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.

Write a statement about this picture. Photo by Jonathan McIntosh.