

BANKING AND FINANCE LAW

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 LAW

Grade Levels: 10, 11, 12
Course Code: 492030

Prerequisite: Banking & Finance: Principles

Course Description: Banking and Finance Law is a one-semester course that assists the student in understanding the legal environment in which depository institutions exist. Students study basic concepts in business law in the areas of contract law, agency law, property law, commercial paper law, and credit law. This curriculum is adopted from Wisconsin Finance Youth Apprenticeship, Wisconsin Department of Industry, Labor, and Human Relations, Bureau of Apprenticeship Standards, Office of Excellence.

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Unit 1: Sources of Law

Hours: 5 - 8

Terminology: Administrative Procedures Act, Bank charter, Bank deposit, Bank examinations, Bank examiners, Certificate of Deposit, Check, Collection, Comptroller of the Currency (OCC), Federal Deposit Insurance Corporation (FDIC), Federal Reserve, Law, National bank, Negotiable instrument, Regulation, Regulatory agencies, State banking authority, State-chartered bank, Statute, Uniform Commercial Code (UCC)

| 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 Discuss the U.S. Constitution | 1.2.1 Explain how the U.S. Constitution operates to protect the rights of individuals | Foundation | Speaking | Communicates thought, idea, or fact in spoken form [1.5.5] | |
| 1.3 Discuss the development of the Uniform Commercial Code | 1.3.1 Explain how the UCC affects the economy | 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] | |

Unit 2: Banking Law in Action

Hours: 5 - 8

Terminology: Appellate courts, Certiorari, Concurrent jurisdiction, Federal courts of appeals, Federal district courts, Judicial review, Jurisdiction, Original jurisdiction, Removal, Supreme Court

| 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 Discuss the history of banking regulations | 2.2.1 Explain why regulation of banks is important | Foundation | Speaking | Communicates thought, idea, or fact in spoken form [1.5.5] | |
| | | Thinking | Reasoning | Uses logic to draw conclusions from available information [4.5.6] | |
| 2.3 Identify various agencies that regulate banks | 2.3.1 Explain the authority of each regulatory agency | Foundation | Speaking | Communicates thought, idea, or fact in spoken form [1.5.5] | |
| 2.4 Explain the court system | 2.4.1 Diagram the flow of the federal and state court systems | Foundation | Speaking | Communicates thought, idea, or fact in spoken form [1.5.5] | |
| | | Thinking | Creative Thinking | Develops visual aids to create audience interest [4.1.5] | |

Unit 3: Torts and Crimes

Hours: 10

Terminology: Bank Bribery Act, Bank Secrecy Act, Crime, Criminal referral, Currency transaction report, Damages, Defamation, Element of a crime, Embezzlement, Felony, Fraud, Larceny, Libel, Misdemeanor, Money laundering, Negligence, Plaintiff, Slander, Tort

| 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 |
| 3.1 Define terminology | 3.1.1 Prepare a list of terms with definitions | Foundation | Reading | Applies/Understands technical words that pertain to torts and crimes [1.3.6] |
| | 3.1.2 Identify the differences between a tort and a crime | Thinking | Writing Reasoning | Uses words appropriately [1.6.21] Sees relationship between two or more ideas, objects, or situations [4.5.5] |
| 3.2 List the types of torts encountered in banking | 3.2.1 Discuss the types of torts encountered in banking | Foundation | Speaking | Applies/Uses technical terms as appropriate to audience [1.5.2] |
| | | Thinking | Writing Reasoning | Communicates a thought, idea, or fact in spoken form [1.5.5] Comprehends ideas and concepts related to torts in banking [4.5.2] |
| 3.3 List the types of crimes encountered in banking | 3.3.1 Discuss the types of crimes encountered in banking | Foundation | Speaking | Applies/Uses technical terms as appropriate to audience [1.5.2] |
| | | Thinking | Reasoning | Communicates a thought, idea, or fact in spoken form [1.5.5] Comprehends ideas and concepts related to torts in banking [4.5.2] |

Unit 4: Legal Entities

Hours: 2 - 4

Terminology: Actual authority, Agent, Apparent authority, Articles of incorporation, Attorney-in-fact, Bank officers, Beneficiary, Binding/bound, Board of directors, Close corporation, Corporation, Cosign, Creditor, Dividends, Duty of due care, Estate, Executor, Express authority, Fiduciary, Guarantor, Guardian, Implied authority, Inter vivos trust, Legal capacity, Legal obligation, Liability, Limited Liability Company (LLC), Limited partnership, Managers, Members, Partnership, Personal liability, Power of attorney, Principal, Probate, Publicly held corporation, Ratification, Securities, Settlor, Sole proprietorship, Stock, Surety, Testamentary trust, Transfer agent, Trust, Trustee, Ward

| 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 | |
| 4.1 Define terminology | 4.1.1 Prepare a list of terms with definitions | Foundation | Writing | Uses words appropriately [1.6.21] | |
| 4.2 Identify the various entities with which banks do business | 4.2.1 Discuss the differences among the entities | Foundation | Speaking | Communicates a thought, idea, or fact in spoken form [1.5.5] | |

