

# THE STORY OF

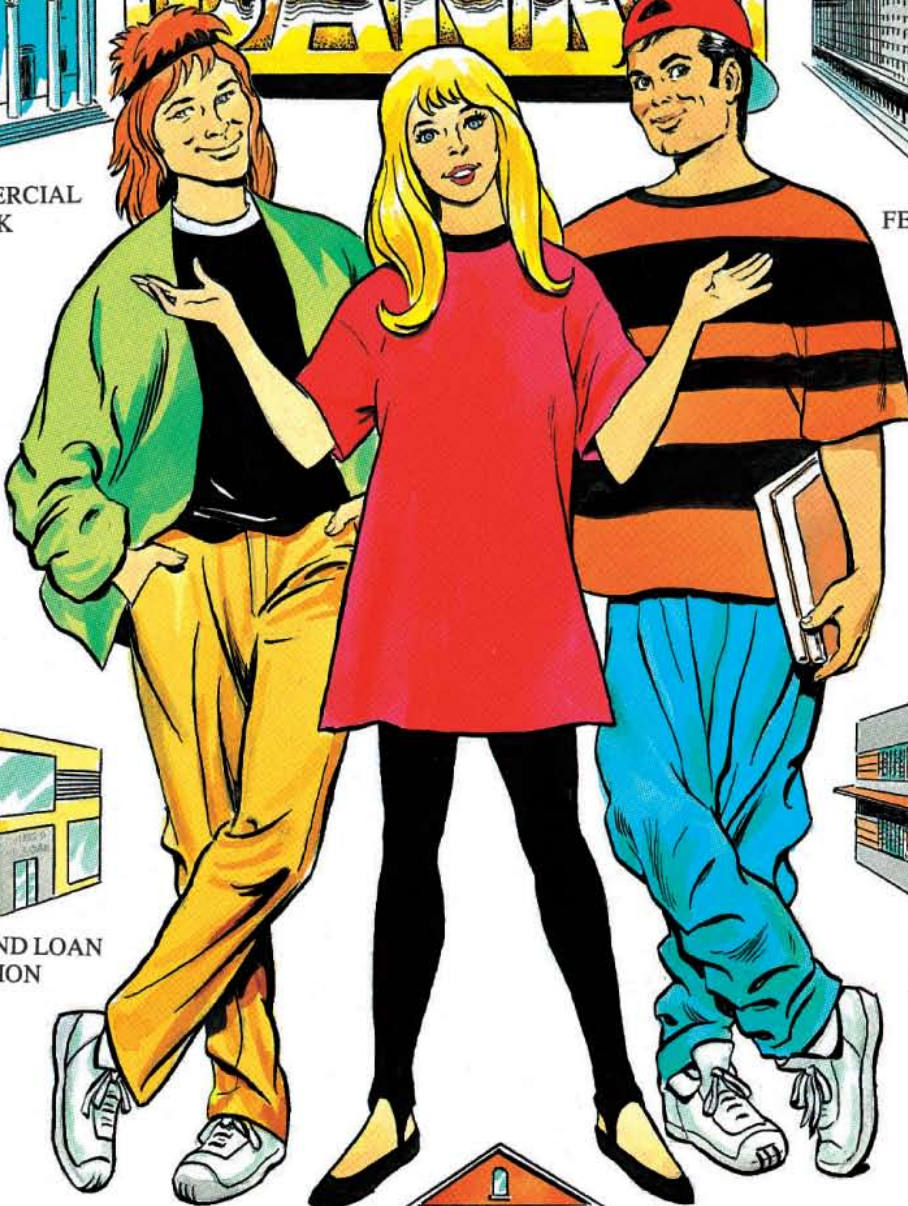
# BANKS



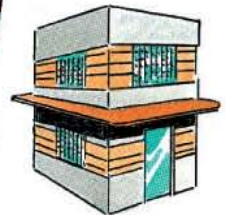
COMMERCIAL  
BANK



FEDERAL RESERVE  
BANK



SAVINGS AND LOAN  
ASSOCIATION



MUTUAL  
SAVINGS  
BANK



CREDIT UNION

FEDERAL RESERVE BANK OF NEW YORK



# THE Story OF

# BANKS



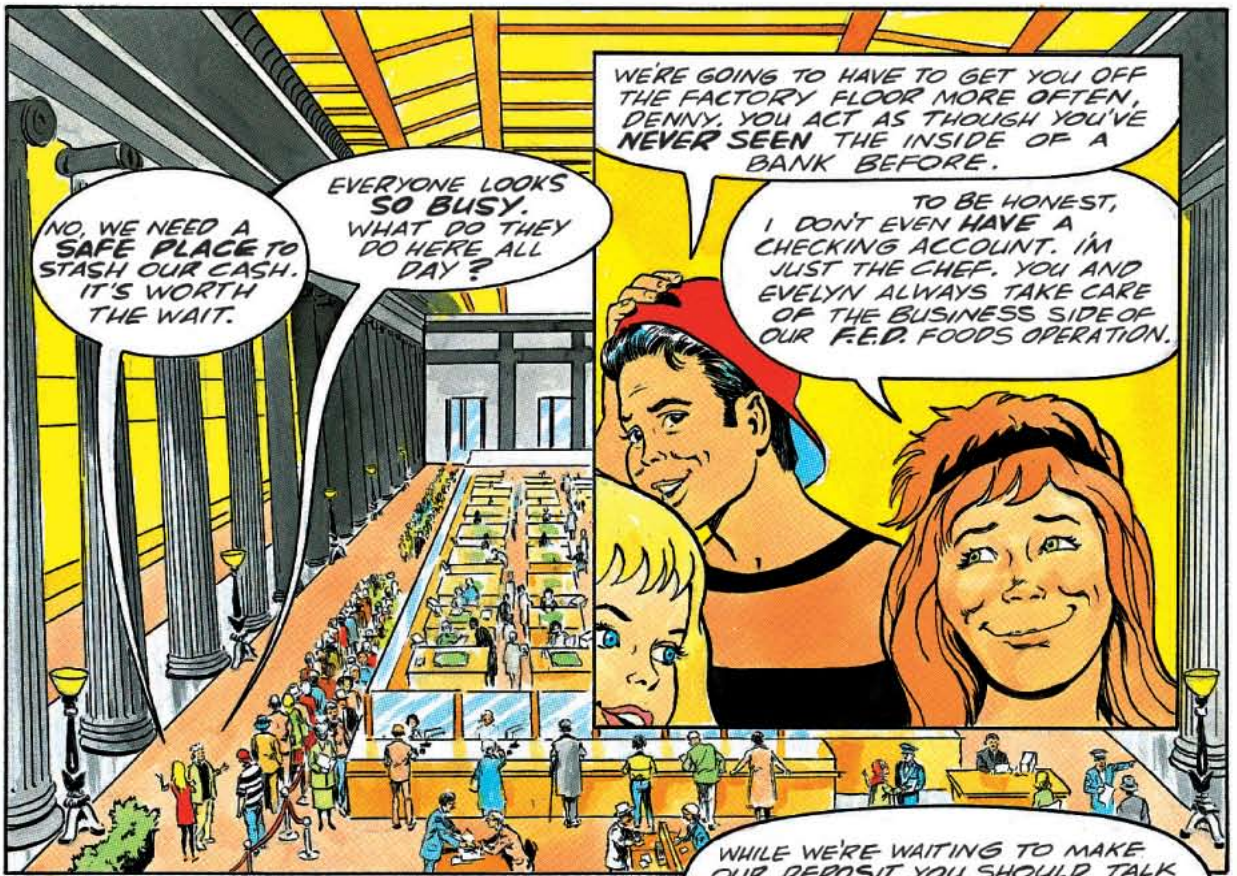
I KNOW OUR PRETZELS ARE THE BEST, FRANCISCO, BUT I DIDN'T THINK WE'D SELL SO MANY.

STORY BY: GAIL DONOVAN  
ART BY: NORMAN NODEL









NO, WE NEED A SAFE PLACE TO STASH OUR CASH. IT'S WORTH THE WAIT.

EVERYONE LOOKS SO BUSY. WHAT DO THEY DO HERE ALL DAY?

WE'RE GOING TO HAVE TO GET YOU OFF THE FACTORY FLOOR MORE OFTEN, DENNY. YOU ACT AS THOUGH YOU'VE NEVER SEEN THE INSIDE OF A BANK BEFORE.

