UBI
A COMMUNITY
FEDERAL CREDIT UNION

Common Banking Terms Explained

1. Checking Account

A bank account used for everyday transactions like deposits, withdrawals, and bill payments — often comes with a debit card.

2. Savings Account

An account that earns interest on money you don't plan to spend right away — great for building emergency funds or future goals.

3. Certificate of Deposit (CD)

A savings product that locks in your money for a set period at a fixed interest rate — often higher than a regular savings account.

4. Debit Card

A card linked to your checking account that lets you spend your own money directly at stores, ATMs, or online.

5. Credit Union

A not-for-profit financial cooperative owned by its members — typically offering better rates and fewer fees than banks.

6. Interest Rate

The percentage of money paid to you (on savings) or charged to you (on loans) over time.

7. Annual Percentage Yield (APY)

The total amount of interest you earn on a deposit in one year, including compounding.

8. Annual Percentage Rate (APR)

The yearly cost of borrowing money, including interest and certain fees.

9. Overdraft

When you spend more money than you have in your account — sometimes resulting in a fee unless you have overdraft protection.

10. Loan Principal

The original amount of money borrowed before interest is added.

11. Credit Score

A number (typically 300–850) that represents your creditworthiness — used by lenders to decide loan approvals and rates.

12. Direct Deposit

An electronic transfer of funds directly into your account — often used for paychecks or government benefits.

13. Mobile Banking

Accessing your accounts, transferring funds, and paying bills through an app or smartphone.

14. Balance

The amount of money currently in your account.

15. Compound Interest

Interest earned on both the original amount you deposit *and* the interest that accumulates over time — the secret to faster savings growth!

16. Routing Number

A 9-digit code that identifies your bank or credit union in financial transactions — used for direct deposits, wire transfers, or bill payments.

17. Account Number

The unique number assigned to your personal account, used to identify where your funds are deposited or withdrawn.

18. Money Market Account

A type of savings account that usually earns a higher interest rate and may come with limited check-writing or debit access.

19. Statement

A monthly or quarterly summary of all activity in your account, including deposits, withdrawals, and fees.

20. Wire Transfer

An electronic transfer of funds between financial institutions — often used for large or time-sensitive payments.

21. ACH Transfer (Automated Clearing House)

A digital network for processing payments, like direct deposits, automatic bill pays, or online transfers.

22. Share Account

At a credit union, this is the equivalent of a savings account — it represents your “share” of ownership in the institution.

23. Share Draft Account

The credit union term for a checking account — used for everyday spending and transactions.

24. Dividend

At a credit union, this is the interest you earn on your deposits — called dividends because members are part-owners.

25. Collateral

An asset (like a car or house) pledged to secure a loan — if the borrower doesn't repay, the lender can claim the collateral.

26. Equity

The portion of your property or asset that you truly "own" — the difference between its market value and what you owe.

27. Refinance

Replacing an existing loan with a new one — often to get a lower rate, better terms, or lower payments.

28. Line of Credit

A flexible loan that lets you borrow up to a certain limit and only pay interest on the amount you actually use.

29. Budget

A plan for managing your income and expenses — key to staying on track with saving and spending goals.

30. FICO Score

A type of credit score created by the Fair Isaac Corporation — one of the most widely used by lenders to evaluate credit risk.

Remember, UBI Federal Credit Union is local and here for you! Please let us know what we can do to help with your banking and financial needs! 860-747-4152 or find us at www.UBIFCU.com