
	<h1 style="margin: 0;">DEPOSITORY INSTITUTIONS</h1> <h2 style="margin: 0;">GRADE LEVEL 10-12</h2> <p style="margin: 0;"><i>“TAKE CHARGE OF YOUR FINANCES”</i></p>	
---	---	---

Original Source: Shelly Stanton, Business Teacher, Billings West High School, Billings, MT  
Time to complete: 90 minutes

### NATIONAL CONTENT STANDARDS

Family and Consumer Science Standards: 2.1.2, 2.3.1, 2.4.1, 2.5.4, 2.6.1, 3.3.1, 3.3.4, 3.5.3  
National Council on Economic Education Teaching Standards: 10, 11  
National Standards for Business Education

- Career Development:
- Economics: III.2, VII.1
- Personal Finance: VI.1

### OBJECTIVES

Upon completion of this lesson, students will be able to:

- Describe the different types of depository institutions.
- Identify the benefits of depository institutions.
- Compare and contrast services offered by depository institutions.
- Understand interest rates associated with depository institution services.

### INTRODUCTION

Consumers have the option to use a depository institution to manage their finances. However, approximately 10 million households in America choose to not use depository institutions.<sup>1</sup> Consumers have indicated that primary reasons for making this choice include banking fees being too high, minimum balances required are too high, and they want to keep their financial information private. If consumers decide to use a depository institution, they will benefit the most by conducting research first.<sup>1</sup>

An important element in money management is choosing the correct depository institution to meet an individual's needs. **Depository institutions** are businesses which offer multiple services in banking and finance. These institutions include commercial banks, savings and loans, and credit unions. The services customers receive may include savings and checking accounts, loans, investments, and financial counseling. Depository institutions are regulated by state and federal agencies.

The **Federal Reserve Bank** is a part of the central banking system in the United States. A goal of each Federal Reserve Bank is to control the amount of money and credit available to the public. The Federal Reserve Banks occupy twelve regional locations in major cities throughout the United States. They provide essential services to depository institutions including collecting checks, electronically transferring funds, and distributing and receiving cash and coin. Additionally, the Federal Reserve Banks act as banks to the federal government by providing depository services to the United States Department of Treasury.<sup>2</sup>

There are many different depository institutions available to consumers. Each offers a variety of services to best meet an individual's needs.

**Commercial banks** are often called full service institutions because they offer a wide variety of services, including checking and savings accounts, loans, credit cards, investments, and financial counseling. They operate under state and federal laws and usually are the largest depository institutions. Depository institutions are open to all individuals within a community.

**Credit unions** are non-profit cooperative institutions that often charge lower fees and loan rates than other depository institutions. They are owned by their members. Government regulatory agencies require credit union members to possess a common bond such as people who live, work, or attend school in a well defined geographical area. Many credit unions offer financial counseling, credit cards, and mortgages. They often provide a higher interest rate on savings and checking accounts than commercial banks. Credit union accounts offer unique services such as share drafts (checking accounts), and share certificate accounts (saving accounts).

**Savings and loan associations (S&Ls)** focus on providing loans and mortgages to customers as well as offering both savings accounts and checking accounts. Compared to commercial banks, the interest rates are often higher.

A feature of depository institutions that consumers should be aware of is insurance. If the institution is insured, it will be posted in view for the customer to see. Depository institutions should be insured to protect consumers against loss. The **risk of loss** is a term that is used to determine which party should be responsible for damage, or loss of products after a service transaction has been completed but prior to delivery. Depository institutions are insured by one of the following:

- **Federal Deposit Insurance Corporation (FDIC)** is a federal government agency which insures federally chartered commercial banks and savings and loan associations against loss. Each depositor is insured up to at least \$250,000 for money deposited in a regular account and up to \$250,000 for qualified retirement deposits. Under the Federal Deposit Insurance Act of 2005, the former commercial bank insurance and savings and loan association insurance programs were merged under one program called the Deposit Insurance Fund.<sup>3</sup>
- **National Credit Union Administration (NCUA)** provides insurance protection for credit unions. Each depositor is insured up to at least \$250,000 on regular deposit accounts and up to \$250,00 for retirement savings plans that qualify.<sup>4</sup>

For the consumer, depository institutions differ from one another about services offered and their interest rates. **Interest** is the amount of money that is either gained or lost when accessing services offered by a depository institution. There are two types of interest. **Interest bearing accounts** either charge the consumer interest for money borrowed or earn interest for the consumer in a savings account or other investment instrument. The **interest rate** is the percentage used annually to calculate the total interest either gained or lost from an account supplied by a depository institution.

