Savings and Loan Associations

savings and loan association, a savings and home-financing institution that makes loans for the purchase of private housing, home improvements, and new construction. Formerly cooperative institutions in which savers were shareholders in the association and received dividends in proportion to the organization's profits, savings and loan associations are mutual organizations that now offer a variety of savings plans. Many offer the same services as do other savings institutions, such as tax-deferred annuities, direct deposit of Social Security checks, automatic deductions from accounts for mortgage payments and insurance premiums.

Under some regulations, associations need not rely only on individual deposits for funds. They can borrow from other financial institutions and market mortgage-backed securities, money market certificates, and stock.

The savings and loan association plan for loan repayment, , was the prototype of present-day loan-amortization plans requiring the home buyer to make a fixed payment each month; part of the payment is applied to the principal and part to interest, the former increasing each month as the latter decreases. Because high inflation rates have made such fixed-rate mortgages unprofitable, savings and loan associations in many countries are now allowed to renegotiate mortgages.

Savings and loan associations originated with the building societies of Great Britain in the late 1700s. They consisted of groups of workmen who financed the building of their homes by paying fixed sums of money at regular intervals to the societies. When all members had homes, the societies disbanded. The societies began to borrow money from people who did not want to buy homes themselves and became permanent institutions. Building societies spread from Great Britain to other European countries and the United States. They are also found in parts of Central and South America.

The Oxford Provident Building Association of Philadelphia, which began operating in 1831 with 40 members, was the first savings and loan association in the United States. By 1890 they had spread to all states and territories.

Pension Funds

The most common type of traditional pension is a defined-benefit plan.[1] After employees retire, they receive monthly benefits from the plan, based on a percentage of their average salary over their last few years of employment. The formula also takes into account how many years they worked for that company or any public or private body. Employers, and sometimes employees, contribute to fund those benefits.

As an example, a pension plan might pay 1% for each year of the person's service times their average salary for the final five years of employment. So, an employee with 35 years of service at that company and an average final-years salary of 50,000 dinars would receive 17,500 Da a year.

So:

- Pension plans are funded by contributions from employers and occasionally from employees.
- Public employee pension plans tend to be more generous than ones from private employers.
- Private pension plans are subject to national regulation.

How Pension Funds Work

For some years now, traditional pension plans, also known as pension funds, have been gradually disappearing from the private sector. Today, public sector employees, such as government workers, are the largest group with active and growing pension funds.

pension plans offered by corporations or other employers seldom have a cost-of-living escalator to adjust for inflation, so the benefits they pay can decline in spending power over the years.

Public employee pension plans tend to be more generous than private ones. In addition, public pension plans usually have a cost-of-living escalator.

[1] A defined-benefit plan is an employer-sponsored retirement plan where employee benefits are computed using a formula that considers several factors, such as length of employment and salary history.

Mortgage Company

A mortgage company is a specialized financial firm engaged in the business of originating and/or funding mortgages for residential or commercial property. A mortgage company is often just the originator of a loan; it markets itself to potential borrowers and seeks funding from one of several client financial institutions that provide the capital for the mortgage itself.

That, in part, is why many mortgage companies went bankrupt during the subprime mortgage crisis of 20008-09. Because they weren't funding most of the loans, they had few assets of their own, and when the housing markets dried up, their cash flows quickly evaporated.

So:

- A mortgage company is a lender specializing in originating home loans.
- Some mortgage lenders offer creative and out-of-the-box loan offerings, such as no origination fees or offering loans to those with less than stellar credit.
- The factors that differentiate one mortgage company from another include relationships with funding banks, products offered, and internal underwriting standards.
- It is possible today to complete a mortgage application entirely online, although some customers prefer face-to-face meetings with a loan offer at a bank.

A mortgage company is a financial firm that underwrites and issues (originates) its own mortgages to homebuyers, using their own capital to issue the loans. Also known as a direct lender, a mortgage company typically only specializes in mortgage products and does not offer other banking services such as checking, investments, or loans for other purposes. Moreover, they will usually offer their own products and will not offer loans or products from other companies.

Many mortgage companies today operate online or have limited branch locations, which may reduce face-to-face interaction, but could, at the same time, lower the costs of doing business.

