

Introduction to Depository Institutions

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What is a Depository Institution?

Depository institution – businesses that provide financial services

What is the name of one depository institution in your community?



Meet Josie

Senior in high school

Has been accepted to a university 3 hours from home

Making important decisions about her future, especially regarding money

Looking for a safe place to store her money and pay her bills while at college



Help Josie manage her money by choosing a depository institution

Found two depository institutions in her hometown that also have branches near her college



She has summarized their information on the “Josie’s Depository Institution Comparison Chart”

Your mission:

Learn more about Josie and depository institutions to help her make the best choice



Types of Depository Institutions

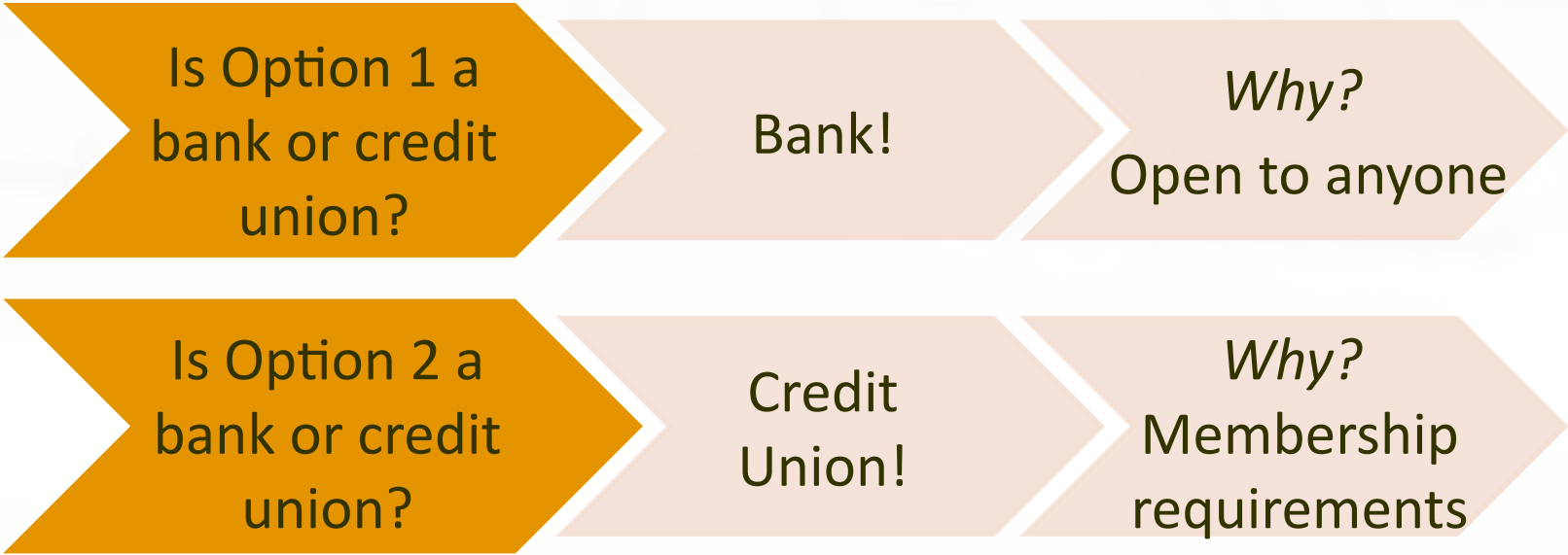
Two types of depository institutions are:

Commercial Bank	Credit Union
For-profit	Not-for-profit – owned by members
Open to anyone who wants to utilize a depository institution	Have membership qualifications – members must share a “common bond”
Offer numerous financial services	Offer many services but usually not as many as a bank
Usually the largest depository institutions	Are often able to pay higher interest rates and charge lower fees

Each type is unique – choose what is best for you



Josie - What type of depository institutions has she chosen?



Location

Can be an important factor when choosing a depository institution

Physical location or only online?

Multiple locations or just one?

Locations all across the U.S. or only in your state or city/town?

Do you have transportation to get to a location?

Does the depository institution identified in your community have more than one location or branch?



Josie



How did location influence Josie's selection of her top two depository institutions?

She selected locations in her hometown and near her college

Depository institutions keep your money safe

- Offer a safe and secure place to store your money
 - Security (safes, secure networks, etc.)
 - Insurance

How can insurance play a role in choosing a depository institution?

