

# **Banking and Finance: Principles**

## Curriculum Content Frameworks

**Please note: All assessment questions will be taken from the knowledge portion of these frameworks.**

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# Curriculum Content Frameworks

## Banking and Finance: Principles

Grade Levels: 10, 11, 12  
Course Code: 492050

Prerequisite: Computerized Accounting I  
Tech Prep Foundation Core

Course Description: Banking and Finance: Principles is a one-semester course that assists the student in understanding the American banking system. Students study the Federal Reserve System, banking and the economy, functions of depository institutions, and daily transactions of depository institutions. This curriculum is adopted from Wisconsin Finance Youth Apprenticeship, Wisconsin Department of Industry, Labor, and Human Relations, Bureau of Apprenticeship Standards, Office for Workforce Excellence.

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# Unit 1: History of Banking

## Hours: 5-8

Terminology: Bank run, Currency, Discount rate, Federal Deposit Insurance Corporation (FDIC), Great Depression, Inflation, Stagflation

CAREER and TECHNICAL SKILLS			ACADEMIC and WORKPLACE SKILLS		
What the Student Should be Able to Do			What the Instruction Should Reinforce		
Knowledge	Application		Skill Group	Skill	Description
1.1 Define terminology	1.1.1 Prepare a list of terms with definitions		Foundation	Writing	Uses words appropriately [1.6.21]
1.2 Explain the weakness of the early banking system	1.2.1 Identify the four weaknesses of the early banking system		Foundation	Writing	Analyzes data, summarizes results, and makes conclusions [1.6.2]
1.3 Explain the major provisions of the National Bank Act	1.3.1 Identify the four provisions of the National Bank Act		Foundation	Writing	Communicates thoughts, ideas, or facts in written form in a clear, concise manner [1.6.6]
1.4 Discuss weaknesses remaining after the passage of the National Bank Act	1.4.1 Analyze the three remaining weaknesses after the passage of the National Bank Act		Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]
			Thinking	Reasoning	Uses logic to draw conclusions from available information [4.5.6]
1.5 Explain the need for the creation of the Federal Reserve System	1.5.1 Identify the provisions of the Federal Reserve Act of 1913		Foundation	Writing	Presents answers/conclusions in a clear and understandable form [1.6.13]
1.6 Discuss the impact of the Great Depression on the banking industry	1.6.1 Assess the impact of the Great Depression on the banking industry		Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]
			Thinking	Seeing Things in the Mind's Eye	Organizes and processes images -- symbols, pictures, graphs, objects, etc. [4.6.2]
1.7 Distinguish between national- and state-chartered banks	1.7.1 Analyze the advantages of having a national- or state-chartered bank		Thinking	Reasoning	Determines which conclusions are correct when given a set of facts and a set of conclusions [4.5.3]
					Sees relationship between two or more ideas, objects, or situations [4.5.5]
1.8 Identify the purpose of savings & loan associations	1.8.1 Explain the need for savings & loan associations		Foundation	Writing	Analyzes data, summarizes results, and makes conclusions [1.6.2]

## Unit 2: Bank Organizational Structure

### Hours: 5-8

Terminology: Central banks, Commercial bank, Depositors, Depository intermediary, Deregulation, Financial intermediary, Liability, Liquid asset, Medium of exchange, Niche market, Non-depository intermediary, Profit, Retail bank, Spread

CAREER and TECHNICAL SKILLS			ACADEMIC and WORKPLACE SKILLS		
What the Student Should be Able to Do			What the Instruction Should Reinforce		
Knowledge	Application		Skill Group	Skill	Description
2.1 Define terminology	2.1.1	Prepare a list of terms with definitions	Foundation	Writing	Uses words appropriately [1.6.21]
2.2 Identify major departments within a bank	2.2.1	Discuss the responsibilities of the different departments within a bank	Foundation	Speaking	Communicates thought, idea, or fact in spoken form [1.5.5]
			Thinking	Reasoning	Sees relationship between two or more ideas, objects, or situations [4.5.5]
2.3 Distinguish between line and staff positions in a bank	2.3.1	Explain the difference between line and staff personnel	Thinking	Reasoning	Sees relationship between two or more ideas, objects, or situations [4.5.5]
2.4 Interpret an organizational chart	2.4.1	Create an organizational chart for a bank	Thinking	Seeing Things in the Mind's Eye	Visualizes a system's operation from schematics [4.6.3]
2.5 Define decentralization of authority	2.5.1	Explain the importance of decentralization of authority	Foundation	Reading	Comprehends written information for main ideas [1.3.7]
			Thinking	Decision Making	Comprehends ideas and concepts related to decentralization [4.2.2]  Identifies pros and cons to assist in decision-making process [4.2.7]
2.6 Discuss the responsibilities of bank employees	2.6.1	Explain the importance of a code of ethics	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]