While a mortgage company will originate loans, they may not service your loan, or keep it on their balance sheet for long. Indeed, many times, a mortgage lender will sell the loan (individually or bundled together with others) to a third-party mortgage servicing institution such as an investment bank, hedge fund, or agency like Fannie Mae or Freddie Mac. While this typically has no bearing on an individual borrower, this practice has been criticized for creating an abundance of subprime debts that ultimately led to the 2008-09 financial crisis.

Brokerage Firms

A brokerage firm is a financial institution that helps clients buy and sell securities. A brokerage firm or brokerage company connects buyers and sellers to complete a transaction for shares, bonds, options, and other financial instruments.

Brokers are compensated in commissions or fees that are charged once the transaction has been completed.

In a perfect market in which every party had all of the necessary information, there would be no need for brokerage firms. That is impossible in a market that has a huge number of participants making transactions at split-second intervals. The Nasdaq alone has in excess of 30 million trades per day.

Brokerage companies exist to help their clients match two sides for a trade, bringing together buyers and sellers at the best price possible for each and extracting a commission for their service. Full-service brokerages offer additional services, including advice and research on a wide range of financial products.

1. Types of Brokerages

The amount you pay a broker depends on the level of service you receive, how personalized the services are, and whether they involve direct contact with human beings rather than computer algorithms.

Full-Service Brokerage

Full-service brokerages, also known as traditional brokerages, offer a range of products and services including money management, estate planning, tax advice, and financial consultation.

These companies also offer stock quotes[2], research on economic conditions, and market analysis. Highly trained and professional brokers and financial advisers are available to advise their clients on money matters.

Traditional brokerages charge a fee, a commission, or both. For regular stock orders, full-service brokers may charge as much as $100 for broker-assisted trades. However, many are switching to a wrap-fee business model in which all services, including trades, are covered by an all-inclusive annual fee. The fee averages 1% to 3% of assets under management (AUM).

Many full-service brokers seek out affluent clients and establish minimum account balances that are required to obtain their services.

Some full-service brokerages offer a lower-cost discount brokerage option as well.

[2] The price offered of a stock

Merrill Lynch Wealth Management, Morgan Stanley, and Edward Jones are among the big names in full-service brokerages.

Discount Brokerage

A discount brokerage is an online brokerage. The online broker's automated network is the middleman, handling buy and sell orders that are input directly by the investor.

The introduction of the first discount brokerage is often attributed to Charles Schwab Corp., which launched its first website in 1995. Competitors soon appeared.

Fierce competition on the web and, later, on phone apps, have led most competitors to drop their fees to zero for basic stock trading services.

Robo-Advisors

A robo-advisor is an online investment platform that uses algorithms to implement trading strategies on behalf of its clients in an automated process.

Several robo-advisors allow clients to modify their investment strategy somewhat if they want more active management.

Robo-advisors have their appeal, not the least of which is very low entry fees and account balance requirements. Most charge no annual fee, zero commissions, and set their account requirements to a few dollars.

Access to an advisor comes with a fee, typically 0.25% to 0.50% per year. That is still far less than the cost of a traditional broker.

Independent vs. Captive Brokerage

If you are buying or selling certain financial products, including mutual funds and insurance, it is important to know whether your broker is affiliated with certain companies and sells only its products or can sell you the full range of choices.

You should also find out whether that broker holds to the fiduciary standard or the suitability standard. The suitability standard requires the broker to recommend actions that are suitable to your personal and financial circumstances. The higher fiduciary standard requires the broker to act in your best interests.

Independent Brokerage

Independent brokerages are not affiliated with a mutual fund company. They may be able to recommend and sell products that are better for the client.

They are required to hold to the fiduciary standard, meaning that they must recommend the investments most in the client's best interest.

Captive Brokerage

A captive brokerage is affiliated with or employed by a mutual fund company or insurance company and can sell only their products. These brokers are employed to recommend and sell the range of products that the mutual or insurance company owns. The products they recommend may not be the best choice available to the client.

