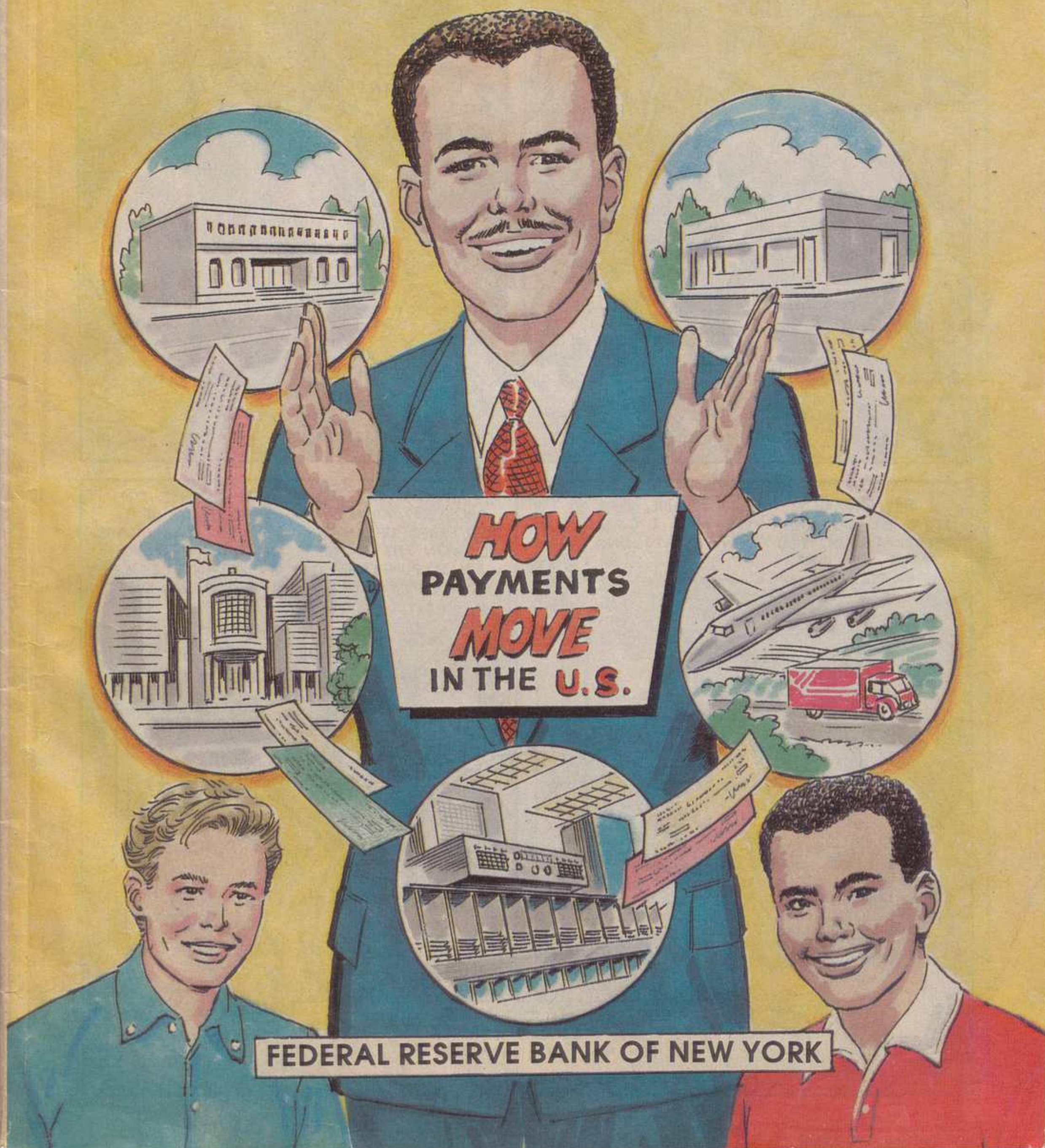


THE STORY OF CHECKS AND ELECTRONIC PAYMENTS



THE STORY OF CHECKS AND ELECTRONIC PAYMENTS

HOW PAYMENTS MOVE IN THE U.S.



