

## Banking & Interest Terms - Cheat Sheet

Term	Explanation
<b>Interest</b>	The cost of money you are borrowing OR the return on money you are saving/depositing..
<b>Compound Interest</b>	Interest you earn/pay on interest.
<b>Inflation</b>	<p>Rate at which the value of a currency is falling and, consequently, the general level of prices for goods and services is rising.</p> <p><i>Simply put, inflation is the increase in prices over a given period of time - e.g. what cost \$2 a year ago, now costs \$2.50.</i></p> <p>Inflation is healthy for the overall economic growth (~2-4% depending on industry).</p>
<b>Annual Percentage Rate (APR)</b>	Rate of return charged to borrowers.
<b>Annual Percentage Yield (APY)</b>	Rate of return earned on savings.
<b>Prime Rate</b>	The lowest rate of interest at which money may be borrowed commercially. This rate is set by individual banks.
<b>Net Interest Margin</b>	Refers to the difference between what the bank charges (when borrowing), and what it pays (interest on savings).
<b>Fixed Interest Rate</b>	Rate that <u>does not change</u> throughout the life of the liability (loan, ...) or asset (savings, CDs, ...).
<b>Step (Adjustable) Interest Rate</b>	Rate that <u>will/might change</u> throughout the life of the liability (loan) or asset (savings, CDs,...) based on the market.
<b>Open Market Operations (OMO)</b>	Open market where the central bank buys or sells short-term Treasuries and other securities in order to influence the money supply to regulate the inflation rate.
<b>ACH Transfer (Automated Clearing House Transfer)</b>	An electronic, bank-to-bank money transfer processed through the ACH Network. E.g. Direct deposit, paying bills online, ...
<b>Direct Deposit</b>	Any electronic transfer made from a business or

	government entity to a consumer.
<b>Minimum Balance</b>	The minimum amount of money (cash) to open or maintain a bank account.
<b>Overdraft</b>	Extension of credit granted when your account reaches \$0, and you continue to withdraw/use money from the account.
<b>Check</b>	Written, dated, and signed instrument that directs a bank to pay a specific sum of money.
<b>Money Market Account (MMA)</b>	Hybrid between checking and savings account that often pays high interest. Sometimes, you may also write checks or make purchases from this account, but there might be a monthly withdrawal limit. Minimum balance and fees may be applied as well.
<b>Certificate of Deposit (CD)</b>	Type of bank account that can be considered as a savings account, where you deposit money for a certain amount of time (usually 6 months - 5 years).