



12c Quiz Review

Vocab Terms

- **Depositor**: A person who puts their money into a bank or other financial institution.
 - **Deposit**: The act of putting money into a financial institution or a bank. For example: “Carl made a deposit into his savings account” means Carl put money into his savings account.
 - **Loan**: The act of borrowing money
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- **Intermediaries**- people who acts as a link between people.
 - An intermediary is basically a person or thing that connects two things
 - Private financial institutions are **intermediaries** between *savers* (people who deposit money into the bank) and *borrowers* (people who borrow money from the bank).
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Banks and Interest

- Interest: a payment made for the privilege of using someone else's money.
 - Banks offer interest as an *incentive* to depositors to save their money with that bank.
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Banks and Interest

- Banks pay interest to depositors in exchange for the ability to loan their money
 - The people that borrow the money pay interest to the bank for the use of the loaned money.
 - Interest is usually represented by a percentage of the amount loaned or deposited.
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Remember!

- Banks take money from savers and loan it to borrowers
 - They receive deposits and make loans
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- Banks are businesses and they want to make a profit.
 - They compete with other banks by offering higher interest rates on their savings accounts!
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Types of Private Financial Institutions

- Commercial Banks
 - Mutual Savings Banks
 - Savings and Loans
 - Credit Unions
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Commercial Banks

- Most common type of bank
 - Offer a wide range of services
 - Savings and checking accounts
 - Make loans
 - Investment services
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Mutual Savings Banks

- Owned by their depositors
 - Offer a few services
 - Savings and checking accounts
 - Make Loans
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Savings and Loans

- Companies Set up to accept savings deposits and make loans for buying land and homes.
 - Services Offered:
 - Checking accounts (like banks)
 - Make Loans
 - Accept savings deposits
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Credit Unions

- Offer a wide variety of services but **ONLY for their members.**
 - These members often work for one large business or unit of government
 - Accept savings, deposits, and lend money.
 - Also offer checking accounts
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