Choosing one depository institution for all financial needs may have certain advantages, including lower interest rates for consumers who prove their loyalty by having multiple accounts with one depository institution. A variety of services are offered from an institution to consumers, making this a relatively easy task to accomplish.

#### **Common services offered by depository institutions:**

- **Checking Account (also known as a share draft account at a credit union)**—Paper checks or debit cards that are used to withdraw money deposited into the account to pay for purchases of goods and services. They may be interest or non-interest bearing.

- **Savings Account (also known as a share account at a credit union)**—An account in which money normally is deposited to earn interest. They are interest earning.

**Interest bearing accounts in which the consumer earns interest offered by depository institutions:**

- **Stock**—Ownership, represented by shares in a corporation.
- **Certificate of Deposit (also known as a share certificate account at a credit union)**—An insured interest earning savings instrument with restricted access to the funds.
- **Money Market Account**—An account which offers higher interest rates than a savings account and may offer limited check writing privileges.
- **Bond**—A debt instrument issued by an organization, such as a business or the government, designed as an investment for the purchaser to earn interest.

**Interest bearing accounts in which the consumer is charged interest offered by depository institutions:**

- **Credit Card**—A card used to make a purchase now, with repayment made later without interest (if the balance is paid before the grace period ends) or requiring the payment of interest (if the balance is paid after the grace period ends).
- **Loan**—Money borrowed and paid back with interest. Loans can be a mortgage for a person to buy property, such as a home, or personal for items such as a vehicle or school.

**Additional services which may be offered by depository institutions:**

- **Safe-Deposit Box**—A secured box in a depository institution to be used for valuable and important personal items.
- **Financial Counseling**—Information and advice is given to customers to help them make financial decisions.

When choosing a depository institution, consumers should keep in mind their personal needs and what an institution can do to meet them. They should visit several depository institutions to compare services and fees, and to select the best institution for their money management styles and goals.

In this lesson, participants will have the opportunity to learn what others feel are important aspects of their depository institution choice. Participants will learn what services are offered by depository institutions when conducting a web quest or a field trip to complete a chart which will help to compare services.

**BODY**

1. The following instructions are for the “Catch Me If You Can” DVD movie.
  - a. Select chapter 9 of the DVD.
    - i. Within chapter 9 cue up the scene that begins at 42:50.
    - ii. Have the participants watch this scene which will end at 44:20.
  - b. After the scene, discuss the following with participants:
    - i. Was there anything new they learned from the movie clip? If yes, what?
    - ii. What components of the video clip, related to banking, are different now than they were before?
      1. As a result of Check 21 legislation in 2004 and the electronic processing of checks, the “float time” that a check takes to be processed has been almost eliminated.
        - a. Float time is the time between when a check is written and when the money is deducted from an individual’s account.

