Banking Dictionary

ABA Transit Number. A unique identifying number, assigned by the American Bankers Association under the National Numerical System, to facilitate the sorting and processing of checks. It has two parts, separated by a hyphen. The first part identifies the city, state, or territory in which the bank is located; the second part identifies the bank itself. The transit number appears in the upper right-hand corner of checks as the numerator (upper portion) of a fraction.

Account. A relationship involving a credit established under a particular name, usually by deposit, against which withdrawals may be made.

Account Analysis. The process of determining the profit or loss to a bank in handling an account for a given period. It shows the activity involved, the cost of that activity as determined by multiplying unit costs by transaction volume, and the estimated earnings on average investable balances maintained during the period after all expenses have been listed.

Account Reconciliation (Reconcilement). A bookkeeping service offered to bank customers who use a large volume of checks. The service is designed to assist them in balancing their accounts and includes numerically sorting checks, itemizing outstanding checks, and actually balancing the account.

Accounts Payable. Those amounts due to vendors or suppliers that must be paid within one year.

Account Receivable. Short-term assets, representing amounts due to a vendor or suppliers of goods or services that were sold on credit terms.

Accrual Accounting. The accounting system that records all income when it is earned and all expenses when they are incurred.

Adjustable Rate Loan. See variable rate loan.

Administrator. A party appointed by a court to settle an estate when the decedent has left no valid will, no executor is named in the will, the named executor cannot or will not serve.

Advice. A written acknowledgment by a bank of a transaction affecting an account; for example, a debit or credit advice.

Advising Bank. A bank that has received notification from another financial institution of the opening of a letter of credit. The advising bank then contracts the beneficiary, reaffirming the terms and conditions of the letter of credit.

Affidavit. A voluntary sworn statement of facts signed before a notary public, court officer, or other authority.

Agency. The relationship between a party who acts on behalf of another, and the principal on whose behalf the agent acts. In agency relationships, the principal retains legal title to property or other assets.

Agent. A party who acts on behalf of another by the latter's authority. The agent does not have legal title to the property of the principal.

Alaska Unclaimed Property Act. Alaska Statute 34.45 requires that financial institutions we make available to the state all bank deposits for which no claim of ownership has been made for seven years. An account is presumed abandoned if seven years have elapsed since you have made a deposit or withdrawal or corresponded with the bank concerning the account.

Altered check. A check on which a material change, such as in the dollar amount, has been made. Banks are expected to detect alterations and are responsible for paying checks only as originally drawn.

American Bankers Association (ABA). An organization of commercial banks, founded in 1875 to keep members aware of developments affecting the industry, to develop educated and competent bank personnel, and to seek improvements in bank management and service.

American Institute of Banking (AIB). A section of the American Bankers Association founded in 1900 to provide bank-oriented education for bank employees. AIB's activities are conducted through chapters and study groups throughout the county. In addition to its regular classes, the Institute conducts correspondence courses. Membership and enrollment are open to employees and officers of ABA member institutions.

Amortization. The gradual reduction of a loan or other obligation by making periodic payments of principal and interest.

Annual Cap. The maximum amount by which the interest rate on an adjustable rate mortgage may be raised in any one year.

Annual Percentage Rate (APR). The true cost of credit on a yearly basis. Expressed as a percentage, the APR results from an equation that considers the amount financed, the finance charge, and the term of the loan. The APR is usually expressed in terms of the effective annual simple interest rate.

Annual Percentage Yield (APY). A percentage rate reflecting the total amount of interest paid on an account, based on the interest rate and the frequency of compounding for a 365 day period.

Appraisal. A professional evaluation of the market value of some assets by an independent expert.

Asset. Anything owned that has commercial or exchange value. Assets may consist of specific property or of claims against others, as opposed to obligations due to others (liabilities).

Attachment. A court or a state or federal agency may order a financial institution to withhold funds from your account to satisfy a levy or order. Generally after deducting service charges and fees, financial institutions will comply with orders that are properly executed and served and will produce funds from your account without regard to whether the account is held in one name, held jointly, or held jointly and requiring more than one signature for withdrawal. Also referred to as Writ of Attachment or Levy.

Audit. A formal or official examination of and verification of accounts.

