Banking Glossary

Annual Percentage Rate- the rate of interest being charged for a loan over a year's time

Appreciate- to grow in value. Usually a term used in relation to investments: stocks, collectibles, etc., which are now worth more than you paid for them.

Asset- any item of value that you own: house, land, gems, stocks, bonds, money in savings, etc.

ATM (automated teller machine)- machine that accepts deposits and withdrawals, as long as there is money in the account associated with the card

Balance- 1) In talking about loans, the balance is the difference between the amount owed and the amount paid. If you pay ¢45 on a ¢100 debt, your balance is ¢55. 2) In talking about checkbooks, balancing means to account for all the money that came in and went out of your account, so that at the end of the month you and your bank statement agree. 3) In talking about savings, your balance is what is left in your account after you deposit or withdrawal money.

Bank- a business that keeps money for customers, makes loans and provides other money-related services

Budget- a plan you create to control spending and saving

Certificate of Deposit (CD)- a type of investment that requires you to invest your money for a certain length of time and guarantees the same rate of return (interest) for the entire time. CDs usually require a minimum deposit and they pay an interest rate slightly higher than a savings account. If you withdrawal your money early, you pay a penalty.

Check- a method of payment in which money is drawn from an account

Checking account- a bank account that account holders can write checks or use debit cards against the balance to pay merchants

Collateral- a condition of some loans. A banker may require you to back up a loan with something of value. If you are purchasing a car, the car itself is collateral.

Compound Interest- interest that is calculated not only on the money you originally invested, but also on any interest the investment has already earned

Credit- money loaned that allows people to buy something now and pay for it in the future, usually for a fee

Credit Card- a plastic card used to make purchases up to the credit limit, interest on the balance will be calculated from an annual percentage rate (APR). Credit card loans are not free money, but an unsecured loan.

Credit History- a record of your borrowing and paying habits

Credit limit- the highest amount you may charge on a credit card. Your limit is set by your card company's opinion of your ability to handle debt.

Credit rating- credit agencies are companies that keep track of how you pay your debts or bills (credit history). Do you pay on time? Do you make the required payments? When you want to borrow money from a bank or apply for a credit card, the bank or the credit card company will ask a credit agency to rate you. Lenders want to know if you are a reliable bill payer before they approve your loan or credit card.

Debit Card- a plastic card that works just like a check, only the processing time is usually faster. Money spent is automatically taken out of the linked account, usually a checking account. If the account does not have enough funds for the transaction, the purchase can be denied or accepted with an understanding that there will be overdraft fees.

Debt- money owed to others

Deposit- to put money into a bank or investment account

Down payment- a deposit you make on a large purchase. The down payment reduces the amount you need to borrow.

Expenses- things you pay money for – both needs and wants

Finance charge- the fee you pay when you do not pay off the entire credit card debt or loan balance within a single payment period, usually about 25-28 days.

Fixed- not changing. Fixed interest rates never change during the time of the investment or loan.

FDIC-Insured- established as part of the Banking Act of 1933, the Federal Deposit Insurance Corporation (FDIC) protects bank customers from possible losses by insuring various kinds of savings account up to $250,000 per account.

Grace period- the time usually about 25-28 days, which you have to pay a bill or a loan payment before it comes overdue. If you pay within the grace period, you do not have to pay a finance charge.

Income- money a person earns or receives

Insufficient funds- a phrase that means you did not have enough money to cover an expense. The amount of the check was larger than the balance in the checking account.

Interest- the money a bank pays depositors for using their money, or the money a person pays when borrowing money

Interest rate- the price paid for the use of someone else's money expressed as an annual percentage rate such as 6.5%

Invest- to put your money into CDs, money market accounts, mutual funds, savings accounts, bonds or stocks that you hope will grow in value and earn you more money

Joint account – an account with more than one name on it

Loan- money or an object that is lent, usually with the understanding that the loan will be paid back, usually with interest.

Minimum payment- the smallest amount you are required to pay a lender each month on a debt

Money market account- a savings account that typically requires a minimum deposit and that you maintain the minimum balance. The account invests in certificates of deposit and treasury bills and pays a rate of interest that rises and falls with the economy.

Mortgage- a loan from a bank or other financial institution to buy a house or other piece of real estate

Need- something you must have in order to live

Overdrawn- Having written checks for more money than is in the checking account. See also insufficient funds.

Principal- the original amount of money owed or invested

Real Estate- property in the form of land or buildings

Return- the amount of money a saver receives from a savings account or fund. The return is usually talked about as a percentage, such as "This account returns 7.37%."

Saving- keeping your money for a future goal instead of using it to buy products or services

Savings account- a bank account that pays you interest for keeping your savings in it. Banks use your money to make loans, so they pay you interest for the use of your money.

Secured loan- a loan that is backed up with collateral, such as a home or a car

Share- a unit of ownership in an investment or company

Stock- a certificate representing a share of ownership in a company

Traveler's Checks- checks for fixed amounts guaranteed by a bank or financial institution that are often used instead of cash when traveling

Unauthorized purchases- those purchases made by someone other than you, but with your debit or credit card, or stolen checks.

Unearned income- money you make that is not the result of your labor, such as interest from a savings account or other kind of investment

Unsecured loan- a loan not backed by collateral. A credit card is an unsecured loan.

U.S. Savings Bond- a kind of investment in which you lend money to the government for a certain amount of time and at a certain interest rate. You are paid interest according to the terms of your bond. At the end of the agreed-on time, the borrower (the government) returns to you the amount you originally lent.

Want- something you would like to have, but do not need in order to live

Withdraw- take money out of an account

Withdrawal- the act of taking money out of an account

CHEMICAL BANK®
Member FDIC