



# Basic Credit Union Vocabulary

S.K.Y. Youth Account Education Program

# Savings Account or Share Account

- Typically, an interest-bearing account used to hold money for short- or long-term goals or emergencies. You can add to this account at any time, but certain types of withdrawals may be limited to six per month.

# Checking Account or Share Draft Account

- An account at a financial institution into which you can deposit money and from which you can write checks or utilize a debit card for purchases. Most people use checking accounts to receive their wages and pay their bills.

# Over Draft Fee or NSF Fee

- A fee incurred when your checking account doesn't have enough funds to cover a payment that is requested. The financial institution will pay what your account lacks, after which your account may have a negative balance

# Returned Item Fee

- A bounced-check fee charged to the person trying to deposit the check. It can be charged if there are insufficient funds in the check writer's account or if the account is closed.

# Interest or Dividend

- Interest is calculated as a percentage of a loan or deposit balance
- The amount is usually quoted as an annual rate
- Higher interest rates
  - For loans means you are paying more to borrow the funds.
  - For deposit accounts it means you are earning more money

# A.P.R.

- Annual percentage rate is the annual rate charged for borrowing money and is expressed as a percentage that represents the actual yearly cost of funds over the term of the loan.
- **Example:** Borrow \$1,000 for 12 months at 10%
  - Monthly payments are \$87.90
  - Total payments over 12 months = \$1,054.75
  - \$54.75 is the interest paid over 12 months
  - A.P.R. = 10%

# A.P.Y.

- APY = Annual percentage yield is the rate earned on an investment in a year, taking into account the effects of compounding interest.

## **Example:**

- You put \$1,000 into a Savings account that earns 1% A.P.Y on 1/1/2018
- 1/1/2019 the balance in your Savings account is \$1,010.00

# NCUA (credit unions) & FDIC (banks)

- A government-run organization that insures customers' bank and members' credit union deposits up to \$250,000 if the bank or credit union fails.

# Routing Number

- A nine-digit number that identifies your financial institution. Larger banks may have multiple routing numbers that are based on the geographic location where the account was opened.

# Credit Unions Vs. Banks

## Credit Unions

- Non-profit
- savings, checking, and loan products
- Board of directors all volunteers in your local community that are not paid
- NCUA government insurance
- Low loan rates and fees
- Higher deposit rates
- Owned by members, everyone owns shares

## Banks

- For profit
- savings, checking, and loan products
- Board of directors elected officials that are paid
- FDIC government insurance
- High loan rates and fees
- Lower deposit rates
- Owned by corporation

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