Unit 5: Contracts

Hours: 2 - 4

Terminology: Assignment, Bilateral contract, Breach of contract, Consideration, Delegation, Disaffirm, Goods, Gratuitous promise, Legal detriment, Legally adequate consideration, Mitigation of damages, Mutual assent, Offer/Offeree/Offeror, Parol evidence rule, Parties, Primary rules of interpretation, Promisee, Promisor, Quasi contract, Remedy, Secondary rules of interpretation, Statute of Frauds, Substantial performance, Third-party beneficiary, Unilateral contract, Usury/usurious, Voidable contract, Void contract

| 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 Identify the elements of a valid contract | 5.2.1 Discuss the elements of a valid contract | Foundation | Reading | Applies/Understands technical words that pertain to valid contracts [1.3.6] | |
| | | Thinking | Reasoning | Comprehends ideas and concepts related to valid contracts [4.5.2] | |
| 5.3 Discuss void and voidable contracts | 5.3.1 Given examples of contracts, identify each as void or voidable | Foundation | Speaking | Applies/Uses technical terms as appropriate to audience [1.5.2] | |
| | | Thinking | Problem Solving | Communicates a thought, idea, or fact in spoken form [1.5.5] Draws conclusions from what is read and gives possible solution [4.4.4] | |
| 5.4 Explain the proper form of a contract | 5.4.1 Diagram the written elements of a contract | Foundation | Speaking | Communicates a thought, idea, or fact in spoken form [1.5.5] | |
| | | Thinking | Creative Thinking | Develops visual aids to create audience interest [4.1.4] | |
| 5.5 Discuss performance of a contract | 5.5.1 Identify excuses for nonperformance of a contract | Foundation | Speaking | Communicates a thought, idea, or fact in spoken form [1.5.5] | |
| | | Thinking | Reasoning | Comprehends ideas and concepts related to performance of a contract [4.5.2] | |
| 5.6 Discuss breach of contract | 5.6.1 Identify the remedies for a breach of contract | Foundation | Speaking | Communicates a thought, idea, or fact in spoken form [1.5.5] | |
| | | Thinking | Reasoning | Comprehends ideas and concepts related to breach of a contract [4.5.2] | |

Unit 6: Real and Personal Property

Hours: 10

Terminology: Adverse possession, Bailment, Bona fide purchaser, Default, Donee, Donor, Fee, Foreclosure, Freehold, Gift, Heir, Joint tenancy, Judicial lien, Lease, Lien, Life estate, Mechanic's lien, Mortgage, Perfected interest, Personal property, Priority, Property interests, Purchase money security interest, Real property, Recording, Redeem, Security interest, Tenancy by the entirety, Tenancy in common, Title

| 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 Define terminology | 6.1.1 Prepare a list of terms with definitions | Foundation | Writing | Uses words appropriately [1.6.21] | |
| 6.2 Identify real and personal property | 6.2.1 Discuss the differences between real property and personal property | Foundation | Speaking | Applies/Uses technical terms as appropriate to audience [1.5.2] | |
| | 6.2.2 Name eight ways in which personal property may be acquired | Thinking | Writing | Communicates thoughts, ideas, or facts in written form in a clear, concise manner [1.6.6] | |
| 6.3 Discuss bailments | 6.3.1 Identify the three major types of bailments | Foundation | Reasoning | Applies rules and principles to a new situation [4.5.1] | |
| | 6.3.2 Identify the obligations of the bailer and bailee in a bailment situation | Thinking | Reasoning | Sees relationship between two or more ideas, objects, or situations [4.5.5] | |
| 6.4 Discuss the interested parties in real estate | 6.4.1 Differentiate among the various interested parties in real estate | Foundation | Speaking | Communicates a thought, idea, or fact in spoken form [1.5.5] | |
| | | Thinking | Decision Making | Comprehends ideas and concepts related to bailments, bailer, and bailee [4.2.2] | |
| | | Foundation | Speaking | Applies/Uses technical terms as appropriate to audience [1.5.2] | |
| | | Thinking | Decision Making | Evaluates information/data to make the best decision [4.2.5] | |