Authorized Signature. The signature(s) affixed to a negotiable instrument by the party or parties who have the legal right to issue instructions regarding its handling.

Automated Clearing House (ACH). A computerized facility that electronically processes interbank credits and debits among member financial institutions, avoiding the use of paper documents.

Automatic Transfer. You pre-authorize transfer of funds from one account to another.

Availability Schedule. A list indicating the number of days, subject to the terms of Regulation CC, that must elapse before deposited checks can be considered converted into usable funds.

Available Balance. The portion of a customer's account balance on which the bank has placed no restrictions, making it available for immediate withdrawal.

Average Daily Float. The portion of a customer's account balance that consists of deposited checks in the process of collection.

Backup Withholding. The procedure by which a payor of interest must withhold a portion of that interest under certain restrictions.

Balance. The amount of funds in a customer's account.

Balance Sheet. A detailed listing of assets, liabilities, and capital accounts (net worth), showing the financial condition of a bank or company as of a given date. A balance sheet illustrates the basic accounting equation: assets = liabilities +

net worth. In banking, the balance sheet is usually referred to as the statement of condition.

Balloon Payment. The last payment on a loan when that payment is substantially larger than earlier payments.

Bank Secrecy Act. Federal legislation that requires banks to report cash transactions that exceed $10,000 in any one day and requires that the bank maintain certain records (copies of checks paid, deposits, and so forth). The Act is intended to inhibit laundering of funds obtained through illegal activities.

Bank Statement. A periodic report, rendered by a bank to a customer, showing the account balance at the start of the period, the transactions affecting the account, and the closing balance. The statement may combine transactions involving both checking and savings accounts, and may include bank card activity.

Basis Point. The movement of interest rates or yields, expressed in hundredths of one point.

Bearer. Any party that has physical possession of a check, security, or other negotiable financial instrument with no name entered on it as a payee. Any bearer can present such an instrument for payment. A check made payable to "cash" is a bearer instrument.

Beneficiary. The party who is to receive the proceeds of a trust, insurance policy, letter of credit or other transaction.

Blank Endorsement. The signature of a person or other party on an instrument (check or note), making it payable to a holder in due course and containing no restrictions.

Capital. An accounting term describing the excess of assets over liabilities. Capital accounts include money raised through sales of stock, retained earnings, and borrowings in the form of notes or debentures.

Capital Ratio. A measure of profitability, determined by dividing the stockholders' equity by total assets.

Capital Stock. All the outstanding shares of a corporation's stock, including preferred and common shares. The total amount of a corporation's common and preferred stock is authorized by its charter or certificate of incorporation.

Cash Accounting. The accounting system that posts debits and credits only when money is actually received or paid.

Cash Advance. A loan obtained by a cardholder through presentation of the card at a bank office or in an automated teller machine. The cardholder obtains cash through this process. The loan is an advance under the line of credit granted to the cardholder.

Cash Management. A family of bank services for corporate customers, designed to speed up collection of receivables, control payments, reconcile accounts, provide information, and efficiently manage funds.

Cash Surrender Value. The amount that an insurer will pay to the insured upon surrender of a policy.

Cashier's Check. A check, also known as bank check, treasurer's, or official check, drawn by a bank on itself. Since the drawer and drawee are one and the same, acceptance is considered automatic and such instruments have been legally held to be promises to pay.

Certificate of Deposit (CD). A formal receipt issued by a bank for a specified amount of money, left with the bank for a certain amount of time (seven days or more). CDs usually bear interest, in which case they are payable at maturity or after a specified minimum notice of intent to withdraw. CDs may also be noninterest-bearing, and may be issued in negotiable or nonnegotiable form. They are payable only upon surrender with proper endorsement, and are carried on the bank's general ledger rather than on individual customer account ledgers.

Check. A demand draft drawn on a bank or other financial institution offering checking accounts.

Check Routing Symbol. The denominator (lower portion) of a fraction, appearing in the upper right-hand corner of checks drawn on Federal Reserve member banks. The ABA transit number is the upper portion of this fraction. The check routing symbol identifies the Federal Reserve district in which the drawee is located, the Fed facility through which the check can be collected, and the availability assigned to the check under the Fed schedule.