## Unit 3: Federal Reserve System

**Hours: 5-8**

Terminology: CAMELS (Capital adequacy, Asset adequacy, Management, Earnings, Liquidity, and Sensitivity to risk), District reserve bank, Member bank

<b>CAREER and TECHNICAL SKILLS</b>		<b>ACADEMIC and WORKPLACE SKILLS</b>			
What the Student Should be Able to Do		What the Instruction Should Reinforce			
Knowledge	Application	Skill Group	Skill	Description	
3.1 Define terminology	3.1.1 Prepare a list of terms with definitions	Foundation	Reading	Applies/Understands technical words that pertain to the Federal Reserve System [1.3.6]	
			Writing	Uses words appropriately [1.6.21]	
3.2 Cite the purposes for the creation of the Federal Reserve System	3.2.1 Explain the purposes for the creation of the Federal Reserve System	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
		Thinking	Decision Making	Comprehends ideas and concepts related to the creation of the Federal Reserve System [4.2.2]	
3.3 Identify the 12 Federal Reserve districts	3.3.1 Create a layout of the location of each Federal Reserve district, indicating its main bank city and its correspondent branch cities	Thinking	Creative Thinking	Combines ideas or information in a new way [4.1.2]	
				Creates a new design by applying specified criteria [4.1.3]	
3.4 Discuss the makeup of the Board of Governors of the Federal Reserve System and how the members are elected or appointed	3.4.1 Explain how a person becomes a member of the Board of Governors of the Federal Reserve System	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
3.5 Discuss the responsibilities of the Board of Governors of the Federal Reserve System	3.5.1 List the responsibilities of the members of the Board of Governors of the Federal Reserve System	Foundation	Writing	Communicates thoughts, ideas, or facts in written form in a clear, concise manner [1.6.6]	
3.6 Discuss monetary policy and how the Federal Reserve exercises control	3.6.1 Identify and explain the three tools of monetary control	Foundation	Writing	Communicates thoughts, ideas, or facts in written form in a clear, concise manner [1.6.6]	
		Thinking	Reasoning	Sees relationship between the monetary tools and monetary policy [4.5.5]	
3.7 Identify the services of the Federal Reserve System	3.7.1 Explain the importance of the services offered by the Federal Reserve System	Foundation	Writing	Communicates thoughts, ideas, or facts in written form in a clear, concise manner [1.6.6]	
		Thinking	Reasoning	Sees relationship between the monetary tools and monetary policy [4.5.5]	

## Unit 4: The Deposit Function

### Hours: 5-8

**Terminology:** Aggregate measures, Annual percentage rate, Annual percentage yield, Certificate of Deposit (CD), Commodity money, Compound interest, Demand deposit, Discount rate, Excess reserves, Federal funds rate, Flat money, Fractional-reserve system, Interest, Liquidity, Money Market Deposit Account (MMDA), Money supply, Multiplier effect, Passbook savings account, Primary reserves, Prime rate, Secondary reserves, Statement savings account, Time deposit, Transaction account

<b>CAREER and TECHNICAL SKILLS</b>		<b>ACADEMIC and WORKPLACE SKILLS</b>			
What the Student Should be Able to Do		What the Instruction Should Reinforce			
Knowledge	Application	Skill Group	Skill	Description	
4.1 Define terminology	4.1.1 Prepare a list of terms with definitions	Foundation	Writing	Uses words appropriately [1.6.21]	
4.2 Explain the deposit function performed by banks	4.2.1 Identify the importance of the deposit function	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
4.3 Distinguish among the different types of deposit accounts	4.3.1 Identify and define the eight types of deposit accounts	Foundation	Writing	Communicates thoughts, ideas, or facts in written form in a clear, concise manner [1.6.6]	
4.4 Distinguish the difference between cash and noncash items	4.4.1 Differentiate between cash and noncash items	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
		Thinking	Reasoning	Sees relationship between two or more ideas, objects, or situations [4.5.5]	
4.5 Determine what authority is required to open an account	4.5.1 Identify the three requirements needed to determine authority to open an account	Thinking	Reasoning	Applies rules and principles to a new situation [4.5.1]	
4.6 Discuss the difference among demand deposit, savings, and time deposit accounts	4.6.1 Compare the features of the three different types of accounts	Foundation	Speaking	Applies/Uses technical terms as appropriate to audience [1.5.2]	
		Thinking	Reasoning	Sees relationship between two or more ideas, objects, or situations [4.5.5]	