TO BE HONEST, I DON'T EVEN HAVE A CHECKING ACCOUNT. I'M JUST THE CHEF. YOU AND EVELYN ALWAYS TAKE CARE OF THE BUSINESS SIDE OF OUR F.E.D. FOODS OPERATION.



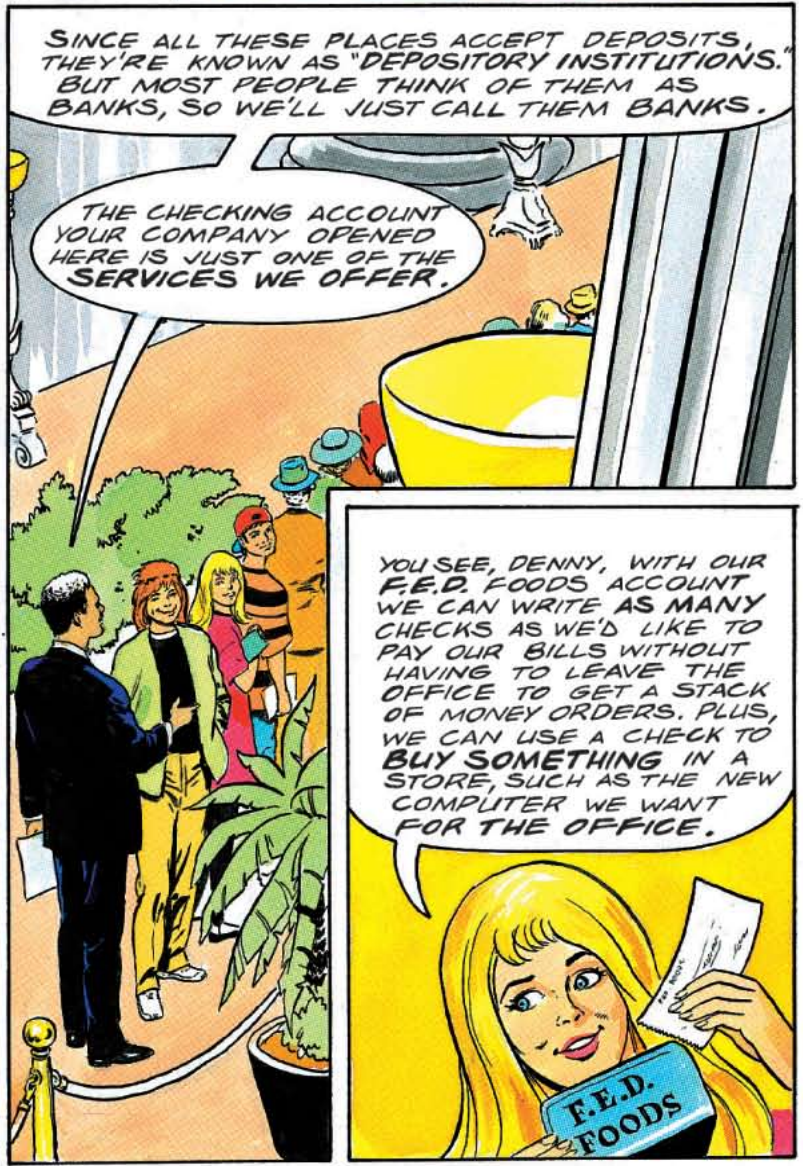
HAVE YOU EVER CONSIDERED OPENING A CHECKING ACCOUNT? THERE REALLY ARE A LOT OF ADVANTAGES, INCLUDING SAFETY AND CONVENIENCE.

I LIKE PAYING IN CASH. WHENEVER I NEED TO PAY A BILL BY MAIL, I GET A MONEY ORDER AT THE CORNER STORE.

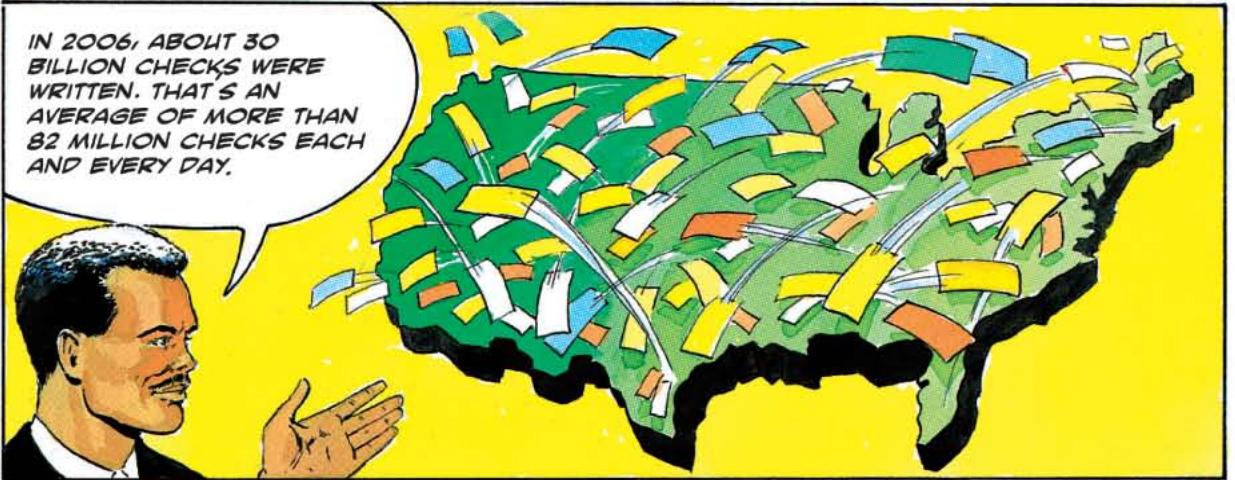
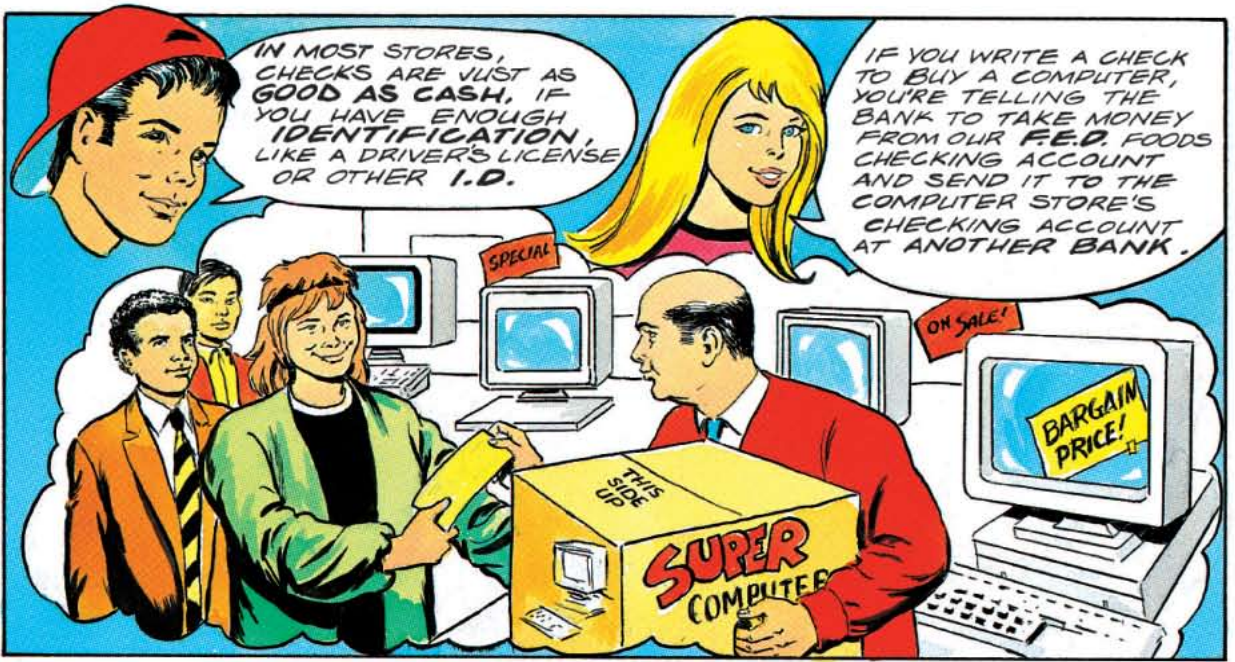


WHILE WE'RE WAITING TO MAKE OUR DEPOSIT, YOU SHOULD TALK TO MR. BANKS. HE OPENED OUR F.E.D. FOODS CHECKING ACCOUNT FOR US AND HE CAN TELL YOU ALL ABOUT BANKING. MR. BANKS, LET ME INTRODUCE YOU TO OUR THIRD PARTNER, DENNY.

