



Session: Banking #2

Date: 02/27/2020

Mini Sessions (25 - 30 minutes)

In the last session we discussed banking concepts such as savings and borrowing. In this session we will continue the discussion focusing on other banking aspects, including Offshore banking, Credit Cards, Online banks, and the like.

Credit Unions: Credit Unions are like banks, offering the same services with one distinctive difference--the customers are known as members (who are considered owners of the Credit Union) and vote other members onto the "board of directors." Credit Unions serve members and are not chartered to make profits. Instead, they operate with the intent to make a "surplus", or just enough capital to cover expenses and loan defaults. Most Credit unions operate under state guidelines--whereas, federal credit unions operate using the Federal Credit Unions rules. The major difference between banks and credit unions is who they service--members versus customers and businesses.

Savings & Loans: S&Ls are financial institutions much like credit unions. Like credit unions they serve members who have voting rights. Unlike credit unions, S&Ls can be publically traded (issue stock), and if so, members lose voting privileges. Also, unlike credit unions as S&L can operate to make profits.

Offshore Banking: Offshore banks are titled as such because they exist outside the country of their depositors. Many Offshore banks enjoy little regulations and can operate in "secrecy" -- not having to disclose information regarding their depositors. Many depositors who use offshore banks do so to benefit from the little or no taxation. Criminal elements are often known to use offshore banks to hide their activities and to disguise their identities. Offshore banks are also more risky than regular commercial banks; and, depositors can lose their accounts if local authorities decide to seize assets.

ATMs: ATMs are not banks, but are banking services provided for the convenience of depositors. You cannot make a loan at a ATM machine, you can only check your account balance, deposit checks, or withdraw cash--provided you have an account with the bank or institution. ATMs in countries outside of the U.S. will automatically dispense cash in the local currency according to the latest exchange rates. Some banks charge small ATM fees for usage, others only charge fees when you are not a customer of the participating bank. Debit or Credit cards are required to use an ATM. Every ATM transaction is electronically recorded, including a photo (and sometimes a fingerprint) to ensure and protect customers.



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Credit Cards: Credit cards are issued by banking institutions and financial service companies to alleviate the need to carry cash for the convenience of customers. Credit cards also allow customers to automatic loans when making purchases that exceed their current account balance. The credit balance incurred by customers is usually at a high rate of interest . Premier Bank at one point offered a credit card with a 79.9% interest rate. A common practice among some banking institutions is to offer customers low introductory interest rates, usually for six to twelve months, and then raise the rates substantially (25% to as high as 79%). These high interest rates can cause some customers become so indebted to their credit card provider that they are driven to bankruptcy. Some financial companies (i.e. American Express, Diners Club, etc.) offer credit cards where the user pays an annual fee. Then each month the user simply pays off the card balance and no interest fees are assessed. These companies then award gift points (towards the purchase of prizes from their catalogs) as incentives to utilize the card.

Online Banks: Within the past few years a new type of banking has become available, Online banking. Online banks have advantages over commercial banks because they do not have "brick and mortar" buildings to maintain, or the many employees it takes to handle the variety of banking transactions. Thus, the online banks can pass on these savings in terms of higher interest rates on savings, CDs, and Money Market accounts. Online banks like Ally.com are only available to customers who have internet access; where all the banking transactions occur. Online banking customers can apply for loans, transfer funds, pay bills, check account balances, download account information to accounting and tax software applications, all from the convenience of the home, 24 hours, seven days a week. Customers of online banking enjoy all the security of regular commercial banks; and have the same Federal regulations.