Banking Domain Knowledge for Testers

What is Domain?
It is an area, IT industry point view it is project's business area, example: BFSI, ERP, ECommerce, Healthcare, Telecom and Retail Market etc…

Domain Knowledge
It is knowledge about a specific field of interest/subject. Considering a software Development case, domain knowledge is knowledge about the environment in which the target system operates.
Banking Domain:
A bank is a business; banks sell financial services such as Vehicle loans, home mortgage loans, business loans, checking accounts, credit card services, certificates of deposit, and individual retirement accounts etc…
Some people go to banks in search of a safe place to keep their money. Others are seeking to borrow money to buy a house or a car, start a business, expand a farm, pay for college, or do other things that require borrowing money.
Where do banks get the money to lend?
They get it from people who open accounts. Banks act as go-betweens for people who save and people who want to borrow. If savers didn't put their money in banks, the banks would have little or no money to lend.

Types of Banks:
a) Saving Banks
Saving banks are established to create saving habit among the people. These banks are helpful for salaried people and low income groups. The deposits collected from customers are invested in bonds, securities, etc. At present most of the commercial banks carry the functions of savings banks. Postal department also performs the functions of saving bank.
b) Commercial Banks
Commercial banks are established with an objective to help businessmen. These banks collect money from general public and give short-term loans to businessmen by way of cash credits, overdrafts, etc. Commercial banks provide various services like collecting cheques, bill of exchange, remittance money from one place to another place.
c) Industrial Banks
Industrial or Development banks collect cash by issuing shares & debentures and providing long-term loans to industries. The main objective of these banks is to provide long-term loans for expansion and modernization of industries.
d) Land Mortgage Banks
Land Mortgage or Land Development banks are also known as Agricultural Banks because these are formed to finance agricultural sector. They also help in land development.
e) Central / Federal / National Bank
Every country of the world has a central bank. In India, Reserve Bank of India, in U.S.A, Federal Reserve and in U.K, Bank of England. These central banks are the bankers of the other banks. They provide specialized functions i.e. issue of paper currency, working as bankers of government, supervising and controlling foreign exchange. A central bank is a non-profit making institution. It does not deal with the public but it deals with other banks. The principal responsibility of Central Bank is thorough control on currency of a country.
f) Co-operative Banks
Co-operative banks generally give credit facilities to small farmers, salaried employees, small-scale industries, etc. Co-operative Banks are available in rural as well as in urban areas. The functions of these banks are just similar to commercial banks.

g) Exchange Banks
These banks are mainly concerned with financing foreign trade.
Following are the various functions of Exchange Banks:-
1. Remitting money from one country to another country,
2. Discounting of foreign bills,
3. Buying and Selling Gold and Silver, and
4. Helping Import and Export Trade.
h) Consumers Banks

Consumers bank is a new addition to the existing type of banks. Such banks are usually found only in advanced countries like U.S.A. and Germany. The main objective of this bank is to give loans to consumers for purchase of the durables like Motor car, television set, washing machine, furniture, etc.
The consumers have to repay the loans in easy installments.

Types of Bank Accounts

Savings accounts:
They are for people who want to keep their money in a safe place and earn interest at the same time. We don't need a lot of money to open a savings account.

Certificates of deposit:
They are savings deposits that require you to keep a certain amount of money in the bank for a fixed period of time. Usually banks charge a penalty if we withdraw our money early.
Individual retirement accounts: They are savings deposits that offer an excellent way to save for our later years.

Checking accounts or Current accounts:
They offer safety and convenience. We keep our money in the account and write a check when we want to pay a bill or transfer some of our money to someone else. Banks sometimes charge a fee for checking accounts, many banks also offer no-fee checking and checking accounts that earn interest if you agree to keep a certain amount of money—a minimum balance—in the account.
Money market deposit accounts:
They are similar to checking accounts that earn interest, except that they usually pay a higher rate of interest and require a higher minimum balance.