Unit 7: Bankruptcy

Hours: 10

Terminology: Abandonment, Automatic stay, Bankruptcy Code, Bankruptcy estate, Chapter 7, Chapter 11, Chapter 13, Debtor in possession, Discharge, Liquidation, Ordinary course of business, Preference, Reaffirmation, Redemption, Rehabilitation, Secured creditor, Setoff, Transfer/transferee/transferor, Trustee in bankruptcy

| 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 | |
| 7.1 Define terminology | 7.1.1 Prepare a list of terms with definitions | Foundation | Writing | Uses words appropriately [1.6.21] | |
| 7.2 Discuss bankruptcy | 7.2.1 State the goal of a bankruptcy | Foundation | Speaking | Communicates a thought, idea, or fact in spoken form [1.5.5] | |
| | 7.2.2 Describe the process of declaring a bankruptcy | | | | |
| 7.3 Discuss rights and responsibilities under bankruptcy | 7.3.1 Identify trustees' rights and responsibilities | Foundation | Writing | Communicates thoughts, ideas, or facts in written form in a clear, concise manner [1.6.6] | |
| | 7.3.2 Identify creditors' rights and responsibilities in bankruptcy | | | | |
| | 7.3.3 Identify debtors' rights and responsibilities in bankruptcy | | | | |

Unit 8: Federal Regulations

Hours: 15

Terminology: Access device, ACH operator, Automated Clearing House (ACH), Automated Teller Machine (ATM), Beneficiary, Beneficiary's bank, Customer, Debit card, Established customer, Fedwire, Intermediary bank, National Automated Clearing House Association (NACHA), Originating depository financial institution (ODFI), Originator, Originator's bank, Payment order, Point of sale transaction, Preauthorized credit transaction, Receiver, Receiving bank, Receiving depository financial institution (RDFI), Sender, Unauthorized transfer

| 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 | |
| 8.1 Discuss Truth in Lending Act | 8.1.1 State how Regulation Z relates to the Truth in Lending Act | Foundation | Speaking | Organizes ideas, and communicates oral messages to listeners [1.5.7] | |
| | 8.1.2 Identify the requirements of Regulation Z | | | | |
| 8.2 Discuss Fair Credit Billing Act | 8.2.1 Identify when the Fair Credit Billing Act is applicable | 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 the Fair Credit Billing Act [4.3.1] | |
| 8.3 Discuss Consumer Leasing Act | 8.3.1 Identify the items that are required to be disclosed before a lease is signed | 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 the Consumer Leasing Act [4.3.1] | |
| 8.4 Discuss Equal Credit Opportunity Act | 8.4.1 Identify the types of discrimination that are illegal under the ECOA | 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 the Equal Credit Opportunity Act [4.3.1] | |
| 8.5 Discuss Real Estate Settlement Procedures Act | 8.5.1 Identify the four specific goals of the RESPA | 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 the Real Estate Settlement Procedures Act [4.3.1] | |
| 8.6 Discuss Fair Credit Reporting Act | 8.6.1 Identify the purpose for which a credit report can be issued | Foundation | Speaking | Communicates a thought, idea, or fact in spoken form [1.5.5] | |
| | 8.6.2 Explain a consumer's rights to revise a credit report | Thinking | Knowing how to Learn | Applies new knowledge and skills to the Fair Credit Reporting Act and credit reports [4.3.1] | |
| | 8.6.3 Explain a consumer's rights to dispute the completeness of a credit report | | | | |

| 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 | |
| 8.7 Discuss Fair Debts Collection Act | 8.7.1 Explain how the Fair Debts Collection Act applies to banks 8.7.2 Identify the practices that are prohibited in collecting debts | Foundation Thinking | Speaking Knowing how to Learn | Communicates a thought, idea, or fact in spoken form [1.5.5] Organizes ideas, and communicates oral messages to listeners [1.5.7] Applies new knowledge and skills to the Fair Debts Collection Act [4.3.1] | |

