

How Checks Work

How check processing works

Let's say you write a check to your local grocery store. What happens next? If the grocery store happens to use the same bank as you do, the bank processes the check internally – that is, they take the money from your checking account and transfer it to the grocery store's account. If the grocery store uses a *different* bank than the one you do, their bank needs to communicate with your bank to get the payment. However, most banks do not communicate directly with each other. Instead, they communicate through an organization in the middle, called an **intermediary bank**.

There are five basic steps involved in check processing, also known as **settlement**. In this example:

1. Your check goes to the grocery store's bank where it is deposited.
2. The grocery store's bank sends your check, along with a payment request, to the intermediary bank. To identify your bank, known as the paying bank, the intermediary bank looks at your check's **routing number**, the nine-digit number on the bottom left-hand corner of your check, to the left of your account number. The routing number identifies the bank that issued the check. Every bank in the United States has at least one routing number.
3. Having identified your bank as the paying bank, the intermediary bank presents your bank with the check you wrote, along with a payment request. Your bank reviews the request and, if all is in order with your account, agrees to pay.
4. The intermediary bank proceeds to settle the check, transferring the funds from your bank to the grocery store's bank for the value of the check.
5. Your bank reduces the funds in your checking account by the amount of the check.

At the end of this process, the grocery store has full access to the cash value of the check you wrote. At the end of the month, you'll see the check recorded in your monthly bank statement. And if you receive cancelled checks with your statement, the actual check you wrote will be right back in your hand.

Withdrawing your money

When you make a deposit to your checking account, you may have to wait a period of time before you can withdraw the money. The chart below shows how long you normally have to wait for different kinds of deposits. *Check with your bank to confirm what they offer.*

Type of check or deposit	How soon you can withdraw the money
Direct deposit of federal benefits such as Social Security, Veterans, SSI, and Federal Retiree payments	Day of the deposit
Cash	Next business day after the deposit

Withdrawing your money (continued)

Direct deposit of paychecks and other electronic deposits	Next business day after the deposit
Government checks, cashier's checks, and certified checks	Next business day after the deposit
Post Office money orders	Next business day after the deposit
Checks	Usually a portion of the money, for example \$100, is available on the next business day after the deposit. The rest of the money is available within two or three days after the deposit
Check-cashing service money orders	Second business day after the deposit
Deposits made at ATM that is owned by your bank	Second business day after the deposit
Checks or money orders from out-of-town banks, credit unions, or check-cashing services	Fifth business day after the deposit
Deposits made at an ATM that is not owned by your bank or credit union	Fifth business day after the deposit

Please note that you may have to wait a longer period of time before you can withdraw the money if (1) your account is new, (2) the total deposit amount of the deposit is \$5,000 or more, (3) the account has been repeatedly overdrawn, (4) the bank has reasonable cause to believe that the check will not be paid, or (5) for emergency conditions.

Also, note that state and local government checks usually have to be presented in the same state that issued them to qualify for next day availability.

Most banks will notify you in writing if the funds from your checking account deposit will be delayed longer than usual. Again, check with your bank to confirm their policies and procedures.

Remember that it's up to you to keep track of all your transactions, whether or not the bank has processed them yet. Otherwise, you could spend more money than you have in your account. This is called an overdraft. Many banks charge between \$15 and \$35 for each overdraft. Some banks will continue to charge you every day until the overdraft and fees are repaid. If you make several overdrafts the bank may even *close* your account.

To help avoid overdrafts, ask your bank about a service called Overdraft Protection. With Overdraft Protection, the bank will automatically transfer up to the available balance in a linked account to cover your transactions. Banks typically charge a fee for overdraft protection transfers, but it's usually much lower than their fee for overdrafts.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at wellsfargo.com or any Wells Fargo store.