

## **Banking & Financial Systems**

### **Chapter 6: Bank Regulations—Glossary**

**annual percentage rate (APR).** The actual annual interest rate paid over the life of a loan.

**bank run.** Occurs when a large number of depositors withdraw all of their money from a bank at the same time due to fear that their money is unsafe.

**branching.** Opening banking facilities away from a bank's home office.

**Community Reinvestment Act.** Prevented redlining by requiring that banks and other depository institutions show that they are serving the credit needs of all people in their market area; passed in 1977.

**Consumer Credit Protection Act.** Required that all terms of and costs related to a loan must be provided to the consumer in writing; passed in 1968.

**Consumer Financial Protection Bureau (CFPB).** An independent consumer-protection organization that was created to protect the interests of consumers by making sure federal consumer-protection laws are enforced; it has the authority to ensure consumers get clear information about loans, mortgages, credit cards, and other financial products and is also charged with ending deceptive practices in lending.

**Credit CARD Act.** Protected consumers from unfair and deceptive credit card practices and gave cardholders additional rights; enacted in 2009.

**Depository Institutions Deregulation and Monetary Control Act (DIDMCA).** Removed many of the regulations passed during the Great Depression and allowed depository institutions to make more types of loans and investments; enacted in 1980.

**deregulation.** Occurs when some or all regulations are abolished or overridden and governmental control is lessened.

**dual banking system.** Both state and federal governments pass and enforce bank laws.

**e-compliance.** Managing risks associated with electronic banking.

**Equal Credit Opportunity Act (ECOA).** Required all lenders to make credit decisions based solely on credit qualifications; use of gender, marital status, race, religion, age, national origin, or whether an individual receives public assistance benefits to determine whether that individual should get a loan is illegal; passed in 1974.

**Fair Credit Billing Act (FCBA).** Protected consumers from unfair billing practices and provided a way to correct billing errors; enacted in 1974.

**Fair Credit Reporting Act (FCRA).** Required that credit bureaus collect and distribute information in a fair and legal manner and provided processes for correcting credit report errors; enacted in 1971.

**Federal Depository Insurance Corporation Improvement Act (FDICIA).** Provided additional funding to the FDIC; passed in 1991.

**Federal Home Loan Bank Board.** A federal regulator agency that chartered and examined savings associations.

**finance charge.** The total dollar amount of interest and any other fees paid on the loan.

**Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA).** Commonly known as the S & L bailout bill; strengthened banks and savings associations and cleaned up the large number of failed institutions.

**Garn-St. Germain Act.** Reduced bank regulations further and made it easier to save failing banks and savings associations; enacted in 1982.

**Glass-Steagall Act.** Also known as the *Emergency Banking Act of 1933*. Established the FDIC, introduced banking reforms, separated investment banking from commercial banking, and established an interest rate ceiling.

**Gramm-Leach-Bliley Act.** Also known as the Financial Services Modernization Act; repealed several key provisions of the Glass-Steagall Act and allowed banks to engage in almost any financial activity; passed in 1999.

**Home Mortgage Disclosure Act (HMDA).** Passed in 1974 to require most mortgage-lending institutions to report data related to mortgage loans in order to allow for more transparency in lending.

**interest rate ceiling.** The maximum rate that a bank can pay on certain deposits.

**Interstate Banking Act.** Also known as the Riegle-Neal Interstate Banking and Branching Efficiency Act; eliminated most restrictions on interstate bank branching, effectively overriding the McFadden Act; passed in 1997.

**McFadden Act.** Gave individual states the right to set their own rules regarding out-of-state banks coming into the state; enacted in 1927.

**money market account.** A savings account that pays a higher interest rate and requires a higher minimum balance than a traditional savings account.

**money market deposit account (MMDA).** A deposit account similar to a money market mutual fund except that it is FDIC insured.

**negotiable order of withdrawal (NOW) account.** Checking accounts that can pay interest.

**redlining.** Occurs when a lender draws an imaginary red line on a map around one part of a community and does not make loans in that area.

**Sarbanes-Oxley Act (SOX).** Ensured accurate disclosure of a company's financial information by mandating greater transparency and accountability; enacted in 2002.

**Truth in Lending Act (TILA).** Also Title I of the *Consumer Credit Protection Act*. Required that all terms of and costs related to a loan must be provided to the consumer in writing; passed in 1968.