STORY BY GAIL DONOVAN
ART BY LUIS DOMINGUEZ
EN ESPAÑOL ADVERTISING, INC., N.Y.C.





WRITE THE NAME OF THE COMPANY OR PERSON YOU'RE WRITING THE CHECK TO.

FILL IN THE DATE.

WRITE THE AMOUNT OF THE CHECK IN NUMBERS.

WRITE WHAT THE CHECK IS FOR. THAT WAY YOU'LL REMEMBER WHY YOU WROTE IT.

WRITE THE AMOUNT OF THE CHECK IN WORDS, AS FAR TO THE LEFT AS POSSIBLE. FINISH THE SPACE WITH A LINE SO THAT NO ONE CAN WRITE IN A LARGER AMOUNT.

SIGN YOUR NAME AS IT APPEARS ON YOUR SIGNATURE CARD ON FILE AT THE BANK.

Granny Mc Bride
1120 Address Road
New York, NY 10010

February 18, 1995

\$ 33.05
DOLLARS

Pay to the order of Powers Electric Company
746129 - Three and 05/100

CASH FLOW
National Bank
Memo January Electric Bill
026002268 8888 0000

Granny Mc Bride
0001

HOW DO YOU DEPOSIT CHECKS INTO A CHECKING ACCOUNT?

IF YOU WANT TO CASH OR DEPOSIT A CHECK THAT IS MADE OUT TO YOU, YOU HAVE TO ENDORSE IT. THAT MEANS YOU SIGN YOUR NAME, USING ONLY THE FIRST INCH AND A HALF ON THE BACK OF THE CHECK. BANKS NEED THE REST OF THE SPACE ON THE BACK OF THE CHECK TO FILL IN THEIR OWN INFORMATION.

Granny Mc Bride

TO DEPOSIT A CHECK, YOU'LL NEED A DEPOSIT SLIP. DEPOSIT SLIPS HAVE YOUR NAME AND ACCOUNT NUMBER ON THEM AND ARE FOUND AT THE BACK OF YOUR CHECKBOOK. AND BLANK DEPOSIT SLIPS ARE AVAILABLE AT THE BANK. IF YOU USE A BLANK DEPOSIT SLIP, THOUGH, BE SURE TO WRITE YOUR ACCOUNT NUMBER AND YOUR NAME ON IT.

Granny Mc Bride

DEPOSIT

ON THE DEPOSIT SLIP, LIST EACH CHECK YOU ARE DEPOSITING AND WRITE THE TOTAL AMOUNT OF THE DEPOSIT (CASH PLUS CHECKS) ON THE SLIP.

ONE BANK \$150.00

ANY BANK \$75.00

Granny Mc Bride
1120 Address Road
New York, NY 10010
DATE July 28, 1995
CASH FLOW
NATIONAL BANK
88880000

WHEN GRANDMA'S FEELING BETTER, CAN SHE GO TO THE BANK, DEPOSIT A CHECK, AND GET PART OF, OR THE ENTIRE AMOUNT, BACK IN CASH?

THE ANSWER TO THAT DEPENDS ON A NUMBER OF THINGS, BRIAN, INCLUDING WHETHER YOUR GRANDMOTHER DOES OTHER BUSINESS WITH THE BANK. WHEN YOU DEPOSIT A CHECK, THE TELLER CAN TELL YOU WHEN THE FUNDS WILL BECOME AVAILABLE OR WHEN YOU CAN WRITE CHECKS AGAINST THE AMOUNT YOU DEPOSITED. BANKS ARE REQUIRED BY LAW TO PUBLISH FUNDS-availability INFORMATION.

Granny Mc Bride

IF YOU WRITE A CHECK TO THE ELECTRIC COMPANY, YOU'RE TELLING YOUR BANK TO TAKE MONEY FROM YOUR CHECKING ACCOUNT AND SEND IT TO THE ELECTRIC COMPANY'S ACCOUNT AT ANOTHER BANK.

