Glossary of Terms

Bond	A certificate of indebtedness issued by a government or corporation.
Call Report	A report of a bank's financial condition that is filed quarterly with the FDIC and known officially as the Report of Condition and Income.
Capital	The net worth or value that remains if an institution paid off all of its liabilities. At its core, bank capital is equity. Bank capital or equity can be expressed by the basic accounting formula: Assets – Liabilities = Equity. *See also* Regulatory Capital.
CARES Act	The Coronavirus Aid, Relief, and Economic Security (CARES) Act, signed into law on March 27, 2020, which provided $2.2 trillion in economic relief in response to the COVID-19 pandemic.
Census Regions	The four broad regions of the U.S. as defined by the U.S. Census Bureau. The Northeast includes Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont. The Midwest consists of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin. The South includes Alabama, Arkansas, Delaware, District of Columbia, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, and West Virginia. The West comprises Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington, and Wyoming.
Collateral	Property required by a lender and offered by a borrower as a guarantee of payment on a loan. Also, a borrower's savings, investments, or the value of the asset purchased that can be seized if the borrower fails to repay a debt.
Collateralized Loan Obligations (CLOs)	Securitization vehicles backed predominantly by commercial loans.
Community Bank	FDIC-insured institutions meeting the criteria for community banks defined in the FDIC's Community Banking Study, published in December 2020 (**https://www.fdic.gov/resources/community-banking/report/2020/2020-cbi-study-full.pdf**). Noncommunity banks are banks that do not meet these criteria.
Composite Rating	A rating assigned by federal regulators to each financial institution, based on an evaluation of financial and operational criteria. The rating is based on a scale of 1 to 5 in ascending order of supervisory concern.

Consolidation	Net consolidation comprises newly chartered banks and banks that close. A bank may close because of voluntary merger, failure, or other reason (such as voluntary liquidation or termination of FDIC insurance, or acquisition by an institution without FDIC insurance, such as a credit union).
Default	Failing to promptly pay interest or principal when due.
Farm Bank	A bank with agricultural production loans plus real estate loans secured by farmland equal to or exceeding 25 percent of total loans and leases.
Federal Funds Rate	The interest rate at which a depository institution lends funds that are immediately available to another depository institution overnight.
Federal Open Market Committee	A committee created by law that consists of the seven members of the Board of Governors; the president of the Federal Reserve Bank of New York; and, on a rotating basis, the presidents of four other Reserve Banks. Nonvoting Reserve Bank presidents also participate in Committee deliberations and discussion.
Forbearance	A provision of the CARES Act required mortgage servicers or lenders to provide a forbearance plan, which suspended mortgage payments, to any homeowner with a federally backed mortgage who requested such a plan.
Great Recession	The protracted economic contraction from December 2007 through June 2009. The collapse of the U.S. housing market in 2007 became the most severe financial crisis since the Great Depression, and the financial crisis, in turn, resulted in the Great Recession, whose effects spread throughout the global economy.
High Yield (Junk)	Terms generally synonymous with noninvestment grade, which refers to the lowest-rated bonds subjected to third-party credit risk assessments by nationally recognized statistical ratings organizations (NRSROs). In the United States, noninvestment grade bonds are typically rated Ba1 or below by Moody's or BB+ or below by Standard & Poor's or Fitch.
Investment Grade	Generally, the highest-rated bonds subjected to third-party credit risk assessments by NRSROs. In the United States, investment-grade bonds are typically rated Baa3 or above by Moody's or BBB- or above by Standard & Poor's or Fitch.

Leveraged Loans	Numerous definitions of leveraged lending exist throughout the financial services industry and commonly contain some combination of the following: • Proceeds used for buyouts, acquisitions, or capital distributions. • Transactions where the borrower's total debt divided by EBITDA (earnings before interest, taxes, depreciation, and amortization) or senior debt divided by EBITDA exceeds 4.0X EBITDA or 3.0X EBITDA, respectively, or other defined levels appropriate to the industry or sector. • A borrower recognized in the debt markets as a highly leveraged firm, which is characterized by a high debt-to-net-worth ratio. • Transactions when the borrower's post-financial leverage, as measured by its leverage ratios (for example, debt-to-assets, debt-to-net-worth, debt-to-cash flow, or other similar standards common to particular industries or sectors), significantly exceeds industry norms or historical levels.
Loan Classifications	Expressions of different degrees of the risk of nonpayment. Adversely classified loans are allocated based on the risk to three categories: Substandard, Doubtful, and Loss. Other loans of questionable quality, but involving insufficient risk to warrant classification, are designated as Special Mention loans.
Long-Term Assets	Loans and debt securities with remaining maturities or repricing intervals of more than five years.
Negative Equity	A situation in which a borrower's mortgage principal is greater than the value of the house.
Net Interest Margin	The difference between interest and dividends earned on interest-bearing assets and interest paid to depositors and other creditors, expressed as a percentage of average earning assets. No adjustments are made for interest income that is tax exempt.
Nonaccrual Loans and Leases	Loans and leases 90 or more days past due and for which payment in full of principal or interest is not expected.
Nonbank	Firms that are not part of or affiliated with FDIC-insured depository institutions.
Noncurrent Loans and Leases	Loans and leases 90 days or more past due, and loans and leases in nonaccrual status.