## Unit 5: Negotiable Instruments

### Hours: 1-2

Terminology: Bearer instrument, Bill of exchange, Cash card, Charge card, Credit card, Debit card, Draft, Elements of negotiability, Negotiable instrument, Promissory note, Smart card

CAREER and TECHNICAL SKILLS		ACADEMIC and WORKPLACE SKILLS			
What the Student Should be Able to Do		What the Instruction Should Reinforce			
Knowledge	Application	Skill Group	Skill	Description	
5.1 Define terminology	5.1.1 Prepare a list of terms with definitions	Foundation	Writing	Uses words appropriately [1.6.21]	
5.2 Describe a negotiable instrument	5.2.1 Name examples of negotiable instruments	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
		Thinking	Decision Making	Comprehends ideas and concepts related to negotiable instruments [4.2.2]	
5.3 Identify different types of endorsements of negotiable instruments	5.3.1 Negotiate instruments using the five different types of endorsements	Thinking	Knowing how to Learn	Applies new knowledge and skills to negotiate instruments [4.3.1]	
5.4 Explain the concept of <i>Holder in Due Course</i>	5.4.1 Identify the <i>Holder in Due Course</i> when given examples of situations	Foundation	Reading	Comprehends written information for main ideas [1.3.7]	
		Thinking	Knowing how to Learn	Applies new knowledge and skills to negotiate instruments [4.3.1]	

## Unit 6: The Payment Function

### Hours: 5-8

Terminology: None

CAREER and TECHNICAL SKILLS What the Student Should be Able to Do		ACADEMIC and WORKPLACE SKILLS What the Instruction Should Reinforce			
Knowledge	Application	Skill Group	Skill	Description	
6.1 Explain the difference between paying and cashing a check	6.1.1 Determine whether a check is being paid or cashed when given examples of situations	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
		Thinking	Knowing how to Learn	Applies new knowledge and skills to paying and cashing checks [4.3.1]	
6.2 Discuss magnetic ink character recognition (MICR)	6.2.1 Identify the meaning and placement of MICR data on checks	Thinking	Reasoning	Comprehends ideas and concepts related to MICR [4.5.2]	
6.3 Explain the concept of <i>float</i>	6.3.1 Identify the float in payment procedures	Foundation	Reading	Applies/Understands technical words that pertain to the concept of <i>float</i> [1.3.6]	
		Thinking	Problem Solving	Recognizes/Defines problem of a float [4.4.8]	
6.4 Explain the concept of <i>clearing</i> items for payment	6.4.1 Identify the different methods of clearing items received for payment	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	

## Unit 7: The Payment of Checks: The Bookkeeping Function

### Hours: 5

Terminology: None

CAREER and TECHNICAL SKILLS What the Student Should be Able to Do		ACADEMIC and WORKPLACE SKILLS What the Instruction Should Reinforce			
Knowledge	Application	Skill Group	Skill	Description	
7.1 Explain why checks are rejected for payment	7.1.1 Discuss the three different reasons why checks are rejected for payment	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
7.2 Discuss properly payable items	7.2.1 Given examples of checks, identify whether they are properly payable	Foundation	Reading	Comprehends written information for main ideas [1.3.7]	
		Thinking	Decision Making	Demonstrates decision-making skills related to properly paying checks [4.2.4]	
7.3 Discuss the different types of statements used by banks	7.3.1 Identify the various methods used by banks in rendering bank statements to customers	Foundation	Reading	Identifies relevant details, facts, and specifications related to bank statements [1.3.16]	
7.4 Explain the customer's responsibility in examining statements	7.4.1 List the consumer's responsibilities in examining statements	Foundation	Writing	Presents conclusions in a clear and understandable form [1.6.13]	