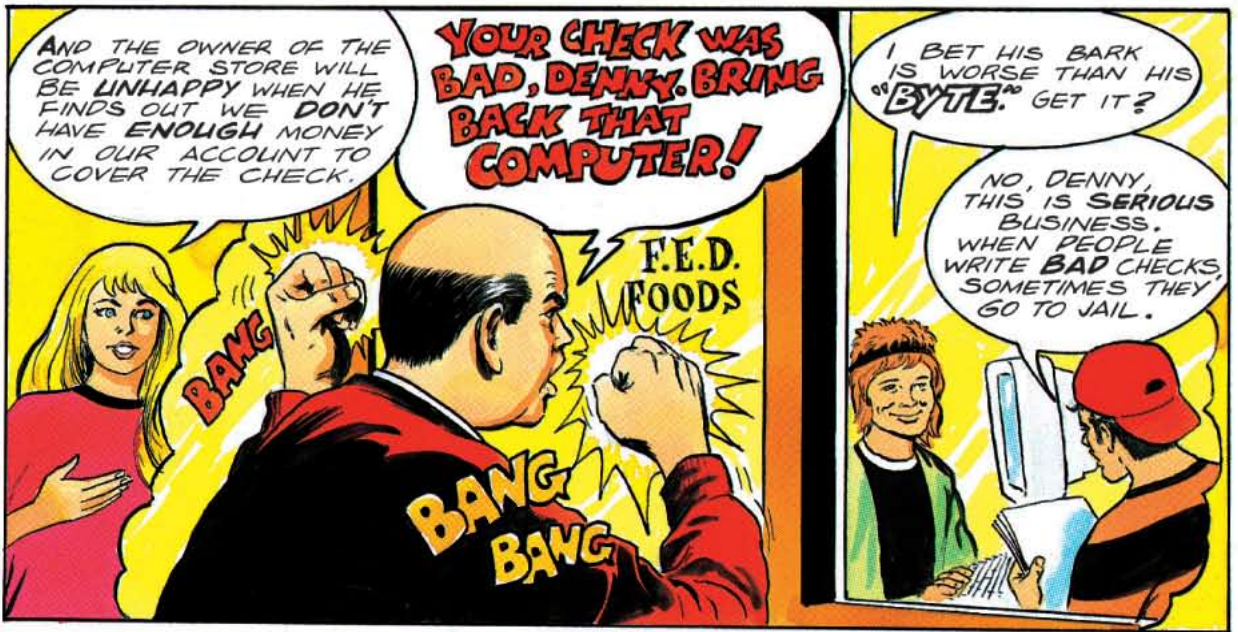




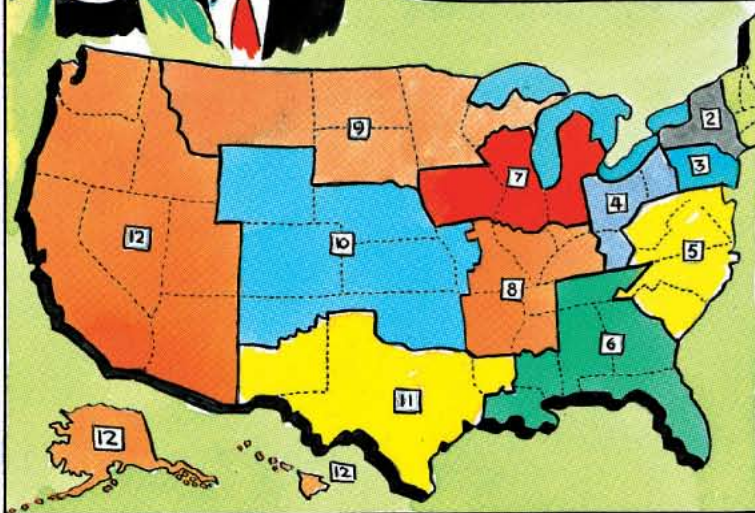
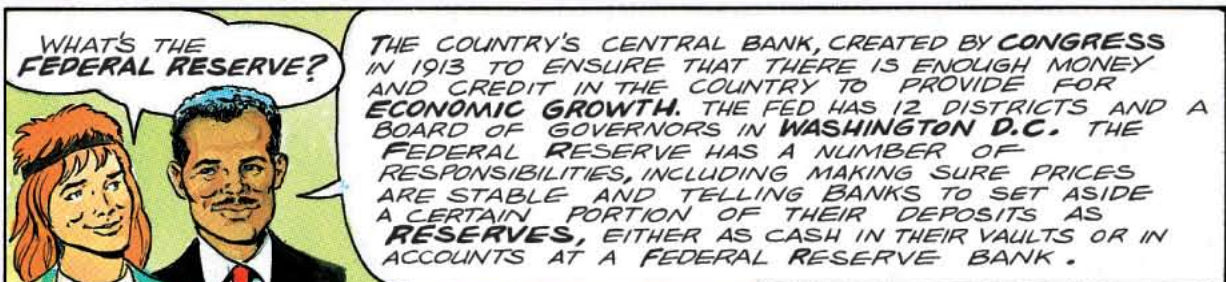




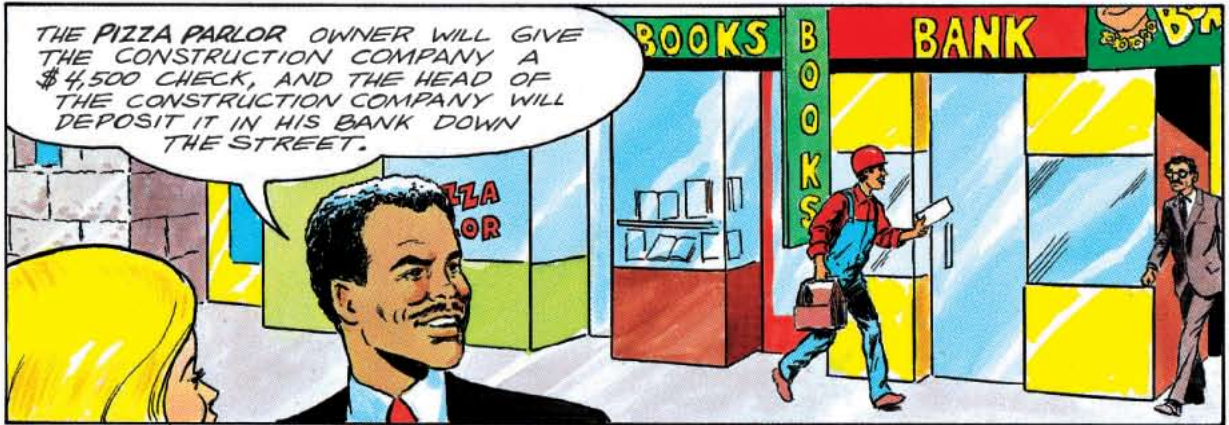














WITH AN ORIGINAL DEPOSIT OF \$5,000 AND JUST THREE TRANSACTIONS, THREE BANKS GOT \$13,550 IN **NEW DEPOSITS** AND MADE \$12,195 IN LOANS. A LOT OF MONEY IS CREATED WHEN THE BANKS, CREDIT UNIONS, AND SAVINGS AND LOANS IN THE **UNITED STATES** GET INVOLVED.



IF SO MUCH OF THE MONEY DEPOSITED GETS LENT OUT, HOW DO WE KNOW THAT THE BANK WILL BE ABLE TO GIVE US OUR MONEY BACK WHEN WE WANT IT?

BANKS TRY TO MAKE **SAFE** LOANS, BUT, OF COURSE, THERE'S ALWAYS **RISK**. BANKS HAVE **CAPITAL** TO PROTECT THEMSELVES AGAINST LOSS, AND FEDERAL AND STATE REGULATORS EXAMINE BANKS TO MAKE SURE THEY ARE ENGAGING IN **SAFE** AND **SOUND** PRACTICES.



