

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.