

## Index

### A

Accounts receivable, 132  
Add-on loan rate, 178  
Adjusted balance method, 174  
Adjustable rate mortgages (ARMs),  
154–155, 157–158  
Adverse selection, 115–116  
Agreement Corporation, 43  
Ally Bank, 215–226  
Alternative financial services, 40  
Alternative mortgage instruments,  
162  
American International Group  
(AIG), 103  
Annual percentage rate (APR),  
176–178  
Anti-money-laundering programs  
(AML), 239–241  
Ariff, Mohamed, 278  
Asset-backed securities (ABS),  
103–104, 150  
Asset-based lending, 130  
Asset/Liability Management  
(ALM), 75  
Asset liability management  
committee (ALCO), 75  
Asset management, 32–33, *see*  
Trust Services  
Assumable mortgage, 160  
Asymmetric information, 115–116  
Automated clearing house, ACH,  
232

Automatic Teller Machines  
(ATMs), 232–234  
Automobile loans, 167–168  
Average cost, 143–144  
Average daily balance method, 175

### B

Bair, Sheila, 5, 39, 148, 205  
Balloon mortgage, 162  
Bank, 41–42, 43, 64–68, 213–215  
Bank business models, 10  
Bank of America Corporation, 37,  
53, 232  
Bank capital, 189–193  
Bank Directors, 279–280  
Bank failures, 12  
Bank for International Settlements  
(BIS), 92–93  
Bank Holding Companies, 36–38,  
43, 48  
Bank Holding Company Act, 48  
Bank Secrecy Act of 1970 (BSA),  
238  
Bank stocks, 207–209  
Bankers Acceptance, 133  
Basel I, 193–194  
Basel II, 194–197  
Basel III, 83, 198–199  
Basel Capital Accords, 193–199  
Basel Committee on Banking  
Supervision, 11–12, 92–93

- Basis risk, 98  
Bernanke, Ben, 111  
Bies, Susan Schmidt, 112, 199  
Borrowers, 280  
Bridge loan, 129–130  
Board of Directors, 120–121  
Brokered deposits, 78–79  
Bubbles, *see* Real estate bubbles  
Buydown, 160
- C**
- Call reports, 215  
CAMEL, 194  
CAMELS, 299  
Capital adequacy, 189, 195  
Capacity, 135–136  
Capital, 136, 191–193  
Caps, 158  
Cash management, 245  
Cash concentration, 245  
CHIPS, Clearing House for  
International Payments Systems,  
242–243  
Character, 135  
Charitable Trust, 252  
Chartering banks, 54–55  
Clearing House Interbank Payments  
System (CHIPS), 51  
Checks, 232  
CLS Bank, 243  
Collateral, 121, 131–134, 136, 154  
Collateralized Debt Obligations  
(CDO), 8, 103  
Colonial Bank 16–17  
Commercial bank, *see* Bank  
Commercial mortgage loans, 150,  
164–165  
Commercial and industrial loans  
(C&I), 115  
Commitments (loans), 123–124  
Compliance, 136  
Compliance risk, 24–25, 33, 112  
Community Reinvestment Act  
(CRA), 180  
Consolidation, 35–36.  
Construction and development  
loans, 165  
Consumer loans, 165–173  
Controlled disbursement, 246  
Cooperative bank, 43  
Core capital, 190, 214–215  
Core deposits, 78  
Correspondent banking, 253–254  
Cost of credit, 179  
Covered bonds, 110–111  
Credit Card Accountability,  
Responsibility and Disclosure Act  
of 2009, 183–188  
Credit CARD Act of 2009, 171,  
185–188  
Credit cards, 169–172, 233  
Credit Default Swaps (CDS), 9,  
103–104  
Credit derivatives, 100  
Credit risk, 33, 97–98, 112  
Credit scoring, 119–110  
Credit shelter trust, 252  
Credit Union, 43  
Currency, 230–232  
Currency swaps, 102–103
- D**
- Daily balance method, 175  
Debit card, 169  
Depository institution, 283–284  
Derivatives, 95–97  
Derivative contracts, 99–100  
Discount loan rate, 179  
Documentation, 121–122  
Down payment 152