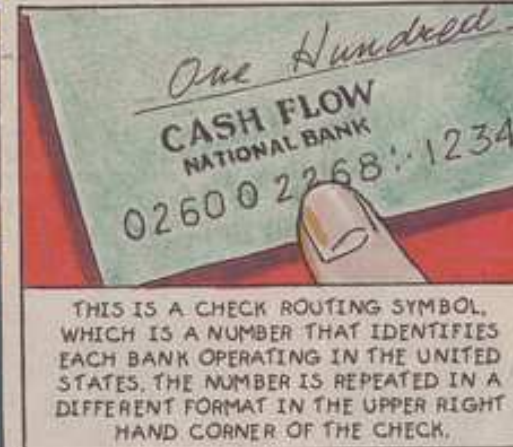
GRANNY'S BANK

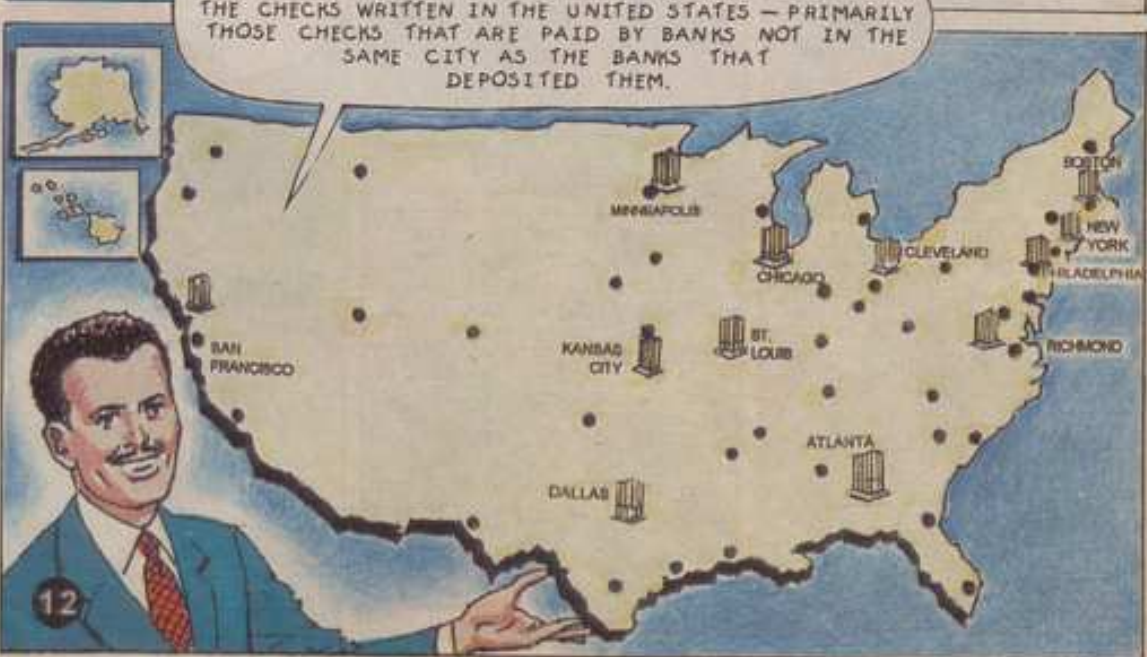
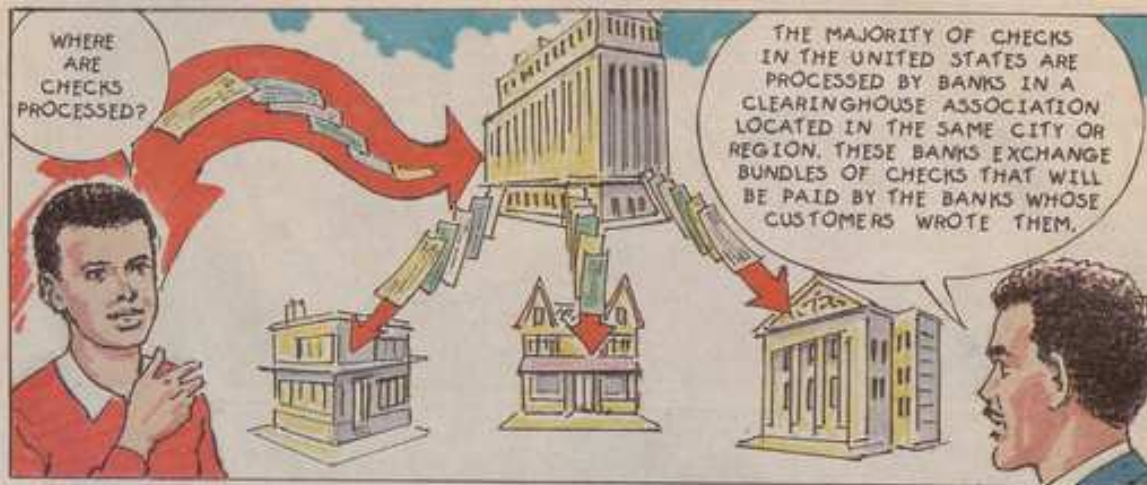
ELECTRIC COMPANY'S BANK