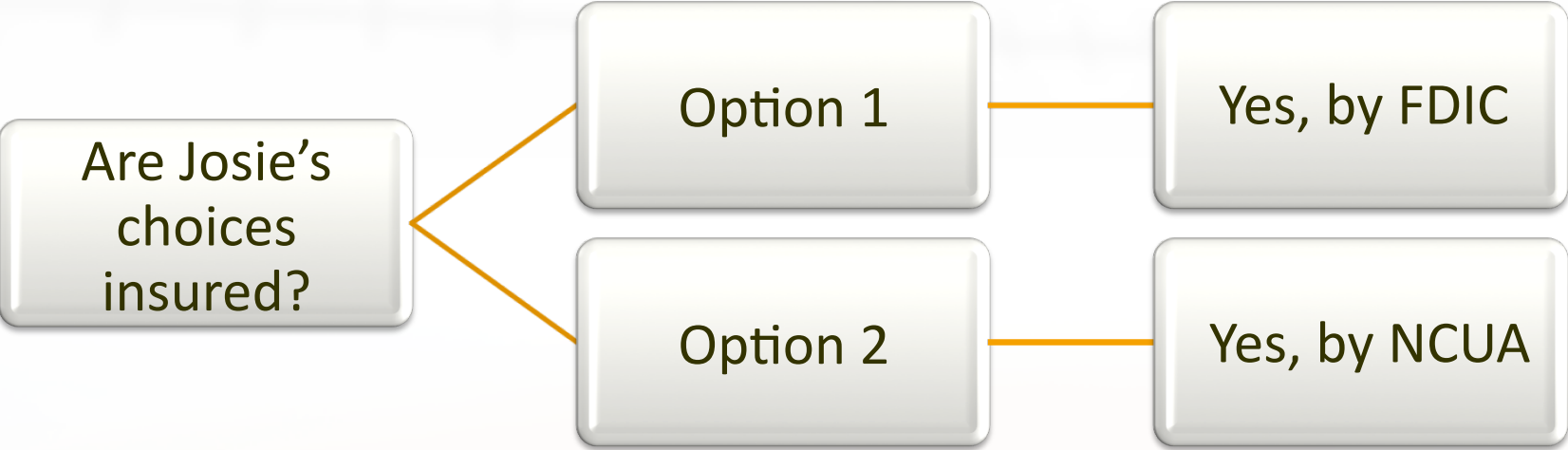


Federal Deposit Insurance Corporation (FDIC)	National Credit Union Administration (NCUA)
Insures banks and other types of institutions other than credit unions	Insures credit unions
\$250,000 per depositor, per insured institution, for each account ownership type	Same as FDIC



Josie





While watching the news today, Josie saw that a local depository institution is closing. Now that she understands the importance of depository institution insurance, she wants to ensure her choices are insured.



Businesses offer services to the public



What services do these businesses offer?

-  Grocery store
-  Gas station
-  Restaurant
-  Clothing store



What services does the depository institution identified in your community offer?



Depository institutions offer the ability to earn interest

Interest - the price paid for using someone else's money

You can earn interest or be charged interest

The amount of interest earned or charged is determined by the **interest rate** (percentage rate used to calculate interest, usually an annual rate)

