lesson six

banking services

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supplemental materials

04/09

account

Money deposited with a financial institution for investment and/or safekeeping purposes.

assets

Items of monetary value (e.g., house, land, car), owned by an individual or a company.

atm

Acronym for automated teller machine.

balance

An outstanding amount of money. In banking, balance refers to the amount of money in a particular account. In credit, balance refers to amount owed.

bank

An establishment for lending, issuing, borrowing, exchanging, and safeguarding money.

bond

An IOU issued by a corporation, the U.S. government, or a city and held by the lender as receipt that the business or institution has borrowed a specific amount of money. All bonds pay interest yearly and are payable in full at a specified date written on the bond.

bounced check

A check that a bank has refused to cash or pay because there are no funds to cover it in the account.

canceled check

A "used" check that has been paid and subtracted from the check-writer's account. Canceled checks have extra data on them from the bank.

capital

A stock of accumulated wealth used or available for producing more wealth.

cash

Money in the form of paper and coins (e.g., U.S. dollars and cents). In banking, the act of paying a check.

cashier's check

A check issued by a bank, drawn on its own funds rather than on one of its depositors.

certificate of deposit

A savings account in which an individual promises to deposit the money for a set period of time, for which the bank typically pays higher interest than a regular savings account.

charge card

A plastic card that gives access to a line of credit. The line of credit is theoretically limitless, but users are expected to repay their balance in full every month.

check

Any written document instructing a bank to pay money from the writer's account.

check card

See debit card

checking account

An account for which the holder can write checks. Checking accounts pay less interest than savings accounts, or none at all.

clear

A check "clears" when its amount is debited (subtracted) from the payer's account and credited (added) to the payee's account.

collateral

Anything that a bank accepts as security against the debtor's not repaying a loan. If the debtor fails to repay the loan, the bank is allowed to keep the collateral. Collateral is most commonly in the form of real estate (e.g., a home).

commercial bank

Nongovernmental financial institutions. Sometimes called full-service banks because they provide a wide range of services, such as checking and savings accounts, credit and loan arrangements, and safety deposit box rentals. Commercial banks also sell and redeem U.S. savings bonds.

compound interest

Interest calculated not only on the original principal, but also on the interest already accrued.

credit

In business, buying or borrowing on the promise to repay at a later date. In any credit arrangement there is a creditor (a person, bank, store, or company to whom money is owned) and a debtor (the person who owes money). In bookkeeping, a sum of money due to an individual or institution.

credit bureau

An agency that checks credit information and keeps a complete file on people who apply for and use credit.

credit card

A plastic card that gives access to a line of credit. Users are limited in how much they can charge, but they are not required to repay the full amount each month. Instead the balance (or "revolve") accrues interest like a loan. No interest is owed if the balance is paid in full each month.

credit score

A credit score is a rating of your use of credit based on: your payment history; amount owed; the length of your credit history; new credit; and the types of credit you use. Scores can range from 300 to 850, and the higher the score, the better your rating. Scores affect the terms and interest rates on the loans you receive.

credit union

A member-owned financial institution, either state or federally chartered.

currency

Money—anything used as a common medium of exchange. In practice, currency means cash, particularly paper money. Bankers often use the phrase "coin and currency" to refer to cents and dollars.

debit

A bookkeeping term for a sum of money owed by an individual or institution; a charge deducted from an account.

debit card (also known as check card)

A banking card enhanced with ATM (automated teller machine) and point-of-sale (POS) features that can be used to purchase goods and services electronically. Transactions are deducted from the cardholder's checking account either immediately or within one to three days. Depending upon the type of card, a debit card may require a signature or entering a PIN.

demand deposit

A checking account.

deposit slip

An itemized slip showing the exact amount of paper money, coin, and checks being deposited to a particular account.

depositor

An individual or company that puts money in a bank account.

endorse

To write the payee's own signature on the back of a check before cashing, depositing, or giving it to someone else. The first endorsement must be made by the payee to authorize the transaction. Later endorsements may be made by whoever receives the check.

federal reserve system

A governmental agency established by Congress to organize and regulate banking throughout the United States. The twelve reserve banks keep paper and currency reserves for affiliated banks.

