

NAME: _____ CLASS PERIOD: _____

What Are Financial Institutions?

Four Common Financial Institutions

Financial institutions help people manage their money, protect it, and make it grow. People often use different types of financial institutions at different stages of their lives. Of these institutions, we will examine four:

- Commercial banks
- Savings and loan associations (S&Ls)
- Credit unions
- Brokerage firms

In the past, each type of financial institution offered specific and limited services. Banks took deposits to be placed in checking accounts, savings accounts, and certificates of deposit, and they granted credit (often in the form of loans) to qualified individuals. Savings and loans offered savings accounts and home mortgages. Credit unions, a type of member-owned cooperative, made low-interest loans available to their members. Brokerage firms bought and sold stocks for customers on an exchange, and offered other financial services.

Deregulation in the financial industry has blurred the lines between these institutions and increased competition among them. Deregulation means that laws have been enacted to remove some of the restrictions (or regulations) that previously affected the industries in question. For example, savings and loans now can offer checking accounts and many types of loans in addition to home mortgages. Many commercial banks now can offer brokerage services.



Overview of Financial Services

1. Deposit Services

Types	Characteristics
Checking accounts	Convenience and safety for account holders. People can pay by check or debit card instead of cash. They retain a record of their transactions.
Savings accounts and certificates of deposits (CDs)	Safe places to let money grow; interest is earned on deposits.
Automated teller machines (ATMs)	Easy access to money from multiple locations, 24 hours a day.
Direct deposits and automatic withdrawals	Enable account holders to deposit money or pay bills automatically.
Online banking	Information about deposits, payments, statements, and all transactions is immediately available online, with only a few key strokes, 24 hours a day. Users can make payments without writing checks.
Deposit insurance	Guarantees that deposits are insured by the federal government for up to \$250,000 per depositor. Agencies providing this insurance are the FDIC (for banks and S&Ls) or the NCUA (for credit unions).

2. Credit Services

Types	Characteristics
Credit cards	Enable card holders to access credit (for purchases) conveniently up to the amount of an approved credit limit.
Installment loans and credit lines	Provide opportunities to borrow money for major items such as a new or used automobile, education, home improvement, and other personal or household items.
Mortgages	Provide opportunities to borrow for the purchase of a home.
Home equity loans	Enable home owners to borrow money against the equity in their homes.
Student loans	Provide opportunities to borrow money to pay for a college education (often at below-market rates).
Small business loans	Provide opportunities to borrow money for the financial needs of a small business.

3. Investment Services

Types	Characteristics
Retirement accounts (IRAs, SEPs, KEOGHs)	Enable people to save money toward retirement on a tax-deferred basis.
Stocks, bonds, and mutual funds	Enable people to invest in corporations and governments in order to meet their financial needs for the future.

Questions:

- a. Name four common financial institutions.

- b. How are financial institutions changing?

- c. What are some common deposit services?

- d. What are some common credit services?

- e. What are some common investment services?

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Checking Out Checking Accounts

Financial institutions offer many different services. Among the most widely used financial services is the checking account. A checking account allows you to deposit money into an account. You then can write checks, or use an ATM or debit card, to withdraw money from the account as you wish. A checking account also makes it easy to use online banking services to make payments. Checking accounts are sometimes called demand deposit accounts because depositors can demand or use the money in their accounts when they wish to do so. Only the depositors can write checks on the account. Financial institutions usually offer free or low-cost accounts which don't pay interest on account balances. Usually there is a required minimum balance on accounts that pay interest.

The checklist that follows provides an overview of steps involved in opening your first checking account.