CHIEF, I'M NOT GETTING A PULSE.

I KNEW IT WAS SICK WHEN WE EXAMINED IT LAST YEAR. I'M GOING TO RECOMMEND AN INFUSION OF CAPITAL.



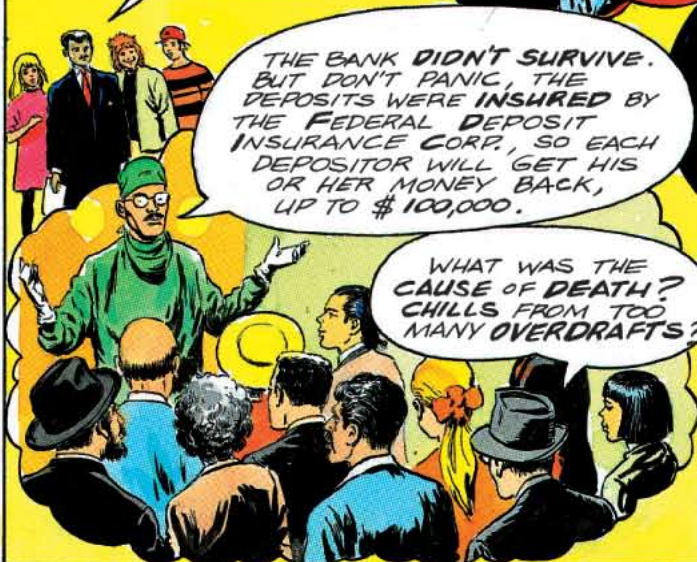
PLUS, DEPOSITS ARE **INSURED** BY THE **FEDERAL DEPOSIT INSURANCE CORP.**, AN AGENCY OF THE **GOVERNMENT**.

WHAT SHOULD WE DO IF WE WANT TO SET SOME MONEY ASIDE SO WE CAN START PRODUCING **OTHER** SNACKS BESIDES **PRETZELS**?

THE BANK DIDN'T SURVIVE. BUT DON'T PANIC, THE DEPOSITS WERE **INSURED** BY THE **FEDERAL DEPOSIT INSURANCE CORP.**, SO EACH DEPOSITOR WILL GET HIS OR HER MONEY BACK, UP TO **\$100,000**.

WHAT WAS THE **CAUSE OF DEATH**? **CHILLS** FROM TOO MANY **OVERDRAFTS**?

THAT'S A **GOOD** QUESTION, FRANCISCO. WHILE YOU'RE **HERE**, YOU MAY WANT TO OPEN UP A **SAVINGS** ACCOUNT OR A **CHECKING** ACCOUNT THAT **PAYS** INTEREST.



<b>PASSBOOK SAVINGS</b>	EARN COMPETITIVE MARKET RATES
MINIMUM DEPOSIT	\$1
INTEREST COMPOUNDED	QUARTERLY
MINIMUM BALANCE TO EARN INTEREST	\$500
CHECKING WITH INTEREST	\$5,000 MONTHLY BALANCE



THE SAVINGS ACCOUNTS RANGE FROM **PASSBOOK SAVINGS** ACCOUNTS THAT ALLOW FREQUENT WITHDRAWALS BUT PAY RELATIVELY LOW RATES, TO **CERTIFICATE OF DEPOSIT (CD)** ACCOUNTS THAT PAY HIGHER RATES BUT TIE UP YOUR MONEY FOR AS LITTLE AS SEVEN DAYS OR AS LONG AS 10 YEARS.

I'M HEADING TO THE BEACH FOR THE WEEKEND, WANT TO COME?

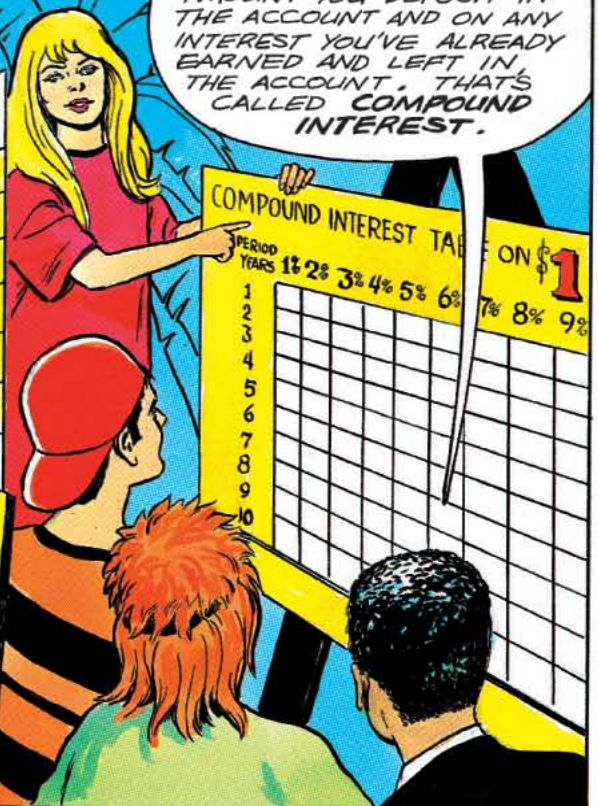
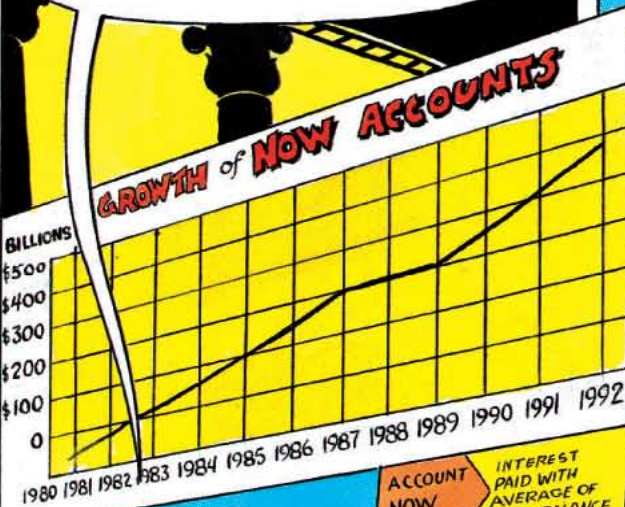
SOUNDS LIKE FUN, BUT I HAVE TO PASS. I'M GOING TO BE TIED UP FOR THE NEXT 10 YEARS.



OR YOU MAY PREFER AN INTEREST-BEARING CHECKING ACCOUNT, SUCH AS A **NEGOTIABLE ORDER OF WITHDRAWAL (NOW)** ACCOUNT. **NOW** ACCOUNTS ALLOW UNLIMITED CHECK WRITING BUT USUALLY REQUIRE A MINIMUM BALANCE IN ORDER TO EARN INTEREST. BANKS ALSO OFFER **MONEY MARKET DEPOSIT** ACCOUNTS (MMDAs) WHICH OFFER LIMITED CHECK WRITING AND OFTEN REQUIRE A MINIMUM AVERAGE BALANCE TO AVOID MONTHLY CHARGES.

I'M NOT SURE WE CAN MAINTAIN A MINIMUM BALANCE RIGHT NOW, SO I THINK WE SHOULD START OFF WITH A **REGULAR SAVINGS** ACCOUNT. WE'LL STILL EARN INTEREST, WON'T WE?

YOU CAN **BANK ON IT**, EVELYN, AND YOU'LL EARN INTEREST BOTH ON THE ORIGINAL AMOUNT YOU DEPOSIT IN THE ACCOUNT AND ON ANY INTEREST YOU'VE ALREADY EARNED AND LEFT IN THE ACCOUNT. THAT'S CALLED **COMPOUND INTEREST**.



ACCOUNT NOW ACCOUNT INTEREST PAID WITH AVERAGE OF \$3000 BALANCE

MMDA COMPETITIVE MARKET RATES ON BALANCES \$2,500-\$10,000 \$10,000-\$25,000 \$25,000 AND OVER



IF WE HAVE \$5,000 AND PUT IT IN AN ACCOUNT PAYING 5 PERCENT COMPOUND INTEREST, IN FIVE YEARS WE'LL HAVE \$6,380.