Glossary

Unit 1: Sources of Law

1. Administrative Procedures Act – a statute passed by Congress in 1946 that specifies the procedures government agencies must follow in promulgating new regulations and provides guidelines for courts to follow in reviewing agency regulations
2. Bank charter – a document issued by a state or federal bank regulatory agency granting the right to provide banking services
3. Bank deposit – funds (cash, checks, etc.) placed in a bank account for safekeeping
4. Bank examinations – detailed examinations conducted on a regular basis by state and federal regulatory agencies to ensure that banks are operating in accordance with the banking laws and regulations, that their financial reports are accurate, and that they are financially sound
5. Bank examiners – officials from state and federal regulatory agencies who conduct regular examinations of commercial banks
6. Certificate of Deposit (CD) – a transferable receipt issued by a commercial bank in return for a customer's deposit of funds
7. Check – a draft or order upon a bank, drawn upon a deposit of funds, for the payment of a certain sum of money to a certain person named therein, or to bearer, and payable upon presentation to the bank on which it is drawn
8. Collection – presenting a check or other negotiable instrument for payment and receiving cash or credit in return
9. Comptroller of the Currency (OCC) – an agency of the U.S. Treasury Department that is responsible for chartering and supervising all national banks
10. Federal Deposit Insurance Corporation (FDIC) – the agency of the federal government that insures accounts in commercial banks up to a certain amount
11. Federal Reserve – the central banking system that regulates the nation's money supply
12. Law – that which must be obeyed and followed by citizens, subject to sanctions or legal consequences
13. National bank – a bank that is federally chartered by the Office of the Comptroller of the Currency
14. Negotiable instrument – a document recognized as a substitute for cash that can be transferred from one person or business to another
15. Regulation – an official rule or set of rules having the force of law
16. Regulatory agencies – government entities responsible for issuing regulations and for enforcing those regulations
17. State banking authority – the agency in every state (typically a state banking commission or superintendent of banks) that is responsible for enforcing state laws pertaining to the operation of state-chartered banks
18. State-chartered bank – a bank chartered by a state banking authority, as opposed to being chartered at the federal level by the Office of the Comptroller of the Currency

19. Statute – a law that specifies actions that are not allowed or actions that must be taken
20. Uniform Commercial Code (UCC) – a model law proposed by the National Conference of Commissioners on Uniform State Laws that governs banking and other kinds of commercial transactions

Unit 2: Banking Law in Action

1. Appellate courts – courts that review trial court decisions
2. Certiorari – the name of a petition that must be filed with the U.S. Supreme Court in order to seek review of a case that the Court has discretion to accept or reject
3. Concurrent jurisdiction – a term used to describe a situation in which different courts (i.e., a federal district court and a state trial court) each have jurisdiction to hear a particular case
4. Federal courts of appeals – appellate courts in the federal judicial system
5. Federal district courts – trial courts in the federal judicial system
6. Judicial review – the term used to describe a situation in which a party appeals an order or decision of a regulatory agency, seeking to have it reviewed and reversed by a court
7. Jurisdiction – the power of a court to interpret the law in relation to a particular matter
8. Original jurisdiction – the U.S. Supreme Court's jurisdiction to act, in a very limited class of cases, as the trial court in a matter
9. Removal – the right of a defendant to have a case that is filed in a state court involving federal law transferred from state court to federal court
10. Supreme Court – a court of final appeal (or court of last resort)

Unit 3: Torts and Crimes

1. Bank Bribery Act – a federal law that makes it a felony for a bank employee to receive gifts, money, or favors for any bank-related decision or activity
2. Bank Secrecy Act – a term commonly used to refer to the Currency and Foreign Transaction Reporting Act, which, passed by Congress in 1977, is designed to facilitate detection of money laundering and similar kinds of criminal activity involving the use of banking services
3. Crime – an offense against the community at large in violation of a criminal statute
4. Criminal referral – a report that federal bank regulatory agencies require banks to file with the Financial Crimes Enforcement Network of the Treasury Department concerning known or suspected crimes involving the bank
5. Currency transaction report – a report that, under the Bank Secrecy Act, banks are required to file with the Internal Revenue Service whenever cash transactions with a customer involve more than \$10,000 in one day
6. Damages – the sum awarded by a court to a person because of a breach of contract or other legal wrong done to him/her by another
7. Defamation – a tort that involves making an untrue statement that causes injury to someone's reputation
8. Element of a crime – a part of a crime that must be proved in court if an accused person is to be found guilty
9. Embezzlement – a crime involving the fraudulent use or keeping of money or other property that has been entrusted to one's care
10. Felony – a serious offense punishable by death or imprisonment for a term exceeding one year
11. Fraud – a tort, also referred to as "deceit" or "misrepresentation," that involves a false statement of fact made by one person to another, knowledge by the maker of the statement that it is false, making the statement with the intent that the other person will believe and act upon it, justifiable reliance by the other person on the truth of the statement, and damage to the other person from relying and acting on the false statement
12. Larceny – the crime of taking and carrying away personal property from the lawful possession of another without consent and with intent to steal it
13. Libel – a false written statement that damages a person's reputation
14. Misdemeanor – criminal offenses less serious than felonies, generally punishable by a fine and/or imprisonment for less than one year
15. Money laundering – a crime involving transferring cash acquired in criminal activities from one bank account to another as means of concealing the true source of the cash
16. Negligence – a tort involving carelessness in conducting one's affairs that results in injury to someone else
17. Plaintiff – a person who initiates a lawsuit by filing a complaint
18. Slander – a false statement made orally that damages a person's reputation