6

MOST PEOPLE WRITE CHECKS. THIS YEAR, MORE THAN 55 BILLION CHECKS WILL BE WRITTEN IN THE UNITED STATES.

7









AFTER THE CATALOG COMPANY RECEIVES THE CHECK, IT WILL DEPOSIT IT IN A LOCAL BANK IN SACRAMENTO.

LET'S SAY THE CATALOG COMPANY'S LOCAL BANK SENDS THE CHECK TO THE FEDERAL RESERVE BANK OF SAN FRANCISCO FOR PROCESSING.



THE FEDERAL RESERVE BANK OF SAN FRANCISCO WILL CREDIT THE SACRAMENTO BANK'S ACCOUNT AT THE SAN FRANCISCO FED, AFTER SENDING THE CHECK TO THE FEDERAL RESERVE BANK OF NEW YORK.



THEN, THE FEDERAL RESERVE BANK OF NEW YORK WILL SEND THE CHECK TO YOUR GRANDMOTHER'S BANK. THE DAY YOUR GRANDMOTHER'S BANK RECEIVES THE CHECK, THE SAME AMOUNT WILL BE DEBITED FROM ITS ACCOUNT AT THE NEW YORK FED.



FINALLY, YOUR GRANDMOTHER'S BANK WILL DEBIT HER ACCOUNT FOR THE AMOUNT OF THE CHECK SHE WROTE TO THE CATALOG COMPANY.



AT THE END OF EVERY DAY, EACH FEDERAL RESERVE BANK AND BRANCH NOTIFIES THE FEDERAL RESERVE SYSTEM'S SETTLEMENT FUND OF THE AMOUNTS IT OWES TO THE OTHER RESERVE BANKS AND BRANCHES. EACH RESERVE BANK'S ACCOUNT IS THEN ADJUSTED, BASED ON THE NET AMOUNTS.



BUT EVEN IF I GET A CHECKING ACCOUNT, I'LL STILL HAVE TO GO DOWN TO THE BANK TO DEPOSIT MY SOCIAL SECURITY CHECK.

NOT IF YOU ASK THE SOCIAL SECURITY ADMINISTRATION TO SIGN YOU UP FOR "DIRECT DEPOSIT."



WHAT ON EARTH IS DIRECT DEPOSIT? IT SOUNDS LIKE I'M GOING TO HAVE TO LEARN A WHOLE NEW LANGUAGE.

DIRECT DEPOSIT IS A SERVICE THAT LETS BANK CUSTOMERS HAVE REGULAR PAYMENTS, SUCH AS SOCIAL SECURITY BENEFITS, WAGES AND SALARIES, AND PENSION PAYMENTS, DEPOSITED ELECTRONICALLY INTO THEIR ACCOUNTS.