## Unit 8: The Credit Function: Funds Management and Loan Categories

### Hours: 5-8

Terminology: Collateral; Consumer reporting agency (CRA); Equal Credit Opportunity Act; Fair Credit Reporting Act; Fair Debt Collections Practices Act; Fair, Isaac and Company, Inc. (FICO) score; Grace period; Installment loan; Lien; Open-end loan; Secured loan; Subprime rate; Truth in Lending Act (TLA); Underwriting; Unsecured loan

CAREER and TECHNICAL SKILLS		ACADEMIC and WORKPLACE SKILLS			
What the Student Should be Able to Do		What the Instruction Should Reinforce			
Knowledge	Application	Skill Group	Skill	Description	
8.1 Define terminology	8.1.1 Prepare a list of terms with definitions	Foundation	Writing	Uses words appropriately [1.6.21]	
8.2 Discuss Truth in Lending Act	8.2.1 State how Regulation Z relates to the Truth in Lending Act	Foundation	Speaking	Organizes ideas and communicates oral messages to listeners [1.5.7]	
8.3 Discuss credit	8.3.1 Determine the uses of credit in the business world	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
8.4 Explain the objectives of funds management	8.4.1 Describe the three different objectives of funds management	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
8.5 Discuss the four divisions into which banks group their loans	8.5.1 Diagram and explain the four different types of loans	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
		Thinking	Creative Thinking	Uses imagination to create something new [4.1.1]	
			Reasoning	Sees relationship between two or more ideas, objects, situations [4.5.5]	
8.6 Discuss interest and net interest	8.6.1 Calculate the interest and payments on different types of loans	Foundation	Arithmetic/ Mathematics	Comprehends mathematical ideas and concepts related to interest and payments on loans [1.1.13]	
			Reading	Applies/Understands technical words that pertain to interest and net interest [1.3.6]	
		Thinking	Problem Solving	Demonstrates logical reasoning in reaching a conclusion [4.4.2]	

## Unit 9: The Credit Function: Policy, Credit Principles, and Bank Investments

### Hours: 5-8

**Terminology:** Adjustable rate mortgage, Asset-based lending, Balloon mortgage, Bridge loan, Buy-down mortgage, Commercial lending, Debt ratio, Debt service coverage ratio, Equity, Escrow, Factoring, Fixed rate mortgage, Foreclosure, Loan-to-value ratio, Mortgage, PITI, Point, Redlining, Reverse mortgage, Shared appreciation mortgage, Short-term loan, Small Business Administration (SBA), Term loan

<b>CAREER and TECHNICAL SKILLS</b>		<b>ACADEMIC and WORKPLACE SKILLS</b>			
What the Student Should be Able to Do		What the Instruction Should Reinforce			
Knowledge	Application	Skill Group	Skill	Description	
9.1 Define terminology	9.1.1 Prepare a list of terms with definitions	Foundation	Writing	Uses words appropriately [1.6.21]	
9.2 Discuss lending policy	9.2.1 Explain the contents of lending policies	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
9.3 List the factors involved in setting interest rates	9.3.1 Discuss the factors involved in setting interest rates	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
9.4 List the five "C's" of credit	9.4.1 Explain the five "C's" of credit	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
9.5 Identify the different types of bank investments	9.5.1 Explain the importance of the different types of investments	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	

## Unit 10: Measuring and Reporting Financial Performance

### Hours: 10

Terminology: None

CAREER and TECHNICAL SKILLS What the Student Should be Able to Do		ACADEMIC and WORKPLACE SKILLS What the Instruction Should Reinforce			
Knowledge	Application	Skill Group	Skill	Description	
10.1 Describe the importance of accurate accounting data	10.1.1 Identify the individuals who have a primary interest in the bank's accounting procedures	Foundation	Writing	Analyzes data, summarizes results, and makes conclusions [1.6.2]	
	10.1.2 Identify the basic accounting records used by banks				
	10.1.3 Identify the basic accounting methods				
10.2 Describe the basic reports that reflect financial data	10.2.1 Using an annual report, locate the major financial reports and discuss the importance of each	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
		Thinking	Knowing how to Learn	Uses available resources to apply new skills [4.3.6]	
10.3 Explain primary performance ratios	10.3.1 List the four primary performance ratios	Foundation	Writing	Presents answers in a clear, understandable form [1.6.13]	
10.4 Describe the financial planning process	10.4.1 Explain why it is important for a bank to have a financial plan	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
10.5 Explain cost allocation and pricing of service	10.5.1 Discuss why it is important to establish proper prices for products and services	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
		Thinking	Reasoning	Comprehends ideas and concepts related to cost allocation and pricing [4.5.2]	