INTEREST	
5%	
1.050	
1.102	
1.158	
1.216	
1.276	
1.340	
1.407	
1.477	

MANY BANKS ALSO ISSUE CREDIT CARDS, SO YOU CAN BUY THE COMPUTER YOU MENTIONED TODAY AND PAY FOR IT LATER.

WITH A CREDIT CARD, WE WOULDN'T HAVE TO PAY THE ENTIRE BILL AT ONCE. INSTEAD, WE COULD SPREAD OUR PAYMENTS OUT OVER MANY MONTHS AS LONG AS WE AGREE TO PAY THE BANK INTEREST. BUT THAT INTEREST ADDS TO OUR TOTAL COST OF OWNING THE COMPUTER. ON THE OTHER HAND, WE'D GET THE COMPUTER NOW. HMMM...

WELL, I DON'T WANT TO GO INTO DEBT RIGHT NOW AND RISK BEING SADDLED WITH MONTHLY PAYMENTS. WE'RE NOT READY FOR THAT RESPONSIBILITY. I THINK WE SHOULD STICK TO THE CHECKING AND SAVINGS ACCOUNTS, AND THINK ABOUT THE OTHER BANK SERVICES LATER.



**PART TWO - THREE YEARS LATER**

BUSINESS IS **BOOMING**; WE'RE GETTING MORE ORDERS FOR OUR PRETZELS EVERY DAY.

WAIT UNTIL YOU TRY ONE OF DENNY'S **LATEST INVENTIONS**.



DENNY, THESE ARE GREAT CHIPS. ARE MY TASTE BUDS MISTAKEN OR DID I JUST BITE INTO A CHIP THAT TASTED LIKE PARSNIP?

YEAH, PARSNIP, YUCCA, SWEET POTATO, TARO, BATATA, ALL KINDS OF EXOTIC VEGETABLES ARE IN THAT BOWL OF CHIPS. I'M EXPERIMENTING.



WHEN THE **CHIPS ARE DOWN**, NOBODY'S MORE CREATIVE THAN DENNY.

I LEARNED ALL THIS FROM MY FATHER. HE SAYS I'M A **CHIP OFF THE OLD BLOCK**.







WHY DON'T WE START SELLING THESE? I'M **SURE** OUR CUSTOMERS WILL WANT TO BUY THEM FOR THEIR STORES.

IT WAS **VERY WISE** OF YOU TO START MAKING CHIPS.



I DON'T KNOW, WE CAN HARDLY KEEP UP WITH OUR PRETZEL ORDERS IN THIS **SMALL** FACTORY.

WE CAN ALWAYS RENT A **LARGER** BUILDING, BUY MORE EQUIPMENT AND HIRE MORE PEOPLE.



I'M NOT SURE WE HAVE ENOUGH MONEY IN OUR SAVINGS ACCOUNT TO PAY FOR AN EXPANSION.

HEY, DON'T LOOK AT **ME**. MY FAMILY DOESN'T HAVE ANY MORE MONEY TO LEND US.



YOU'RE RIGHT, DENNY. YOUR FOLKS HAVE ALREADY **CHIPPED** IN AS MUCH AS THEY CAN.

WHY NOT MAKE UP THE DIFFERENCE WITH A **BANK** LOAN?





NOW THERE'S AN IDEA!  
WE'VE BEEN SUCCESSFUL  
WITH OUR PRETZELS,  
HAVEN'T WE?

AND WE'VE ALWAYS PAID  
OUR BILLS ON TIME.



YOU SAID YOURSELF WE  
ALREADY HAVE SOME  
MONEY SET ASIDE FOR  
**EXPANSION**.  
MR. BANKS WILL LOVE  
OUR **NEW IDEA**.



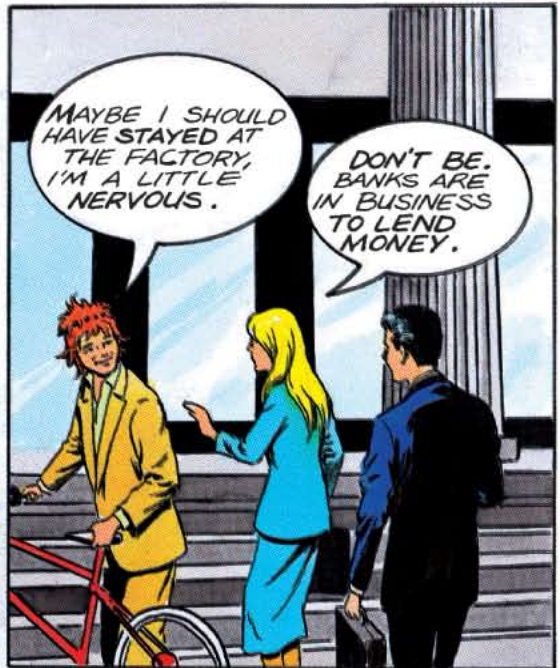
I'LL FIGURE OUT HOW MUCH IT'LL  
COST TO **EXPAND**, MAKE COPIES  
OF OUR FINANCIAL STATEMENTS,  
AND WRITE A BUSINESS AND  
MARKETING PLAN.  
THEN WE'LL MAKE AN  
APPOINTMENT WITH  
MR. BANKS.



TWO MONTHS LATER... **AK**

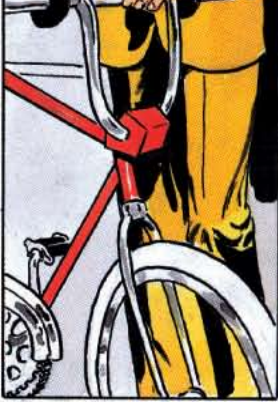


GEE, DENNY YOU LOOK GREAT IN THE SUIT, BUT THE BIKE MESSED UP YOUR HAIR.



MAYBE I SHOULD HAVE STAYED AT THE FACTORY, I'M A LITTLE NERVOUS.

DON'T BE. BANKS ARE IN BUSINESS TO LEND MONEY.



BANKS TAKE THE MONEY PEOPLE AND BUSINESSES DEPOSIT AND LEND IT TO BUSINESSES LIKE OURS.



BUSINESS LOAN  
PAY TO THE ORDER OF E.E.D. FOO \$50,000.  
NATIONAL COMMERCIAL BANK



TRY SOME OF OUR GREAT NEW EXOTIC CHIPS, MR. BANKS. WE'D LIKE TO GET A LOAN TO EXPAND OUR BUSINESS AND START SELLING THEM.

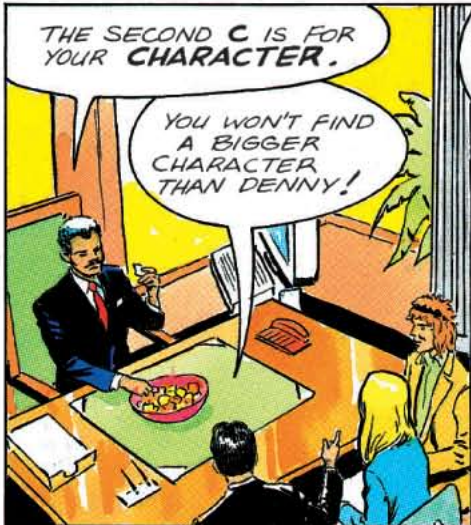
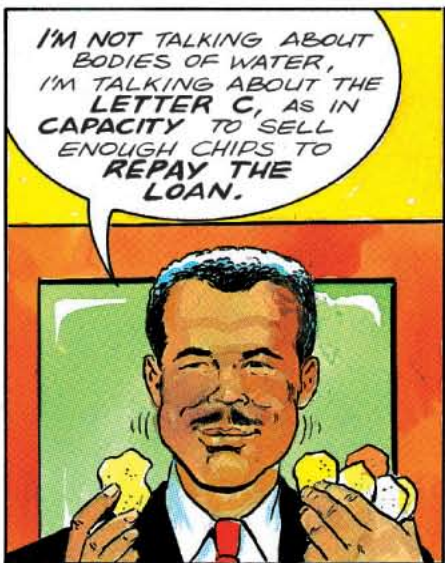


HMMMM. THESE ARE GOOD, BUT BEFORE THE BANK CAN GIVE YOU A LOAN, I'M GOING TO HAVE TO ASK YOU TO FILL OUT AN APPLICATION, SO WE CAN DO A CREDIT CHECK.