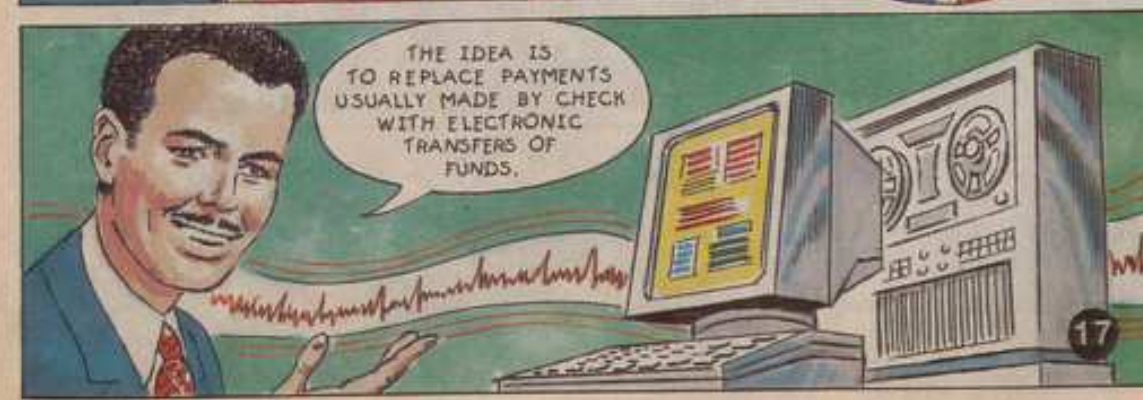


THAT WAY, YOU WON'T HAVE TO GO TO THE BANK TO DEPOSIT YOUR CHECK. THE MONEY WILL BE DEPOSITED AUTOMATICALLY INTO YOUR CHECKING ACCOUNT EACH MONTH.

THAT SOUNDS EASY.



YOU ALSO CAN PAY SOME OF THE BILLS YOU RECEIVE EVERY MONTH, SUCH AS INSURANCE BILLS, BY HAVING MONEY TAKEN AUTOMATICALLY FROM YOUR CHECKING ACCOUNT.

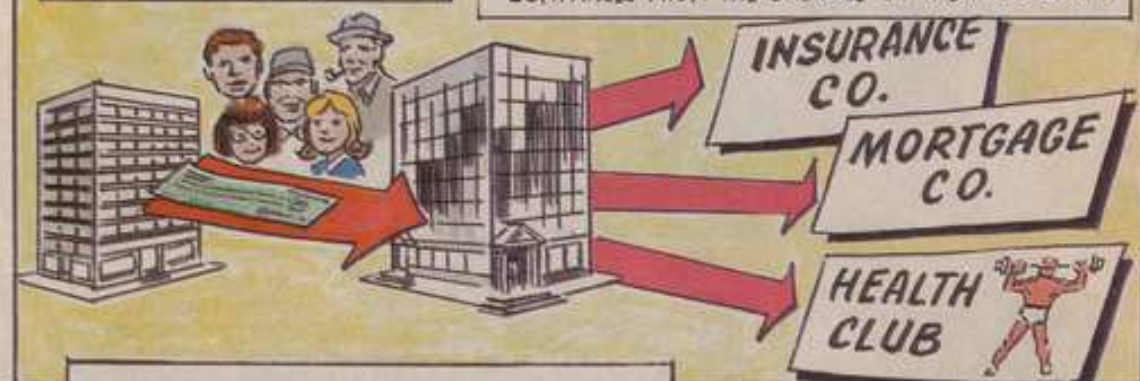


THE IDEA IS TO REPLACE PAYMENTS USUALLY MADE BY CHECK WITH ELECTRONIC TRANSFERS OF FUNDS.