Types of Loans

Personal Loans
Personal Bank Loans are the credits which a bank offers to its customer to meet his instant personal requirements ranging from home renovation to purchasing of new laptop, a getaway with family or for reimbursing the credit card liabilities, for buying a new car or for child's education, etc. Personal loan simplifies the cash flow of the customer besides handling its immediate needs.

Home Loans
Almost everyone will require a home loan if they are looking to buy a house of their own. In fact providing that we can afford it, getting a home loan is one of the best investment decisions that we can make.

Tax Benefits on Home Loans:
Any person who opts for home loan is entitled for tax benefits under Income Tax Act, 1961 on principal and the interest amount in the form of deductions from the chargeable earnings.
Bank Loans against Property:
Property Loan or Loan against property is a kind of loan which is allowed by the bank on the condition of keeping the customer's current assets as a security with them. These loans are very useful when other resources of financing get exhausted.

Business Loans:
Before starting a business, the entrepreneur should be mentally and financially prepared to encounter the fiscal setbacks during the process. To bail the companies out from the fiscal crunch, several banks in India offers business Loans both for meeting urgent official growth and expenses. Other details of Business Loans offered by Banks in India are:

Vehicle Loans:
Every individual want to own a car. Hence, the need for car loans emerges at some point or the other. While selecting a car loan it is always wise to scrutinize the various options accessible in the market besides analyzing its fiscal suitability.

Education Loans
Education Loans offered by various banks in India provide much required assistance to fund your child's education when all other resources of finance get exhausted. Education Loans are offered by almost every Indian bank thus providing ample opportunity to students to undergo higher education both in India and abroad.

Types of Deposits
a) Savings account –
These are the simplest of deposits. We deposit money into our account and we can withdraw it anytime. There would be a small limitation on the number of times we can withdraw money from our account.
b) Current account –
These are similar to Savings accounts with two small differences. One is, the money in a current account does not earn interest and two is, you can withdraw any number of times. This account is for business people who would have high number of transactions in one single day.
c) Fixed Deposit –
This is a deposit product where we deposit a certain sum of money with the bank for a specific duration of time. As per the deposit agreement we are expected to let the money be with the bank based on the deposit tenure. Hence the interest offered on such deposits is higher than normal deposits. Also we will attract a penalty charge for pre-closing such deposits
d) Recurring Deposits –
These are similar to fixed deposits with a difference being, you deposit a small amount of money every month into this account for a specified duration of time and the bank would compound the interest every month and pay you in lump at the end of the tenure.
Banking Domain Knowledge for Software Professionals

Banking Terms:
Account Holder:

Any person designated and authorized to transact business on behalf of an account. Each account holder’s signature needs to be on file with the bank. The signature authorizes that person to conduct business on behalf of the account.

Affidavit:
A sworn statement in writing before a proper official, such as a notary public.

Annual Percentage Rate (APR):
The cost of credit on a yearly basis, expressed as a percentage.

Application:
An oral or written request for an extension of credit that is made in accordance with the procedures established by a creditor for the type of credit requested.

Appraisal:
The act of evaluating and setting the value of a specific piece of personal or real property.

Automated Teller Machine (ATM):
A machine, activated by a magnetically encoded card or other medium, that can process a variety of banking transactions. These include accepting deposits and loan payments, providing withdrawals, and transferring funds between accounts.

Automatic Bill Payment:
A checkless system for paying recurring bills with one authorization statement to a financial institution. For example, the customer would only have to provide one authorization form/letter/document to pay the cable bill each month. The necessary debits and credits are made through an Automated Clearing House (ACH).

Available Balance:
The balance of an account less any hold, uncollected funds, and restrictions against the account.

Balance Transfer:
The process of moving an outstanding balance from one credit card to another. This is usually done to obtain a lower interest rate on the outstanding balance. Transfers are sometimes subjected to a Balance Transfer Fee.

Bank Statement:
Periodically the bank provides a statement of a customer’s deposit account. It shows all deposits made, all checks paid, and other debits posted during the period (usually one month), as well as the current balance.

Business Day:
Any day on which offices of a bank are open to the public for carrying on substantially all of the bank’s business.