19. Tort – a noncriminal interference with the rights of an individual member of society, causing harm, damage, or other injury to that person, his/her property, or reputation

Unit 4: Legal Entities

1. Actual authority – such authority as a principal definitely and intentionally confers on an agent; includes both express and implied authority
2. Agent – a person or other legal entity who has authority to transact business or otherwise act on behalf of another
3. Apparent authority – such authority as a third party reasonably believes an agent has because conduct on the part of the principal creates the appearance that the agent has such authority
4. Articles of incorporation – the document that must be filed with the appropriate state agency in order to establish a corporation
5. Attorney-in-fact – a person designated by a power-of-attorney to serve as an agent
6. Bank officers – people appointed by the board of directors of a bank to be responsible for the day-to-day management of the bank
7. Beneficiary – a person for whose benefit property in trust is managed
8. Binding/bound – bringing or placing under legal obligation; to be legally obligated
9. Board of directors – a committee of people appointed or elected to oversee the management of a corporation
10. Close corporation – a corporation whose stock is not generally traded in the public securities markets
11. Corporation – a legal entity formed for the purpose of conducting business that is regarded as being distinct from its owners; thus, unlike a partnership, owners of a corporation are not personally liable for the corporation's debts, obligations, or liabilities, and a corporation is vested with perpetual existence that remains unaffected by the death of any director, officer, or shareholder
12. Cosign – typically used to refer to the requirement that a surety sign the original promissory note or other debt instrument signed by the borrower, thus making the surety equally liable with the borrower for repayment of the loan
13. Creditor – a person to whom a debt is owed by another person, who is the "debtor"
14. Dividends – that portion of a corporation's profits or surplus paid to its shareholders
15. Duty of due care – the level of care required of corporate directors in exercising their corporate responsibilities
16. Estate – the property of a decedent
17. Executor – a person nominated in a will to manage a decedent's estate
18. Express authority – permission specifically given, either orally or in writing, for an agent to do something
19. Fiduciary – a relationship existing between two people, founded on confidence and trust, requiring that each person exercise a corresponding degree of loyalty and good faith; i.e., the relationship between an agent and principal

20. Guarantor – one who makes a legally enforceable promise to pay money or perform any other act originally promised by a promisor if the promisor defaults or otherwise fails to perform its obligations under the contract
21. Guardian – a person appointed by a court to care for someone who because of age, mental illness, or other condition is unable to care for himself/herself
22. Implied authority – authority that is necessary to accomplish the things for which an agent has been given express authority
23. Inter vivos trust – a trust that becomes effective during the lifetime of the person establishing the trust
24. Legal capacity – the capacity to represent or protect one's own interests; the capacity to enter into and be held accountable for contract obligations, such as the repayment of a loan
25. Legal obligation – any obligation that is enforceable under the law, such as a contract obligation
26. Liability – the legal obligation to pay a debt or a money judgment for damages
27. Limited Liability Company (LLC) – a form of business organization recently introduced in the United States that combines various features of both corporations and partnerships
28. Limited partnership – a partnership that includes at least one limited partner, whose liability is limited to the amount he or she invested in the partnership, provided the limited partner does not actively participate in the management of the business
29. Managers – people whom members may delegate to be responsible for managing a limited liability company
30. Members – owners of a Limited Liability Company (LLC)
31. Partnership – an unincorporated business entity owned by two or more people who agree to contribute money, labor, property, or skill to the business and share the business profits and losses
32. Personal liability – individual liability of partners for losses incurred by the partnership
33. Power of attorney – a document that appoints an agent to perform specific acts on behalf of an individual
34. Principal – the person or legal entity that is represented by an agent
35. Probate – a judicial procedure whereby the validity of a will is proved and a decedent's estate (in accordance with the terms of a will, if there is one) is administered
36. Publicly held corporation – a corporation whose stock is traded publicly
37. Ratification – the act of approving or confirming, as in the case of a principal's ratification of the unauthorized acts of an agent
38. Securities – evidences of contracts under which a corporation agrees to make certain payments or give certain rights to the holders of such securities
39. Settlor – the person who establishes a trust