AND, I'M GOING TO TAKE A LOOK AT YOUR FIVE C S.

I'VE HEARD OF THE SEVEN SEAS, BUT NEVER THE FIVE SEAS. WHAT ARE THEY?





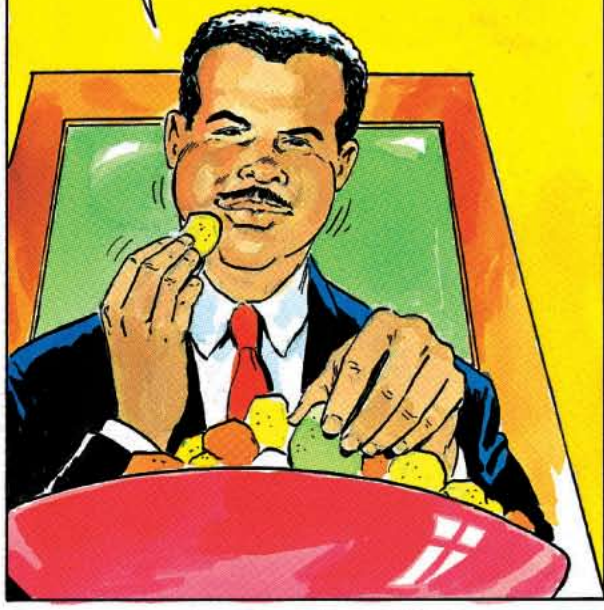


IN THAT CASE, WE WOULD USE THE EQUIPMENT AS YOUR COLLATERAL AND IT COULD BE TAKEN OVER BY THE BANK IF YOU FAILED TO REPAY US.  
**REMEMBER, WHEN YOU TAKE OUT A LOAN, IT'S A LEGAL CONTRACT.**

THIS WAY, BOYS WE'RE GOING TO HAVE TO AUCTION IT OFF.



THE FOURTH C IS FOR **CAPITAL**, THE AMOUNT OF MONEY YOU HAVE INVESTED IN YOUR BUSINESS. THE BANK ALWAYS WANTS A BORROWER TO HAVE SOME OF HIS OR HER CAPITAL INVESTED, NOT JUST THE BANK'S MONEY.



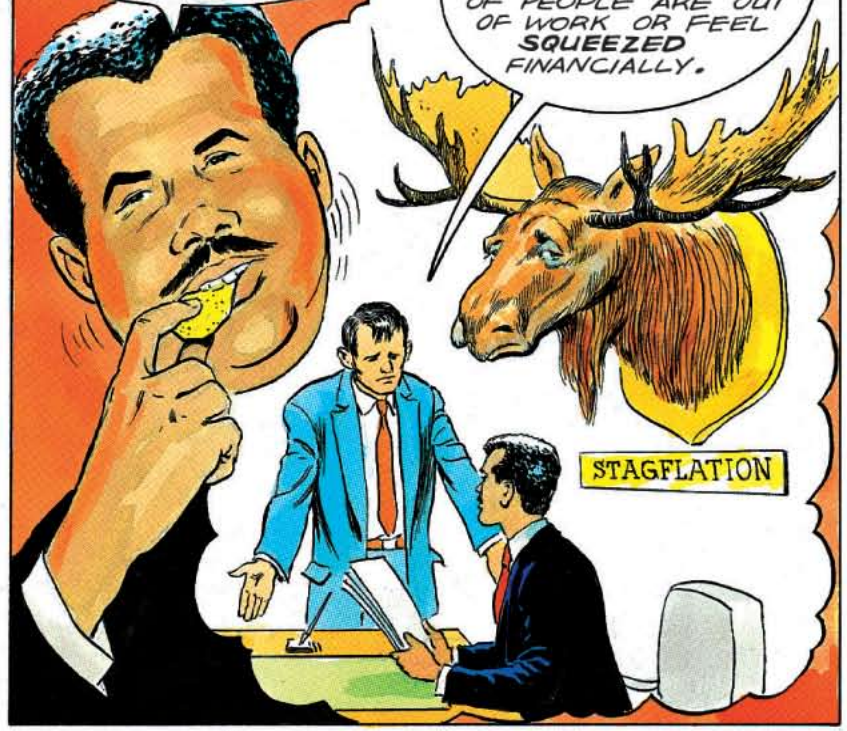
WE OWN ALL OUR PRETZEL-MAKING EQUIPMENT AND WE'VE SAVED ENOUGH TO PAY FOR **HALF THE COST** OF THE CHIP-MAKING MACHINE.

THAT SOUNDS REASONABLE



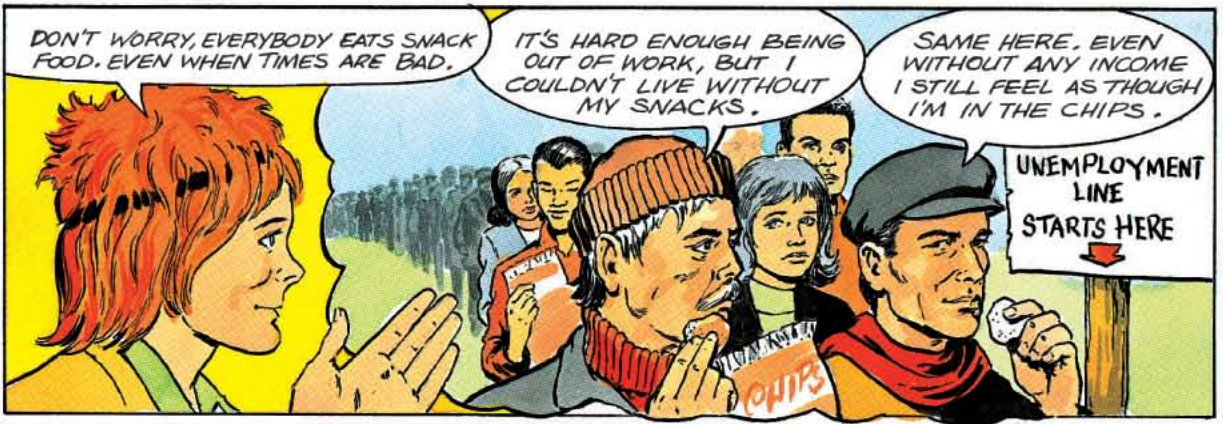
THE FIFTH C IS FOR **CONDITIONS**, OR ECONOMIC FACTORS THAT MIGHT AFFECT YOUR BUSINESS.

I'D LOVE TO PAY OFF THE LOAN, MR. BANKS, BUT I CAN'T BECAUSE OF THIS **DARN RECESSION**. LOTS OF PEOPLE ARE OUT OF WORK OR FEEL **SQUEEZED FINANCIALLY**.



**STAGFLATION**



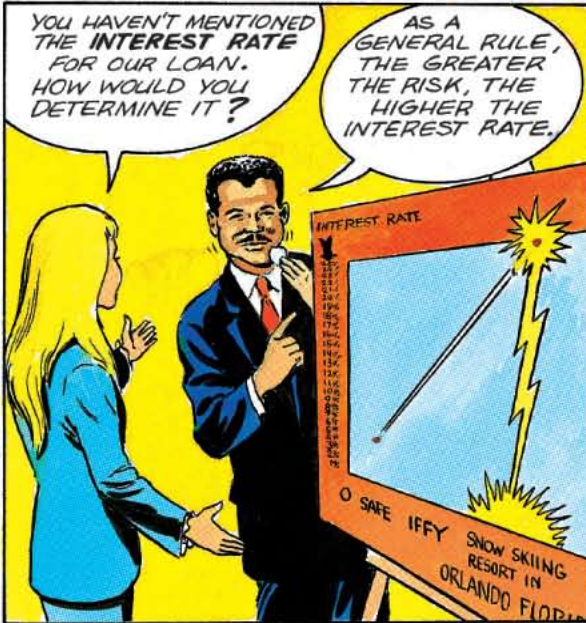


DON'T WORRY, EVERYBODY EATS SNACK FOOD. EVEN WHEN TIMES ARE BAD.

IT'S HARD ENOUGH BEING OUT OF WORK, BUT I COULDN'T LIVE WITHOUT MY SNACKS.

