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Commercial Banking

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The term financial organization |bank|banking concern|banking company"> full service bank refers to a financial institution that accepts deposits, offers bank account services, makes various loans, and offers basic financial products like certificates of deposit (CDs) and savings accounts to individuals and small businesses. A commercial bank is where most of the people do their banking.Commercial banks make money by providing and earning interest from loans like mortgages, auto loans, business loans, and private loans. Customer deposits provide banks with the capital to form these loans. Commercial banks provide basic banking services to the general public—to both individual consumers and small to mid-sized businesses. As mentioned above, these services include checking and savings accounts, loans and mortgages, basic investment services like CDs, also as other services like safe deposit boxes. Banks make money from service charges and fees. These fees vary supported the products, starting from account fees (monthly maintenance charges, minimum balance fees, overdraft fees, non-sufficient funds (NSF) charges), safe safe-deposit fees, and late fees. Many loan products also contain fees additionally to interest charges. Banks also earn money from interest they earn by lending out money to other clients. The funds they lend comes from customer deposits. However, the rate of interest paid by the bank on the cash they borrow is a smaller amount than the speed charged on the cash they lend. For instance, a bank may offer savings account customers an annual interest rate of 0.25%, while charging mortgage clients 5.75% in interest annually.Commercial banks have traditionally been located in buildings where customers come to use teller window services and automated teller machines (ATMs) to do their routine banking. With the rise in technology, most banks now allow their customers to do most of the same services online that they could do in person including transfers, deposits, and bill payments. Many institutions are online-only banks. Because these banks don't have any brick-and-mortar locations, they can offer a wider range of products and services at a lower cost—or none at all—to their customers. Commercial banks are an important part of the economy. Not only do they supply consumers with an important service, but they also help create capital and liquidity within the market. This entails taking money that their customers deposit for his or her savings and lending it bent others. Commercial banks play a role in the creation of credit, which leads to an increase in production, employment, and consumer spending, thereby boosting the economy. As such, commercial banks are heavily regulated by central banks. For instance, central banks impose reserve requirements on commercial banks. This means banks are required to hold a certain percentage of their consumer deposits at the central bank as a cushion if there's a rush to withdraw funds by the general public.