2. At some businesses, a check will be scanned and money immediately withdrawn from the account like a debit card. The business may even directly hand the check back to the customer with “void” written across the check.
- iii. What components of the video clip are still the same today?
  1. The Federal Reserve Banks continue to operate throughout the United States and still need to clear the checks prior to the banks receiving them.
- iv. Reinforce that the “float time” the main character relied upon to write out so many fraudulent checks would not be as reliable today.
2. Pass out one *Depository Institutions* note taking guide 1.7.3.L1 to each participant and instruct them to complete it during the PowerPoint presentation.
3. Present the *Depository Institutions* PowerPoint presentation 1.7.3.G1.
  - a. Slide 1: Introduction
  - b. Slide 2: Depository Institutions
  - c. Slide 3: Depository Institutions
    - i. Instruct participants to brainstorm in small groups why consumers may choose to not use a depository institution.
      1. Add ideas from the PowerPoint presentation to their answers.
  - d. Slide 4: Federal Reserve Bank
  - e. Slide 5: Federal Reserve Bank
    - i. Discuss with participants which Federal Reserve Bank is located in their region.
  - f. Slide 6: Life of a Deposited Check
  - g. Slide 7: Depository Institutions
  - h. Slide 8: Commercial Bank
    - i. Discuss with participants that commercial banks are available to a variety of consumers.
    - ii. Have participants brainstorm an example of a commercial bank in their community.
  - i. Slide 9: Credit Union
    - i. Ask participants to discuss examples of a common bond with credit union members.
      1. Answers may include:
        - a. Employment
        - b. Location
        - c. Union
      - ii. Have participants brainstorm an example of a credit union in their community.
  - j. Slide 10: Saving and Loan Association (S&Ls)
    - i. Have participants brainstorm an example of a savings and loan association in their community. Note, not all communities have S&Ls.
  - k. Slide 11: Types of Insurance
  - l. Slide 12: Insurance Protection
    - i. Reinforce with participants why they should ensure they use an insured bank.
  - m. Slide 13: Interest
    - i. Ask participants to give an example of when interest is charged to a consumer.
      1. Answers could include:
        - a. Credit Cards
        - b. Home Loans
        - c. Auto Loans
      - ii. Ask participants to give an example of when interest is earned by a consumer
        1. Answers could include:
          - a. Savings Account
          - b. Checking Accounts
          - c. Certificate of Deposit

- iii. Discuss with participants if they have an interest bearing account that earns the consumer interest, do they want high or low interest. High should be the response.
  - iv. Discuss with participants if they have an interest bearing account that charges the consumer interest, do they want high or low interest. Low should be the response.
- n. Slides 14-15: Depository Institution Services
  - o. Slide 16: Interest Bearing Accounts
    - i. Reinforce that bonds typically offer the lowest interest rates; therefore, people earn less money. Stocks typically earn the highest rates, earning the consumer more money; however, the risk of losing money is higher with a stock.
  - p. Slide 17: Interest Bearing Accounts
    - i. Higher interest rates mean consumers pay more and therefore the goal is to receive a loan with a very low rate.
  - q. Slide 18: Additional Services Which May Be Offered
  - r. Slide 19-20: Conclusion & Review

## CONCLUSION

Break the participants into groups of 2-3. Evenly distribute commercial banks, credit unions, and savings and loan associations among the groups. Have each group select a different depository institution within their category to research. They may use the local institutions brainstormed during the lesson. Participants will use the internet, take a field trip, listen to a guest speaker, or make phone calls to complete the *Depository Institutions Services* worksheet 1.7.3.A2 learning what services are available at the different institutions. Because interest rates vary within services depending upon a person's credit score and other variables, instruct the participants to use the average amount for a typical consumer.

Once the research has been completed, each group will present their findings. The instructor will either document the findings as each group reports, or the groups will be responsible for documenting their findings on the *Depository Institutions Services* worksheet 1.7.3.A2. When all findings have been reported the worksheet will have every group's information, allowing the students to compare and contrast typical services offered by different depository institutions in their community. Students should complete their individual charts with information from the other groups to complete the assessment assignment.

As a class, discuss the findings. Discussion questions could include:

- What institution offered the widest variety of services? What advantages and disadvantages might this have?
- What institutions had the lowest rates on interest bearing accounts?
- Which institutions had the highest interest rates on interest bearing accounts?
- Identify that not all consumers receive the same interest rates depending upon their credit score.
- If they were to comparison shop for a financial institution for themselves, what would be the most important services to consider?

## ASSESSMENT

Each participant will receive *Depository Institutions Scenarios* 1.7.3.A3. Using the information gathered from the *Depository Institutions Services* 1.7.3.A2 activity, participants must brainstorm what the most important services for the scenario would be, which institution they would choose, and why.