Nondepository Financial Institution	A more specific categorization of nonbanks, consistent with the definition provided in the instructions for the Consolidated Reports of Condition and Income (Call Reports), including real estate investment trusts, mortgage companies, finance companies, holding companies of other depository institutions, investment banks, Small Business Investment Companies, and other financial intermediaries. For additional details, refer to the instructions for Call Report Schedule RC-C, Item 9.a.
OPEC+	An alliance formed in December 2016 of top oil-producing countries including members of the Organization of the Petroleum Exporting Countries (OPEC) and 10 non-OPEC partner countries, collectively known as OPEC+.
Past Due Loans and Leases	Loans and leases 30 to 89, or 90 days or more past due, and still accruing interest.
Problem Banks	Institutions with financial, operational, or managerial weaknesses that threaten their continued financial viability. Federal regulators assign a composite rating to each financial institution, based upon an evaluation of financial and operational criteria. The rating is based on a scale of 1 to 5 in ascending order of supervisory concern. Depending upon the degree of risk and supervisory concern, problem banks are rated either “4” or “5.”
Real Gross Domestic Product	The total market value of all final goods and services produced in an economy in a given year calculated by using a base year’s price for goods and services; nominal GDP adjusted for inflation.
Rebooked Loans	Bank repurchases of delinquent single-family mortgage loans backing mortgage-backed securities that are recorded on the mortgage banking schedule in bank Call Reports.
Recession	A period of declining real income and rising unemployment; significant decline in general economic activity over a period of time.
Revolving Credit	A line of available credit usually designed to be used repeatedly, with a preapproved credit limit. The amount of available credit decreases and increases as funds are borrowed and is then repaid with interest.
Secondary Market	The market in which investors buy and sell securities among each other.
Securitization	A financial transaction in which assets such as mortgage loans are pooled and securities representing interest in the pool are issued.
Short-Term Liquid Assets	Cash and due from accounts, federal funds sold, securities purchased under resale agreements, and securities maturing in less than one year.

Treasury Securities

Bonds, notes, and other debt instruments sold by the U.S. Treasury to finance U.S. government operations.

Warehouse Lending

Short-term funding of a mortgage lender based on the collateral of warehouse loans (in mortgage lending, loans that are funded and awaiting sale or delivery to an investor). This form of interim financing is used until the warehouse loans are sold to a permanent investor.

Warehouse financing is also extended in the arrangement of CLO and to other securitization firms. In this context, warehouse financing is a line of credit the CLO manager uses to purchase assets. Upon the CLO's closing, the CLO repays the warehousing lenders using the proceeds from the sale of the notes, and the CLO becomes the owner of the assets. The CLO manager uses warehousing to manage market risk when they purchase assets for the deal's portfolio; the warehouse provider assumes the risk of any mark-to-market losses in the portfolio during the warehousing period.

Wholesale Funding

Federal funds purchased and securities sold under agreement to repurchase; borrowings from the Federal Home Loan Bank (FHLB); brokered and listing service, municipal and state, and foreign deposits; and other borrowings (such as from the Federal Reserve's Payment Protection Program Liquidity Facility). Providers of wholesale funding closely track institutions' financial condition and may cease or curtail funding, increase interest rates, or increase collateral requirements if they determine an institution's financial condition is deteriorating.

Yield Curve

The relationship between maturities and interest rates on government bonds. The yield curve captures the cost of borrowing money to finance consumption, investment, or government spending and thus is of central importance to the entire economy. Yield curves generally exhibit three different shapes—normal, flat, and inverted—which are characterized by long-term interest rates being above, similar to, or below short-term interest rates. The shape of the yield curve often is viewed as an indicator of future economic activity.