- Diversification, 1, 16, 121  
Dodd-Frank Wall Street Reform  
and Consumer Protection Act,  
48–50, 189  
Dollar gap, 84–85  
DTC, Depository Trust Company,  
243  
Dubai, 18–19  
Due-on-sale clause, 160  
Duration gap, 88–92
- E**
- Earnings simulation, 92  
Economic capital, 200–201  
Economies of scale, 24  
Edge/Agreement Corporation, 43  
Effective yield, 137–140, 161  
Efficiency ratio, 214  
Embedded options, 91–92  
Enterprise Risk Management  
(ERM), 112–114, 199–201  
Equal Credit Opportunity Act  
(ECOA), 180  
Equipment, 134  
Equity capital, 190  
Examining banks, 55–57
- F**
- Factoring, 133  
Fair and Accurate Credit  
Transaction Act, 182  
Fair Credit Billing Act, 181  
Fair Credit Reporting Act, 182  
Fair Housing Act, 180  
Fair Value, 202–203  
Fannie Mae, *see* Federal National  
Mortgage Association  
Fedwire, 241–242
- Federal Deposit Insurance  
Corporation, 46, 52  
Federal Deposit Insurance  
Corporation Improvement Act of  
1991 (FIDICIA), 181  
Federal Financial Institutions  
Examination Council (FFEIC), 76  
Federal Home Loan Banks, 5, 150  
Federal Home Loan Mortgage  
Corporation (FHLMC), 4, 150  
Federal National Mortgage  
Association (FNMA), 4, 150  
Federal Reserve Regulations, 58–61  
Fee-based, mark-up (FMU, FBMU),  
256  
Fee income, 171  
Finance charges, 174  
Finance company, 43  
Financial crises, 1–20  
Financial Holding Company, 43  
Financial intermediaries, 23, 28–30,  
51–54  
Financial leverage 1, 13–18  
Fisher, Richard, 10  
Fixed-rate loans, 82, 155  
Foreign bank, 44  
Foreign exchange risk, 25, 112  
Forwards, 99  
Freddie Mac, *see* Federal Home  
Loan Mortgage Corporation  
Futures, 99, 105–109
- G**
- Geithner, Timothy, 39  
Ginnie Mae, *see* Government  
National Mortgage Association  
Glass Steagall Act of 1933, 47–48  
Globalization, 18,  
Government National Mortgage  
Association (GNMA), 4, 150

- Government Sponsored Entities (GSEs), 4  
Gramm-Leach Bliley Act (GLBA) of 1999, 48, 183  
Graduated payment mortgage, 162  
Greenspan, Alan, 203–204  
Growing equity mortgage, 162  
Guarantees, 122, 134  
Gup, Benton E., xvii
- H**
- Harmonization, 46, 57  
Harrison, John D. 281  
Hawala, 236–237  
Hedging, 95, 100–109  
Home equity loan (HELOC), 163–164  
Home Mortgage Disclosure Act (HMDA), 181
- I**
- Iceland, 15–16  
IKB, 81  
Immunization, 91  
Income risk, 78–89  
Individuals, 33–34  
Industrial bank, 44  
IndyMac Bank, 82  
Informal Value Transfer Systems (IVTS), 235–238  
Investors, 280–281  
Islamic Banking, 255  
Insurance company, 43  
Insurance losses, 48  
Insurance services, 54  
Interest-only mortgage, 163  
Interest rates, 34–35, 75–76  
Interest rate risk, 17–18, 33, 76–78  
Interest rate spreads, 86–88  
Interest rate swaps, 100–102  
Intermediation chains, 30–32  
Internal ratings based approach (IRB), *see* Basel Capital Accords  
International financial crises (*see* Financial Crises)  
International lending, 145–146  
Interstate banking, 48  
Inventory, 134  
Investor relations, 210  
Irrevocable trust, 252
- J**
- JP Morgan Chase, 38
- L**
- Large Complex Banking Organizations (LCBOs), 37, 193  
Laws, 3–4, 68–74  
Leasing, 130–131, 173–174  
Legal risk, 25, 33, 112  
Legal tender, 229–30  
Letters of credit, 246–247  
Leverage ratio, 204  
Line of credit, 127–128  
Liquidity, 25  
Liquidity coverage ratio (LCR), 83–84  
Liquidity risk, 25, 33, 78–82, 112  
Loan agreements, 137  
Loan brokers, 124–125  
Loan expense, 142  
Loan pricing, 140, 146  
Loan-to-value ratios (LTV), 152–153  
Loans, 122–125  
Lock boxes, 246