40. Sole proprietorship – a business that is owned and operated by a single individual and is not incorporated
41. Stock – an ownership interest in a corporation
42. Surety – a person who, under the original contract signed by the promisor, agrees to pay money or carry out any other stipulation promised by the promisor
43. Testamentary trust – a trust that becomes effective after the person establishing the trust dies
44. Transfer agent – a bank or other person retained by a corporation to handle stock transfers, which involves receiving the transferor's stock certificate, canceling it, and issuing a new certificate in the name of the new owner
45. Trust – an arrangement in which one person or institution (the trustee) holds legal title to property and administers it for the benefit of another (the beneficiary)
46. Trustee – a person who is granted legal title to property with a duty to see that it is used for the benefit of another
47. Ward – a person who because of age, mental illness, or other condition is unable to care for himself/herself and is under the protection of a court-appointed guardian

Unit 5: Contracts

1. Assignment – the transfer in writing by one person to another of rights, title to property, or other interests
2. Bilateral contract – a contract in which the offeror makes a promise in return for a promise by the offeree
3. Breach of contract – the unexcused failure to perform an action promised in a contract
4. Consideration – something of value (an act or forbearance or promise thereof) that must be exchanged by each party to form an enforceable contract
5. Delegation – authorizing someone to perform an action on behalf of another person
6. Disaffirm – the lawful act of repudiating a voidable contract; i.e., minors who lack legal capacity to enter into a contract may disaffirm their obligations under a contract
7. Goods – defined by the Uniform Commercial Code as things that are "movable"
8. Gratuitous promise – a promise to do something with no request for something in exchange
9. Legal detriment – a type of valid consideration for a contract other than a payment or other thing of value given, which involves giving up a legal right that one is entitled to exercise, refraining from doing what one has a legal right to do, doing something one has a right not to do, or giving up something one has a right to keep
10. Legally adequate consideration – consideration that is at least reasonably proportioned to the value of that for which it is given
11. Mitigation of damages – a legal doctrine that, in situations where one party has breached a contract, requires the nonbreaching party to do all that is reasonable to minimize the resulting damages
12. Mutual assent – the agreement of each contracting party to contract terms in the same sense and with the same meaning
13. Offer/offeree/offeror – a proposal (the "offer") in which one person (the "offeror") promises to do something if another person (the "offeree") does something in return
14. Parol evidence rule – a rule of common law, which has been adopted by statute in many states, that holds that once parties have entered into a written contract that reflects a complete statement of their agreement, outside evidence (parol evidence) of earlier understandings or negotiations between the parties may not be introduced to contradict or vary the terms of the written agreement
15. Parties – people who reach agreement and form a contract are called "parties" to the contract
16. Primary rules of interpretation – a rule of law governing the interpretation of contracts that provides that words in a contract shall be given their plain and usual meaning
17. Promisee – a person to whom a promise is made
18. Promisor – a person who promises to do something for someone else

19. Quasi contract – in situations where no contract exists but one party has received a benefit and would be unjustly enriched if allowed to keep the benefit without paying, the principle of quasi contract imposes a legal obligation to pay for the value of the benefit received
20. Remedy – a legal means to enforce a right or correct a wrong
21. Secondary rules of interpretation – the rules used to interpret the meaning of a contract if the meaning remains unclear after the primary rules of interpretation have been applied
22. Statute of Frauds – a statute that provides that certain kinds of contracts are unenforceable unless they are in writing
23. Substantial performance – a doctrine that holds that when a contract has been substantially performed, the party who substantially performed it is entitled to receive the compensation s/he bargained for, minus an adjustment to cover the costs of correcting or completing those items not performed
24. Third-party beneficiary – a person who is intended to be provided a benefit under a contract to which s/he is not a party
25. Unilateral contract – a contract that requires the offeree to perform an act in return for the offeror's promise to pay when performance is complete
26. Usury/usurious – the collection of interest in an amount greater than what is permitted by federal or state law
27. Voidable contract – a contract that may be avoided or declared void and thus made unenforceable; i.e., a contract with someone lacking legal capacity
28. Void contract – a contract that never had any legal existence or effect and thus creates no legal rights; i.e., contracts that have an illegal purpose