## Unit 11: Specialized Products and Services

### Hours: 5-8

Terminology: Correspondent bank, Country risk, Currency risk, Edge corporation, Estate, Executor, Foreign exchange rate, 401 (k) plan, Individual retirement account (IRA), Letter of credit, Living trust, Probate, Trust, Variable annuity, Will

<b>CAREER and TECHNICAL SKILLS</b>		<b>ACADEMIC and WORKPLACE SKILLS</b>			
What the Student Should be Able to Do		What the Instruction Should Reinforce			
Knowledge	Application	Skill Group	Skill	Description	
11.1 Define terminology	11.1.1 Prepare a list of terms with definitions	Foundation	Writing	Uses words appropriately [1.6.21]	
11.2 Discuss the functions of a trust department	11.2.1 Distinguish among the different services of a trust department	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
		Thinking	Reasoning	Comprehends ideas and concepts related to trust departments [4.5.2]	
11.3 Discuss the cash management services provided by a bank	11.3.1 List the cash management services offered by banks	Foundation	Writing	Analyzes data, summarizes results, and makes conclusions [1.6.2]	
		Thinking	Reasoning	Comprehends ideas and concepts related to cash management departments in banks [4.5.2]	
11.4 Discuss international banking	11.4.1 Explain the importance of international banking in the local economy	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]	
11.5 Discuss brokerage services	11.5.1 List the major reasons why banks offer brokerage products	Foundation	Writing	Communicates a thought, idea, or fact in written form [1.6.6]	

## Unit 12: Marketing and the Sales Support Function

### Hours: 5-8

Terminology: None

CAREER and TECHNICAL SKILLS What the Student Should be Able to Do		ACADEMIC and WORKPLACE SKILLS What the Instruction Should Reinforce		
Knowledge	Application	Skill Group	Skill	Description
12.1 Discuss marketing in a banking environment	12.1.1 Discuss the differences in marketing strategies among banks in your community	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]
		Thinking	Knowing how to Learn	Processes new information as related to workplace [4.5.3]
12.2 Explain the organization of a marketing department	12.2.1 Differentiate between a functionally oriented and a product-oriented marketing department	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]
		Thinking	Reasoning	Applies rules and principles to a new situation [4.5.1]  Sees relationship between two or more ideas, objects, or situations [4.5.5]
12.3 Explain how a bank creates an effective sales environment	12.3.1 Discuss how the banks in your community create an effective sales environment	Foundation	Speaking	Communicates a thought, idea, or fact in spoken form [1.5.5]
		Thinking	Reasoning	Applies rules and principles to a new situation [4.5.1]

## Unit 13: Current Issues and Future Trends

### Hours: 2

Terminology: None

CAREER and TECHNICAL SKILLS What the Student Should be Able to Do		ACADEMIC and WORKPLACE SKILLS What the Instruction Should Reinforce		
Knowledge	Application	Skill Group	Skill	Description
13.1 Discuss the current technology used in the banking industry	13.1.1 Discuss the future technology to be used in the banking industry	Foundation	Speaking	Applies/Uses technical terms as appropriate to audience [1.5.2]  Communicates a thought, idea, or fact in spoken form [1.5.5]
		Thinking	Creative Thinking	Uses imagination to create something new [4.1.1]
13.2 Discuss some of the risks involved with implementing new technology	13.2.1 List some of the preventive measures to implement to lessen the risk to banks	Foundation	Writing	Analyzes data, summarizes results, and makes conclusions [1.6.2]
		Thinking	Creative Thinking	Uses imagination to create something new [4.1.1]

# **Glossary**

## **Unit 1: History of Banking**

1. Bank run – circumstance when many depositors withdraw money from their bank all at once
2. Currency – circulating media of exchange in a country, including metallic and paper money
3. Discount rate – the interest rate charged to banks by the Federal Reserve
4. Federal Deposit Insurance Corporation (FDIC) – agency that guarantees bank deposits
5. Great Depression – the worst and longest economic crisis in Western industrialized nations, from 1929 until about 1939
6. Inflation – a collective rise in money supply, incomes, and prices
7. Stagflation – a combination of a stagnate economy and high inflation

