

Introduction to Banking Secrets:



- How Banks Alter Your Promissory Note
- Convert It Into a Negotiable Instrument
- Loan You the Proceeds of Their Fraudulent Conversion

Many subscribers have been discussing the nature of bank loans and asking questions about the accounting that takes place and how the customer becomes the depositor and who is the lender in a loan transaction. I have compiled this short explanation to answer these questions and eliminate many of the other questions that are not relevant.

The message I want to convey is that our entire banking system is "all made up," it's a fiction, and we have a difficult time comprehending the truth because of the erroneous beliefs and conclusions we have been trained to follow by false advertising and ignorance. Reality is the labor we trade everyday for the labor of other people. The record of that labor is a unit of currency. Everything else is imaginary and consists of! artificial limits and psychological perceptions.

Notes, Mortgages and Signature Loans A promissory note is not negotiable in the consumer marketplace (general economy) until a depository institution (bank) takes ownership and deposits it into an account. (A consumer cannot buy groceries with a promissory note.) The account into which the deposit is made appears as an asset equal to the value of the note and a liability equal to the negative value of the note. The entries balance to zero. The record of this transaction is made in an accounting ledger that is subject to audit and public disclosure. This method conforms to the Generally Accepted Accounting Principles and the rules promulgated by the Federal Reserve Board.

Example, a \$100,000 promissory note on deposit:
for Bank Customer (depositor):

Asset	Liability	Balance
+ \$100,000	- \$100,000	\$0

The bank then draws a check from this account to pay the seller of the property being purchased. The seller's bank accepts the check as a deposit, just like the first bank that accepted the note as the deposit. The note is the money owned by the maker, the bank customer, before the bank (lender) takes ownership and deposits it. The note or deposit is then transferred to the seller of the property in the form of a check to pay for the property. The first bank obtained ownership and possession of the note without risking any assets and in exchange for giving the bank the note and making it negotiable in the consumer market place, the bank customer agrees to pay the bank the value of the note, what the bank calls "principal," plus interest and fees.

The idea of a "principal" is a fiction that represents the value of the note; it is not the actual note. There is no principal. The money for the property came from the buyer's note. The buyer could not give the note to the seller directly because the banking system will not allow it, it would be considered counterfeiting without the bank being involved.

The bank must claim the existence of principal so that interest can be charged against something. The bank cannot charge interest against the note because it was used to buy the property. The bank is charging interest against the value of the note, what it calls the "principal." The customer's money, the note, was first deposited into the

bank's account and then transferred to the seller's bank account. Only banks can do this because only banks have the license and the monopoly in the banking industry. Only banks have access to clearing houses (databases for commercial paper) for checks, consumers do not, so consumers are not able to negotiate checks or notes without the banks.

The cost to the consumer, or bank customer, for this service is what the bank calls the "principal" plus interest and fees. The bank secures the payment of this money by having the depositor, the bank customer, sign a mortgage. A mortgage is a lien against property that gives the bank legal title and one hundred percent equitable interest until the customer acquires more equity by payment. The customer acquires legal title once the mortgage is satisfied. There are two transactions, one where the note buys the property and the other where the buyer pays the bank for providing the service of moving (birthing) the note into the economy to make it negotiable, otherwise known as the mortgage. The first transaction is called the note and the second is called the mortgage.

The mortgage is a bank receivable, an asset to the bank, and the bank wants the depositor of the note, its customer, to believe that the bank originated the funds for the purchase of the property and that paying on the mortgage is the way to pay it back. Because the customer is truly the depositor, the originator of the funds, it is the principal or the value of the note that is owed to the customer and not to the bank. Legally, the mortgage should be set aside as being null and void for failure of consideration and disclosure violations of the truth in lending law; however, experience tells us the best way to remedy the inequity of the arrangement is to sue the bank for the return of the deposit, "money lent." Yes, many of our subscribers have forced many banks to withdraw their complaints in about three to six months of litigation (both secured and unsecured collection). In fact, it has worked perfectly in all of the collections described in our publications with the exception of mortgage and student loan collections. In these categories of collections, we have seen the banks default in some and are waiting for results of the rest, but over the last eight years and approximately 2,000 collections, no collector or creditor has succeeded in taking any property of our subscribers who follow the program, for any collection.

The bank is unable to identify the source of the funds for the principal it claims to be owed and against which it is collecting interest and fees. Because there are only two parties to the note and two parties to the mortgage (borrower and lender), and one of them cannot establish that it provided the funds for the account, we must conclude that the other party, the bank customer, provided the funds that created the account. If the bank truly provided the funds like it wants everyone to believe, then the bank would be able to identify the account that was debited when the loan account was created. In reality, the bank customer is paying the value of the note twice, once by trading his note for property and the second time by paying the bank what they call the principal, then he pays an additional two or three times the value of the original note in interest.

If the truth were admitted, an equitable arrangement would be where the bank is allowed to maintain its monopoly and only charge the customer a fee for creating money. The customer would buy property with his note through the banking system, and the bank would charge a fee for this, maybe a percentage of the note. The fee would be limited by law to less than the value of the note. Instead, the bank receives the value of the note at no cost plus two or three times the value of the note in interest and if you don't pay, the bank gets the property as well.

Here is how the Federal Reserve Bank of Chicago explains the process:

TWO FACES OF DEBT-- Federal Reserve Bank of Chicago

Public Information Center P. O. Box 834 Chicago, IL 60690-0834
312-322-5111 **Page 19, Paragraphs 3-5:**

"For an individual institution, they arise typically when a depositor brings in currency or checks drawn on other institutions. The depositor's balance rises, but the currency he or she holds or the deposits someone else holds are reduced a corresponding amount. The public's total money supply is not changed.

