

American Tax Planning Co.

So ... you're ready for that mortgage to buy a house.

Most people believe, the only way to buy a home is to get a mortgage from a Bank or financial institution ... that's just common sense ... it's what everyone does. The business of Banking is to make loans ... right? While most people think that's what the Banking business is for, let's consider one very basic question:

Do Banks actually lend "money"?

Excerpts are from "Modern Money Mechanics" published by the Federal Reserve Bank of Chicago (https://upload.wikimedia.org/wikipedia/commons/4/4a/Modern_Money_Mechanics.pdf). The Federal Reserve Bank of Chicago's manual describes the process of money creation in the banking system.

The most basic question dealt with, in the beginning of Modern Money Mechanics is:

"What is Money?"

"Money is ... a routine part of ... living ... its existence and acceptance ... are taken for granted" [¶1 right side pg. 2] and "... money is viewed ... as a tool ... to facilitate transactions ... accepted in exchange for goods, services, and other assets ..." [¶2 right side pg. 2].

That's reasonable but the issue is how do you buy things when you don't have enough money. Obviously, you **HAVE TO** borrow the money and as the choir sings the song, "*jumping through the hoops*," the Bankers in the background begin preparing their paperwork. And you can expect mounds of paperwork **TO SIGN**. Although you might not realize it, and you're certainly not thinking like this, you're actually signing and preparing for the Bank's foreclosure process on you **IN ADVANCE**.



You know that you have every intention to pay the loan back, but the Bank prepares for you to fail. They'll tell you otherwise, but nothing can assure them that they'll be paid the principal and interest back so they're protecting themselves.

On the surface that would seem to be a reasonable precaution, but there's other considerations such as *how was the money created* or *who owns the money being lent*? Again let's turn to the banking system's explanation in Modern Money Mechanics for those answers:

HOW WAS THE MONEY CREATED?

"Changes in the quantity of money ... the major control ... rests with the central bank ... [¶1 right side pg. 3] and in addition "... actual process of money creation takes place primarily in banks' ... [footnote 1] ... to describe ... money creation process ... the term 'Bank' ... should be understood ... all depository institutions ... have the potential for creating money" [¶2 right side pg. 3].

WHO OWNS THE MONEY THAT'S BEING LENT?

While it's reasonable to believe, when you deposit **YOUR** money in **YOUR** bank account, **YOU OWN** that money – **NOT TRUE** – you **RELINQUISHED** ownership of that money. Do you decide how, when or where that money is invested ... does the bank share the profits earned from that money with you?

- I DON'T THINK SO -

HOW DID OWNERSHIP OF THE MONEY TURN INTO THE BANK'S CONTROL?

It started with goldsmiths. As early bankers, they provided safekeeping services, from charging vault storage fees for gold and coins deposited with them. People would redeem their “deposit receipts” whenever they needed gold or coins to purchase something, and physically take the gold or coins to the seller who, in turn, would deposit them for safekeeping, often with the same goldsmith (banker).

Everyone soon found that it was a lot easier to use the deposit receipts directly as a means of payment. These receipts became known as notes and were accepted as money since whoever held them could go to the goldsmith (banker) and exchange them for metallic money. [¶4 right side pg. 3]

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 to redeem whatever volume of notes was presented for payment. The modern-day equivalent – until March 26, 2020 – for what used to be referred to as the Bank’s “reserve requirement.”

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. [¶5 right side pg. 3]

“... make loans merely by giving their promise to pay”

Among that “mound of paperwork” you signed was a Promissory Note – **A LIEN ON THE PROPERTY** – and without being told or without you realizing what happened, you created the bank’s deposit with their Bank – **The Central Bank** – that Promissory Note became the “**cash equivalent**” for the Bank **TO DEPOSIT** with the Central Bank (*i.e.*, their Bank) and issue you a check (*i.e.*, promise to pay).

YOUR Promissory Note was the only value in the transaction.

Now the Bank has the ability to force payment from you because they hold a lien against your property (*i.e.*, cars, homes, boats, etc.) then they play another twist on you ... while you thought the check you received was “***the money that the bank loaned you,***” the transaction actually turned into a series of accounting debits and credits on their bank statement which the Bank conveniently refers to as “**YOUR LOAN.**”

Modern Money Mechanics had described it this way: “**It was a small step from printing notes**” (*i.e.*, Promissory Notes) “**to making book entries**” (*i.e.*, accounting debits and credits for loan payments) “**thereby ‘printing’ their own money**” [¶6 right side pg. 3].

While the public believes they were lent money, the actual truth is they were issued ***a promise to pay*** (*i.e.*, bank’s check from the account your Promissory Note created) with ***a lien on your property*** that turned into ***a series of accounting debits and credits*** you believe is what was loaned, ***and your labor makes the payments.***

If the bank didn't loan you “money”

what are you paying them for?

... Come on people, wake up already!