Check Truncation. Any one of several systems designed to reduce the physical workload of processing paper checks. In one approach the information on a check is converted into electronic impulses.

Clearing. The process or method by which checks and/or other point-of-sale transactions are moved, physically or electronically, from the point of origin to a bank or other financial institution that maintains the customer's account.

Clearing House Association. A voluntary association of banks who establish a meeting place for the exchanging and settling of checks drawn on one another.

Collateral. Specific property pledged by a borrower to secure a loan. If the borrower defaults, the lender has the right to sell the collateral to liquidate the loan.

Collected Balance. Cash in an account, plus deposited checks that have been presented to a drawee for payment and for which payment has been actually received. The collected balance is the customer's book balance minus any float.

Collection Item. Any item (also called a noncash item) received by a bank for which the bank does not or cannot give immediate, provisional credit to an account. Collection items received deferred credit, often require special handling, usually are subject to special fees, and do not create float.

Co-Maker. An individual who signs a note to guarantee a loan made to another party and is jointly liable with that party for repayment.

Commercial Bank. By law, an institution that accepts demand deposits and makes commercial loans. In practice, a financial institution that has the capacity to be a "full service" provider of deposit, payment and credit services to all types of customers and can offer other financial services, such as international and trust.

Commercial Letter of Credit. An instrument issued by a bank, substituting the credit of that bank for the credit of a buyer of goods. It authorizes the seller to draw drafts on the bank and guarantees payment of those drafts if all the stated conditions and terms have been met.

Commercial Loan. Credit extended by a bank to a business, most frequently on a short-term and unsecured basis.

Community Reinvestment Act (CRA). A law passed in 1977 that requires banks and other financial institutions to meet the credit needs of their communities, including the low- and moderate-income sections of those communities. The act also requires banks to submit reports concerning their investments in areas where they do business.

Compensating Balance. The noninterest-bearing balance that a customer must keep on deposit to ensure a credit line, to gain unlimited checking privileges, and to offset the bank's expense in providing various services.

Competitive Equality Banking Act. Legislation passed by Congress in 1987 and containing provision regarding availability to bank customers of deposited checks, the operations of nonbank banks, and the authority of banks to offer certain services. Title IV of this act is called the Expedited Funds Availability Act.

Compounding Interest. Interest paid on interest.

Comptroller of the Currency. An official of the U.S. government, appointed by the president and confirmed by the Senate, who is responsible for chartering, examining, supervising, and, if necessary, liquidating all national banks.

Concentration Account. A deposit account into which funds from other bank accounts are transferred.

Construction Loan. A short-term loan, often unsecured, to a builder or developer to finance the costs of construction. The lender generally requires repayment from the proceeds of the borrower's permanent mortgage loan. The lender may make periodic payments to the borrower as the construction work progresses.

Contract. An agreement, enforceable at law, between or among two or more persons, consisting of one or more mutual promises.

Corporate Resolution. A document filed with a bank by a corporation. It defines the authority given to the corporation's officers and specifies who may sign checks, borrow on behalf of the corporation, and otherwise issue instructions to the bank and conduct the corporation's business. The powers listed in the resolution are granted by the corporation's directors.

Corporation. A business organization treated as a legal entity and owned by a group of stockholders (shareholders). The stockholders elect the directors, who will serve as the active, governing body to manage the affairs of the corporation.

Correspondent Bank. A bank that maintains an account relationship and/or engages in an exchange of service with another bank.

Counterfeit Money. Spurious (bogus) coins and currency, made to appear genuine. The act of creating counterfeit money is a felony, making the perpetrators subject to long prison terms and heavy fines. The U.S. Secret Service, a bureau of the Treasure Department, is responsible for tracking counterfeiters.

Credit. (1) An advance of cash, merchandise, or other commodity in exchange for a promise or other agreement to pay at a future date, with interest if so agreed. (2) An accounting entry to the right-hand (credit) side of an account that decreases the balance of an asset or expense account or increases the balance of a liability, income or equity account/.

Credit Analysis. A formal evaluation of the financial and economic condition of a potential borrower, appraising the borrower's ability to meet debt obligations.

Credit Balance. The net amount of funds in an account, indicate an excess of total credits over total debits.