## Unit 2: Bank Organizational Structure

1. Central banks – government banks that regulate and manage money supply
2. Commercial bank – most common form of government-backed corporate bank
3. Depositors – people who put money into the bank
4. Depository intermediary – holds funds for the public and uses the funds to finance their business
5. Deregulation – the loosening of government control
6. Financial intermediary – the functions of the bank as the institution that safeguards, transfers, exchanges, and loans money
7. Liability – to banks, deposits represent this type of obligation
8. Liquid asset – anything of value that can be readily exchanged
9. Medium of exchange – an agreed-upon system for measuring value of goods and services
10. Niche market – a targeted smaller group of customers
11. Non-depository intermediary – a private company that does not receive deposits but sells financial services
12. Profit – revenue minus cost
13. Retail bank – institution developed to help individuals who are not served by commercial banks
14. Spread – the difference between interest paid and interest received

## **Unit 3: Federal Reserve System**

1. CAMELS (Capital adequacy, Asset adequacy, Management, Earnings, Liquidity, and Sensitivity to risk) – six criteria of safety and soundness used to evaluate banks
2. District reserve bank – regional bank of Federal Reserve System
3. Member bank – national or state bank that is part of the Federal Reserve System

## Unit 4: The Deposit Function

1. Aggregate measures – tools used to estimate the size of the money supply
2. Annual percentage rate – nominal rate on which interest is calculated per year
3. Annual percentage yield – effective rate of interest when compounding is factored in
4. Certificate of Deposit (CD) – savings instrument with fixed interest rate and fixed maturity date
5. Commodity money – currency based on some item of value, such as gold or precious stones
6. Compound interest – return calculated by adding interest to principal for next interval
7. Demand deposit – deposit payable on demand whenever the depositor chooses
8. Discount rate – interest rate that the Fed charges for loans to member banks
9. Excess reserves – those reserves held by a bank beyond its reserve requirement
10. Federal funds rate – interest charged for short-term, interbank loans
11. Fiat money – money deemed legal tender by the government but not based on or convertible into a commodity
12. Fractional-reserve system – practice of reserving only part of a deposited quantity
13. Interest – price paid for the use of money
14. Liquidity – the measure of how quickly things may be converted to something of value like cash
15. Money Market Deposit Account (MMDA) – savings account earning a competitive interest rate from invested deposits
16. Money supply – liquid assets held by banks and individuals
17. Multiplier effect – phenomenon that creates new deposits from lending
18. Passbook savings account – savings account that provides you with a ledger of activity
19. Primary reserves – cash on hand, deposits due from banks, and the percentage required by the Federal Reserve System
20. Prime rate – interest rate banks charge their best and most reliable customers
21. Secondary reserves – reserves other than primary reserves

22. Statement savings account – provides a monthly or quarterly computerized statement detailing all account activity
23. Time deposit – deposit held for or maturing at a specified time
24. Transaction account – account that allows transactions to occur at any time and in any number

## Unit 5: Negotiable Instruments

1. Bearer instrument – a negotiable instrument payable to whoever holds it
2. Bill of exchange – a negotiable and written order addressed by one party to another
3. Cash card – card commonly used at an ATM
4. Charge card – card used when a consumer makes purchases but must pay the account in full at the end of the month
5. Credit card – allows consumers to pay all or part of their bills each month and finance the unpaid balance
6. Debit card – transfers money from a person's designated account to the account of the retailer
7. Draft – an order signed by one party that is addressed to another party directing the drawee to pay to someone the amount indicated on the draft
8. Elements of negotiability – certain legal requirements that a check must meet
9. Negotiable instrument – a written order or promise to pay a sum of money to a specified party or the person who holds it
10. Promissory note – a written promise to pay at a fixed or determinable future time a sum of money to a specified individual
11. Smart card – card with embedded microchips