Choosing a checking account	<p>There are three main types of checking accounts:</p> <ul style="list-style-type: none"> • Special account: Service fees are charged at a low, flat rate, with an additional fee for each check written. This account is often appropriate for a high school student. • Standard account: Low or no monthly fee with no check charge. Customers may sometimes avoid a fee by maintaining a minimum balance. • Interest-bearing account: Interest is paid if you maintain a minimum daily balance in your account during the month.
Opening a checking account	<ul style="list-style-type: none"> • Take identification to the bank officer who handles new checking accounts. • Choose the type of checking account that best fits your needs. • Complete a signature card. • Make an opening deposit
Making a deposit	<ul style="list-style-type: none"> • Know the parts of a deposit slip. See the model in Illustration 9.1. • Write the date. • Write the amount of currency and coins to be deposited in the box marked "cash." • If checks are being deposited, write in the amount of each check. • Total the cash and check amounts. • Subtract any cash you wish to receive back. You may have to sign the deposit slip if you are receiving cash. • Keep a copy of the deposit receipt for your records. • Record the date and the amount of the deposit in your check register. Add the amount of the deposit to the balance.

ATMs and debit cards	<ul style="list-style-type: none"> Automated teller machines (ATMs) allow you to conveniently deposit, withdraw, or transfer funds from your account, and to verify your account balance. Illustration 9.2 shows withdrawal and deposit receipts from ATMs. ATMs require you to use a PIN (personal identification number) when you make a transaction. Deposits made using ATMs may not be immediately available. Availability of funds deposited at an ATM depends on the time of day the deposit is made and whether or not the ATM is owned by your financial institution. Depending on these factors, it may take several days before the deposited funds are available for use. A debit card is issued by many financial institutions. A debit card allows you to have the amount of a purchase withdrawn directly and immediately from your checking account and transferred to another party. Be sure to keep receipts when you use your debit card; record the transactions in your check register, including any additional charges.
Phone banking	<ul style="list-style-type: none"> Phone banking is a service provided by financial institutions which allows customers to perform transactions over the phone. Most phone banks use passwords to ensure secure transactions with either an automated phone system or a live banking associate. Bill paying, transferring funds between accounts, account information, etc., can all be performed over the phone.
Online banking	<ul style="list-style-type: none"> Online banking connects you to your account over the Internet, with secure connections 24/7. Online banking allows you to pay bills, transfer funds between accounts, or just check your balance at any time. To pay bills online, you only have to enter the bill information and the account you want to use to pay it. If the bill has a fixed payment, you can schedule a recurring payment on a certain date; if the amount changes, you can enter a new payment each month. Online banking sometimes requires that you know both your account number and your financial institution's routing number to complete transactions. See Illustration 9.3 to identify these numbers on a check. A financial institution associate can help you identify these numbers, too. Online banking also requires a username and password for security purposes. Keep this information private, just like your PIN. Online banking keeps your balance in your bank accounts. All bank transactions are included in your online account. Your checks, debit transactions, and other activity will all appear on your statement. Online accounts offer both paper statements and online statements. Online banking is available through banks in your community and through "virtual banks."

Endorsing a check	<ul style="list-style-type: none"> • An endorsement is a signature on the back of a check instructing the bank as to how the check may be cashed. • A blank endorsement is simply your signature on the back of the check. This makes the check as good as cash to anybody who holds it. • A restrictive endorsement tags a check for a specific purpose, such as for deposit only to a checking or savings account. • A special endorsement allows you to transfer the check to another person. No one except the person named in the endorsement may cash or deposit the check. Not all banks will honor this type of endorsement. • It is usually a good idea to wait until you are at the bank before endorsing your check, since an endorsed check can be cashed by the person who is holding it.
Writing a check	<ul style="list-style-type: none"> • Know the parts of a check. See the completed check in Illustration 9.4. • Complete all the parts of the check including date, "pay to the order of" (payee), numeric amount, written amount, and signature line. If you wish, complete the memo line to indicate the purpose of the check. • Use a pen. • Write clearly. • Sign your name as it appears on your signature card. • When you make a mistake, write "Void" on the check and keep the voided check for your records. • Be sure that you have enough money in your account to cover each check you write. • Record the number, date, payee, and amount of the check in your check register. Subtract the amount of the check from the balance. • Make sure to maintain a record of all automatic payments and online banking transactions you make using your checking account.
Reconciling your checkbook	<ul style="list-style-type: none"> • Financial institutions send a monthly statement that summarizes the activity of your checking account including deposits, checks written, service charges, and any interest earned. • Compare your checkbook register to the monthly statement. Check off deposits and withdrawals. Record in the register any service charges or interest earned listed on the bank statement but not in the register. • Use the printed form sent by the financial institution with your statement to reconcile your checking account. • Write the ending balance as shown on the statement. • Add deposits to the ending balance that are listed in the register but not on the statement. • Subtract withdrawals listed in the register but not on the statement. • Note the adjusted balance; it should equal the checkbook register. • If the account does not balance, research possible explanations such as having missed checks that did not clear the account, fees charged, interest paid, calculation errors, or transposed numbers.