Unit 6: Real and Personal Property

1. Adverse possession – the act of taking possession of the real property of another (using or living on the property) and acting as an owner (paying taxes, putting up fences, making improvements, etc.)
2. Bailment – the delivery of goods or other personal property into someone else's possession for a specific purpose
3. Bona fide purchaser – someone who, in good faith and for valuable consideration, acquires an interest in property without having notice of any outstanding or prior interests
4. Default – the failure to pay a financial obligation when due
5. Donee – a person who receives a gift
6. Donor – a person who gives a gift
7. Fee – an unconditional right of ownership that, unless transferred to another, lasts as long as the property itself and may pass from one generation to the next
8. Foreclosure – the legal process by which a lender enforces repayment of a debt secured by a mortgage by taking and selling the mortgaged property
9. Freehold – when the right to possess and use real property is held by the property owner
10. Gift – something of value voluntarily given by one person to another
11. Heir – a person who inherits or is entitled by law or by the terms of a will to inherit the estate of another
12. Joint tenancy – ownership of real property in which two or more people each have one and the same undivided interest in the property
13. Judicial lien – a lien that attaches to an owner's property as a result of a court judgment against the owner in a lawsuit
14. Lease – a contract in which the owner of property grants to another the right to possess and use the property for a specified time in return for payment
15. Lien – a legal claim against a piece of property to be used to obtain repayment if a debt is not paid as promised
16. Life estate – a property interest consisting of the right to possess real property for life
17. Mechanic's lien – a lien created by operation of law (rather than by contractual agreement) that secures payment for work performed and materials furnished in the construction or repair of a building and that attaches to the land as well as the buildings and other improvements erected thereon
18. Mortgage – a legal document, which varies from state to state, in which a borrower gives the lender a lien on property as security for the repayment of a loan
19. Perfected interest – an interest in the property of another that is protected against claims of third parties who may also acquire interests in the same collateral

20. Personal property – anything that is not real property, including tangible and movable objects as well as "intangible" rights, such as those represented by a stock certificate or an IOU
21. Priority – the rank order in the exercise of legal rights
22. Property interests – legal rights or shares that, taken all together, make up ownership of the property
23. Purchase money security interest – a security interest used primarily in connection with the purchase of personal property on credit
24. Real property – land and anything attached to land, such as buildings, trees, or growing plants
25. Recording – the procedure for officially registering, in the office of public land records or other appropriate office of the county or other jurisdiction in which property is located, deeds, mortgages, liens, and other documents reflecting security interests affecting title to said property
26. Redeem – to buy back
27. Security interest – a claim to property that secures repayment of a debt by allowing the creditor to take the property, sell it, and retain the proceeds (up to the amount of the indebtedness) if the debt is not repaid as promised
28. Tenancy by the entirety – essentially a form of joint tenancy involving ownership by a husband and wife
29. Tenancy in common – common ownership of real property by two or more people, each of whom can leave his/her interest in the property to someone else when s/he dies
30. Title – the term used to indicate that one is the legal owner of property

Unit 7: Bankruptcy

1. Abandonment – a procedure in bankruptcy whereby collateral worth less than the debt it secures may be released to the secured creditor
2. Automatic stay – in bankruptcy law, the legal requirement that, once the bankruptcy petition is filed, all creditors halt any efforts to obtain payment of their claims from the debtor except through the procedures of the bankruptcy court
3. Bankruptcy Code – the basic provisions of U.S. bankruptcy law enacted under the Bankruptcy Reform Act of 1978 (as amended)
4. Bankruptcy estate – the assets of a debtor in bankruptcy assigned to a trustee in bankruptcy who may sell or otherwise administer the assets with the goal of paying off creditors in an organized fashion
5. Chapter 7 – the chapter of the Bankruptcy Code that contains the provisions on liquidation
6. Chapter 11 – a chapter of the Bankruptcy Code that provides a means whereby individuals or businesses may retain possession of their assets and continue in business while repaying all or most of their debts
7. Chapter 13 – a chapter of the Bankruptcy Code that permits insolvent individuals and sole proprietorships with a limited amount of debt to retain possession of their assets and, under the supervision of a trustee, repay their existing debt according to a payment plan that the debtor proposes and files with the court
8. Debtor in possession – a bankruptcy debtor who, under Chapter 11 or 13 of the Bankruptcy Code, is permitted to retain possession of non-exempt assets that, under Chapter 7, would be assigned to the bankruptcy estate and liquidated
9. Discharge – obtaining release from the legal obligation to pay certain debts
10. Liquidation – converting property into cash
11. Ordinary course of business – the transaction of business according to the usual customs of the commercial world generally, of the particular community, or (in some cases) of the particular individual whose acts are under consideration
12. Preference – a debtor's transfer of property to a creditor in payment of a debt within 90 days before filing for bankruptcy
13. Reaffirmation – a procedure whereby, upon the consent of the secured creditor, a bankruptcy debtor may retain possession of personal property pledged as collateral by promising to repay the underlying debt at some time in the future, even if the debt is greater than the value of the collateral
14. Redemption – the right of a debtor to recover collateral that has been abandoned by the trustee (provided the collateral is personal property that secures a consumer debt and is primarily for personal, family, or household use) by paying either the amount remaining on the debt or the value of the collateral, whichever is less
15. Rehabilitation – the goal of Chapters 11 and 13, which permit a debtor to continue business operations and retain the use of creditors' collateral while repaying existing debt and thus ultimately be restored to a condition of solvency
16. Secured creditor – a creditor possessing a security interest