Cashier’s Check:
A check drawn on the funds of the bank, not against the funds in a depositor’s account. However, the depositor paid for the cashier’s check with funds from their account. The primary benefit of a cashier’s check is that the recipient of the check is assured that the funds are available.

Certificate of Deposit:
A negotiable instrument issued by a bank in exchange for funds, usually bearing interest, deposited with the bank.

Check:
A written order instructing a financial institution to pay immediately on demand a specified amount of money from the check writer's account to the person named on the check or, if a specific person is not named, to whoever bears the check to the institution for payment.

Check Truncation:
The conversion of data on a check into an electronic image after a check enters the processing system. Check truncation eliminates the need to return canceled checks to customers.

Checking Account:
A demand deposit account subject to withdrawal of funds by check.

Co-Maker:
A person who signs a note to guarantee a loan made to another person and is jointly liable with the maker for repayment of the loan. (Also known as a Co-signer.)

Credit Life Insurance:
A type of life insurance that helps repay a loan if you should die before the loan is fully repaid. This is optional coverage.

Credit Limit:
The maximum amount of credit that is available on a credit card or other line of credit account.

Debit:
A debit may be an account entry representing money you owe a lender or money that has been taken from your deposit account.

Debit Card:
A debit card allows the account owner to access their funds electronically. Debit cards may be used to obtain cash from automated teller machines or purchase goods or services using point-of-sale systems. The use of a debit card involves immediate debiting and crediting of consumers' accounts.
Demand Deposit:
A deposit of funds that can be withdrawn without any advance notice.

Draft:
A signed, written order by which one party (the drawer) instructs another party (the drawee) to pay a specified sum to a third party (the payee), at sight or at a specific date. Typical bank drafts are negotiable instruments and are similar in many ways to checks.

Drawee:
The person (or bank) who is expected to pay a check or draft when it is presented for payment.

Drawee Bank:
The bank upon which a check is drawn.

Drawer:

The person who writes a check or draft instructing the drawee to pay someone else.

Electronic Banking:
A service that allows an account holder to obtain account information and manage certain banking transactions through a personal computer via the financial institution's Web site on the Internet. (This is also known as Internet or online banking.)

Electronic Funds Transfer (EFT):
The transfer of money between accounts by consumer electronic systems-such as automated teller machines (ATMs) and electronic payment of bills-rather than by check or cash. (Wire transfers, checks, drafts, and paper instruments do not fall into this category.)

First Mortgage:
A real estate loan which is in a first lien position, taking priority over all other liens. In case of a foreclosure, the first mortgage will be repaid before any other mortgages.

Fixed Rate Loan:
The interest rate and the payment remain the same over the life of the loan. The consumer makes equal monthly payments of principal and interest until the debt is paid in full.

Fixed Rate Mortgage:
A mortgage with payments that remain the same throughout the life of the loan because the interest rate and other terms are fixed and do not change.

Float:
The amount of uncollected funds represented by checks in the possession of one bank but drawn on other banks

Foreign Transaction Fees:
A fee assessed by your bank for making a transaction at another bank's ATM.

Forged Check:
A check on which the drawer's signature has been forged.

Forgery:
The fraudulent signing or alteration of another's name to an instrument such as a deed, mortgage, or check. The intent of the forgery is to deceive or defraud.

Guarantor:
A party who agrees to be responsible for the payment of another party's debts should that party default.

Home Equity Loan:
A home equity loan allows you to tap into your home's built-up equity, which is the difference between the amount that your home could be sold for and the amount that you still owe.

Inactive Account:
An account that has little or no activity; neither deposits nor withdrawals having been posted to the account for a significant period of time.
Individual Account:
An account in the name of one individual.

Insufficient Funds:
When a depositor's checking account balance is inadequate to pay a check presented for payment.

Interest:
The term interest is used to describe the cost of using money, a right, share, or title in property.

Joint Account:
An account owned by two or more persons. Either party can conduct transactions separately or together as set forth in the deposit account contract.

Lender:
An individual or financial institution that lends money with the expectation that the money will be returned with interest.