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Keeping a Checking Account

Suppose that you have a checking account. Imagine that you are using your debit/ATM card, writing checks to the businesses listed below, and depositing money in the checking account. Complete the checks and the deposit slips correctly and keep a record of each transaction in the check register.

- March 1** Opened account with \$250 cash deposit
- March 7** Debit card: \$30 to CD Sales to buy some CDs
- March 8** Debit card: \$50 for sweater purchased at A. J. Vitullo Company
- March 10** Check #0994: Paid \$45.10 to the Acme Bicycle Shop for repairs to bicycle
- March 12** Check #0995: Paid \$10.00 to Happy Pets Store for pet supplies
- March 14** Deposited \$50 gift money into account
- March 16** Check #0996: Paid \$16 to Lawson High School for two tickets to basketball game
- March 18** ATM withdrawal: Took \$50 out of account for spending money

DEPOSIT TICKET	John Q. Public 123 Money Lane Richmondville, NC 27710		CASH			
	DATE _____					

	MyBank USA <small>123-457-7891 19204 W. Blank Check St. New York City, New York</small>					
	⑆021000021⑆ 374		TOTAL FROM OTHER SIDE			
			TOTAL			
			LESS CASH RECEIVED			
			TOTAL ITEMS	NET DEPOSIT		
			BE SURE EACH ITEM IS PROPERLY ENDORSED			
			This deposit is accepted subject to verification, the provisions of the uniform commercial code and the rules and regulations of this financial organization. Deposits may not be available for immediate withdrawal.			

DEPOSIT TICKET

John Q. Public
123 Money Lane
Richmondville, NC 27710

DATE _____

MyBank USA
123-457-7891
19204 W. Blank Check St.
New York City, New York

⑆021000021⑆ 374

CASH			
TOTAL FROM OTHER SIDE			
TOTAL			
LESS CASH RECEIVED			
TOTAL ITEMS	NET DEPOSIT		

BE SURE EACH ITEM IS PROPERLY ENDORSED

This deposit is accepted subject to verification, the provisions of the uniform commercial code and the rules and regulations of this financial organization. Deposits may not be available for immediate withdrawal.