Credit Card. A plastic card (or its equivalent) to be used from time to time by the cardholder to obtain money, goods, or services, possibly under a line of credit established by the card issuer. The cardholder is billed periodically for any outstanding balance.

Creditor. Any party to whom money is owed by another.

Current Assets. Cash and other items readily converted into cash, such as accounts receivable and inventory, within one year.

Currency Transaction Reporting. The Currency and Foreign Transaction Reporting Act, a federal law enacted in 1970, requires all financial institutions to report certain currency transactions to the Internal Revenue Service. If you have questions about The Currency and Foreign Transactions Reporting Act, contact your local IRS office.

Current Liabilities. Short-term debts, such as accounts payable, expected to be paid within one year.

Custody. A banking service that provides safekeeping for a customer's property under written agreement and also calls for the bank to buy, sell, receive, and delivery securities and collect and pay out income only when ordered to do so by the principal.

Debit. (1) An accounting entry that increases the balance of an asset or expense account or decreases the balance of a liability, income, or equity account. (2) A charge against a customer's balance or bank card account.

Debit Balance. An excess of total debits over total credits in an account.

Debit Card. A plastic card enabling the cardholder to purchase goods or service, the cost of which is immediately debited to his or her bank account. Debit cards activate point-of-sale terminals in supermarkets, stores, and gas stations. Together with credit cards, they are commonly referred to as bank cards.

Demand Deposit. Funds that may be withdrawn from a bank without advance notice. Checking accounts are the most common form of demand deposits.

Deposit. Any placement of cash, checks, or other drafts with a bank for credit to an account. All deposits are liabilities for a bank, since they must be repaid in some form at some future date.

Deposit Slip. A listing of items given to a bank for credit to an account.

Direct Deposit. The process by which a payor delivers data by electronic means directly to the payee's financial institution for credit to his or her account. The most common example is the federal government program for direct depositing of Social Security payments.

Discount Rate. The rate of interest charged by the Federal Reserve on loans it makes to financial institutions.

Dishonor. The refusal of a drawee or drawer (maker) to pay a check, draft, note, or other instrument presented.

Dormant Account. A customer relationship that has shown no activity for a period of time.

Draft. A signed, written order by which one party (drawer) instructs another (the drawee) to make payment to a third (the payee). In international banking, a draft is often called a bill of exchange.

Drawee. The party to whom the drawer issues instructions to make payment. IN the case of checks, the drawee is a bank or other financial institution.

Drawer. The party who issues a set of written instructions to a drawee, calling for a payment of funds.

Earnings Credit. An allowance to a customer, offsetting part or all of the service charges on an account.

Electronic Transactions. Electronic transactions result when you use electronic terminals (automated teller machines (ATM) or point -of-sale (POS) terminals, Automated Telephone or Bill Pay system, PC Banking or PC Banking Bill Pay system), or if you have certain pre-authorized electronic credits (for example, Social Security or payroll deposits) or pre-authorized debits (for example, to pay insurance) to or from your personal account.

Endorsement. The legal transfer of one's right to an instrument.

Endorsement Area. The space on the reverse of a check that is reserved for endorsements, as specified in Regulation CC under the Expedited Funds Availability Act.

Endorsement Standards. Federal Reserve Board has established endorsement standards for all checks deposited at financial institutions. Standards designate a 1.5 inch area measured from trailing edge of check for your endorsement as payee and remainder of check is reserved for bank endorsement. If you use the area reserved for banks, it may obscure a bank endorsement and cause delays in returning check. Any liability for late return of such check is your responsibility.

Equal Credit Opportunity Act. Federal legislation, passed in 1974, that requires all lenders and creditors to make credit equally available, without any type of discrimination.

Equity. (1) The stockholders' investment interest in a corporation, equaling the excess of assets over liabilities and including common and preferred stock, retained earnings, and surplus and reserves. (2) In real estate, the interest or value an owner has in property, minus the amount of any existing liens.

Escrow. The holding of funds, documents, securities, or other property by an impartial third party for the other two participants in a business transaction. When the transaction is completed, the escrow agent releases the entrusted property.

