CHECKS VS. OTHER PAYMENT METHODS
Checks are one of the most common ways of making payments. There are many advantages to using checks.

- Checks are safer than cash.
- Checks are convenient.
- Cancelled checks serve as receipts or proof of payment.
- Checks simplify bookkeeping and budgeting.

Checks also cost merchants or sellers less to process compared to credit and debit card transactions. Because of these favorable properties, checks tend to be used for large-dollar items such as paying utility bills, buying computers, and making car payments. Writing checks the right way ensures that your checks are valid, avoids bad check charges from your bank, and protects you from fraud.

HOW TO WRITE A CHECK
It is your responsibility to write a check so that it cannot be easily altered by another person. Use a black or blue ink pen. If written with a pencil, the check can be easily changed.

It is a good practice to fill in the check stub before you write the check so you do not forget to record a check.

A valid check must have all of the following elements (Figure 1).

1. **Check number.** Most checks are pre-numbered when you receive them. If not, number them as you write them. The check number may be needed if you issue a stop-payment order. Numbering helps in balancing your account or spotting a lost or stolen check.

2. **Date.** This should be the date the check is written. It is not a good practice to postdate checks (writing in a date that is after the date the check is actually written). The person holding the check may try to cash it before the date, and the bank may not honor it if presented for payment.

3. **Payee.** On the line labeled “Pay to the order of,” write the name of the person or company to receive the payment. Avoid abbreviations when possible. If you are withdrawing cash for yourself, write your own name on the line. If you use your name, you will have to endorse the check by signing on the back. Do not write a check to cash unless you intend to immediately cash it yourself.
4. **Amount in figures.** Write the amount in figures, starting as close to the dollar sign as possible to prevent anyone from adding another number. There are various ways to write the cents part. For example, a transaction of $15.97 may be written as 15.97, 15 97, 15 97/100, or 15 97/100.

5. **Amount in words.** Write out the dollar amount in words and the cents in figures, with a line and 100 under the cents. Start the first word as far to the left as possible. Fill in the extra space to the printed word “dollars” with a wavy line:

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Three and 50/100 ~~~ DOLLARS
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If the amount written in figures and the amount written in words don’t agree, the bank will generally pay the amount written in words. Write both words and figures clearly.

If it is necessary to write a check for less than $1.00, put a decimal point on the figure amount line between the printed dollar sign and the numbers, followed by the word “cents”: $.75 cents. On the line for the written amount, write the word “only” before the written amount followed by the word cents. Cross out the word “dollars”:

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Only seventy-five cents ~~~ DOLLARS
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6. **Signature.** Sign your name in ink exactly as you signed it on the signature card you filled out when opening your bank account. Checks may be written on a typewriter but must be signed in writing. Never sign a blank check. Someone could find it and fill in any amount they like and cash it.

**Optional:**

9. **Memo.** You may write down notes and the purpose of the check transaction in this section. This is especially useful to remind you of the transaction purpose and related information. Transaction information, including that in the memo section, should be recorded on the check’s duplicate or carbon copy side. If you don’t have the duplicate side, a scanned copy of your check may be available via online banking.

**ENDORSEMENTS**

Although you don’t need to endorse a check to deposit it to your bank account, endorsing a check provides increased security. An endorsement refers to writing and/or putting a signature on the backside of a check in the endorsement section, usually at the top of the back of the check. There are several kinds of endorsements.

**Blank endorsement.** The person to whom the check is made out (the payee) simply signs his or her name on the back of the check (Figure 2). Do not endorse it until you are ready to cash it. A blank endorsement should only be used when you are at the place you intend to cash it. If you wish to deposit the check to your bank account, you do not
have to endorse it, although some bank tellers may insist you do so.

**Special endorsement.** This is sometimes called “endorsement in full.” This should be used when you want to transfer a check made out to you to another person. Write the words “Pay to the order of” and the new payee’s name, then sign your name under it (Figure 3). This instructs the bank to pay the check to the new payee.

**Restrictive endorsement.** Use this type of endorsement when mailing checks to be deposited in a checking or savings account. Write the words “For deposit only” above your signature (Figure 4). If stolen, it will be almost impossible to deposit the check. If the endorsement section is blank, the person who found the check may put a special endorsement to him/herself with your forged signature. Many businesses have a stamp with a “For deposit only” statement with their business name, which they will immediately stamp on the endorsement section to minimize special endorsement problems if the checks are lost or stolen.

**Misspelling.** If you receive a check and your name was misspelled by the writer, endorse the check first as your name was spelled on the check, then sign your name correctly (Figure 5).