Line of Credit:
A pre-approved loan authorization with a specific borrowing limit based on creditworthiness. A line of credit allows borrowers to obtain a number of loans without re-applying each time as long as the total of borrowed funds does not exceed the credit limit.

Loan Fee:
A fee charged by a lender to make a loan (in addition to the interest charged to the borrower).

Local Check:
A check payable by, at, or through a bank in the same check processing region as the location of the branch of the depository bank. The depository bank is the bank into which the check was deposited.

Maturity:
The date on which the principal balance of a loan, bond, or other financial instrument becomes due and payable.
Minimum Balance:
The amount of money required to be on deposit in an account to qualify the depositor for special services or to waive a service charge.

Minimum Payment:
The minimum dollar amount that must be paid each month on a loan, line of credit, or other debt.

Missing Payment:
A payment that has been made but not credited to the appropriate account.

Mortgage:
A debt instrument used in a real estate transaction where the property is the collateral for the loan. A mortgage gives the lender a right to take possession of the property if the borrower fails to pay off the loan.

Mortgage Loan:
A loan made by a lender to a borrower for the financing of real property.

Mortgagee:
The lender in a mortgage loan relationship.

Mortgagor:
The borrower in a mortgage loan relationship. (Property is used as collateral to make payment.)

Mutual Fund:
A fund operated by an investment company that raises money from shareholders and invests it in stocks, bonds, options, commodities, or money market securities. These funds offer investors the advantages of diversification and professional management.

Official Check:
A check drawn on a bank and signed by an authorized bank official. (Also known as a cashier's check.)

Online Banking:
A service that allows an account holder to obtain account information and manage certain banking transactions through a personal computer via the financial institution's web site on the Internet. (This is also known as Internet or electronic banking.)

Outstanding Check:
A check written by a depositor that has not yet been presented for payment to or paid by the depositor's bank.

Overdraft:
When the amount of money withdrawn from a bank account is greater than the amount actually available in the account, the excess is known as an overdraft, and the account is said to be overdrawn.

Overdraw:
To write a check for an amount that exceeds the amount on deposit in the account.

Overlimit:
An open-end credit account in which the assigned dollar limit has been exceeded.

Passbook:
A book in ledger form in which are recorded all deposits, withdrawals, and earnings of a customer's savings account.

Payee:
The person or organization to whom a check, draft, or note is made payable.

Paying (Payor) Bank :
A bank upon which a check is drawn and that pays a check or other draft.

Payment Due Date:
The date on which a loan or installment payment is due. It is set by a financial institution. Any payment received after this date is considered late; fees and penalties can be assessed.

Payoff:

The complete repayment of a loan, including principal, interest, and any other amounts due. Payoff occurs either over the full term of the loan or through prepayments.

Personal Identification Number (PIN):
Generally a four-character number or word, the PIN is the secret code given to credit or debit cardholders enabling them to access their accounts. The code is either randomly assigned by the bank or selected by the customer. It is intended to prevent unauthorized use of the card while accessing a financial service terminal.

Prepayment:
The payment of a debt before it actually becomes due.

Refund:
An amount paid back because of an overpayment or because of the return of an item previously sold.

Renewal:
A form of extending an unpaid loan in which the borrower's remaining unpaid loan balance is carried over (renewed) into a new loan at the beginning of the next financing period.

Statement:
A summary of all transactions that occurred over the preceding month and could be associated with a deposit account or a credit card account.

Stop Payment:
An order not to pay a check that has been issued but not yet cashed. If requested soon enough, the check will not be debited from the payer's account. Most banks charge a fee for this service.

Terms:
The period of time and the interest rate arranged between creditor and debtor to repay a loan.

Time Certificate of Deposit:
A time deposit evidenced by a negotiable or nonnegotiable instrument specifying an amount and maturity.

Uncollected Funds:
A portion of a deposit balance that has not yet been collected by the depository bank.

Wire Transfer:
A transfer of funds from one point to another by wire or network such the Federal Reserve Wire Network (also known as FedWire).