Expedited Funds Availability Act. A portion (Title IV) of the Competitive Equality Banking Act of 1987 that requires financial institutions to make deposited funds available for withdrawal within certain time limits, disclose funds availability policies to consumers, pay interest on interest-bearing (NOW transaction accounts) upon receipt of provisional credit, and follow specific endorsement standards. Transaction accounts governed by this act are demand accounts (checking), including Super Interest Checking (NOW). Accounts excluded from this act are savings accounts, TCDs and CMCs. The act was implemented by the Federal Reserve's Regulation CC.

Federal Deposit Insurance Corporation (FDIC). The agency of the federal government, established in 1933 to provide insurance protection, up to statutory limits, for depositors at FDIC member institutions. All national banks and all Fed member banks must belong to FDIC; other commercial banks and savings banks may also join if they wish. Under the provisions of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA), the responsibilities of FDIC have been greatly expanded.

Federal Reserve Banks. The 12 district institutions that deal with member banks and maintain branches and check-processing centers as necessary. Each district bank is owned by the member banks in its district.

Federal Reserve Notes. The paper money, constituting the largest part of the nation's money supply, issued by the 12 Federal Reserve banks and officially designated as legal tender by the federal government. Each such note is an interest-free promise to pay on demand.

Fiduciary. An individual, bank, or other party to whom specific property is turned over under the terms of a contractual agreement and who acts for the benefit of another party on a basis of trust and confidence.

Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA). Legislation passed in 1989 as a result of the crisis among the savings and loan associations. FIRREA abolished the former Federal Home Loan Bank Board and Federal Savings and Loan Insurance Corporation and established the Office of Thrift Supervision and the Resolution Trust Corporation. The act also imposed new capital requirements on S&Ls, increased the FDIC insurance premium, and restricted interest rates on deposits and investment opportunities for S&Ls.

Float. The dollar amount of deposited cash items that have been given immediate, provisional credit but are in the process of collection from drawee banks; also known as uncollected funds.

Foreign Exchange. Trading or exchanging the currencies of other countries in relation to one another or to U.S. currency.

Forged Check. A demand draft, drawn on a bank, that has been fraudulently altered or on which the drawer's signature is not genuine.

Fraud. Intentional misrepresentation of a material fact by one party so that another party, acting on it, will part with property or surrender a right.

Full-Service Bank. A financial institution that not only accepts demand deposits and makes commercial loans, but also offers services to meet al the financial needs of its customers.

Hold. A restriction on a payment off all or any part of the balance in an account.

Holder in Due Course. As defined in the Uniform Commercial Code, a party who accepts an instrument in good faith and for value, without notice that is has been dishonored, that it is overdue, or that there is any claim against it.

Home Banking. A group of bank services, designed to enable customers to obtain current information about their accounts, and initiate certain transactions, through a telephone or computer terminal link to the bank.

Important Terms of Our Home Equity Line Of Credit. Pre-disclosure that details the terms and conditions of home equity lines of credit. Includes the interest rate, where to find the interest rate published, interest rate change frequency, interest rate history, the fact that the consumer could lose their home and under what circumstances this could occur.

Income Statement. A record of the income and expenses of a bank or business covering a period of time. Also called a profit and loss statement.

Indemnify. To agree to compensate or reimburse a party in the event of a loss, thus offering protection against risk.

Individual Retirement Accounts (IRAs). Tax-deferred accounts into which a customer, subject to the restrictions in the Tax Reform Act of 1986, can make deposits and earn interest for retirement purposes. Withdrawals from IRAs are not permitted, without penalty, until the depositor reached age 59 1/2.

Installment Loan. A loan made to an individual or business, repaid in fixed, periodic payments.

Insufficient Funds. A banking term indicating that the drawer's balance does not contain sufficient funds to cover a check or checks. Commonly abbreviated NSF.

Insured Bank. A bank which is a member of FDIC.

Interest. Money paid for the use of money.

Irrevocable. The term used to describe a commercial letter of credit that cannot be amended or canceled except by full mutual agreement between the parties.

Issuing Bank. A bank that issues a letter of credit, based on a customer's application.

Joint Account. A bank relationship in the names of two or more parties. Joint accounts may carry rights of survivorship or may be established on a tenants-in-common basis, without such rights.

