

Vocabulary Test:

Match the definition with the term

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|-----------------------------|---------------------------------|--------------------------------|
| Secured Loan: _____ | Second Mortgage: _____ | Flipping: _____ |
| Bubble: _____ | Default: _____ | Derivative: _____ |
| Value: _____ | Foreclosure: _____ | Hedge: _____ |
| Break Even: _____ | Appreciation: _____ | Out-of-Pocket: _____ |
| Mortgage Loan: _____ | Principal: _____ | Deregulation: _____ |
| Interest: _____ | Profit: _____ | Home Improvement: _____ |
| Equity: _____ | Fair Market Value: _____ | |

1. A conveyance of property (as for security on a loan) on condition that the conveyance becomes void on payment or performance according to stipulated terms.
2. A charge for borrowed money, usually a percentage of the total.
3. A capital sum placed at interest.
4. The difference between what a house is worth if it is sold, and how much is left to pay on the loan. The money value of a property in excess of claims or liens against it.
5. Money borrowed against the equity held in a mortgage loan.
6. A failure to pay a financial debt.
7. Money borrowed against a tangible asset, such as a house or car.
8. A legal proceeding that bars or extinguishes a mortgagor's right of redeeming a mortgaged estate.
9. Increase of value.
10. The monetary worth of something.

11. The excess or returns over expenditure in a transaction.
12. The act of purchasing an asset, such as house, for the express purpose of re-selling it for a profit.
13. Financial trade in products or assets with inflated values.
14. A financial instrument (or agreement) between two people or two parties that has a value determined by the price of something else (called the underlying). The value of the agreement is linked to the expected future price of the underlying. There are many kinds of derivatives, with the most notable being swaps, futures, and options.
15. The act or process of removing restrictions and regulations.
16. To buy or sell commodity futures as a protection or defense against financial loss.
17. An estimate of the monetary value of a property, based on what a buyer would probably pay to a seller in the real estate market.
18. Direct outlays of cash which may or may not be reimbursed.
19. Building projects that alter the structure of an existing home with the goal of increasing its value in the market.
20. The point at which cost or expenses and revenue are equal: there is no net loss or gain, and one has "broken even".

Short Answer

Respond to each question with a 2-5 sentence answer.

- 1. What happens when a homeowner fails to make their monthly payment?**

Essay Questions

Respond to each question on the following pages with a short essay of three to five paragraphs. Each answer should clearly state a thesis and offer support drawn from the source material and your personal observations.

- 1. Describe how a bank makes money from a home mortgage – what the lender gets, what the mortgage holder gets, and why it works (or doesn't work) for those who buy and sell homes.**

- 2. Any investment bubble has winners and losers. Describe who made and lost money in the housing bubble that burst in 2008, and what motivated people to invest their money.**

- 3. The economic collapse of 2008 impacted millions of families in America. Identify some of those impacts and what steps could be taken to prevent another collapse.**