PLEASE BE SURE TO DEDUCT CHARGES THAT AFFECT YOUR ACCOUNT

CHECK #	DATE	TRANSACTION DESCRIPTION	WITHDRAWAL/		✓ T	FEE IF ANY	DEPOSIT/		BALANCE	
			TRANSACTIONS				ADDITIONS			

EXERCISE 9.3

John Q. Public
123 Money Lane
Richmondville, NC 27710

90-29304/2934
1930000000

CHECK No. 0994

DATE _____

PAY TO THE ORDER OF _____ \$

_____ DOLLARS

MyBank USA
123-457-7891
19204 W. Blank Check St.
New York City, New York

MEMO / NOTES: _____ SIGNATURE: _____

⑆053000196⑆ 000687941443⑆ 0994

John Q. Public
123 Money Lane
Richmondville, NC 27710

90-29304/2934
1930000000

CHECK No. 0995

DATE _____

PAY TO THE ORDER OF _____ \$

_____ DOLLARS

MyBank USA
123-457-7891
19204 W. Blank Check St.
New York City, New York

MEMO / NOTES: _____ SIGNATURE: _____

⑆053000196⑆ 000687941443⑆ 0995

John Q. Public
123 Money Lane
Richmondville, NC 27710

90-29304/2934
1930000000

CHECK No. 0996

DATE _____

PAY TO THE ORDER OF _____ \$

_____ DOLLARS

MyBank USA
123-457-7891
19204 W. Blank Check St.
New York City, New York

MEMO / NOTES: _____ SIGNATURE: _____

⑆053000196⑆ 000687941443⑆ 0996

NAME: _____ CLASS PERIOD: _____

Financial Services Survey

Basic Facts

Name of financial institution: _____

Address: _____

Total number of locations: _____ Hours/days: _____

Membership or other qualifications required to do business: _____

Type of institution (check one)

- Bank
- Brokerage firm
- Credit union
- Savings & loan association

Survey conducted (check one)

- By phone
- In person
- Other _____

Check all financial services that this institution offers:

- Deposit services
- Checking accounts
- Savings accounts
- Certificates of deposit (CDs)
- Direct deposit and automatic withdrawal
- Deposit insurance (such as FDIC)
- Automated teller machines (ATMs)

Credit services

- Credit cards
- Installment loans
- Lines of credit
- Mortgages
- Home equity loans
- Student loans
- Small business loans

Investment services

- Retirement accounts (IRAs, SEPs, KEOGHs)
- Stocks and bonds
- Mutual funds

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A Completed Deposit Slip

Look at the sample deposit slip as you read the procedures for filling one out.

1. Write the current date.
2. Write the amount of currency and coin to be deposited in the area for "cash."
3. If checks are being deposited, write the amount of each check separately in the area for checks. Note: If you are depositing several checks, you will need to use the back of the deposit slip to enter the appropriate information.
4. Total the cash and checks and write that amount in the "total" box.
5. If you wish to receive cash back (usually when you are depositing only checks), write the amount in the "less cash received" box.
6. Correctly enter the "net deposit" by subtracting cash received from the "total" box.
7. If you are receiving cash, you will probably have to enter your signature on the deposit slip.

DEPOSIT TICKET	Sarah Jones 123 Luxury Lane Richmondville, NC 27710		CASH		50	00	
	DATE <u>JUNE 09, 2010</u>				105	00	
	_____				3	00	
	MyBank USA <small>123-457-7891 19204 W. Blank Check St. New York City, New York</small>				53	00	
	⑆021000021⑆ 374		TOTAL FROM OTHER SIDE				
			TOTAL		211	00	
			LESS CASH RECEIVED		50	00	
			TOTAL ITEMS		NET DEPOSIT	161	00
			BE SURE EACH ITEM IS PROPERLY ENDORSED				
			This deposit is accepted subject to verification, the provisions of the uniform commercial code and the rules and regulations of this financial organization. Deposits may not be available for immediate withdrawal.				

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Using an ATM to Make a Deposit or Withdrawal

When you use an ATM to make a deposit, you may or may not need a deposit slip. Check with your bank. You may need only to key in the information for each check you deposit.

For withdrawals, you will receive a statement like this one, specifying the location of the transaction, the date and time, the amount of the withdrawal, any fee for the transaction, and the account balance after the transaction.

ATM Withdrawal Receipts

LOCATION: 13800 Biola University La Mirada		
Card No: XXXXXXXXXXXXX0717		
DATE	TIME	TERMINAL
12/19/10	01:07PM	C01205
SEQ NBR:	6340 AMT	\$20.00
	ATM OWNER FEE:	\$2.00
	TOTAL	\$22.00
	Balance:	\$111.87
CHECKING WITHDRAWAL		

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Know the Numbers

When you pay bills using your checking account, you can do so by writing a check or transferring the funds electronically. In order for funds to be transferred from your account, you will need to provide information about your financial institution and account.