2. How Does a Brokerage Firm Work?

A broker is essentially a middleman. Brokers match buyers with sellers, complete the transaction between the two parties, and pocket a fee for their service.
If you use an online brokerage to buy stock, there is no human standing between you and the transaction. The brokerage software makes the match.
If you use a full-service brokerage, the process is much the same, except that someone else is pressing the keys on the keyboard. However, the full-service brokerage may have identified a good investment opportunity, discussed it with the client, and acted in the client's behalf in making the transaction.

3. How Does a Brokerage Firm Make Money?

Generally, brokerages make money by charging various fees and commissions on transactions they facilitate and services they provide. The online broker who offers free stock trades receives fees for other services, plus fees from the exchanges.
Full-service brokerages increasingly charge a so-called wrap fee, an all-in-one charge for all or most services, this is usually 1% to 3% of the amount in the client's account per year and covers advisory services and investment research as well as trading fees.

So:

- Brokerage firms typically offer a wide range of services, including investment banking, asset management, and research. In addition, brokerage firms also provide guidance on mergers, acquisitions, and other strategic transactions.
- Another reason to consider working with a brokerage firm is that they act on your behalf to secure you the best deal. As a result, they can often save you money and time by negotiating with the lender or investment house for you. From a client perspective, some of the benefits of working with a brokerage firm include access to a wide range of services, guidance on the best products, and protection from potential risks. If you are looking for help with any of these things, then a brokerage firm is a good option to consider

Lease Companies

1. Concept of leasing

Leasing is a type of financing that it is used for business assets, including company cars, machines, computers, or photocopiers. The leasing company finances the asset, and the lessee, also known as the tenant, pays a monthly fee for its use.

A lease is a contract outlining the terms under which one party agrees to rent an asset—in this case, property—owned by another party. It guarantees the lessee use of the property and guarantees the lessor (the property owner or landlord) regular payments for a specified period in exchange. Both the lessee and the lessor face consequences if they fail to uphold the terms of the contract. A lease is a form of incorporeal right.[3]

Leasing is an important form of financing for the business community. SMEs conclude more than two-thirds of lease contracts. This means the leasing industry is a major source of finance for SMEs.

2. How leasing works

The lessee has an agreement with a leasing company. The leasing company finances the asset and leases it to the lessee for use or ownership. The lessee pays a monthly amount (lease instalment) to the leasing company for the use of the business asset. Depending on the lease form, lessee becomes the owner of the asset directly, or he/she determines this at the end of the lease period. Because the lessee pays the value of the asset in instalments, he/she does not have to make a large investment in one go. This way the lessee keeps operating capital in his/her company.

3. Types of leasing

The best-known forms of leasing are financial lease, operational lease, and private lease.

Financial lease

[3] Incorporeal rights are rights to property that can't be seen or touched but are still enforceable by law. Generally, incorporeal rights pertain to intangible property such as copyrights, licenses, rights-of-way, and easements. Incorporeal rights are also known as intangible rights, and incorporeal property is also called intangible property.

With a financial lease, lessee takes out a loan, as it were. The leasing company finances the full purchase value (100% financing) of an asset, for example, a new machine. lessee becomes the owner of this machine and repays the financing in instalments.

Operational lease

With an operational lease, the lease company remains the legal and economic owner of the asset. lessee rents that object. Besides the right of use, lessee can also buy additional services, such as maintenance, repairs, or insurance. This increases the amount the lessee pays each month, the lease instalment. At the end of the lease term, the leasing company takes back their asset, or they offer him/her the asset for the current market value or a fixed price.

Private lease

Private lease is when private individuals lease a car and pay a fixed amount per month. This amount covers the costs of depreciation, all-risk insurance, motor vehicle tax, repairs, maintenance, and tires. lessee pays for the fuel, any traffic fines, and an insurance excess in the event of damage. The leasing company remains the owner of the car. lessee rents the car for a minimum of 12 to a maximum of 60 months. lessee returns the car after the agreed lease period. The leasing company will then settle any extra fees for the kilometers driven and any unacceptable damage. There is no additional tax liability. That only applies to lease drivers with a company car.

4. Pros and cons of leasing

The leasing company carries more risk with an operational lease than with a financial lease. Therefore, it adds this to the monthly lease instalment price. This makes an operational lease more expensive than a financial lease or a bank loan. In exchange, lessee benefits from the convenience and have fewer economic risks.

