
CHECK CASHING

Individuals have several options available when they have received a payment by check. For those who do not have a bank account, cashing a check is still a fairly simple process through other methods such as visiting currency exchange, small loan lender, grocery store, etc. There are fees associated with this service.

Depository Institutions

Banks and credit unions are not obligated to cash checks for individuals who are not customers. Many may cash checks for non-customers provided the individual furnishes the proper identification. Banks and credit unions vary on their approach and some may charge a fee for this service with fees ranging from \$5 to \$10 per check cashed. There may be limits for cash amounts that vary, call ahead to confirm.

Licensed check cashing companies

Licensed check cashing companies include currency exchanges, small loan (payday) lenders, money transmitters and retailers such as grocery stores, big box stores, travel centers, convenience stores, liquor store and even some pharmacies.

These companies promote:

- Ability to cash check for those who are unable to open a bank account.
- Longer Hours of Operation than financial institutions. Many 24-hour options are available.
- No holds or waiting for your funds.

Large retailers may be a better option than payday lending stores:

Generally provide this service for less than \$10 per check. Walmart, for example, charges a \$4 fee to cash check up to \$1,000 and \$8 for anything larger.

Many retailers also allow consumers to deposit the check and load the funds onto a pre-paid debit card for greater flexibility in paying bills. In this case there can be additional fee, a fee to load the check onto the card and fees associated with the actual debit card.

The cons associated with these companies are:

- May charge extremely high fees.
- Easy to get stuck in a cycle: unable to pay vital expenses due to need for quick cash turn-around.

Bank Customer vs Check Cashing Service

Check-Cashing Services Example when the fees if \$5.00 per check

- 1 month: 4 checks x \$5.00 per check = \$20.00
- 1 year: 12 months x \$20.00 per month = \$240.00 per year

Check-Cashing Services Examples when the fees are a percentage, in this case 4.5%

- 1 month: 4 \$1,000 checks x 4.5% (\$45 per check) = \$180.00
- 1 year: 12 months x \$180.00 per month = \$2,160.00 per year

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Government Checks:

Almost all types of state, county, town and/or federal government tax checks will be cashed for an affordable fee. There may also be funds transferred directly to a debit card if the individual prefers that. In addition, some stores will offer loans as a “bridge” while waiting to receive income tax refund. Be wary of additional fees for loans.

For the recent government stimulus checks they were permitted to only charge a fee of the greater of \$5.00 or 5.0% of the face amount of the check. For example, a licensed check cashing company may charge up to \$60 to cash a stimulus check for \$1,200.00. Many check cashers offered rates as low as \$1.00 or 1.0% to cash these stimulus checks.

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