

BANKING AND CREDIT



- ***What do I need to open a saving or checking account?***

You need proper identification and a minimum amount of money to deposit. You need to be 18 years old to open your own checking account.

- ***How do I establish credit?***

Usually you need to sign up for service, which requires monthly payments. You can get a credit card with high interest and small line of credit. If you pay on time and the correct amount, you will start your credit rating. You can buy something on time, like a car. If you follow the payment schedule, you'll be establishing credit.

- ***What happens if you develop bad credit?***

You get bad credit if you fail to pay on time, miss a payment or don't pay enough. The information is given to a credit bureau. Lending institutions or stores will check your credit rating before they let you pay payments or lend you money.

- ***How do I qualify for a loan?***

You need to have a good credit rating. If you do not have existing credit, you will need to establish credit. One good way is to buy something, like a bike or stereo, and pay monthly payments. You need the means to pay the loan like a good job, and you need to not have too many bills to pay.

- **What is and how does interest work?**

Interest is either money paid to you for using your money or money you pay someone for using their money. It is figured out in percent. There are different rates and ways to calculate interest.

- **What happens if you can't pay back a loan?**

Usually when you secure a loan you put something up as collateral. Collateral could be a home, a car, or something else of value. If you don't pay the loan back, they can take the collateral. You will also get a bad credit rating if you don't pay.

- **What happens if your check bounces?**

A check bounces when you don't have enough money to cover the check in your account. The bank will charge a fee for bounced checks. If you don't have overdraft protection, you could get charged more by the business or other bank.

- **What is the advantage of a credit card vs. a debit card?**

A credit card will send you a bill for your purchase at the end of the month. You need to write a check for the balance to the credit card company. A debit card automatically deducts the amount from your checking account. If there is not enough money, it won't go through.

- **What happens if your credit card is lost or stolen?**

You should report the stolen card immediately. You can be legally responsible for up to \$50.00. After that, you are not responsible if you reported the loss.

BANKING TERMS

<u>DEPOSIT:</u>	Money put into your bank account.
<u>BALANCE:</u>	The amount in your bank account.
<u>OVERDRAWN:</u>	If you write a check for more than you have in your account.
<u>FEE:</u>	A bank charge for using the ATM or writing a check or other charge the bank makes you pay.
<u>MINIMUM BALANCE:</u>	An amount the bank requires to keep an account open.
<u>CHECK:</u>	A form you fill out and sign, promising to pay that amount to the person on the check.
<u>ACCOUNT:</u>	Your personal holding place for your money at the bank. There are several types of accounts, the most common are savings and checking,
<u>SIGNATURE:</u>	Your signature is your promise to pay. A check is a legal document when you put your signature on it.
<u>REGISTER:</u>	The register is your logbook of the deposits and withdrawals in your account.
<u>ENDORSE:</u>	You need to endorse a check made payable to you. This allows the bank to check your ID to make sure you are the person the check is made out to.
<u>ENTRY:</u>	An entry is a deposit or withdrawal on an account.
<u>PAYEE:</u>	A payee is the person who the check is made out to.
<u>RECEIPT:</u>	Is a record of the bank transaction.

<u>BANK STATEMENT:</u>	Usually comes once a month. It tells you all the activity in your account for the last month.
<u>CANCELED CHECK:</u>	Once a check has gone through your hands, the payee's hands and then through the bank and debited your account, it is canceled.
<u>OUTSTANDING CHECKS:</u>	Checks that haven't been cancelled or cleared the bank.
<u>WITHDRAWAL:</u>	Taking money out of your account.
<u>STOP PAYMENT:</u>	Stopping the check before it gets to the bank.
<u>CHECK NUMBER:</u>	Every check has a number in the upper right hand corner. It is used to identify your checks and what they were written for in your register.
<u>CHECK ACCOUNT NUMBER:</u>	Your personal checks have: your account number on the bottom of the each check which tells the bank which bank and personal account it is linked to.
<u>TRANSFER:</u>	Moving money from one account to another.
<u>PASSBOOK:</u>	Your savings account logbook.
<u>INTEREST:</u>	Money the bank pays you for keeping your money and the money you pay a bank for borrowing money.
<u>INSTALLMENTS:</u>	Usually monthly payments on a loan.

BANKING AND CREDIT QUIZ

NAME:

DATE:

1. What are the three requirements to open a bank account?
 - a.
 - b.
 - c.

2. If your credit card is stolen you are responsible for all the charges on the card?
TRUE
FALSE

3. Explain the difference between a debit card and a credit card.

4. The payee is the bank teller that cashes your check.
TRUE
FALSE

5. To endorse a check, the payee signs the back of the check?
TRUE
FALSE

6. Outstanding checks are the checks you haven't written yet?
TRUE
FALSE

7. What is the difference between the check number and the checking account number?

8. Interest is money that is:
 - a. Paid to you by the bank...
 - b. Paid to the bank by you...
 - c. Both...

9. Paying payments on a loan is called installments?
TRUE
FALSE

10. What is meant by a bounced check?