

# Chapter 12 Money and Financial Institutions

## Section 12.2 Types of Financial Institutions

### Section Summary with Key Terms and Academic Vocabulary

**Types of Financial Institutions** The three main types of banks are commercial banks, savings and loan associations, and credit unions. Mortgage, finance, and insurance companies offer some of the same services as banks. The Federal Reserve is the central bank of the United States. It provides the country with a safe, flexible, and stable monetary and financial system. It consists of 12 regional Federal Reserve Banks, 25 branch banks, and about 5,000 member banks. The Federal Reserve's most important function is regulating the money supply.

#### Key Terms

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**commercial banks** Banks that offer the entire range of banking services, such as checking and savings accounts, loans, and financial advice; also called full-service banks

**savings and loan associations** Financial institutions that hold customers' funds in interest-bearing accounts and invest mainly in mortgage loans

**credit unions** Not-for-profit banks set up by organizations for their customers to use

**mortgage companies** Financial institutions that provide loans specifically for buying a home or business

**finance companies** Financial institutions that offer short-term loans to businesses and consumers, but at much higher interest rates than banks charge

**insurance companies** Financial institutions that provide protection against problems such as fire and theft

**brokerage firms** Financial institutions that sell stocks and bonds and also may offer a wide range of financial services to clients

**Federal Reserve System** The central bank of the United States

**reserves** Funds set aside for emergencies, such as a rush of withdrawals at a bank

#### Academic Vocabulary

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**grant** To give or transfer formally

**bond** An interest-bearing certificate of public or private indebtedness

**monitor** To watch, keep track of, or check

**flexible** Characterized by a ready capability to adapt to new, different, or changing requirements