

Name: _____

Period: _____

6.4 The Role of Modern Banks

The Money Supply:

1. What is an example of a situation in which a person would transfer money from an M2 account to an M1 account?

2. Why would a person want assets with liquidity?

3. What is the main difference between M1 and M2?

Functions of Financial Institutions: Text

4. Why do people use banks?

5. What might cause a person or business to default on a loan?

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6. Read the last paragraph of “Mortgages.” What do you think the term *fixed-rate mortgage* means? There are also loans known as *adjustable-rate mortgages*. What do you think those are?
7. What reasons might a bank give for deciding that a loan applicant is not creditworthy?

Types of Financial Institutions: Text

8. Why might someone choose to save their money in a credit union rather than a commercial bank?

Budgeting:

9. Why would a person decide to purchase a good with a debit card instead of a credit card?
10. What are some examples of stored-value cards?
11. Why would a person choose to conduct home banking?