Joint Tenancy. The holding of property by two or more parties on an equal basis, conveying rights of survivorship.

Judgment. A sum due for payment or collection as the result of a court order.

Kiting. Attempting to draw against uncollected or nonexistent funds for fraudulent purposes. A depositor issues a check, overdrawing an account at one bank, and deposits into that account a check drawn on insufficient or uncollected funds at another bank.

Laundering. The practice of moving funds through numerous accounts and/or banks, one after another, in an attempt to conceal the source of the money.

Legal Tender. The authorized currency, backed by the government, that must be accepted in payment of all public and private debts.

Letter of Credit. A bank instrument that substitutes the credit of the issuing bank for the credit of another party, such as an importer of merchandise.

Levy. A court or a state or federal agency may order a financial institution to withhold funds from your account to satisfy a levy or order. Generally after deducting service charges and fees, financial institutions will comply with orders that are property executed and served and will product funds from your account without regard to whether the account is held in one name, held jointly, or held jointly and requiring more than one signature for withdrawal. Also referred to as Attachment or Writ of Attachment.

Liability. Anything owed by a bank, individual, or business. A bank‘s largest liability is the sum total of its deposits.

Lien. A legal claim or attachment filed on record against property as security for the payment of an obligation.

Line of Credit. An expression of the maximum amount of credit a bank is willing to lend a borrower.

Liquidity. (1) The ability of a bank, business, or individual to meet current debts. (2) The quality that makes an asset quickly and easily convertible into cash.

Loan. A business contract in which a borrower agrees to pay interest for use of a lender's funds.

Loan Participation. The sharing of a loan to a single borrower by more than one lender.

Local Item. As defined by Regulation CC and the Expedited Funds Availability Act, a deposited check that is drawn on another bank in the same Fed district or area.

Lockbox. A banking service in which a bank assumes the responsibility for receiving, examining, processing, and crediting incoming checks for a customer in order to reduce mail, deposit, and collection time.

Magnetic Ink Character Recognition (MICR). The encoding of checks and documents with characters in magnetic ink so that they can be electronically "read" and processed.

Maker. The party who executes a note and thereby makes himself or herself liable for a legal obligation.

Maturity. The date on which a note, draft, bond, or acceptance becomes due and payable.

Money Market Deposit Account. An account authorized in 1982 that is federally insured, provides easy access to the deposited funds, and pays an interest rate competitive with money market funds.

Money Market Fund. A mutual fund that pools investors' contributions and invests them in various money market instruments.

Mortgage Loan. Real estate credit, usually extended on a long-term basis with the mortgaged property as security.

National Bank. A commercial bank operating under a federal charter and supervised and examined by the Office of the Comptroller of Currency. The word "national" must appear in some form in the bank's corporate title. All national banks must belong to the Federal Reserve System and to FDIC.

Negotiable Instrument. An unconditional written order or promise to pay a certain sum of money. The instrument must be easily transferable from one party to another. Every negotiable instrument must meet all the requirements of Article 3 of the Uniform Commercial Code (UCC).

Net Worth. The excess of assets over liabilities; the shareholders' equity in a bank or business.

Noncash Item. A collection item; any instrument that a bank declines to accept on a cash basis. Credit for noncash items is not posted to the customer's account until final settlement takes place.

NOW (Negotiable Order of Withdrawal). A relationship that is interest-bearing and subject to check withdrawal. It is similar to money market deposit account but is not available to corporations, subjects the funds to reserve requirements and has no limit on monthly transaction volume. Also referred to as Super Interest Checking.

On-Us Check. A check deposited or negotiated for cash at the bank on which it is drawn.

Outstanding Check. An issued check that has not yet been presented for payment to, or paid by, a drawee.

Overdraft. A negative (minus) balance in an account, resulting from the paying (posting) of checks for an amount greater than the depositor's balance.

Partnership. A business venture operated by two or more individuals in noncorporate form. The rights, duties, and responsibilities of the partners are usually covered in a partnership agreement.

Payee. The beneficiary of an instrument; the party to whom payment is to be made.

Point-of-Sale (POS) System. An electronic system by which the purchaser of goods or services can use a plastic card in a terminal at the seller's place of business, thereby initiating a debit to the cardholder's account at a financial institution and a credit to the seller's account.

