

WORKSHOP 4

Banking Terms

There are numerous and often very complicated terms used in banking. We will focus on just a few key terms that can be helpful when choosing a bank and setting up a bank account.

The definitions of these terms, and other financial terms you will come across, can be found in the **Glossary of Financial Terms** at the end of this Guide.

APR (Annual Percentage Rate)

Check Hold

Debit Card

Delinquency

Federal Deposit Insurance Corporation (FDIC)

Service Charge

Finance Charge

Interest

Interest Rate

Overdraft

Financial Institutions

There are many different types of financial institutions that offer various cash management services. The two major types of financial institutions are banks (deposit-type financial institutions) and nonbanks (non-deposit-type financial institutions). In this Guide, we will focus on deposit-type financial institutions, although you may be interested in exploring non-deposit type financial institutions as an option for your banking.

Deposit-type financial institutions mainly fall under four classifications: 1) commercial banks, 2) savings and loan associations, 3) credit unions, and 4) Internet banks.

1. **Commercial banks** generally compete by offering the widest variety of services. However, they usually do not offer the highest interest rates on deposits or the lowest interest rates on loans.
2. **Savings and loan associations** have slightly different ownership arrangements than banks, but they are similar to commercial banks. Savings and loan associations may offer