What should Flores write on the line with the circled "1"?
2. What should Flores write on the line with the circled "2"?
3. What should Flores write on the line with the circled "3"?
4. What should Flores write on the line with the circled "4"?
5. What should Flores write on the line with the circled "5"?
6. What should Flores write on the line with the circled "6"?

If you ever make a mistake when writing a check you can draw a line through the mistake and write the correct statement above the line, or you can start a new check. If you want to start a new check, write "VOID" in big letters on the old check so that it can't be used again if it falls into the wrong hands. Your employer may also require a voided check to sign you up for direct deposit.

Example:

John Doe
123 Main St
Anywhere US 10111

Date _____

PAY TO THE ORDER OF **VOID** \$ _____

_____ DOLLARS

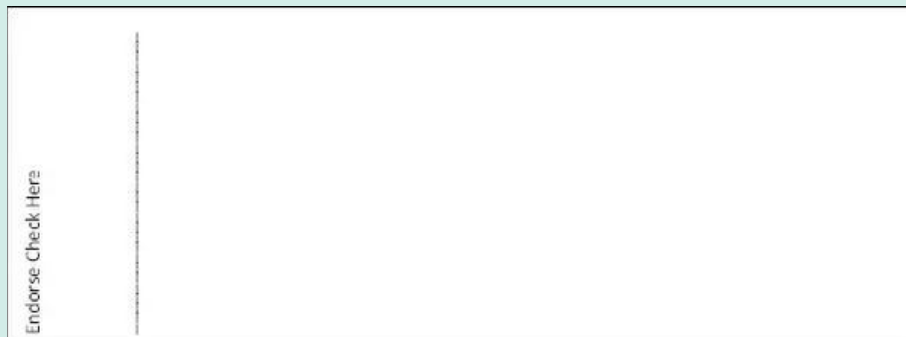
Your Bank
456 Main St
Anywhere US 10111

MEMO _____

⑆123456789⑆ 10010012345 0199 About.com

Cashing a check

If you're given a check, you need to sign the back before you can use it. The back of a check should look like this:



When you're ready to cash or deposit the check, just sign on the line.

Warning: once you sign on the line, if someone steals the check they can take the money. So don't sign the check until right before it's time to cash it.

You can deposit a check (put the value of the check in your checking or savings account) at an ATM, at a branch of your bank, or to a prepaid debit card at a location of the prepaid card issuer. If you have mobile banking on your phone, most banks with mobile banking allow you to deposit a check on the app by taking pictures of the front and back.

- Note: once you deposit a check in your bank account, the balance of the check may not be available to use for 1-3 business days. That means you cannot withdraw or use that money for 1-3 days until it is available in your account.
 - If you need to use that money immediately, and you cannot wait a few days, you should instead cash the check, not deposit it.

To cash a check (to get the value of the check in cash immediately without first depositing it in your bank account), you should go to a branch of your bank, to a store like Walmart Money Center, or a check-cashing store. Try to avoid check-cashing stores if you can. The best place to cash a check is to go into a branch of your bank.

READING A BANK STATEMENT

In this section, we will look at an example bank statement and go into detail about what it means.

Bank Statement- A bank statement is an official summary of financial transactions occurring within a given period for each bank account held by a person or business with a financial institution.

In other words, a bank statement is a list of all transactions (withdrawals, including purchases, and deposits) made in your checking account over a period of time (usually a month). If your bank has online banking or mobile banking, you can check your bank statement online or on your phone using the app.

7. What are some reasons a bank statement would be useful?

Here is an example bank statement:

(continued on next page)



200 First Street
Chicago, IL 60007
bankhelp@easybank.com

STATEMENT OF ACCOUNT

Account Number: 111-234-567-890
Statement Date: 02/05/2020
Period Covered: 01/01/2020 to 01/31/2020

Page 1 of 1

Flores Garcia
123 Main St
Apartment 100
Chicago, IL 60007

Opening Balance: \$50.00
Total Withdrawal Amount: \$1,057.50
Total Deposit Amount: \$1,120.00
Closing Balance: \$62.50
Account Type: Checking Account
Number of Transactions: 8