Participants may also complete *Depository Institutions* worksheet 1.7.3.A1

## MATERIALS

Depository Institutions worksheet – 1.7.3.A1

Depository Institutions Services worksheet – 1.7.3.A2  
Depository Institutions Scenarios worksheet – 1.7.3.A3  
Depository Institutions information sheet – 1.7.3.F1  
Depository Institutions PowerPoint presentation – 1.7.3.G1  
Depository Institutions Note taking Guide – 1.7.3.L1  
Computer with internet access  
Catch Me If You Can DVD

## RESOURCES

1. The Federal Reserve Bank of Chicago – Reaching Out to the Unbanked  
[http://www.chicagofed.org/cedric/files/cfmacd\\_caskey.pdf](http://www.chicagofed.org/cedric/files/cfmacd_caskey.pdf)
  - One of the 12 regional banks across the United States serving as the central bank for the United States.
2. The Federal Reserve – Education  
<http://www.federalreserveeducation.org/fed101/services/>
  - You may find instructional materials to increase your knowledge of the Federal Reserve, economics, and financial education.
3. Federal Deposit Insurance Corporation  
[http://en.wikipedia.org/wiki/Federal\\_Deposit\\_Insurance\\_Corporation](http://en.wikipedia.org/wiki/Federal_Deposit_Insurance_Corporation)
  - Wikipedia – The free encyclopedia
4. National Credit Union Administration  
<http://www.ncua.gov/ShareInsurance/Index.htm>
  - The National Credit Union Administration (NCUA) is the federal agency that charters and supervises federal credit unions.

# DEPOSITORY INSTITUTIONS

	Total Points Earned
45	Total Points Possible
	Percentage

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

**DEPOSITORY INSTITUTION—business which offers multiple services in banking and finance**



Reasons why individuals use a depository institution:



Reasons why individuals may not use a depository institution:

**FEDERAL RESERVE BANK -**

Services include:

Which Federal Reserve Bank is located in your region?

**TYPES OF DEPOSITORY INSTITUTIONS and their definitions are?**



Commercial Banks -


Credit Unions -

Savings and Loan Associations -

Customers who can bank at these institutions:

An example in my community is:


FDIC means?	Depository institution insured:	Depositors are insured for up to what amount?	INSURANCE is important because?
	Depository institution insured:		
NCUA means?	Depository institution insured:		


 **INTEREST IS:**

Interest rate is:

Interest rates vary, but are typically the best for consumers at which type of depository institution?