SAME HERE. EVEN WITHOUT ANY INCOME I STILL FEEL AS THOUGH I'M IN THE CHIPS.

UNEMPLOYMENT LINE STARTS HERE



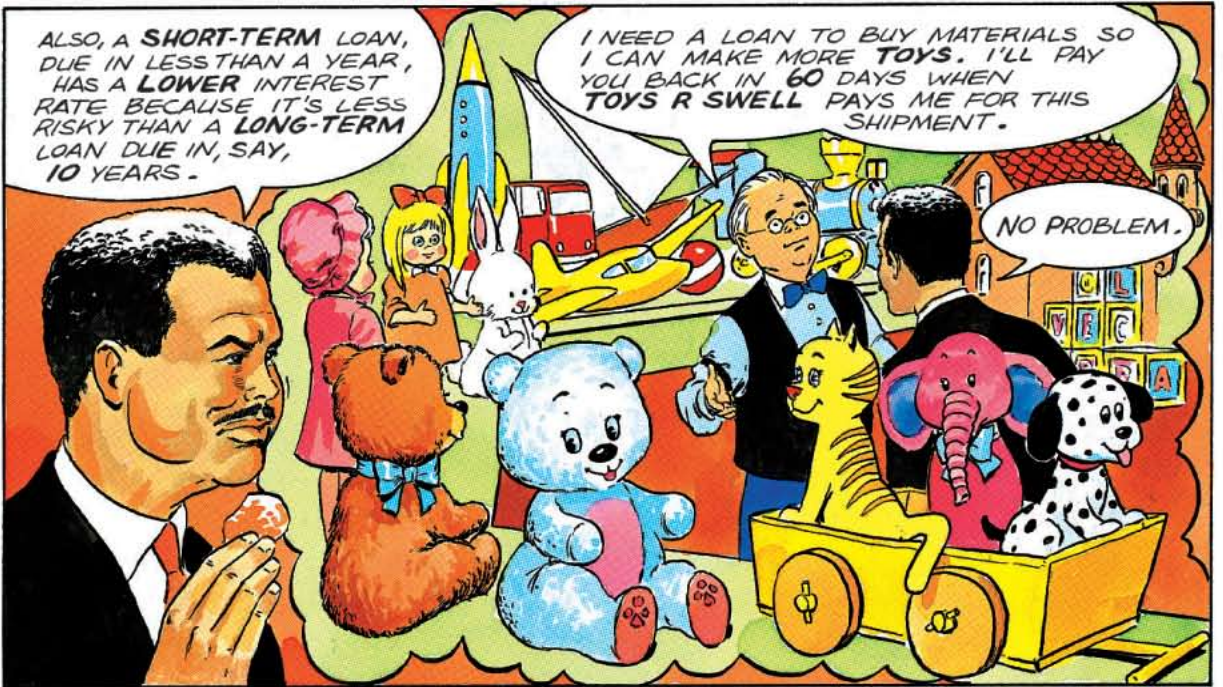
YOU HAVEN'T MENTIONED THE **INTEREST RATE** FOR OUR LOAN. HOW WOULD YOU DETERMINE IT?

AS A GENERAL RULE, THE GREATER THE RISK, THE HIGHER THE INTEREST RATE.



SO YOU WANT TO OPEN A SNOW SKIING RESORT IN ORLANDO, FLORIDA? IT'S ORIGINAL BUT IT SOUNDS KIND OF CHANCY.

IF MR. BANKS LENDS THAT GUY MONEY IT WILL BE ALL DOWNHILL FROM THERE.



ALSO, A **SHORT-TERM** LOAN, DUE IN LESS THAN A YEAR, HAS A **LOWER** INTEREST RATE BECAUSE IT'S LESS RISKY THAN A **LONG-TERM** LOAN DUE IN, SAY, 10 YEARS.

I NEED A LOAN TO BUY MATERIALS SO I CAN MAKE MORE TOYS. I'LL PAY YOU BACK IN 60 DAYS WHEN TOYS R SWELL PAYS ME FOR THIS SHIPMENT.

NO PROBLEM.



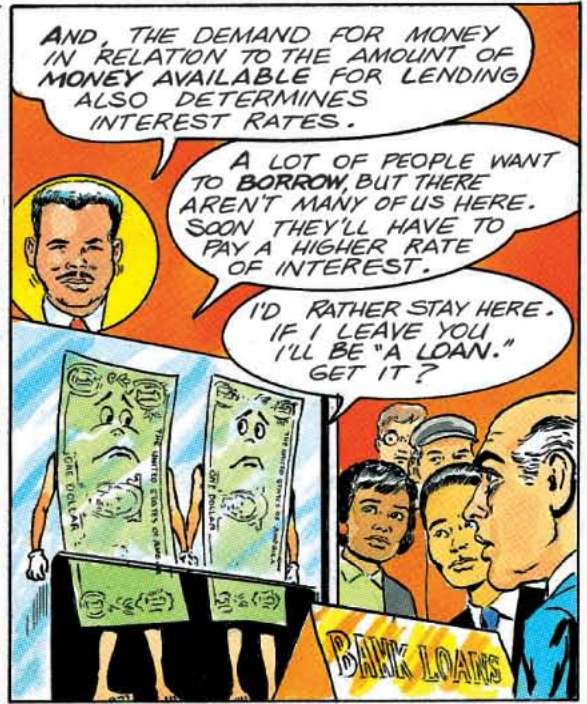


LONG-TERM LOANS ARE A BIGGER GAMBLE BECAUSE A LOT CAN CHANGE IN 10 YEARS.

I GUESS IT WAS A MISTAKE BORROWING SO MUCH MONEY 10 YEARS AGO TO START MAKING RECORD PLAYERS.

HOW COULD WE HAVE KNOWN THEY WERE GOING TO INVENT COMPACT DISCS?

RECORD PLAYER



AND, THE DEMAND FOR MONEY IN RELATION TO THE AMOUNT OF MONEY AVAILABLE FOR LENDING ALSO DETERMINES INTEREST RATES.

A LOT OF PEOPLE WANT TO BORROW, BUT THERE AREN'T MANY OF US HERE. SOON THEY'LL HAVE TO PAY A HIGHER RATE OF INTEREST.

I'D RATHER STAY HERE. IF I LEAVE YOU I'LL BE "A LOAN." GET IT?

BANK LOANS



WHO DETERMINES THE AMOUNT OF MONEY BANKS HAVE TO LEND?

WELL, TO SOME EXTENT, IT'S THE PEOPLE AND BUSINESSES THAT DEPOSIT THE MONEY THAT THE BANK LENDS OUT. AND TO SOME EXTENT, IT'S THE BORROWERS WHOSE LOANS TAKE MONEY OUT OF THE BANK.