Easy Bank Chicago

Transactions

Date	Description	Deposit	Withdrawals	Balance
01/01/2020	DIRECT DEPOSIT Save-a-Lot-Corp.	880.00		930.00
01/03/2020	Check Deposit Check No. 1001		800.00	80.00
01/05/2020	Save-a-Lot		32.50	47.50
01/10/2020	Online Payment Con Edison Electricity		40.00	7.50
01/15/2020	Easy Bank Main St Chicago Cash Deposit	240.00		247.50
01/16/2020	Chicago Transit Authority Ticket Booth 2		105.00	142.50
01/17/2020	Save-a-Lot		30.00	112.50
01/20/2020	T-Mobile Online Payment		50.00	62.50
	--END OF TRANSACTIONS--			

Note: Some bank statements may say “Credit” instead of “Deposit” and “Debit” instead of “Withdrawal”

This bank statement is for Flores, and it shows her transactions made between January 1, 2020 and January 31, 2020. It does include some personal information like her address and bank account number, so it’s important that she keeps the statement in a safe place.

Each line in the bank statement has the following information:

- The date of the transaction
- Information on what the transaction was (for example, a bank deposit made on January 15)
- How much the transaction was for and whether it was a withdrawal or deposit (for example, the bank deposit was a deposit worth \$240)
- The account balance after the transaction was made

The opening balance of a bank statement is how much money is in your account at the beginning of when the statement starts, and the closing balance is how much money is left at the end.

8. Take a look at Flores's bank statement. How many withdrawals did she make in January? How many deposits did she make?

9. Remember that Flores has two jobs. One is at a grocery store (called Save-A-Lot) and one is as a babysitter. What day in January did Flores get paid from the grocery store? What day did she deposit her cash from babysitting?

10. What was the opening balance of her account? What was the closing balance?

11. How much was Flores's electric bill? How much was her phone bill?

12. If Flores only buys groceries at the Save-A-Lot, where she works, how much did she spend on groceries in January?



OTHER

Interest Rates for Savings Accounts

Savings accounts typically earn interest, which is money the bank gives you for free based on the amount you have in your account. The amount of money the bank gives you is based on the interest rate, which is the percentage of your balance that the bank will give you in cash. Interest rates are typically very low, but you will still get something.

For example, if the monthly interest rate on your savings account is 0.05% and you have \$1000 in savings, then that means the bank will give you 0.05% of \$1000, or \$0.50, each month that you keep that \$1000 in your bank account.

You may want to compare savings accounts based on interest rates. For example, a savings account with a 0.075% interest rate will technically give you more money in interest than a savings account with a 0.05% interest rate, **all else equal. However, an account that pays lower interest rates may have other benefits or features that suit you and are worth the lower rate.**

The word “interest” is also used to refer to interest that you pay to a financial institution for borrowing money, which is called interest charged, as opposed to interest earned on a savings account. This type of interest will be discussed in future lessons.

Some checking accounts also pay interest, but this isn't always the case and the interest rates on checking accounts are usually lower.

Riba

If you follow Sharia law, interest charged or earned might not agree with your religious practices. In this case, you may want to use an Islamic bank that is Sharia compliant to avoid both interest earned and interest charged. A few common Islamic banks in the USA are:

- The Bank of Whittier
- Amana Mutual Funds Trust
- American Finance House, LARIBA Bank
- JP Morgan Chase
- University Bank
- Harvard Islamic Finance Program
- Guidance Financial Group
- Samba

More information on Riba can be found at the following websites:

<https://www.investopedia.com/terms/r/riba.asp> <https://islamicmarkets.com/education/going-back-to-the-basics-with-islamic-finance> <https://www.nytimes.com/2005/08/07/realestate/for-muslims-loans-for-the-conscience.html> <https://islamicmarkets.com/education/types-of-riba> <https://islamicmarkets.com/education/the-role-of-islamic-banks>



ANSWER KEY

1. True
2. True
3. False
4. True
5. False - she may be able to do this with a check. 1. June 1, 2020

1. Correct
2. Julia Matthews
3. \$450
4. Four hundred and fifty dollars and 00/100 cents
5. June rent
6. Flores should put her signature on this line
7. Reviewing the transactions you made to see if you stayed within your budget
(for example, easy to see how much you spent on food over the course of a month), Easily check how much money you have in your account, Check for theft/fraud, See if you have leftover money to put in savings Compare your spending from month to month. Make sure all checks you've written and cashed have gone through (remember, checks usually have a 1-3 day processing time)
8. She made 6 withdrawals and 2 deposits.
9. She got paid from the grocery store on January 1, and she deposited the cash from babysitting on January 15.
10. The opening balance is \$50. The closing balance is \$62.50.
11. Her electric bill was \$40, and her phone bill was \$50.
12. She spent \$62.50 on groceries.