17. Setoff – a procedure whereby, in situations involving mutual debts between a bankruptcy debtor and a creditor, the creditor may offset the amount he owes against the amount owed to him by the debtor
18. Transfer/transferee/transferor – a change of ownership (the "transfer") whereby one person (the "transferor") conveys his or her ownership to another (the "transferee")
19. Trustee in bankruptcy – a person who is granted legal title to property with a duty to see that it is used for the benefit of another

Unit 8: Federal Regulations

1. Access device – a debit card, Personal Identification Number (PIN), telephone bill-payment code, or other such means of access to account funds, used by an account holder to complete an electronic funds transfer
2. ACH operator – the central clearing facility for Automated Clearing House transfers, it receives entries from originating depository financial institutions and performs settlement functions for participating financial institutions
3. Automated Clearing House (ACH) – a nationwide funds transfer system established in the 1970s to process recurring payments electronically for financial institutions
4. Automated Teller Machine (ATM) – a machine activated by a magnetically encoded card or keyboard transmission of a code that allows customers to perform routine banking transactions, such as withdrawal and deposit of funds, transfer of funds between accounts, and certain payments
5. Beneficiary – a person for whose benefit property in trust is managed
6. Beneficiary's bank – the term used in Article 4A of the UCC to refer to the bank identified in a payment order at which an account of the beneficiary is to be credited or which is to make payment otherwise if the order does not provide for payment to an account
7. Customer – the term used in Article 4A of the UCC to refer to a person, including a bank, having an account with a bank or from whom a bank has agreed to receive payment orders
8. Debit card – a plastic card that enables the cardholder to make purchases or withdraw cash, the cost of which is immediately charged to the cardholder's bank account
9. Established customer – the term used in regulations issued under the Bank Secrecy Act to refer to a person who has an account at the bank or whose name, address, and Taxpayer Identification Number (TIN) the bank has and maintains on file and to whom it provides financial services in reliance upon that information
10. Fedwire – a payment service operated by the Federal Reserve System for the electronic transfer of funds between banks that have reserve or clearing accounts at Federal Reserve banks
11. Intermediary bank – the term used in Article 4A of the UCC to refer to a receiving bank other than the originator's bank or the beneficiary's bank
12. National Automated Clearing House Association (NACHA) – an association that has issued rules governing all funds transfers using the Automated Clearing House system
13. Originating depository financial institution (ODFI) – the term adopted by the NACHA to refer to the bank that receives payment instructions from the originator and forwards those instructions (entries) to the Automated Clearing House operator
14. Originator – the term used in Article 4A of the UCC to refer to the sender of the first payment order in a funds transfer; the term adopted by the NACHA to refer to the person or entity that initiates an Automated Clearing House entry into the payment system pursuant to an arrangement with a receiver
15. Originator's bank – the term used in Article 4A of the UCC to refer to the bank that first receives the originator's payment order

16. Payment order – the term used in Article 4A of the UCC to refer to an unconditional (except for time of payment) instruction of a sender to a receiving bank to pay, or to cause another bank to pay, a certain amount of money to a beneficiary named by the sender
17. Point of sale transaction – a system that permits bank customers to transfer funds from their bank accounts and perform other financial transactions at a retail point of sale
18. Preauthorized credit transaction – an electronic funds transfer involving a third-party direct deposit into a customer's asset account made under the terms of a separate agreement between the third party and account holder; i.e., the federal government's direct deposit of Social Security payments into payee's bank accounts
19. Receiver – the term adopted by the NACHA to refer to a person or entity that authorizes an originator to initiate an Automated Clearing House entry to the receiver's account
20. Receiving bank – the term used in Article 4A of the UCC to refer to the bank to which a sender's instructions is addressed
21. Receiving depository financial institution (RDFI) – the term adopted by the NACHA to refer to the bank that receives Automated Clearing House entries from the ACH operator and posts them (either as credits or debits) to the accounts of its depositors, the receivers
22. Sender – the term used in Article 4A of the UCC to refer to the person giving an instruction to a receiving bank to issue a payment order
23. Unauthorized transfer – an electronic funds transfer made by someone without authority to do so and from which the account holder receives no benefit