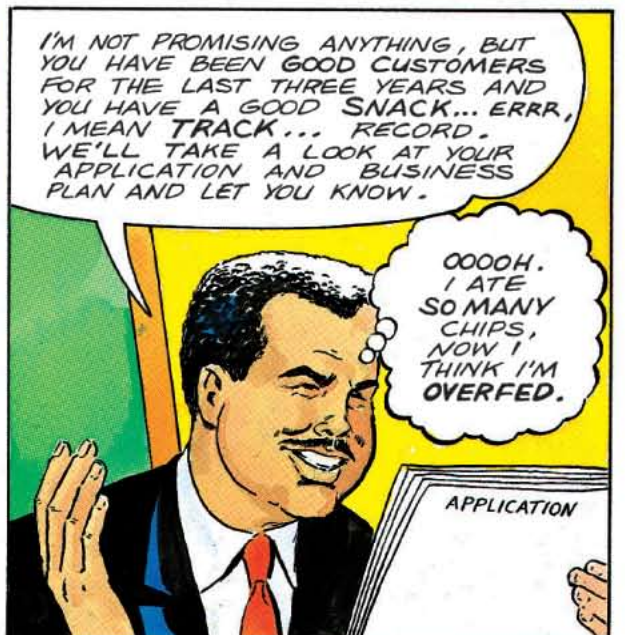
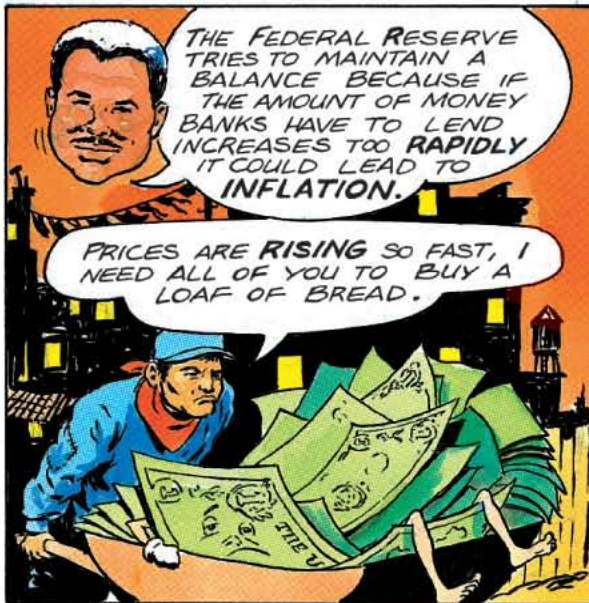
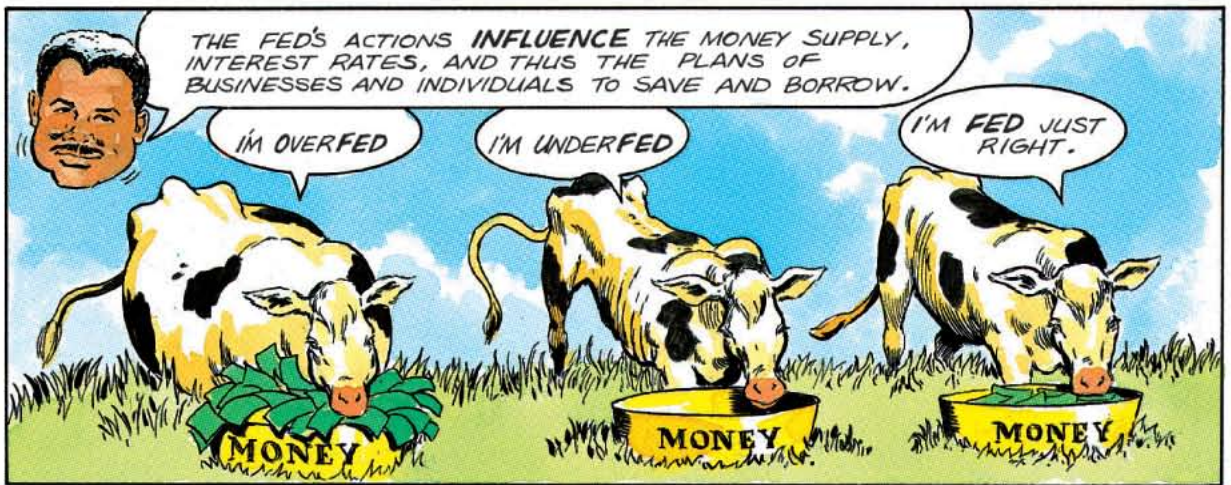


THE FEDERAL RESERVE ALSO PLAYS A ROLE BECAUSE IT SETS RESERVE REQUIREMENTS AND, AS A RESULT, DETERMINES THE SHARE OF THE DEPOSITS THAT CAN BE LENT OUT.

OH YEAH. YOU TOLD US ABOUT THE FEDERAL RESERVE THREE YEARS AGO.

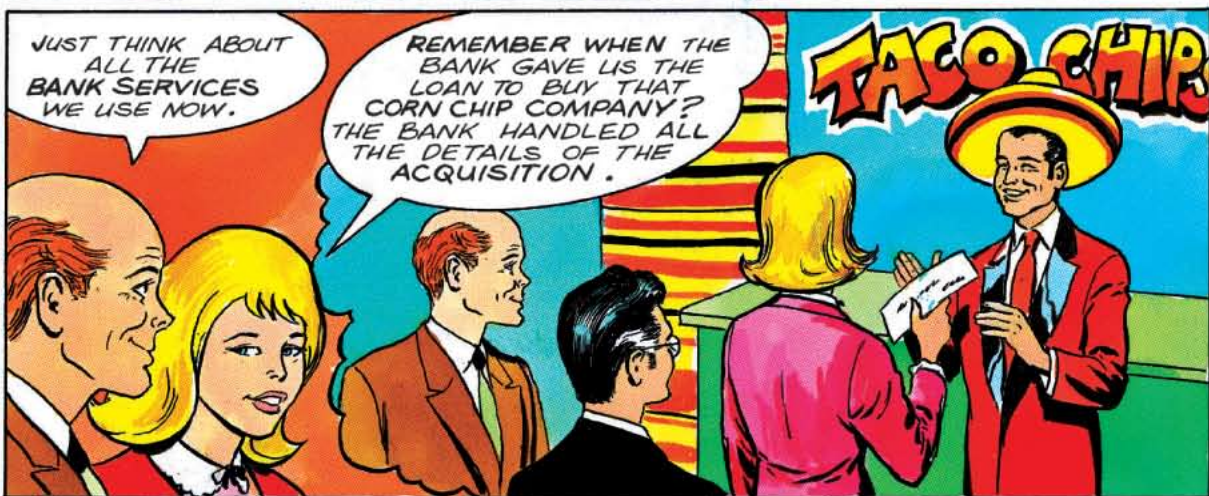
THE FEDERAL RESERVE BOARD OF GOVERNORS WASHINGTON D.C.







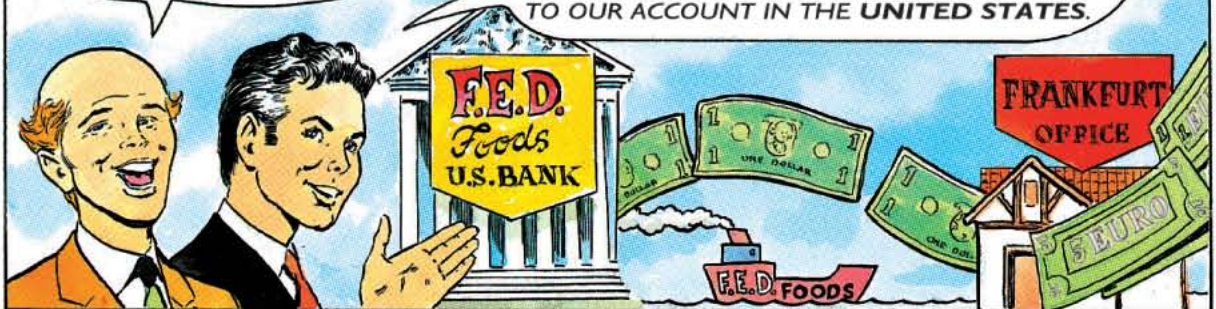
TWENTY YEARS LATER...





AND THE BANK HELPS US WITH ALL OUR FOREIGN EXCHANGE TRANSACTIONS IN THE COUNTRIES IN WHICH WE SELL SNACKS.

THAT'S RIGHT. WHEN THE F.E.D. FOODS DISTRIBUTOR IN FRANKFURT, GERMANY, PAYS US IN EUROS, THE BANK'S FRANKFURT OFFICE CONVERTS THE EUROS TO DOLLARS AND TRANSFERS THE MONEY TO OUR ACCOUNT IN THE UNITED STATES.



WE HAVE THE TYPE OF LOAN THAT LETS US BUY A WHOLE CROP OF VEGETABLES AND PAY THE BANK AFTER WE SELL OUR SNACKS.



THROUGH OUR COMPUTER LINK TO THE BANK, WE CAN TRANSFER FUNDS ELECTRONICALLY FROM OUR ACCOUNT TO ACCOUNTS AT OTHER BANKS.

THAT WAY WE CAN TAKE ADVANTAGE OF INVESTMENT OPPORTUNITIES QUICKLY.



THE BANK DEPOSITS OUR EMPLOYEES' WAGES ELECTRONICALLY INTO THEIR ACCOUNTS AT OTHER BANKS, SO THEY DON'T HAVE TO STAND ON LINE TO DEPOSIT THEIR PAYCHECKS.



THAT'S JUST A FEW OF THE SERVICES THE BANK HAS TO OFFER.

WHEW! AND TO THINK... IT ALL STARTED 23 YEARS AGO WITH ONE CHECKING ACCOUNT AND A PRETZEL RECIPE.





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