CHAPTER 12

Banking Procedures and Services

VOCABULARY CHECK

1. Financial institutions that accept deposits and provide traditional checking and savings accounts are called 
   depository institutions.

2. Allstate Insurance is an example of a nondepository institution.

3. Natasha went to the automatic teller machine to get $40 in cash for the girls’ afternoon of movie and lunch.

4. Tom opened a checking account so that he wouldn’t have to carry as much cash, and he had his favorite football team emblem put on his checks.

5. Vera always writes in her check register the amount she withdraws from the ATM.

6. Taundra wanted to earn interest on her checking account so she opened a negotiable order of withdrawal (NOW) account.

7. Matt used his debit card to purchase gas for the trip but forgot to note it in his check register.

8. Jonas’s parents keep a copy of their will in a safety deposit box at the bank.

9. The used car dealer required Holly to pay by cashier’s check if she wanted to take the car immediately without waiting for her personal check to clear the bank.

10. Jeff used a money order from the U.S. Post Office to pay for the Xbox he purchased on eBay.

11. Band members were told to carry travelers checks for their European trip.

12. Sasha set up her car payments on bank draft to be paid automatically. This is an example of electronic funds transfer.

13. The Federal Deposit Insurance Corporation (FDIC) insures depositors’ money in banks while the National Credit Union Share Insurance Fund (NCUSIF) insures depositors’ money in credit unions.

14. Jordan belonged to a credit union, which offered a higher interest rate for his savings account than other local banks.

15. The formal name for the central bank of the United States is the Federal Reserve System.
16. **Price level stability** is one of the main goals of Fed policy.

17. When the overall level of prices is increasing it is known as **inflation**.

18. The primary tool to fight inflation and promote a healthy economy is **monetary policy**.

19. A dollar bill and quarters are examples of **fiat money**.

20. Occasionally the Fed will change the interest rate it charges to banks when it loans them money. This interest rate is known as the **discount rate**.

21. It’s not a good idea to keep your **personal identification number (PIN)** in your wallet.
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CHECK YOUR KNOWLEDGE

Multiple Choice Questions Circle the correct answer for each of the following.

1. Depository institutions include all of the following except __________.
   a. banks
   b. credit unions
   c. life insurance companies
   d. savings banks

2. A __________ is a written order instructing your bank to pay money from your account to another party.
   a. check
   b. ATM
   c. debit card
   d. cash withdrawal

3. The U.S. Postal Service issues __________ that function similar to cashier’s checks.
   a. checks
   b. money orders
   c. travelers checks
   d. CDs

4. Nondepository institutions include __________.
   a. banks
   b. life insurance companies
   c. credit unions
   d. savings banks

5. Banks provide a number of services including all of the following except __________.
   a. payday lending
   b. safety deposit boxes
   c. checking accounts
   d. cashier’s checks

6. Banks have insurance on deposits through the __________.
   a. National Credit Union Share Insurance Fund
   b. Federal Deposit Insurance Corporation
   c. State Depositor Reconciliation Fund
   d. Securities Insurance Fund

7. The central bank of the United States is called the __________.
   a. National U.S. Bank
   b. Federal Reserve
   c. Central Banking Authority
   d. Monetary Bank of the United States

Name: __________________________
Date: __________________________
8. Money that has value because the government says it does is __________.
   a. gold
   b. silver
   c. state
   d. fiat money

9. The Federal Reserve uses __________ to fight inflation and promote economic growth.
   a. monetary policy
   b. fiscal policy
   c. legislation
   d. legal action

10. In order to reduce interest rates the Fed will __________ the money supply.
    a. increase
    b. decrease
    c. stabilize
    d. maintain