## Unit 6: The Payment Function

No terminology for this unit

## Unit 7: The Payment of Checks: The Bookkeeping Function

No terminology for this unit

## Unit 8: The Credit Function: Funds Management and Loan Categories

1. Collateral – item used to secure a loan
2. Consumer reporting agency (CRA) – company that compiles and sells credit records
3. Equal Credit Opportunity Act – prohibits the use of race, color, religion, national origin, marital status, age, receipt of public assistance, or exercise of any consumer right against a lender as a factor in determining creditworthiness
4. Fair Credit Reporting Act – guarantees consumers the right to review and dispute information in the reports
5. Fair Debt Collection Practices Act – Protects consumers from unfair collection techniques
6. Fair, Isaac and Company, Inc. (FICO) score – a three-digit number that credit granters can use in making a loan-approval decision
7. Grace period – period for which no interest charges accrue if balance is paid in full by due date
8. Installment loan – loan with fixed amount of payments, rate of interest, and length of term
9. Lien – a legal claim to the property to secure the debt
10. Open-end loan – loan with flexible principal and term
11. Secured loan – a loan in which some item of value backs the loan in case the borrower defaults on the loan
12. Subprime rate – rate that is higher than normal to offset the increased risk represented by a less-than-perfect borrower
13. Truth in Lending Act – guarantees that all information about costs of a loan is provided in writing
14. Underwriting – reviewing a loan for soundness
15. Unsecured loan – loan backed by only the reputation and creditworthiness of the borrower

## Unit 9: The Credit Function: Policy, Credit Principles, and Bank Investments

1. Adjustable rate mortgage – a mortgage with changing interest rate
2. Asset-based lending – loan secured with the assets of a business
3. Balloon mortgage – a mortgage in which the entire remaining balance of the loan is due in one single payment
4. Bridge loan – loan used to cover expenses until long-term financing is secured
5. Buy-down mortgage – a mortgage in which the borrower prepays part of the interest to get a lower rate
6. Commercial lending – loans to business enterprises
7. Debt ratio – total obligations compared to total income
8. Debt service coverage ratio – comparison of net operating income to the total cost of debt
9. Equity – the difference between what an item is worth and what is owed on it
10. Escrow – when something of value is put in the care of a third party until certain conditions are fulfilled, as a deed, money, etc.
11. Factoring – a form of lending that advances cash in exchange for a business's receivables
12. Fixed rate mortgage – conventional mortgage
13. Foreclosure – when the mortgage is not paid, the creditor seeks a court-ordered sale of the property
14. Loan-to-value ratio – amount of loan divided by the property value
15. Mortgage – a note secured by real property
16. PITI – principal, interest, taxes, and insurance
17. Point – a value equal to 1 percent of loan principal
18. Redlining – discriminatory act whereby banks refuse to lend to residents in certain neighborhoods
19. Reverse mortgage – form of a consumer loan tied to the appreciated value of a property
20. Shared appreciation mortgage – form of consumer lending that may lower rate for borrower who agrees to share the property's appreciation with the lender

21. Short-term loan – financing for a year or less
22. Small Business Administration (SBA) – agency that offers financial, technical, and management programs to help businesses
23. Term loan – financing for permanent working capital, equipment, and real estate

## Unit 10: Measuring and Reporting Financial Performance

No terminology for this unit

## Unit 11: Specialized Products and Services

1. Correspondent bank – acts as a point of contact for other banks that do not have a branch, agency, subsidiary, or corporation in the host country
2. Country risk – political, legal, social, and economic conditions that affect international banking
3. Currency risk – degree of risk posed by variations in exchange rates between countries
4. Edge corporation – federally chartered institution allowed to engage only in international banking
5. Estate – the assets and liabilities of a dead or bankrupt person
6. Executor – person named in a will to administer the estate
7. Foreign exchange rate – the value of one currency in terms of another
8. 401(k) plan – retirement plan that allows employees to make tax-deferred contributions to a trust and direct their funds to be invested among a variety of choices, getting their money back at departure or retirement
9. Individual retirement account (IRA) – allows the earnings on the investment to compound on a tax-deferred basis
10. Letter of credit – an instrument given by a bank on behalf of a buyer to pay the bank of the seller a given sum in a given time provided the documents required by the letter are presented to the issuing bank
11. Living trust – provides a way to transfer property at a person's death
12. Probate – court proceeding that settles estates
13. Trust – arrangement by which one party holds property on behalf of another party
14. Variable annuity – an investment that offers an opportunity for tax-deferred growth
15. Will – a document by which the individual gives instructions as to what is to happen upon his or her death in regard to property and remains

## **Unit 12: Marketing and the Sales Support Function**

No terminology for this unit

## Unit 13: Current Issues and Future Trends

No terminology for this unit