But a depositor's balance also rises when the depository institution extends credit-either by granting a loan to or buying securities from the depositor. **In exchange for the note or security, the lending or investing institution credits the depositor's account or gives a check that can be deposited at yet another depository institution. In this case, no one else loses a deposit. The total of currency and checkable deposits-the money supply-is increased. New money has been brought into existence by expansion of depository institution credit.** Such newly created funds are in addition to funds that all financial institutions provide in their operations as intermediaries between savers and users of savings.

But individual depository institutions cannot expand credit and create deposits without limit. Furthermore, most of the deposits they create are soon transferred to other institutions. A deposit created through lending is a debt that has to be paid on demand of the depositor, just the same as the debt arising from a customer's deposit of checks or currency in a bank."

Again here is how the Federal Reserve Bank of Chicago explains the process:

MODERN MONEY MECHANICS – Federal Reserve Bank of Chicago

Public Information Center P. O. Box 834 Chicago, IL 60690-0834
312-322-5111 **Page 3, Page 6:**

The actual process of money creation takes place primarily in banks. As noted earlier, checkable liabilities of banks are money. These liabilities are customers' accounts. They increase when customers deposit currency and checks and when the proceeds of loans made by the banks are credited to borrowers' accounts.

In the absence of legal reserve requirements, banks can build up deposits by increasing loans and investments so long as they keep enough currency on hand to redeem whatever amounts the holders of deposits want to convert into currency. This unique attribute of the banking business was discovered many centuries ago.

Then, bankers discovered that they could make loans merely by giving their promises to pay, or bank notes, to borrowers. In this way, banks began to create money. More notes could be issued than the gold and coin on hand because only a portion of the notes outstanding would be presented for payment at any one time. Enough metallic money had to be kept on hand, of course, to redeem whatever volume of notes was presented for payment.

Transaction deposits are the modern counterpart of bank notes. It was a small step from printing notes to making book entries crediting deposits of borrowers, which the borrowers in turn could 'spend' by writing checks, thereby 'printing' their own money. – **page 3**

If business is active, the banks with excess reserves probably will have opportunities to loan the \$9,000. Of course, they do not really pay out loans from the money they receive as deposits. If they did this, no additional money would be created. **What they do when they make loans is to accept promissory notes in exchange for credits to the borrowers' transaction accounts. Loans (assets) and deposits (liabilities) both rise by \$9,000. Reserves are unchanged by the loan transactions. But the deposit credits constitute new additions to the total deposits of the banking system.** – **page 6**

The typical "mortgagor" (bank customer) pays the bank (mortgagee) three times the value of the note (deposit). Two-thirds of that money comes from interest and one-third is what the bank calls the principal, the amount the bank claims was loaned. Because the bank cannot prove that it loaned the principal, we must conclude that the principal originated from the customer, the other party to the note and mortgage agreements. This is a well-known fact in the industry as you can see by the above

quoted publication. Bank employees do not understand this but we have found that bank officers usually have an understanding or will refuse to discuss it.

This process is identical for credit cards, signature loans, even guaranteed student loans along with any other "bank loan" made by any depository institution operating under the rules of the Federal Reserve System. The same rules apply equally to assignees of depository institutions such as mortgage companies. I have not seen any case law affirming these banking practices but from my experience and research, I can say that the reason is because the banks never allow disputes raising these issues to be published on the record of any court. They either settle or withdraw.

An approved application for credit is entered as a deposit in the same manner and using the same accounting principles as in the deposit of a promissory note. The approved application for credit is the promise to pay and the value of the highest credit limit is the deposit. Interest is charged against the dollar amount claimed to be owed to the depository institution. Instead of a mortgage, the customer receives monthly billing statements

Mysteriously, you will not find these types of terms disclosed on any agreement with a bank; however, because of basic accounting principles, the true agreement can be created from the accounting. It can then be verified against the written instrument or agreement. The ledger will show the note as being deposited and no money debited from a bank asset or from another depositor's account. Banks are not permitted to loan other depositor's money or their own assets, but it is the accounting that proves this. We can then use this verifying technique to expose the truth and the fact that the written agreement did not disclose all legal obligations of the parties. These terms were not fully disclosed because the bank's attorneys wrote the agreement and the bank receives an incredible benefit from not disclosing it. The bank receives many times the value of your deposit (note or credit application) without risking one single dollar worth of assets. In fact, the bank sometime! s takes your property when you don't pay according to the terms of the "written" agreement, not the true agreement.

It is my opinion that if the banks were to conduct their businesses honestly, they would directly admit, in each "loan" transaction, that the customer's note or credit application provides the funds for the account and that the fee the bank is charging for this service is the value of the deposit plus fees and interest. The banks could admit that the basis for the fee is that the Federal Reserve System has been allowed to monopolize our economy and has been licensed to create money by the United States.

Consumers could then be free to decide if this was equitable. It might lead to banks charging a flat fee per transaction instead of getting the value of the deposit plus two or three times the value of the customer's money for free. Imagine a world where you could take your note into a depository institution and pay twenty five percent of the value of the note, over a period of months or years, just to use the service? Instead of paying \$300,000 to use \$100,000 of your money, you would only pay \$25,000 over the same period of time. The banks would still make a profit and other factors could reduce the amount of money created each year. I do not think this is a solution, but it may suffice until we can restore a precious metal backed currency.

"It is well that the people of the nation do not understand our banking and monetary system, for if they did, I believe there would be a revolution before tomorrow morning." —Henry Ford