Bubbles, Bailouts, and Blockades
Some terms you should know...

**adjustable**: something that can be changed

**adjustable rate mortgage (ARM)**: a mortgage with an interest rate that changes over time

**bailed out**: When a boat is leaking, you might use a bucket to “bail out” the water. When the housing bubble burst, banks lost a lot of money; they might have “sunk.” But the government loaned them money — or bailed them out — so they could stay in business.

**blockade**: when people get together and try to prevent something or someone from passing

**closing**: when you sit down with bankers and lawyers to sign all the documents related to buying a house

**eviction**: when the owner of a building forces the people living there to leave

**fixed interest rate**: when the interest rate will not change for the life of the loan

**housing bubble**: when housing prices go up rapidly and in a way that cannot be sustained

**interest**: the fee that the bank charges you for loaning you the money; it is calculated as a percentage of the total

**money down**: the money you pay out of your own pocket when you buy a house; usually it is about 5-10% of the total cost of the house; you borrow the rest of the money from the bank

**mortgage**: a loan that you use to buy a house

**refinance**: when the bank buys your loan and sells you a new one

**restructuring**: changing the terms of the loan

**subprime loan**: when the bank loans money even though there is a good chance the person won’t be able to pay it back; also known as “predatory lending,” see p. 11.