

Deposit, so be sure to compare the services in your area.

*Can I stop using Direct Deposit if I change my mind?*

Yes. If you decide you no longer want to use Direct Deposit, just contact your payor. They will advise you how to cancel the service. Most organizations will ask you to put your request in writing.

*With Direct Deposit, can the payor take money out of my account or obtain confidential information about me through my financial institution?*

No. Only you can approve the withdrawal of money from your account. Neither your employer nor other organizations sending you payments by Direct Deposit can obtain your account balance or any other personal information. Your payor only has access to the information you provided when you began Direct Deposit. Actually, receiving your money by Direct Deposit is more confidential than being paid by check because fewer people are involved in the delivery and deposit of your payment.

*The above questions and answers are based on the Federal Reserve System's Regulation E, which regulates electronic fund transfers in the United States. Some electronic payment transactions including wire transfers and the sale and purchase of securities and commodities are not covered under Regulation E. The National Automated Clearing House Association also maintains and publishes rules for the Automated Clearing House service; however, the information in this guide only reflects provisions from Regulation E.*

## ***Where Can I Get More Information?***

To receive more information on Direct Deposit consumer rights, please contact your payor, financial institution or Business Development Department at the nearest Federal Reserve Bank. To receive a copy of Regulation E, which outlines the legal requirements for consumers, businesses and financial institutions who use Direct Deposit, you can contact the Public Affairs Department at the nearest Federal Reserve Bank.

General information about Direct Deposit is available on the following Internet site:

[www.directdeposit.org](http://www.directdeposit.org)



# **A Consumer's Guide to Direct Deposit**



*Prepared by the Federal Reserve System*



## What is Direct Deposit?

Direct Deposit is a safe and secure way to have your money deposited directly into your checking or savings account. The most common use of Direct Deposit is for payroll. When you use Direct Deposit, you allow your employer to electronically transfer money into your account. So instead of taking the time to deposit a check yourself, the money will automatically be deposited into your account on an agreed upon date. It's that simple.

Although the most common use of Direct Deposit is for payroll, it can also be used for other types of payments including the following:

*Annuities*

*Bonuses and commissions*

*Dividends and interest payments*

*Pensions*

*Travel expense reimbursements*

## Why Use Direct Deposit?

Direct Deposit offers you many advantages over checks, including:

**Security:** With Direct Deposit, you don't have to worry about lost, stolen and misplaced checks.

**Reliability:** You no longer need to wait for your check to arrive in the mail. You can have peace of mind knowing your money will always be in your account on time, and in some cases, available sooner than with a check.

**Flexibility:** Direct Deposit is most often used to deposit money into a checking or savings account. If you decide to switch accounts or change financial institutions, it's easy to change your Direct Deposit arrangements – simply fill out a form and provide your written authorization and new account information to your payor.

**Confidentiality:** Because the deposit is made electronically and not by check, no one has access to personal information that is usually printed on a check, such as your address and telephone number.

**Convenience:** Saves time and effort. No more special trips to your financial institution to deposit your check – a nice feature if you're busy, on vacation or away on business.

## What Do I Need to Know about Direct Deposit?

This guide will help you understand your rights when using Direct Deposit. It includes a list of questions commonly asked by consumers who, like you, are considering signing up for Direct Deposit. The answers to these questions are meant to explain many of the benefits Direct Deposit offers, along with the responsibilities of the participating organizations and financial institutions. Below is a list of terms used frequently throughout this guide.

**Account** – Refers to the account at a financial institution into which your money is directly deposited (usually a checking or savings account).

**Financial Institution** – Refers to any bank, credit union, or savings and loan association.

**Payor** – Refers to any business or organization depositing money into your account, such as an employer or government agency.

## Questions and Answers

### What types of payments can be made by Direct Deposit?

Direct Deposit can be used for any ongoing regularly scheduled or preauthorized payments including:

Payroll payments from your employer;

Bonuses and commissions;

Travel expense reimbursements;

Benefit payments from the federal government, such as Social Security, Supplemental Security Income, Civil Service, Railroad Retirement and Veterans payments;

Benefit payments issued by state governments, such as retirement and unemployment payments;

Pension payments;

Dividends and interest payments from your investments, such as certificates of deposit, annuities and mutual funds.

Some organizations are also using Direct Deposit to deliver occasional payments such as tax refunds, business travel advances, and tuition reimbursements.

### How do I begin using Direct Deposit?

Ask if your payor offers Direct Deposit. If it does, simply state that you want to sign up for the service, and your payor will provide you with what you need to get started. If Direct Deposit is not offered, explain why you would like the service and encourage your payor to offer Direct Deposit.

### How is money deposited into my account?

The payor's financial institution will electronically instruct your financial institution to credit your account for the amount owed to you on the predetermined date. Your institution then deposits this money into your account and charges the payor's account. You do not need to have an account at the same financial institution as your employer or payor.

### When can I access the money deposited into my account?

Your money will be available for you on the

morning of the payment date. In many cases, your money is deposited even before your financial institution opens for business. This is quicker than if you deposit a check with a teller, in which case you might not have access to your money until the next day or later.

### How can I be sure my deposit was made?

Many employers that use Direct Deposit for payroll payments distribute pay stubs on payday that show how much money was deposited into your account. However, most government agencies do not issue these stubs. Your financial institution should notify you within two days after it receives the deposit or provide you with a telephone number you can use to check the status of your deposits. The deposit also will be shown on your monthly account statement. TIP: If you receive a stub from your payor, keep it for your records.

### What if there is a discrepancy between my account statement and the deposit notice I received from the payor?

Notify your financial institution and payor immediately. You have up to 60 days from your account statement date to notify your financial institution in person, by telephone or in writing of an unauthorized deposit or incorrect deposit amount. (If you notify your institution in person or by telephone, you may also be required to provide a written confirmation within 10 business days.) If the institution needs more than 10 business days to investigate and resolve your situation, it must credit the amount in question to your account during the investigation.

### Do I need an account at a financial institution to use Direct Deposit?

Yes. An account at a financial institution is necessary for you to receive Direct Deposit. Some institutions offer free or low-cost checking or savings accounts when you use Direct