Interest rate

\$100 deposited in an account earning 2% interest

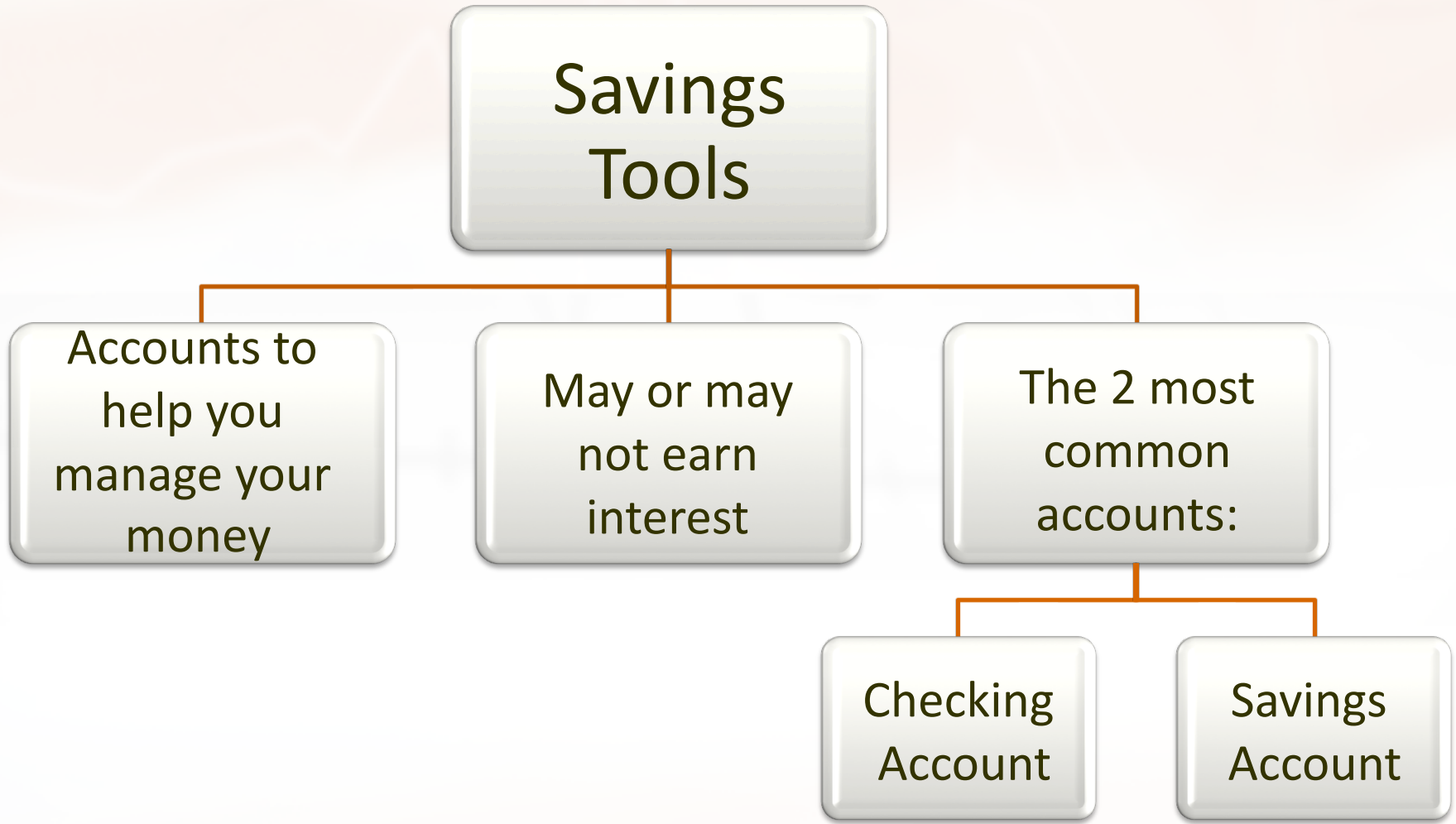
$$\boxed{\$100} \times \boxed{.02} = \boxed{\$2}$$




Look for high interest rates when earning interest



Look for low interest rates when paying interest



Checking Account	Savings Account
Provides an easy method for transferring money	Designed to hold money not spent on current consumption
Use deposited money anytime by: <ul style="list-style-type: none"> • Writing checks • Using a debit card • Withdrawing cash • Electronically transferring money 	Access to money is more limited than a checking account <div data-bbox="1224 873 1934 1084" style="border: 1px solid green; padding: 10px; margin-top: 20px;">  <p>Should you look for a low or high interest rate on a savings account?</p> </div>
Some earn interest but most do not	Earn interest



Josie

- Josie is looking for a checking account that is linked to a savings account
- This will allow her to transfer money from her checking account to her savings account when needed

Why would this feature be beneficial?



Does option 1 have this ability?



Yes - linked savings account

Does option 2 have this ability?



Yes – linked savings account

Credit

What is it?

- Borrowing money

What can you do?

- Loans
- Credit cards

Other Information

- You will pay back the money borrowed plus interest

Other Services

Financial advice

Information, advice, and assistance with a wide range of financial topics

Safe-deposit box

Store valuable personal items

Special needs payment instruments

Secure types of payments such as traveler's checks, certified checks, cashier's checks, and money orders

Using depository institution services

Call, visit,
email or
search the
website

- Determine what steps are needed to use the service

Do you
have an
account?