Postdated Check. An item bearing a future date. It is not valid until that date is reached.

Power of Attorney. The legal document by which one party is authorized to act on another's behalf.

Prime Rate. A benchmark or guideline interest rate that a bank establishes from time to time and uses in calculating an appropriate rate for a particular loan contract. The prime rate is usually offered to the bank's most creditworthy customers, reflecting their deposit balances and financial strength.

Principal. (1) The sum of money stated in an account, a contract, or a financial instrument; for example, the amount of a loan or debt exclusive of interest. (2) The primary borrower on a loan or other obligation. (3) A person who appoints another party to act for him or her as agent. (4) The property of an estate. (5) The individual with primary ownership or management control of a business.

Profit and Loss Statement. See income statement.

Profits. The excess of revenues over the costs incurred in earning them.

Promissory Note. A written promise committing the maker to pay a certain sum of money to the payee, with or without interest, on demand or on a fixed or determinable future date.

Proprietorship. A business venture operated by a single owner.

Qualified Endorsement. An endorsement on a check or other instrument containing the words "without recourse" or similar language intended to limit the endorser's liability if the instrument is dishonored.

Reconcilement. A process of comparing and balancing one accounting record against another to provide a proof.

Refinancing. To retire existing loans or notes by changing their terms or by making new borrowing arrangements.

Regulation E (Electronic Funds Transfer). Federal law that establishes the responsibilities and liabilities of banks and consumers when electronic terminals (automated teller machines or point-of-sale (POS) terminals, Automated Telephone and Bill Pay system and PC Banking and PC Bill Pay system) are used, or certain pre-authorized electronic credits (for example, Social Security or payroll deposits) or pre-authorized debits (for example, to pay insurance) to or from a personal account are initiated

Regulation CC. Adopted by the Federal Reserve Board to implement the Expedited Funds Availability Act. It spells out the time frames within which a financial institution must make deposited funds available to the customer.

Regulation DD (Truth In Savings Act). Federal law that requires certain disclosures on consumer deposit accounts. These disclosures include the account terms and conditions be disclosed to the consumer prior to account opening.

Regulation Z. Federal law that promotes the informed use of consumer credit by requiring various disclosures about the terms and cost of the credit. It also provides the consumer the opportunity the right to cancel a lien against their principal dwelling that the consumer offered as collateral for a loan.

Resolution. An official document, executed under seal by a corporation, certifying that specified corporate officers can open a bank account on behalf of the corporation and conduct the corporation's business with the bank.

Resolution Trust Corporation (RTC). An agency of the federal government created by the Financial Institutions Reform Recovery, and Enforcement Act of 1989 (FIRREA) to oversee the liquidation of the assets of insolvent savings and loan associations.

Restrictive Endorsement. An endorsement that limits the future actions of the next holder. The most common example uses the words "For Deposit Only."

Return Items. Checks, drafts, or notes that have been dishonored by the drawee or maker and are returned to the presenter.

Revolving Credit. A line of credit that permits the borrower to withdraw funds or charge purchases up to a specified dollar amount. The outstanding balance may fluctuate at various times from zero up to the maximum amount. Also referred to as open-end credit.

Right of Survivorship. The right of one surviving tenant to take full possession of specific assets upon the death of the other tenant, subject to tax laws.

Safekeeping. The banking service by which the bank issues a receipt for, maintains records of, and provides vault facilities for a customer's property.

Savings Account. AN interest-bearing relationship used by a customer to accumulate funds. Savings accounts have no fixed maturity date.

Secured Loan. A borrower's obligation which includes the pledging of some form of collateral to protect the lender in case of default.

Simple Interest. Simple interest pays a one-time amount calculated on the principal amount.

Sole Proprietorship. A business venture owned and operated by one person.

Special Endorsement. An endorsement that names the party to whom an instrument is being transferred.

Split Deposit. A transaction in which a bank customer wishes to have part of a check credited to an account and the remainder paid out in cash.

Stale-Dated Check. An instrument bearing a date six months or more in the past, prior to its presentation. The Uniform Commercial Code states that banks are not required to honor such checks.

