Glossary of Terms

Accommodation	A loan accommodation includes, in general, any agreement to defer one or more payments, make a partial payment, forbear any delinquent amounts, modify a loan or contract or provide other assistance or relief to a borrower who is experiencing a financial challenge.
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.
Central Bank	An institution that oversees and regulates the banking system and quantity of money in the economy. The Federal Reserve System is the central bank of the United States.
Climate-Related Financial Risks	Climate-related financial risks include physical risks and transition risks. Physical risks refer to the financial losses resulting from harm to people and property from climate-related events, such as hurricanes, wildfires, and drought, and longer-term climate shifts such as sea level rise. Transition risks refer to financial risks to certain institutions or industry sectors that arise over time from the process of adjusting toward a low-carbon economy, which may be prompted by changes in climate and environmental policy, technology, or market sentiment.
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. *See also* Warehouse Lending.

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.
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.
Forbearance	A forbearance plan suspends mortgage payments. A provision of the CARES Act required mortgage servicers or lenders to provide a forbearance plan 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	A term that is 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. • Transaction in which 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.
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 underlying collateral, often real estate. *See also* Underwater.
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. *See also* Nondepository Financial Institution.
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 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.
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.
Regulatory Capital	Capital set aside to provide protection against (to absorb) losses. A measure of capital as defined by supervisory authorities. Generally, regulatory capital is calculated by deducting certain assets from bank capital that have no or limited loss-absorbing capacity, and adding other items.
Regulatory Capital Requirements	Requirements that consider the risk levels of a banking organization’s exposures and activities, and act to constrain leverage that a banking organization may incur by limiting the extent to which it can extend credit and invest in financial assets relative to money that the banking organization owes to others. Regulatory capital requirements are set at levels intended to foster the safety and soundness of individual banking organizations and the banking system.
Recession	A period of declining real income and rising unemployment; significant decline in general economic activity over a period
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.

Treasury Yield

The effective interest rate paid by the U.S. government to borrow money for different lengths of time. It is the return on investment on the government's debt obligations.

Underwater

A situation in which a borrower's mortgage principal is greater than the value of the house, so the borrower owes more on the mortgage loan than the house is worth.

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 CLOs 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; 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.