**OTHER TYPES OF CHECK-LIKE PAYMENT INSTRUMENTS**

**Cashier’s checks.** This is a form of guaranteed check, although scam versions have come up. You can obtain a cashier’s check with cash or by personal check from a bank or a savings and loan association. The institution issues a cashier’s check, which is drawn on its own account made payable to the person you name.

Sometimes called bank drafts, cashier’s checks can be used by people who do not have a checking account and do not want to make a payment in cash. You receive a copy of the cashier’s check for your records. These checks may be required in some transactions in which the person writing the check is unknown and in cases where a contract calls for a certified check.
If you have any reason to be concerned that a check may not be good, it would be wise to ask for payment by cashier's check. A fee of approximately $4 to $10 is charged for issuing a cashier's check.

**Bank money orders.** Money orders are often used by people who do not have checking accounts. They basically are the same as cashier's checks, with two main differences:

- Money orders typically have a smaller dollar amount transaction, normally capped at $1,000.
- Cashier's checks are more expensive. This is related to the bank's backing on a cashier's check.

Cashier's checks are issued by banks, while money orders are available in grocery stores and convenience stores. Some banks issue only bank money orders, and others issue both money orders and cashier's checks. Fees vary from bank to bank. However, some banks and credit unions may not charge their clients for money orders.

**Postal money orders.** Postal money orders (Figure 6) are similar to bank money orders. They can be purchased at any U.S. Post Office. The maximum amount of any one postal money order is limited to $1,000. They may be cashed at any post office or bank. The fees for postal money orders (as of January 2012) are:

- $0.01 to $500.00: $1.15
- $500.01 to $1,000.00: $1.55
- Postal military money orders: $0.30
- International money orders: $4.45

**Traveler's checks.** When travelling, it is not wise to carry large sums of cash because of the risk of theft or loss. It is also difficult to cash a personal check where you are not known.

Traveler's checks are a safe way to carry funds and are accepted widely. They can be purchased in denominations of $10, $20, $50, and more from banks, savings and loan associations, and credit unions.
When you buy these checks, you must sign each one at the top in the presence of the seller. When the check is cashed, you fill in the date and the name of the payee and sign the check again at the bottom. This way the signatures can be compared to prevent forgery.

When you purchase the checks, you receive a receipt stub to record the serial numbers of each check. It is important to fill in the amount of the check, where it was cashed, and to whom it was paid when you cash each check. Keep this record in a different place from the checks. If the checks are lost or stolen, this information is needed when you report the loss in order to have your money returned. Report any loss immediately to the nearest institution that sells the type of traveler’s checks you bought. The fee for purchasing traveler’s checks is $1 per $100 of checks.

**STALE CHECKS**
Cash or deposit checks promptly. If checks are held longer than six months, they are classified as stale checks. A bank may refuse to honor a check that is more than six months old unless a bank officer can be certain of the validity of the check. Some checks may have fine prints on their validity, such as “Not valid after 30 days” or “Void after 90 days” (Figure 7).

It makes good sense to deposit checks promptly for the following reasons:

- You do not lose or misplace the check.
- You avoid the risk of finding that the person closed the account on which the check was written.
- You minimize the possibility that the writer’s account might not be adequate to cover the check at a later date.
- You do not cause inconvenience to the writer in reconciling his or her bank statement because of outstanding checks.

*Figure 6. Postal money order.*
STOP PAYMENT ORDERS
There may be times when you have written a check and do not want it to be cashed. This can be done by having the bank issue a stop payment order. This may be done if a check or checkbook is lost or if you find you have already paid the amount. It is sometimes used in the case of non-fulfillment of a contract.

You can ask for a stop payment order by telephone, but you must go to the bank and sign the order within two weeks. When you ask for a stop payment order, you need to give the bank the following information: your account number, the check number, date of the check, amount of the check, name of the person it is payable to, and who signed the check. The stop payment order is good for six months.

Fees for a stop check payment order may be up to $30. Some banks may charge an additional fee for each month after the first month.

CHECK FRAUD
- Protect yourself against check fraud by being as careful with checks as you would with cash.
- Reconcile your bank statement each month as soon as it arrives.
- Notify your bank immediately if you lose a check or your checkbook.
- Notify your bank if you don’t receive checks you have ordered.
- Destroy any old blank checks if you are not going to use them.
- Keep unused blank checks in a safe place. Don’t leave your checkbook where it might be taken.
CONCLUSION
Checks are a great way to make payments and to keep track of your spending. However, you should always ensure that you fill out checks correctly to prevent fraud and errors that could affect your finances.

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