Statement. The record prepared by a bank for a customer, listing all debits and credits for the period and the closing balance in the account. The statement may also include the customer's other transactions, such as bank card usage and outstandings.

Stockholders. The owners of the common and/or preferred stock in a corporation. Also called shareholders.

Stop Payment. A depositor's instructions to a drawee, directing the latter to dishonor a specific item.

Super Interest Checking. A relationship that is interest-bearing and subject to check withdrawal. It is similar to money market deposit account but is not available to corporations, subjects the funds to reserve requirements and has no limit on monthly transaction volume. Also referred to as NOW accounts.

Tenants In Common. The holding of property by two or more persons in such a manner that each has an undivided interest that, upon the death of one, passes to the heirs or devisees and not the survivor(s).

Term Loan. A bank loan having a maturity of more than one year.

Time Deposit. A relationship carrying a specified maturity date, usually bearing interest and restricting the depositor's ability to make withdrawals before the maturity date.

Totten Trust Savings Account. Let's you establish an information or "totten" trust for the benefit of another, such as a minor child. Funds in the account belong to you as trustee during your lifetime and are paid to the designated beneficiary upon your death.

Transaction Account. Under the terms of the Monetary Control Act of 1980, an account with a financial institution that allows for transfers of funds to third parties.

Transit Check. A nonlocal time; a check whose drawee is not located in the area defined as local.

Traveler's Check. A negotiable instrument sold by a bank or other issuer in various denominations for the convenience of individuals who do not wish to carry cash. These checks are readily convertible into cash upon proper identification, usually by a signature in the presence of the cashing party.

Truncation. A generic term for the various banking systems designed to reduce the need to send or physically handle checks for customers' accounts.

Trust. An agreement or contract established by agreement or declaration, in a will, or by order of a court, under which one party (the trustee) holds legal title to property belonging to another, with a specific benefit in mind.

Trustee. The party holding legal title to property under the terms of a trust.

Truth In Lending Laws. Federal and/or state legislation requiring that all lenders provide borrowers with full information as to the terms and conditions of loans.

Truth In Savings Act (Regulation DD). Federal law that requires certain disclosures on consumer deposit accounts. These disclosures include the account terms and conditions be disclosed to the consumer prior to account opening.

Uncollected Funds. The dollar amount of deposited cash items that have been given immediate, provisional credit but are in the process of collection from drawee banks; also known as uncollected funds. Also referred to as float.

Uniform Commercial Code. The body of laws, adopted in whole or in part by most states, pertaining to financial transactions such as bank deposits and collections, letters of credit and title documents.

Uniform Gifts to Minors Act. Legislation adopted in certain states that provides tax relief for individuals who make irrevocable gifts of money or property to underage beneficiaries.

Unsecured Loan. Bank credit extended without collateral.

Usury. Excessive, illegal, or punitive interest charges.

Variable Rate Loan. A loan that allows the lender to make periodic adjustments in the interest rate, according to fluctuating market conditions. Also referred to as an adjustable rate loan.

When Your Home is On the Line Booklet. This booklet outlines the consequences of what could happen to the consumer if they pledge their primary residence for loan collateral and then default on the loan.

Wire Transfer. A transaction by which funds are electronically moved from one bank to another and/or from account to account, upon customer's instructions, through bookkeeping entries.

Without Rights of Survivorship. An account in which the joint tenancy ends upon the death of one of the parties.

Working Capital. The excess of a business venture's current assets over it's current liabilities; the liquid funds available to a business for its current needs.

Writ of Attachment. A court or a state or federal agency may order a financial institution to withhold funds from your account to satisfy a levy or order. Generally after deducting service charges and fees, financial institutions will comply with orders that are properly executed and served and will product funds from your account without regard to whether the account is held in one name, held jointly, or held jointly and requiring more than one signature for withdrawal. Also referred to as Attachment or Levy.

Yield. (1) In investments, the rate of return expressed as a percentage of the amount invested. (2) In loans, the total amount earned by a lender, expressed on an annual percentage basis.

Zero Balance Accounts. A group of bank accounts maintained for the same customer and controlled by a master concentration account. All debits to the subsidiary accounts, in which no balances are kept, are offset through transfers of funds from the main account.