Advantages of leasing

Cost

Leasing can be cheaper than a business loan. A business loan is often more complex to arrange and is therefore more expensive. With a 'customized' lease contract, the monthly costs are usually lower. For example, with a financial lease with an increased final term, or with an operational lease with a large residual value. This makes more expensive, high-quality business assets financially beneficial for you.

Conditions

With leasing, lessee can benefit of 100% financing. Unlike a bank loan, lessee does not have to use his/her own funds to use the asset. So, there is less pressure on his/her liquidity position. The term of a lease contract is also based on the economic life of the asset. For assets with a longer economic life, the leasing company usually accepts a longer term. Finally, lessee can use leasing on top of or next to other financing sources.

List all costs

Loan includes commission, management fees, administration costs, the actual repayments, and of course the interest costs.

Lease contract details

Leasing contracts allows to customize the contract to the lessee's business form and industry characteristics, including a remaining or final term in the contract. This means that lessee still has to pay part of the financing amount at the end of the term. The advantage of this is that lessee does not have to make all repayments during the term of the financing. He/she will pay the interest on this part during the entire term.

Conditions

what happens if the lessee can no longer meet his/her obligations or wants to end the contract earlier? If the lessee ends a contract, the conditions state if and how much of a fine you must pay. And what conditions does the leasing company set for repairs and maintenance? What happens if the lessee's equipment is being repaired when you need to carry out urgent work? Will you receive compensation or a replacement?

5. The leasing companies

leasing companies is a type of non-bank institution that engage in financing the purchase of concrete assets. Though leasing company is the legal owner of the goods, the ownership and possession are effectively conveyed to the lessee, who earns all benefits, costs, and risks linked to ownership of the assets

Marketability

The leasing company pays attention to the economic risk and the change in value (legal risk) of the business assets they deliver.

Credit risk

The leasing company looks at the financial situation of the business of the lessee.

Coherence

Marketability and credit risk should be considered together. Is the value of the asset high and will it remain high during the entire lease contract? Then the leasing company considers the financial situation of the companies relatively less important. Does the value of the assets decrease quickly? Then lessee's qualities as a debtor are very important to the leasing company.

Financial Markets

1. **Financial markets conception**

Financial markets refer broadly to any marketplace where securities trading occurs. Financial markets are vital to the smooth operation of capitalist economies.

So:

- Financial markets refer broadly to any marketplace where the trading of securities occurs.
- These markets may include assets or securities that are either listed on regulated exchanges or trade over-the-counter (OTC).
- Financial markets trade in all types of securities and are critical to the smooth operation of a capitalist society.
- When financial markets fail, economic disruption, including recession and rising unemployment, can result.

2. **Functions of financial markets**

Financial markets play a crucial role in the functioning of modern economies. They serve various functions that contribute to economic growth and stability, by:

- **Facilitating savings:**

Financial markets provide a means for people to transfer their money power from the present to the future. For example, you can put aside some money for savings or invest in bonds and shares to earn future interest.

- **Providing loans:**

In the capital market, corporations or the government can issue bonds or shares in exchange for public money. Bonds, in the case of a corporation, are loans made by an investor to a business in need of cash for operations and growth.

- **Allocating capital to more productive use:**

People can invest their extra cash in a business function to collect interests instead of sitting idle in a bank account.

- **Facilitating transactions:**

Financial markets provide a way for buyers and sellers to interact and exchange funds for their transactions.

- **Providing forward markets:**

In forward markets, you can offer to buy a product in the future at a predetermined price to avoid price volatility.

- **Providing a market for equities:**

An equity market is a market of shares. A company can sell shares to the public in exchange for capital to grow. An individual investing in the company's shares can also earn a return on investment, usually in the form of **dividends** - a fixed amount of money paid at a certain period provided the business performs well.

Financial markets play a vital role in facilitating the smooth operation of capitalist economies by allocating resources and creating liquidity for businesses and entrepreneurs. The markets make it easy for buyers and sellers to trade their financial holdings. Financial markets create securities products that provide a return for those with excess funds (investors/lenders) and make these funds available to those needing additional money (borrowers).

