

Banks in Our Community

Banks help people in communities by providing tools to help people to manage their money. Sometimes people bring their money to a bank to keep it safe while they save it. When people put money into the bank, we call it a deposit. People deposit money when they are not using it immediately. The bank agrees to hold it until it the owner wants to use it. When people deposit money in the bank, the bank often agrees to pay them interest. Interest is money the bank pays to someone for depositing their money into a bank. Banks are willing to pay interest because the bank uses the money people deposit with them to offer loans to other people looking to borrow money. Banks are able to loan money to people because of the money someone else saved.



Another way banks help people in a community is by providing loans so that people can buy something today and then pay the bank back over time. When people receive a loan from a bank, we call this borrowing. When people borrow money from a bank, they must agree to repay the bank the money they borrowed plus interest. Interest is a fee banks charge to borrowers for the service they provide of loaning money.

Here are a few examples of how banks in your community help people:

- A person wants a new car. They go to the bank to get a loan so they can buy the car they want. They get the car they want today and pay the bank over time for the car.
- A person decides to purchase a home. They have saved some money already but not enough for the house. They borrow the money they need from the bank to pay for the house today. They agree to pay the bank for the house over time.
- A person is going to college. They have a lot of classes to take and have to purchase books for the classes. The bank lets them borrow money today attend college. The person agrees to pay the bank for their education over time.



Think about it...

Do you have a bank account? Why or why not?