



Financial Literacy Course

East High School
Module 3

What will you learn about?

- Choosing a banking account
- Types of banks
- The banking system



Bank Accounts

Types of Bank Accounts

- **Checking Account** – Allows you to make deposits or withdrawals using an ATM or debit card or personal check
- **Savings Accounts** – Safe place for your money, makes interest but limited access
- **Money Market Account** – Requires a high minimum balance but offers a higher interest rate
- **Certificates of Deposit (CDs)** – Deposits are held by your bank for a specific, fixed period of time and earn a fixed interest rate

Bank Accounts

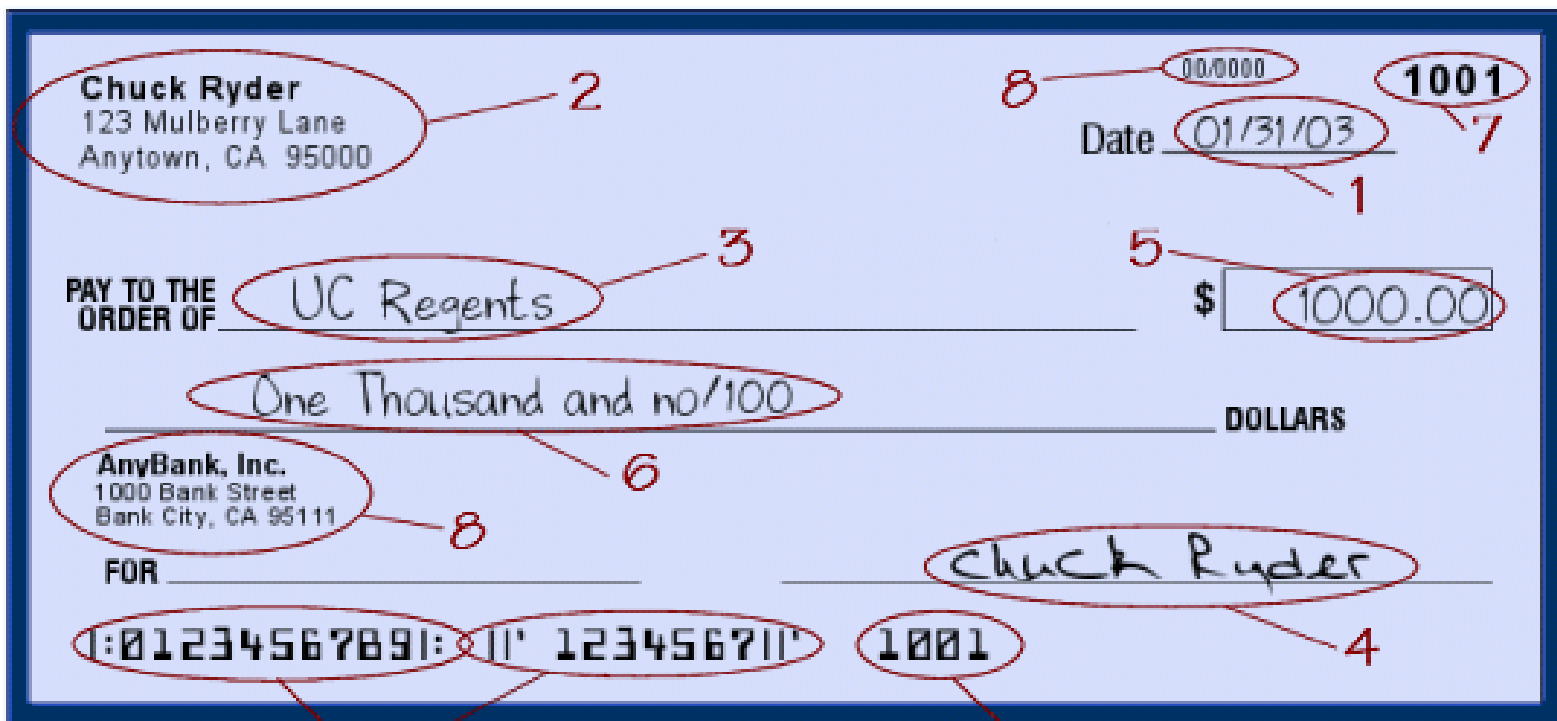


Account Features

- **Common Fees** - Checks and check writing, overdrawing, monthly service/maintenance, and ATM/Debit Card usage
 - Review your bank's fee schedule
- **Required Balance** – Min. balance kept in account or else you may be penalized
- **Online Access** – Transfer funds, send checks, or check your balance online

Bank Accounts

- **FDIC Insurance**- Federal Deposit Insurance Corporation protects money in accounts.
- **Liquidity**- Refers to how easily and quickly your assets, like your money, can be moved.
- **Interest Rates**- Check out and compare interest rates on different accounts.



1. Date - the date the check is written (cannot be a future date)
2. Maker - person/business who writes the check - the name will be printed on the check;
3. Payee - person/business to whom the check is written;
4. Signature line or lines - two or more signatures can be required on a check;
5. Written amount - the amount written in numbers;
6. Legal amount - the amount written in words;
7. Check number - which is printed on the check and appears in the MICR line on the bottom of check
8. Banking information - both the name of the bank and the American Banking Association number appear on the check;
9. Account and routing numbers - appear on the bottom of the check in MICR line. The routing (ABA) number is always 9 digits long, and is always between a line and a colon (|:xxxxxxxx |:).

Types of Banks

- **Retail Banks** – Deal with individual customers (like you), but may also serve businesses.
- **Commercial Banks** – Deal primarily with deposits and loans from corporations or large businesses, may also serve individuals
- **Federal Reserve** – The central banking system of the US.
 - Composed of a Board of Governors, the Federal Open Market Committee (FOMC) and 12 regional Federal Reserve Banks
 - All three parts work together to prevent banking disasters and promote a healthy economy

Types of Banks



- **Savings and Loans** – Banks that specialize in accepting savings deposits and making mortgage loans, but may offer other services
- **Credit Unions** – Are cooperative banks, meaning it is privately owned and controlled by its members. Primary purpose is to provide credit at low rates to its members.
- **Payday Lenders** - Offer small cash loans with payment due in full at the borrowers next paycheck. **They are not banks.** We'll discuss later.

Banking System



Federal Reserve (AKA U.S. Banking System or The Fed)

- Prevent banking crisis
 - Three parts
 - Board of Governors
 - 12 regional Reserve banks
 - Federal Open Market Committee (FOMC)

Banking System

Board of Governors

- Seven members, appointed by the President for 14-yr terms
- One chairman in charge of operation, serves 4 yr term
- Supervises the 12 Reserve banks and adds to monetary policies

Banking System

12 Regional Reserve Banks

- Actual banks out in the field, doing research on the economy and keeping an eye on the banks in their regions.
- “Real bank’s bank”
- Provide financial services to other banks and the U.S. government



Banking System

Federal Open Market Committee (FOMC)

- Decide the nation's policies governing money that will in turn stimulate a strong economy
- Provides structure and system to handle the nation's money
 - Roles
 - Regulator
 - Banker
 - Lender
 - Auditor
 - Controller
 - Guardian