**SERVICES WHICH MAY BE OFFERED AT A DEPOSITORY INSTITUTION**

 Checking account

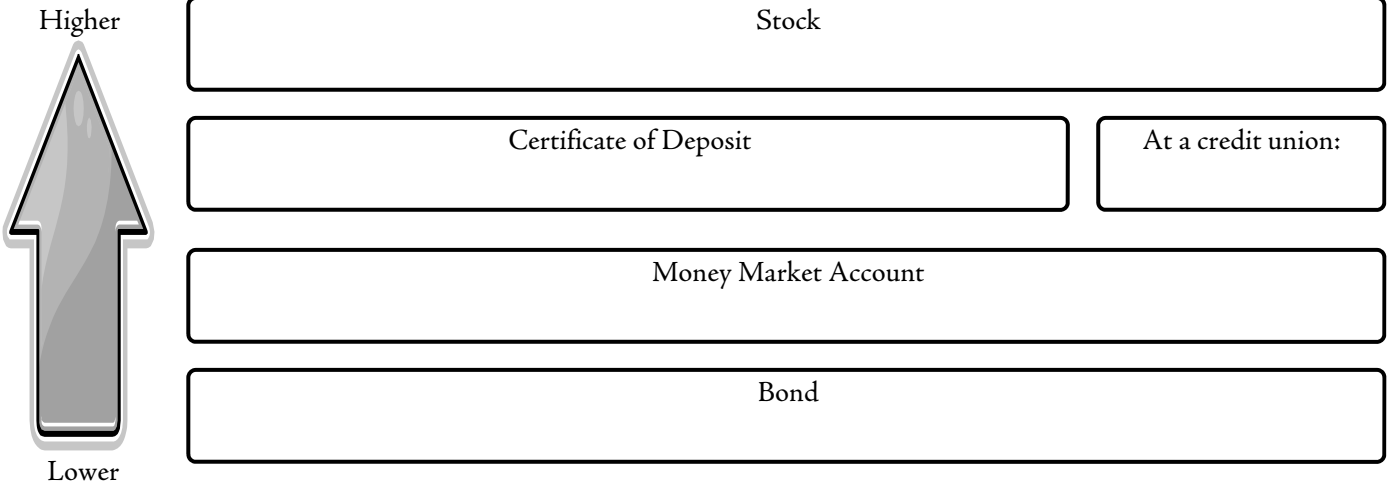
 Savings account

At credit unions this is called a:

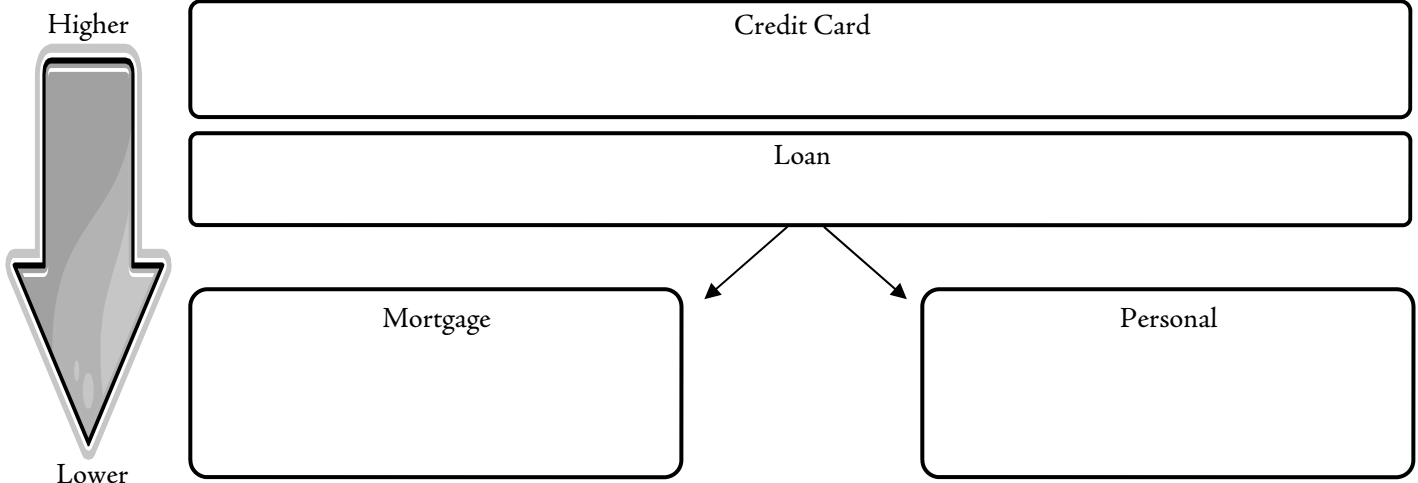
At credit unions this is called a:




**INTEREST BEARING ACCOUNTS**  
(money is earned by the consumer)



**INTEREST BEARING ACCOUNTS**  
(money is paid by the consumer)



**ADDITIONAL SERVICES**  
Which may or may not be offered depending upon the institution

Safe Deposit Box 

Financial Counseling

# DEPOSITORY INSTITUTIONS SERVICES

	Total Points Earned
Varies	Total Points Possible
	Percentage

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

**Directions:** As a group, select a depository institution within the assigned category to research. Conduct internet research or phone calls to determine the services and the typical interest rates available. During class discussion, complete the remainder of the chart with information presented by the other groups.