The stock market is just one type of financial market. Financial markets are created when people buy and sell financial instruments, including equities, bonds, currencies, and derivatives.

Some financial markets are small with little activity, and others, like the New York Stock Exchange (NYSE), trade trillions of dollars in securities daily. The equities (stock) market is a financial market that enables investors to buy and sell shares of publicly traded companies. The primary stock market is where new issues of stocks are sold. Any subsequent trading of stocks occurs in the secondary market, where investors buy and sell securities they already own.

3. **Types of Financial Markets**

There are several different types of markets. Each one focuses on the types and classes of instruments available on it.

- **Stock Markets**

Perhaps the most ubiquitous of financial markets are stock markets. These are venues where companies list their shares, which are bought and sold by traders and investors. Stock markets, or equities markets, are used by companies to raise capital and by investors to search for returns.

Stocks may be traded on listed exchanges, such as the New York Stock Exchange (NYSE), Nasdaq, or the over-the-counter (OTC) market. Most stock trading is done via regulated exchanges, which plays an important economic role because it is another way for money to flow through the economy.

- **Over-the-Counter Markets**

An over-the-counter (OTC) market is a decentralized market—meaning it does not have physical locations, and trading is conducted electronically—in which market participants trade securities directly (meaning without a broker). While OTC markets may handle trading in certain stocks (e.g., smaller or riskier companies that do not meet the listing criteria of exchanges), most stock trading is done via exchanges. Certain derivatives markets, however, are exclusively OTC, making up an essential segment of the financial markets. Broadly speaking, OTC markets and the transactions that occur in them are far less regulated, less liquid, and more opaque.

- Bond Markets

A bond is a security in which an investor loans money for a defined period at a pre-established interest rate. You may think of a bond as an agreement between the lender and borrower containing the loan's details and its payments. Bonds are issued by corporations as well as by municipalities, states, and sovereign governments to finance projects and operations. For example, the bond market sells securities such as bills issued by the United States Treasury. The bond market is also called the debt, credit, or fixed-income market.

- Money Markets

Typically, the money markets trade in products with highly liquid short-term maturities (less than one year) and are characterized by a high degree of safety and a relatively lower interest return than other markets.

At the wholesale level, the money markets involve large-volume trades between institutions and traders. At the retail level, they include money market mutual funds bought by individual investors and money market accounts opened by bank customers. Individuals may also invest in the money markets by purchasing short-term certificates of deposit (CDs), municipal notes, or U.S. Treasury bills, among other examples.

- Derivatives Markets

A derivative is a contract between two or more parties whose value is based on an agreed-upon underlying financial asset (like a security) or set of assets. Rather than trading stocks directly, a derivatives market trades in futures and options contracts and other advanced financial products that derive their value from underlying instruments like bonds, commodities, currencies, interest rates, and stocks.

Futures markets are where futures contracts are listed and traded. Unlike forwards, which trade OTC, futures markets utilize standardized contract specifications, are well-regulated, and use clearinghouses to settle and confirm trades. Options markets, such as the Chicago Board Options Exchange (Cboe), similarly list and regulate options contracts. Both futures and options exchanges may list contracts on various asset classes, such as equities, fixed-income securities, commodities, and so on.

- Forex Market

The forex (foreign exchange) market is where participants can buy, sell, and speculate on the exchange rates between currency pairs. The forex market is the most liquid market in the world, as cash is the most liquid of assets. The currency market handles more than $7.5 trillion in daily transactions, more than the futures and equity markets combined.

As with the OTC markets, the forex market is also decentralized and consists of a global network of computers and brokers worldwide. The forex market is made up of banks, commercial companies, central banks, investment management firms, hedge funds, and retail forex brokers and investors.

- Commodities Markets

Commodities markets are venues where producers and consumers meet to exchange physical commodities such as agricultural products (e.g., corn, livestock, soybeans), energy products (oil, gas, carbon credits), precious metals (gold, silver, platinum), or "soft" commodities (such as cotton, coffee, and sugar). These are known as spot commodity markets, where physical goods are exchanged for money.

