

Money on the Move

Follow how deposits, loans, and interest connect.

SS.8.FL.3.1 “Explain that banks and other financial institutions loan funds received from depositors to borrowers and that part of the interest received from these loans is used to pay interest to depositors for the use of their money.”

NAME _____

DATE _____

1 READ AND MARK _____ Read it twice

YOUR JOB Underline one sentence for each step in the money flow: depositors provide funds, the institution loans funds to borrowers, and borrower interest helps pay depositors. Number your underlined sentences 1, 2, and 3 in that order.

How a Bank Uses Deposits

- ① At Harbor Community Bank, families and businesses keep money in checking accounts, savings accounts, and certificates of deposit. These customers are depositors because they place funds with the bank for safekeeping and convenient access. The bank does not leave all deposited money sitting unused. It keeps funds available to meet withdrawals. Then it can lend some of the deposited funds to qualified borrowers, such as a family seeking a home loan or an owner buying equipment.
- ② Borrowers repay the loan over time, along with interest. Interest is the price borrowers pay for using money that is not theirs. Suppose the bank charges more interest on a loan than it pays on a savings account. Part of the interest the bank receives from borrowers can be used to pay interest to depositors. This payment gives depositors a return for allowing the institution to use their funds. The remaining income helps cover costs, possible losses, and other bank operations.
- ③ This flow connects people who save with people who need money now. A depositor may earn interest, although rates and account terms vary. A borrower receives funds for a purpose and agrees to repay principal plus interest under the loan agreement. Banks and other financial institutions must make careful lending decisions because borrowers might not repay. They also need to manage withdrawals so depositors can access money according to account rules. In this way, deposits support loans, and interest paid by borrowers helps make interest payments to depositors possible.

2 ANSWER WITH EVIDENCE _____ Use the passage

1 What do depositors provide to a bank or other financial institution, and what can the institution do with some of those funds?

2 What is interest for a borrower, according to the passage?

3 Why does a bank keep funds available instead of lending all deposited money?

4 Explain how interest paid by borrowers can lead to interest paid to depositors.

3 YOUR TURN _____ Your own words

Create a three-sentence example about a bank or credit union. Identify a depositor and a borrower, explain how the institution loans deposited funds, and explain how borrower interest can help pay the depositor interest.

PART 1 • READ AND MARK

Underline one sentence for each step in the money flow: depositors provide funds, the institution loans funds to borrowers, and borrower interest helps pay depositors. Number your underlined sentences 1, 2, and 3 in that order. Accept any marking that follows this job and points at the right text.

PART 2 • ANSWERS

#	QUESTION	ANSWER
1	What do depositors provide to a bank or other financial institution, and what can the institution do with some of those funds?	Depositors provide funds by placing money in accounts. The institution can lend some of those deposited funds to qualified borrowers.
2	What is interest for a borrower, according to the passage?	Interest is the price a borrower pays for using money that is not theirs.
3	Why does a bank keep funds available instead of lending all deposited money?	It keeps funds available so it can meet depositors' withdrawals.
4	Explain how interest paid by borrowers can lead to interest paid to depositors.	Borrowers repay loans with interest. The institution can use part of the interest it receives from borrowers to pay interest to depositors for the use of their funds.

PART 3 • YOUR TURN (SAMPLE ANSWER)

At Pine Credit Union, Asha puts \$500 in a savings account, and Mateo receives a loan to repair his car. Mateo repays the loan with interest, so the credit union receives money for lending its depositors' funds. It uses part of that interest to pay interest to Asha and other depositors.

Accept equivalent explanations that show deposited funds being loaned to borrowers and part of borrower interest being used to pay depositor interest. For Part 3, accept any accurate example that includes all three required parts.