IF BANK CUSTOMERS WANT TO HAVE MONEY ELECTRONICALLY DEPOSITED INTO THEIR ACCOUNTS, THEY SIMPLY HAVE TO PROVIDE THE SENDER, SUCH AS THEIR EMPLOYER, WITH THEIR SPECIFIC BANK ACCOUNT INFORMATION.

IF BANK CUSTOMERS WANT TO HAVE MONEY TAKEN OUT OF THEIR ACCOUNT TO PAY THEIR BILLS, THEY MUST FILL OUT A CARD GIVING THEIR BANK THE AUTHORITY TO ALLOW A SPECIFIC COMPANY TO TAKE MONEY OUT OF THEIR ACCOUNT. OR, THEY MUST PROVIDE INFORMATION TO THE BANK, AUTHORIZING IT TO AUTOMATICALLY MAKE PAYMENTS TO SPECIFIC COMPANIES FROM THE BALANCE IN THEIR ACCOUNT.



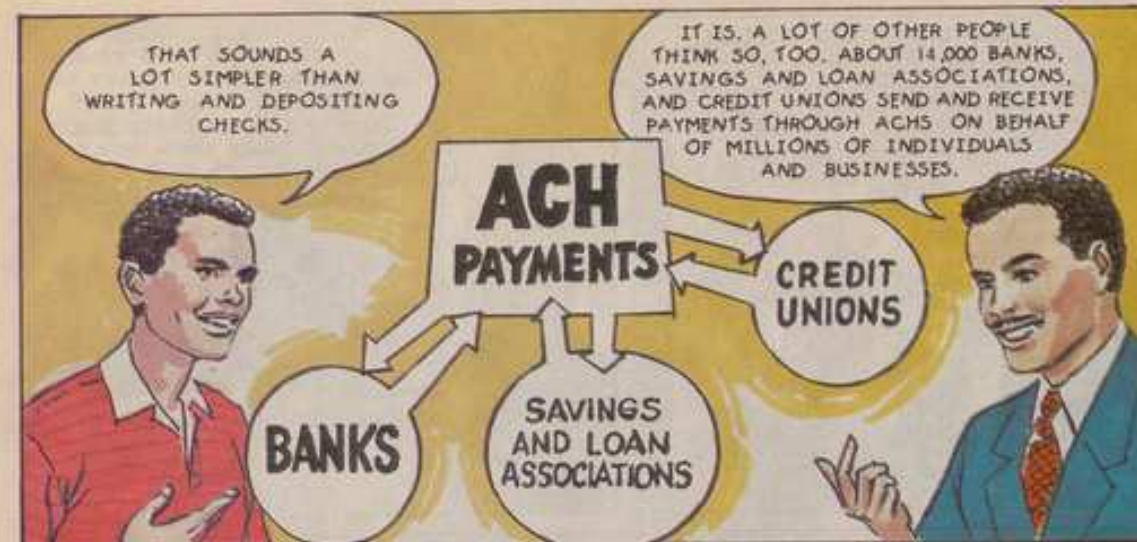
THE ACH SORTS THESE PAYMENT MESSAGES AND DELIVERS THEM TO EACH OF THE BANKS IN THE CLEARINGHOUSE, TELLING THEM WHICH BANK HAS ACCOUNTS TO BE DEBITED AND WHICH TO BE CREDITED.



THEN, THE BANK PASSES THE CREDITS AND DEBITS ON TO ITS CUSTOMERS.

CREDITS

DEBITS



SIX MONTHS LATER, AT THE UNIVERSITY OF ARKANSAS IN FAYETTEVILLE, ARKANSAS...

I CAN'T BELIEVE WE'RE HERE, PLAYING ON THE SAME COLLEGE BASKETBALL TEAM. I GUESS NOTHING IS TOO GOOD FOR THE TWO GUYS WHO HELPED WIN THE STATE CHAMPIONSHIP.



HEY, WHY THE LONG FACE?