interest

The fee paid for the use of money. Interest may be paid, for example, by an individual to a bank for a credit card loan, or by a bank to an individual for holding a savings account; interest is expressed in terms of annual percentage rate (APR).

joint account

A savings or checking account established in the names of more than one person (e.g., parent/child, wife/husband).

liabilities

Money owed to individuals, businesses, or institutions.

line of credit

An authorized amount of credit given to an individual, business, or institution.

market economy

An economic system permitting an open exchange of goods and services between producers and consumers, such as is found in the United States.

money

Anything generally recognized as a medium of exchange.

mortgage

A legal agreement that creates an interest in real estate between a borrower and a lender. Commonly used to purchase homes, mortgages specify the terms by which the purchaser borrows from the lender (usually a bank), using his or her title to the house as security for the unpaid balance of the loan.

overdraft

A check written for more money than is currently in the account. If the bank refuses to cash the check, it is said to have "bounced."

passbook

A booklet given by the bank to the depositor to record deposits, withdrawals, and interest earned on a savings account.

payee

An individual or company to whom a check is written; one who receives money as payment.

payer

An individual or company who writes a check; one who gives money as payment.

principal

The original amount of money borrowed, deposited, or invested before interest accrues.

refinance

To revise a loan agreement to make the terms of payment more suitable to a borrower's present income and ability to repay.

savings account

A bank account that accrues interest in exchange for use of the money on deposit.

savings and loan association

State-chartered or federally chartered financial intermediary that accepts deposits from the public and invests those funds primarily in residential mortgage loans.

service charge

A monthly fee a bank charges for handling a checking account.

stop payment

A request made to a bank to not pay a specific check. If requested soon enough, the check will not be debited from the payer's account. Normally there is a charge for this service.

terms

The period of time and the interest rate arranged between creditor and debtor to repay a loan.

withdrawal

An amount of money taken out of an account.

a primer on debit and ATM cards

The following information has been gathered in order to assist you as you introduce your students to the usage and features of debit cards.

what is a debit card?

A debit card is a service provided by a bank. It is a banking card enhanced with automated teller machine (ATM) and point-of-sale features to become a debit card. It can be used for purchases at merchants. Debit cards are linked to an individual's checking account, allowing funds to be withdrawn at the ATM and point-of-sale without writing a check.

what is an example of a debit card?

A debit card is a financial institution's ATM card with point-of-sale features that incorporates a specific acceptance mark (like Visa). Payment is completed by signing a sales draft or by entering a PIN, and then the amount of the sale is deducted from the cardholder's checking account within one to three days.

A regular ATM card doesn't have a Visa logo, but instead is good only where the merchant accepts those brands or at an ATM.

what does it do?

A debit card enables the cardholder to pay for purchases via a bank card linked to their checking account.

how is a debit card used?

When using a debit card to pay for goods and services, the purchase amount is deducted from the cardholder's checking account. Depending on the type of card, processing a debit card transaction requires the cardholder either to sign a sales draft, or to enter a PIN into special terminal, just like at an ATM.

benefits of using a debit card:

- Convenience. The payment process at the checkout counter is made quicker and more convenient. No need to fill out a check or to present identification and wait while the identification is written down or verified.
- Eliminates the need to carry a checkbook and a lot of cash.
- Useful budgeting tool to track purchases.
- Doesn't deplete the available cash in your wallet.
- Can be used out of town or at locations where personal checks are not accepted.
- Reduces the possibility of loss or theft of cash.
- Is not a loan, no interest accrues on purchases.

a primer on debit and ATM cards *(continued)*

disadvantages of using debit cards:

- The cardholder must be certain of his or her checking account balance as it might be possible to make purchases beyond the funds available, resulting in fees.
- Can encourage impulse spending.

where are debit cards accepted?

Debit cards can be used at merchant locations wherever the card logo is displayed.

what does it cost?

Banks determine if there are any fees for each card and/or transaction.

how do you keep track of your debit card transactions?

Debit card holders receive a receipt at each ATM or merchant location. Users typically record debit card purchases in the registers of their checking accounts provided by their financial institutions or track their account activity online. By deducting debit card transactions from an account on a regular basis, a debit card holder will be able to maintain the most up-to-date available balance.

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