* Subprime Mortgages: A subprime mortgage is generally a loan that is meant to be offered to prospective borrowers with impaired credit records without much documentation and verification. It has variable interest rates which increase as the time passes. These types of loans have a very high chance of defaulting.
* Defaulting of Loans: failure to repay a loan
* Mortgage backed Securities: multiple loans are bundled together and investors can buy a part of them. Rating agencies rate them on the basis of the risk involved. Also, investor banks buy MBS.
* CDO: Similar to MBS, but more complex and involves multiple type of debts.

These are divided into tranches, and the high risk ones are paid at the last.

If too many borrowers default, the CDO loses value, and the riskiest tranches may lose everything.

* Credit default Swaps CDS: Insurance-like contracts where investors could bet against specific assets, like MBS or CDOs.
* Bubbles in market: The housing bubble in the movie depicts the hidden instability of the market and increasing riskiness of the housing market which was backed by risky loans. The bubble bursts someday and the whole market collapses. The housing bubble burst when defaulting of loans started.
* Rating agencies: such as the Standard and the poor’s, these agencies rate different types of investments on the basis of risk for the investors. In the movie, S&P gave high ratings to risky securities influenced by the institutions that paid them and also due to competition and their issuer-pays business model.These Ratings were AAA,AA….
* Synthetic CDOs: Actually a pool of CDOs, It is constructed using derivatives, mainly credit default swaps (CDS), which are contracts that act as insurance on the debt, a type of bet on a bet/insurance.
* Short Selling: betting against the market, which means betting on the decline of market value and earning profit.
* Leverage: Basically bet on a bet, examples are insurance, synthetic CDOs. used to amplify returns but also amplifies risk.