I JUST GOT BACK FROM THE ATHLETIC OFFICE AND FOUND OUT MY SCHOLARSHIP WON'T PAY FOR BOOKS. CLASSES START TOMORROW AND I NEED \$500 NOW. I DON'T KNOW WHAT I'M GOING TO DO.



THE FIRST THING YOU'RE GOING TO DO IS CALL YOUR DAD. HE'LL KNOW HOW TO HANDLE THIS.

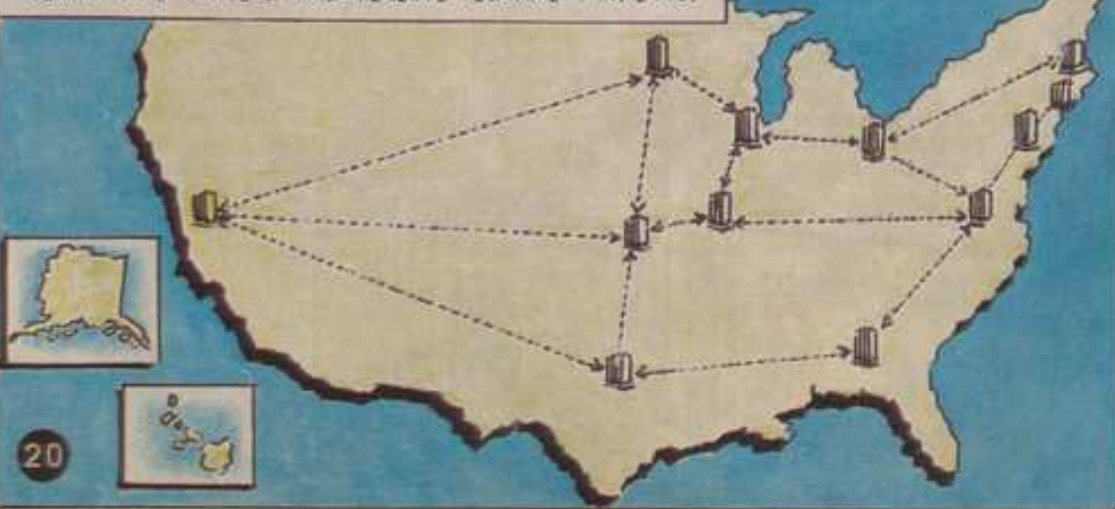
NO PROBLEM, JEFF, I'LL TRANSFER MONEY FROM MY ACCOUNT IN NEW YORK TO YOUR BANK ACCOUNT IN ARKANSAS ELECTRONICALLY OVER FEDWIRE. THE FEDERAL RESERVE'S FUNDS AND SECURITIES TRANSFER NETWORK.



CAN YOUR BANK IN NEW YORK SEND FUNDS THROUGH FEDWIRE TO A BANK IN ARKANSAS?



YES, IN FACT, 10,000 DEPOSITORY INSTITUTIONS THROUGHOUT THE UNITED STATES ARE CONNECTED TO A FEDERAL RESERVE BANK FOR THE EXPLICIT PURPOSE OF BEING ABLE TO SEND AND RECEIVE FEDWIRE PAYMENTS.



WHAT DID HE SAY?



HE'S GOING TO TRANSFER MONEY INTO MY ACCOUNT OVER SOMETHING CALLED FEDWIRE.



YOU MEAN HE'S GOING TO ROLL UP THE BILLS AND FEED THEM THROUGH A WIRE?



NO, BRIAN. HE SAID WITH FEDWIRE MESSAGES ARE SENT ELECTRONICALLY BY COMPUTERS.



THAT LINK ALL FEDERAL RESERVE BANKS WITH BANKS ACROSS THE COUNTRY.





“The Story of Checks and Electronic Payments” uses the story of two basketball-playing buddies to discuss:

- **the roles of checks and electronic payments in helping our economy function smoothly;**
- **personal finance skills such as writing a check and balancing a checking account;**
- **the role of the Federal Reserve in facilitating payments in our economy;**
- **the advantages of checks and electronic payments over cash.**

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**Third Printing
2001**