However, the bulk of trading in these commodities takes place on derivatives markets that utilize spot commodities as the underlying assets. Forwards, futures, and options on commodities are exchanged both OTC and on listed exchanges around the world, such as the Chicago Mercantile Exchange (CME)and the Intercontinental Exchange (ICE).

Shares

Shares are units of ownership in a company. The terms "shares" and "stocks" are often used interchangeably, but they are technically different. "Stock" is the financial instrument a company issues, and a "share" is a single instance of that financial instrument. A stock is an equity instrument issued by a corporation that represents ownership of that company. A share is one unit of that ownership. You would say "I own 10 shares of Apple stock" for example.
So:

- Shares represent units of ownership in a corporation or financial asset owned by investors who exchange capital in return for these units.
- Common stock shares enable voting rights and possible returns through price appreciation and dividends.
- Preferred stock shares do not offer price appreciation but can be redeemed at an attractive price and offer regular dividends.
- Many companies issue shares, but only the shares of publicly traded companies are found on stock exchanges.

When establishing a corporation, owners may choose to issue stock to raise capital. Companies then divide their stock into shares, which are sold to investors. These investors are generally investment banks or brokers that, in turn, sell the shares to other investors individually or through instruments like a mutual fund.
Shares are the equivalent of ownership in a corporation. Because they represent ownership, not debt, there is no legal obligation for the company to reimburse the shareholders if something happens to the business. However, some companies may distribute payments to shareholders through dividends. Others may elect not to do so, preferring to put all revenues towards operation, growth, and securing the company's future.

How shares are issued

Generally, a company’s board of directors is given a specific number of shares that can be issued. These are called authorized shares. Issued shares are the number of shares sold to shareholders and counted for ownership purposes. So, a corporation might have 10 million authorized shares but only issue 8 million. Because shareholders’ ownership is affected by the number of authorized shares, shareholders may vote to limit that number as they see appropriate. When shareholders want to increase the number of authorized shares, they meet to discuss the issue and establish an agreement. When they agree to increase or decrease the number of authorized shares, a formal request is made to the state through filing articles of amendment.

The shares of publicly traded companies are listed on public exchanges, generally through a process called an initial public offering (IPO). This is an expensive, highly regulated, and lengthy process in which a company goes through fund-raising phases and scrutiny by regulators.

Types of shares

As mentioned, any company can issue shares, but publicly traded companies are more likely to divide their stock into two different types of shares.

- **Common stock shares**

Many companies issue common stock, which is divided into shares. These are generally called common shares. These provide the purchasers—called shareholders—with a claim on the company and its profits, providing potential investment growth through both capital gains and dividends.

Common shares also come with voting rights, giving shareholders more control over the business.

These rights allow the shareholders of a company to vote on specific corporate actions, elect members to the board of directors, and approve issuing new securities or payment of dividends. In addition, common stock can include preemptive rights, ensuring that shareholders may buy new shares and retain their percentage of ownership when the corporation issues new stock.

- **Preferred stock shares**

Preferred stocks can also be divided into shares, commonly called preferred shares. Compared to common shares, preferred shares typically do not offer much market appreciation in value or voting rights in the corporation. However, this type of stock typically has set payment criteria, like a dividend paid out regularly, making the stock less risky than common stock.

Because preferred stock takes priority over common stock if the business files for bankruptcy and is forced to repay its lenders, preferred shareholders receive payment before common shareholders but after bondholders. This priority treatment reduces the risk even further compared to common shares.

Benefits of offering shares

There are obvious reasons why a company would want to issue shares, including:

- **Shares increase liquidity:** Going public and issuing shares provides an exit strategy for founders and early investors. It allows them to convert their ownership stakes into cash by selling shares on the open market.

- **Shares make it possible to give employee incentives:** Public companies can offer stock options or restricted stock units as part of employee compensation packages. This aligns employee interests with company performance and can be a powerful tool for attracting and retaining talent.
- **Shares diversify ownership:** By issuing shares to the public, a company can broaden its ownership base. This can bring in a diverse group of shareholders with different perspectives, potentially leading to more balanced decision-making when it comes to voting or decision-making. It can also reduce the concentration of control, which some view as a positive corporate governance practice.