Name ____________________________________ Period__________

Vocabulary Financial Institutions
Student Worksheet

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5. **ATM:**

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7. **Blank Endorsement:**

8. **Restrictive Endorsement:**

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Vocabulary Financial Institutions
Teacher Key

PRIMARY

1. **Bounced Check:** A check that is written when there are no funds in the account. The financial institution may charge a fee to run it through more than once. The business who tried to deposit the check may also charge to run the check more than once. Fees may vary.

2. **ATM Charge:** Each time an ATM card is used to obtain money, buy bus passes, etc., the person's account will be debited a small fee.

3. **Stop Payment Fees**: If a check is stolen or lost, a stop payment will alert the bank not to cash this check. There is usually a small charge for each check included in the stop payment.

4. **Traveler's Checks:** A form of checks that are usually accepted anywhere. Because they are registered as they are purchased, they can be replaced if stolen, if the consumer still has the receipt. They have been widely used around the world.

5. **ATMs:** Automated Teller Machine. These allow customers to obtain cash and conduct banking transactions.

6. **FDIC:** Federal Deposit Insurance Corporation. This is the insurance that protects the consumer's accounts in a commercial bank up to $100,000.

7. **Blank Endorsement:** When a person signs the back of the check with nothing else, the check can be cashed by anyone.

8. **Restrictive endorsement:** If consumer signs with this endorsement they may write…"For Deposit Only to acct #1234". This restricts where the money can be deposited. It is much safer than a blank endorsement.

9. **Special or full endorsement:** If a consumer signs with this endorsement, they are actually transferring the check to someone else. They would "Pay to the order of John Smith" and then John Doe would sign it. John Smith could then put it in his account.

10. **Direct Deposit:** When the government or employer deposit a paycheck or government check directly and electronically into the consumer's account. It can be safer because the check isn't lost. It can be faster, because the consumer does not have to take time to deposit it. The one drawback is figuring out how to get cash all of the time.

11. **Point of Sale Transactions:** When the consumer uses his ATM/Check card (debit card) at retail stores and restaurants for payment of goods and services.

12. **Cyberbanking:** Website banking. Most financial institutions now have websites where consumers may check balances, pay bills, transfer funds, compare savings plans, and apply for loans on the Internet.

13. **Reconciling a bank statement:** This is a process in which the consumer looks over his account and makes sure that all of the transactions that the bank has on their records are the same ones that the consumer has on his records.

14. **SIPC:** Insurance that protects investors in a brokerage firm. It stands for Securities Investors Protection Corporation.

15. **Interest:** Interest is a payment made for borrowing money. Either a bank will pay the consumer interest when he allows them to use his money, or the consumer will pay interest when he borrows money on any type of loan or credit card charge.

16. **Simple Interest**: The amount of money when the balance of money is multiplied by the interest rate per year.

17. **Compound Interest:** When the balance or principal is multiplied by the interest rate more than one time a year. It can be figured daily, weekly, monthly, quarterly or semi-annually.

18. **The Rule of 72:** A common method to teach compounding interest is the Rule of 72. It states that if you divide the number 72 by an investments' annual return, you will determine the number of years it will take to double in value.

<u>SUPPLEMENTARY</u>

19. **Bank**: A financial institution which offers multiple services such as savings, checking, loans, investments and financial counseling. Usually insured by the FDIC.

20. **Credit Union:** A non-profit financial institution that usually has a common bond such as same employer, union, etc. Usually charges lower fees and is insured by the NCUA.

21. **Investment Broker:** Fairly new as a financial institution and offer plans for investing in stocks, bonds, mutual funds, real estate, etc. They also offer a monthly statement.

22. **Loan Agency**: A financial institution that specializes in making loans. Because they loan to almost anyone, their rates are usually much higher than a bank or credit union.

23. **Monthly Fees:** Fees that a bank may charge to handle your account. It may a flat rate or a per check charge. Some fees are based on the account balance.

24. **Charges for Printed Checks**: Depending on the style of check chosen, there may be a charge for checks. Some banks will pay for a basic check as part of the services offered but if the consumer wants something different, it will cost a certain fee. Fee is also determined by the type of checks. Duplicate checks are more expensive than those that are single.

25. **Interest on Checking**: Some financial institutions may pay interest on accounts that are held above a certain amount. Others may pay interest because they are non-profit.

26. **Storage of Valuables**: Some financial institutions offer Safe Deposit boxes, which require two keys to open. Items are stored in fireproof vaults. Rent is charged yearly for these boxes.

27. **Overdraft Checking:** The financial institution may set up a small loan that will allow the consumer to write a check even when they have no money in the account so that they do not bounce the check. Payments can then be taken automatically out of the account to pay back the loan. Usually the interest rate is much lower than a charge card interest rate.

28. **Credit Cards:** Cards issued by banks for a line of credit. Consumer is then responsible to either pay off monthly balance or at least the minimum payment or pay interest on the balance.

29. **Check Cards (Debit Cards):** Cards that look like a credit card, but take the money directly out of the consumer's bank account. They are more widely accepted than checks in today's society, but do not have the same safeguards as a credit card if they are stolen. They are cash in a plastic form.

30. **Signature Authorization Card:** When the account is opened, this card establishes the persons authorized to cash checks for this account. If there is ever a question on a check's signature, the card is used to verify a signature.

31. **Automated Payment:** Utility companies, loan payments, and other businesses use an automatic payment system with bills paid through direct withdrawal from a bank.

32. **Stored Value Cards:** These are prepaid cards. They are seen for telephone service, transit fares, highway tolls, laundry service, library fee, school lunches, etc.

33. **Electronic Cash:** This includes electronic replicas of all existing payment systems.

34. **Smart Cards:** "Electronic Wallets". These cards look like a credit card but include a microchip that includes a lot of the consumer's information. It can store data about insurance and medical history as well as a person's account balances and transaction records. These also include gift cards.

35. **Savings Accounts:** This is simplest form of account in which a consumer saves money, is paid interest which is reported monthly but accrues daily.

36. **Passbook Savings:** This account requires a passbook to make deposits and withdrawals. Interest earned monthly is updated in the passbook as it is brought in.

37. **Statement Savings:** This account is an interest bearing account that mails a statement which shows deposits, withdrawals and interest payments.

38. **Checking Account/Draft Account:** This account allows the owner of the account to write a "note" or check drawn against the account to pay money owed. Depending on the number of checks written or the minimum balance required, a fee may be charged or interest paid.

39. **Merchant Account:** A merchant account is a special account that allows a business to accept and collect money from credit cards.

40. **Certificate of Deposit:** This is a contract with the bank or credit union, which guarantees a customer a specific interest rate on the investment over a specified period of time such as 30 days, 6 months, 1 year or 5 years.

41. **Envelope System:** A method to budget in which cash is placed in each labeled envelope and spent as needed. When money is gone from one envelope, money may need to be borrowed from other envelopes. This is a way to track where money goes for the month.