Statement	Commercial Bank	Savings & Loan Association	Credit Union <i>The common bond required at the institution is?</i>
<b>Depository Institution Researched</b>			
<b>Insurance</b>			
Insured by the NCUA			
Insured by the FDIC			
<b>Services offered</b>			
<i>Average interest rates for consumers</i>			
Checking or share draft accounts • Interest rate (if applicable)			
Savings or share accounts • Interest rate			
Stocks • Average interest rate earned			
Certificate of deposit • Average interest rate for a 1 year CD • Average interest rate for a 3 year CD • Average interest rate for a 5 year CD			
Money market account • Interest rate			
Bond (20 year) • Interest rate			
Credit card • Interest rate			
Loan • Mortgage interest rate • Vehicle interest rate			
Safety deposit box • Fee (if applicable)			
Financial counseling			

Identify two things about the services or bank that consumers should know which was learned in the interview.

# DEPOSITORY INSTITUTIONS SCENARIOS

	Total Points Earned
21	Total Points Possible
	Percentage

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

**Directions:** For each of the scenarios, identify 5 services or characteristics of a depository institution which would be important to the individual. Then, reference the *Depository Institutions Services* worksheet 1.7.3.A2 to determine which depository institution would be best and why.

- Tom has just graduated from college and received a job offer. He would like to begin saving money for retirement and a home in an interest bearing account. However, Tom does not know which types of accounts are best and needs some counseling.

5 services or characteristics that would be important	Institution selected	Why?
1.		
2.		
3.		
4.		
5.		

- Mia is about to go to college. She wants to keep the current depository institution she is using which offers a free checking account and interest bearing savings account. Mia also needs to purchase a car soon for school.

5 services or characteristics that would be important	Institution selected	Why?
1.		
2.		
3.		
4.		
5.		

3. Identify the characteristics or services which would be important to you personally when selecting a depository institution.

5 services or characteristics that would be important	Institution selected	Why?
1.		
2.		
3.		
4.		
5.		

# DEPOSITORY INSTITUTIONS

	Total Points Earned
18	Total Points Possible
	Percentage

Name \_\_\_\_\_

Date \_\_\_\_\_

Class \_\_\_\_\_

**Directions:** Match the following terms with the statements below. Each question is worth 1 point.

- |   |  |
|---|--|
| <p>____ 1. Full- service institutions because they offer a wide variety of services.</p> <p>____ 2. A term that is used to determine which party should be responsible for damage occurring to products after a service transaction has been completed, but prior to delivery.</p> <p>____ 3. The amount of money that is either gained or lost when accessing services offered by a depository institution.</p> <p>____ 4. These are non- profit cooperative institutions owned by their members.</p> <p>____ 5. The percentage used annually to calculate the total interest either gained or lost from an account supplied by a depository institution.</p> <p>____ 6. Business which offers multiple services in banking and finance.</p> <p>____ 7. Part of the central banking system in the United States.</p> <p>____ 8. Primary focus is providing loans and mortgages to customers.</p> | <p><b>A.</b> Commercial Bank</p> <p><b>B.</b> Interest</p> <p><b>C.</b> Depository Institutions</p> <p><b>D.</b> Risk of Loss</p> <p><b>E.</b> Federal Reserve Bank</p> <p><b>F.</b> Interest Rate</p> <p><b>G.</b> Credit Union</p> <p><b>H.</b> Savings and Loan Association</p> |
|---|--|

**Directions:** Read the following questions and fill in the blank with a short answer. Each question is worth 1 point.

9. A federal government agency which insures federal chartered banks and savings and loans against loss is the \_\_\_\_\_.
10. The \_\_\_\_\_ provides insurance protection for credit unions.
11. \_\_\_\_\_ are ownership, represented by shares in a corporation.

**Directions:** Define each of the following terms: Each question is worth 1 point.

12. Loan –

13. Mortgage –

14. Savings Account –

**Directions:** Circle True or False for the following statements. Each question is worth 1 point.

15. T or F      A share account is also known as a checking account

16. T or F      Financial counseling is information and advice given to customers to help them make financial decisions.

17. T or F      A commitment of money through lending money to a business or the government to achieve long-term financial goals by earning interest is also known as an investment.

18. T or F      A share draft account is also known as a checking account.