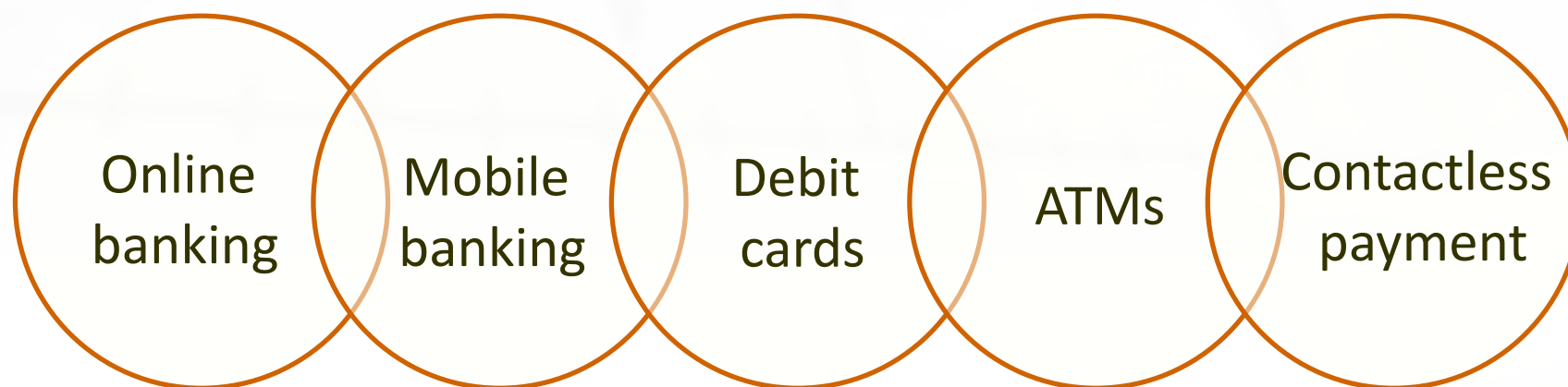
- Having an account may be a requirement to use certain services

Under 18?

- Most require a parent/guardian signature to open an account

Features of Depository Institutions

Services offered by depository institutions
may offer many different features



Online Banking

What is it?

Complete certain transactions from a secured Internet site

Use a username and password

What can you do?

Access account information

Transfer money

Pay bills/set up recurring bill payment

Apply for credit

Mobile Banking

What is it?

Applications that allow online banking access via smartphones, tablets, and other mobile devices

What can you do?

Usually offers the same services as online banking

Debit Cards

What is it?

A plastic card that is electronically connected to the cardholder's depository institution account

What can you do?

Function in the same manner as checks but faster and more portable

Other Information

Use a Personal Identification Number (PIN) or signature to authorize transactions

Automated Teller Machines (ATMs)

What is it?

A machine that allows customers to complete certain transactions without human assistance

What can you do?

- Withdraw and deposit money
- Transfer money
- Check account balance

Other information

Accessed via an ATM card (usually the debit card) and PIN

Contactless Payment

What is it?

Transactions completed with no physical connection between the payment device and the Point of Sale (POS) device or store clerk

What can you do?

“Wave” a card in front of a sensor for fast and easy transactions

Other information

Not all merchants have this technology

Which feature would you find the most appealing?
Cast your vote! 

- Online banking
- Mobile banking
- Debit cards
- ATMs
- Contactless payment

Fees

- Different types of fees may be charged
- Fees will vary between institutions and within different services at the same institution
- One of the most important factors to consider when choosing a depository institution

Overdraft fee

Charged if you withdraw more money from your account than is available

ATM fee

Charge for using an ATM that belongs to another depository institution

Minimum balance fee

Some accounts have a minimum account balance; fee charged if you go below that balance

How do you manage fees?

Research

- Research fees when choosing a depository institution
- When opening an account, ask for a list of fees

Manage responsibly

- Most are avoidable
- Manage your account responsibly

How do you choose one depository institution over another?

Choose one that meets your goals!

Analyze the following factors:

Fees
charged

Type of
depository
institution

Location

Insurance

Services
offered

Interest rates
offered

Features
offered



Which checking account should Josie choose?

Learn more about Josie to help her choose depository institution 1 or 2



What did you learn about Josie?

Will be traveling often to neighboring states

Owens a smartphone

Has over drafted her account in the past

Has several bills to pay every month

Make sure she can avoid all fees with proper account management

Would prefer no minimum balance requirements

Would like to earn interest on her deposits

Would like a quick way to check her account balances

Which checking account would you recommend Josie choose - option 1 or 2? Why?

Summary

Depository institutions offer many benefits:

A safe place to
store money

A way to
manage cash

The opportunity to
earn interest

Services/features offered and fees charged vary between and
within every depository institution

Research different depository institutions and choose one that
will help you reach your goals