The 9-digit routing number at the bottom-left of your check identifies the financial institution where you have your account. The next group of numbers to the right is your account number. The last few digits are the check number. If you plan to pay bills online, bank by phone or by using the Internet, you may need to know both your account number and the routing number for your financial institution.

B Blank Check Foundation

90-29304/2934
1930000000

CHECK No. 1001

DATE _____

PAY TO THE ORDER OF _____ \$

_____ DOLLARS

MyBank USA
123-457-7891
19204 W. Blank Check St.
New York City, New York

ACH R/T 123456789 ←

MEMO / NOTES: _____ SIGNATURE: _____

Ⓜ: 123456789 **Ⓜ**: 000123456789 **Ⓜ**: 1001

Ⓜ : 123456789 Ⓜ : ABA Check Routing Number	000123456789 Ⓜ : Account Number	1001 Check Number	ACH/Routing Transit Number
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The Finer Points of Writing a Check

Look at the sample check as you read the procedures for filling one out.

1. Write the current date.
2. Write the name of the person or company you would like to pay. This person is called the payee. Start the name as close to the beginning of the line as possible. Draw a line to the end of the line so that no information can be added.
3. Enter the amount of the check in numbers, including a decimal point and cents. Start the numbers as close to the dollar sign as possible.
4. Enter the amount of the check in words. Start writing from the far left side of the line by entering the dollar amount in words, followed by the word "and"—e.g., "One Hundred and"; then write the cents amount as a fraction—e.g., 35/100. (If there are no cents, use 00/100.) Draw a line from the end of your writing to the end of the line so there is no additional room to insert words or numbers.
5. Sign your check the same way you signed the signature card when you opened your account.
6. You may wish to note the purpose of the check in the "memo" or "for" space to the left of the signature. You may also use this space to write the account or invoice number of the bill you are paying.

Sarah Jones 123 Luxury Lane Richmondville, NC 27710	90-29304/2934 1930000000	CHECK No. <u>0993</u>
		DATE <u>April 28, 2010</u>
PAY TO THE ORDER OF <u>Sylvia Rodriguez</u>		\$ <u>100.35</u>
<u>One Hundred and 35/100</u>		DOLLARS
MyBank USA 123-457-7891 19204 W. Bank Check St. New York City, New York		
MEMO / NOTES: <u>Used Furniture</u>		SIGNATURE: <u>Sarah Jones</u>
⑆053000196⑆ 000687941443⑆ 0993		

Online Banking Statement

Not so good at math? Let your online account help you. Online banking will show your resulting balance after each deposit, each check written, each debit card transaction. However, the balance shown is not always up to date. It is a good idea to keep a paper record of your transactions. Your account won't reflect deposits, debit card use, or checks until they are posted to your account. You can use the online statement to help you correct math errors as you reconcile any differences between your records and your monthly statement.

Balance: \$607.53

Available Balance: \$587.53

Pending Transactions

Date	Description	Debit	Credit
5/13/2010	ATM DEPOSIT KANSAS CITY, KS		\$20.00

Posted Transactions

Type: From: To: Chk Num:

Date	No.	Description	Debit	Credit	Balance
5/5/2010		CHECK CARD PURCHASE KANSAS CITY, MO	\$6.98		\$36.31
5/6/2010		DEPOSIT		\$485.80	\$522.11
5/7/2010		CHECK CARD PURCHASE ROELAND PARK, KS	\$20.40		\$501.71
5/9/2010		DEPOSIT		\$200.00	\$701.71
5/9/2010		PET STORE	\$38.95		\$662.76
5/10/2010		GROCERIES	\$67.03		\$595.73
5/12/2010		CHECK CARD PURCHASE KANSAS CITY, MO	\$3.58		\$592.15
5/13/2010		CHECK CARD PURCHASE KANSAS CITY, MO	\$4.62		\$587.53