- Long-Term Capital Management (LTCM), 11  
Lowder, Bobby, 16
- M**
- Manufactured Home Loans, 172–173  
Margin, 158–159  
Marginal cost, 143–144  
Marital trust, 252  
Market risk, 25, 98, 112  
Market value, 85–86  
Marketable securities, 134  
Member bank, 44  
Mergers, 58  
Money, 229  
Money laundering, 238, 254  
Monthly amortization, 177  
Monitoring, 122  
Moral hazard, 116  
Mortgage, 149–152, 266  
Mortgage Backed Securities (MBS), 8  
Mortgage insurance, 160  
Mudaraba (or murabaha), 266  
Musharaka, 276  
Mutual Savings Bank, 44
- N**
- National Bank, 44, 47  
Net interest income, 84–85  
Net interest margin (NIM), 75, 213  
Non-Depository Trust Company, 45  
Noninstallment loans, 173  
Nonfinancial business concerns, 26–28
- O**
- Off-Balance Sheet Risks, 53–54  
Open-end credit, 168–169  
Operational risk, 25, 33  
Options, 100, 104–105  
Overdraft, 125
- P**
- Participations, 123  
Payment systems, 51  
Payments Council, 233  
Performance pricing, 144  
PIIGS, 1  
Points, 161  
Population, 3, 18  
Prepayment card, 169  
Previous balance method, 175  
Price risk, 33, 76–78  
Primary securities, 27–28  
Profit-loss-risk-sharing, (PLS), 256  
Prompt corrective action (PCA), 191  
Prudential bank regulation, 57–64, 62–64
- Q**
- Quantitative models, 9–10
- R**
- Real estate bubbles, 18–19  
Real Estate Investment Trusts (REITS), 251  
Real Estate Settlement Procedures Act (RESPA), 181  
Real property, 134

- Refinancing, 125  
Regulation of banks, 55  
Regulation Z, 174, 181–182  
Regulatory arbitrage, 195  
Regulatory capital, 190  
Repurchase agreements (Repos),  
82–83  
Reputational risk, 25, 112  
Return on net funds employed,  
140  
Required rate of return, 140–141  
Reverse mortgage, 163  
Revocable Living Trust, 252  
Revolving loans, 128, 168–169  
Riba, 261  
Riegle-Neal Interstate Banking and  
Branching Efficiency Act of 1994,  
48  
Risk, 24–25, 26, 267
- S
- Savings and Loan Association, 45  
Savings Bank, 45  
Scotoma, 19  
Second mortgage, 163  
Secondary securities, 28  
Security risk, 112  
Securities and Exchange  
Commission (SEC), 209  
Securities services, 54  
Securitization, 8, 104, 118, 150,  
193  
Settlement charges, 161  
Shadow banks, 6, 39–40, 42  
Shared appreciation mortgage,  
164  
Shared National Credit (SNC),  
119, 247–248  
Shari'ah Board, 257
- Social goals, 46–7  
Swap, 308–311  
SWIFT, Society for Worldwide  
Interbank Financial  
Telecommunications, 51, 241,  
243  
Special purpose company (SPC),  
268  
Special Purpose Entities (SPEs),  
111–112  
Special Purpose Vehicles (SPVs),  
111–112  
Standardized approach, *see* Basel  
Capital Accords  
Standby letter of credit, 53  
State Member Bank, 45  
Strategic risk, 25, 112  
Stored value card, 169  
Stress tests, 82  
Structured Investment Vehicles  
(SIVs), 37–38  
Subchapter S Corporation, 38  
Subprime loans, 7, 17, 159  
Supervising banks, 55  
Syndicated loans, 119,  
145–146, 247–248  
Swaps, 99–100, 293
- T
- Technology, 38  
Term loan, 128–129  
Thrifts, 45  
Tier I and Tier 2 Capital, *see* Bank  
capital  
Transfer risk, 122  
Trust company, 251–252  
Trust Deposit, 252  
Trust services, 54, 248–253  
Truth in Lending Act, 181–182

**U**

Unbundling of loans, 118–119  
Uniform Bank Performance Report  
(UBPR), 223–227  
Unit Investment Trust (UIT),  
252  
Urbanization, 32  
USA Patriot Act, 183, 239

**V**

Variable-rate loans, 82

**W**

Wachovia Bank 82  
Wealth management, *see* Trust  
services

<http://www.pbookshop.com>

<http://www.pbookshop.com>

<http://www.pbookshop.com>

<http://www.pbookshop.com>

<http://www.pbookshop.com>

<http://www.pbookshop.com>

<http://www.pbookshop.com>

<http://www.pbookshop.com>