

All federally insured banks (FDIC) must follow what are called the Generally Accepted Accounting Principles (GAAP) which are found in the federal statutes at 12 USC Sec.1831n(a) (See 18310 below. Accounting objectives, standards, and requirements)

#### What we learn from Exhibit A ACCOUNTING OBJECTIVES, STANDARDS, AND REQUIREMENTS

- (1) That there are certain accounting principles that must be followed by (FDIC) banks and financial institutions.
- (2) That certain reports or statements must be filed with federal banking agencies by insured depository institutions.
- (3) That these reports and or financial statements must accurately reflect the capital of these institutions.
- (4) That the institution's accounting principles shall be uniform and consistent with the **Generally Accepted Accounting Principles.**

Generally Accepted Accounting Principles 2003 edition published by Wiley page 41 under the section Cash and Cash equivalents we learn, "Anything accepted by a bank for deposit would be considered as cash."

In short, here is the entire process of the "Credit Card" system at work. Banks accept "credit card" agreements as promissory notes and deposit them. The original agreement or promissory note you signed is circulated through the Federal Reserve Clearing house and the cash amount of the agreement is printed up by the FED. Then when you are approved by a "credit card" company for a "credit card" with say a \$1,000 credit limit, that agreement/promissory note is sent to the FED clearinghouse where \$1,000 worth of Federal Reserve "cash" is printed up, and that cash is deposited into the "credit card" company's bank account.

Every time you use your "credit card" and sign the "credit card" slip or promissory note, the merchant took the signed "credit card" slip and as just explained, deposits it into their accounts as the cash equivalent.

The Merchant's bank then bundles all of the signed "credit card" slips together, and deposits them with the "credit card" company and their bank. The "credit card" company then sends the cash or bank wire transfer whichever is the case, to the merchant's bank where the signed slips or promissory notes were first deposited. Then the "credit card company's holding bank" takes these signed slips/promissory notes and repeats what they did with the original credit card agreement. They circulate these signed slips through the FED clearing house, where the cash is printed up by the FED and then given to the company. Thus, the credit card company is paid in full by the value of the consumer's promissory note. Therefore, they are never at any risk and never lose a penny even if the consumer never pays them at all. Top it off with the fact the company gained a full \$1,000 from the original agreement that was signed by you. Even if you never use the credit card, the "credit card" company still made off with \$1000 from the promissory

note or credit card agreement based on your signature alone! Amazing, money made out of thin air!

Furthermore, the Federal Reserve has also been very clear in their circulars that banks do not really lend money. What! Yep, it says in their official circulars as one example that could be cited is a reference in statutory law. The Uniform Commercial Code (UCC), which governs all negotiable instruments, and virtually every state has adopted and codified the UCC in their state statutes. Here are just two examples to prove the point about what the FED says about banks lending money. Federal Reserve Publication, Modern Money Mechanics states on pg 6... "Of course they [Banks] do not really pay out loans from the money they receive as deposits. If they did this, no additional money would be created." So if Banks do not "really" pay out loans from the money that they receive as deposits, where do they get the money to payout loans? The FED tells us in no uncertain terms in the next sentence. "What they do when they make loans is to accept promissory notes in exchange for credit to the borrower's transaction accounts."

Ah, in reality an exchange has occurred... So why does the "credit card" agreement and statement present it as a loan, and then charge interest? The agreement never mentions that an exchange has occurred. The FED adds fuel to the argument in their publication "Two faces of Debt." In this publication on pg. 19 the Fed states: "depositor's balance rises when the depository institution extends credit either by granting a loan to or by buying securities from the depositor in exchange for the note or security, the lending or investing institution credits the depositors or gives a check that can be deposited at yet another depository institution. In this case no one else loses a deposit and the money supply is increased. "New money" has been brought into existence."

Again, we see the word exchange is being associated with the so called loan. Notice the quote clearly says that a "depositor's" balance "rises" (evidence the promise to pay is deposited) when a depository institution extends credit by granting a loan or by buying securities from a depositor. How does that happen? According to the circular "In exchange for the note", the lending institution credits your account. Then we are told something that proves the bank or financial institution really did not lend their money as they implied or agreed. We are told that as a result of this transaction "no one loses a deposit" (Thus no other person who had money deposited at the institution lost any deposit)—and actually "the money supply is increased;" thus, the "new money" has been brought into existence. In truth, the "new money" brought into existence was done so by the deposit of the promissory note agreement, predicated upon your signature.

Now a crucial point any attorney knows—for an agreement or a contract to be valid, both parties to the agreement must provide what's called "valuable consideration." In other words each party must provide something of value in return for the thing of value that they receive. Now we ask, what was lent that should be repaid? If according to the FED, whose regulations the bank must follow, (1) The bank did not use other depositor's money, (2) banks do not really payout loans from this money, (3) they accept the promissory note/agreement in "exchange" for credits in a transaction (checking) account (4) and they issue a check or wire transfer to front this account. What did the bank lend?

The wire transfer, credit, or check is issued based upon the deposit of the promissory note. Again, GAAP says, "Anything accepted by a bank as a deposit is considered as cash." The promissory note is in fact an asset, and as an asset it has value that can be bought and sold.

This explains why the FED says "New Money" is brought into existence with the deposit of the promissory note. It is "money" that was not in the bank or financial institution prior to the deposit of the promissory note. In actuality, it seems as though your signature allows the FED to create the New Money. As stated in "Two Faces of Debt" Pg. 19 "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." These funds are in "addition" to the other funds. Simply put, the promissory note/agreement is an increase of the financial institution's funds! Thus from an economic standpoint you are far from getting a loan; in fact, you are actually making a deposit, but this has not been disclosed to you. And what does the FED say about that? Again in "Two Faces of Debt" Pg 19: "A deposit created through lending Is a debt that has to be paid on demand of the depositor, just the same as the debt rising from a customer's deposit of checks in a bank." This is a very powerful, clear, and concise statement. What can we learn from it?

- 1) When a bank or financial institution makes a "loan" they incur debt.
- 2) This debt is paid on demand of the depositor (of the promissory note.)
- 3) It is the same as the debt the institution owes a person who deposits checks or currency in a bank. In other words, when you deposit your paycheck or cash into a bank or financial institution, the institution has to record it as a "debt" owed to you on their books. Also, any attorney/Judge knows a contract is not valid without consideration. This brings up an element in contract law known as "meeting of the minds?" This element must also be present in any valid agreement. In other words both parties understand fully the terms and the conditions of the agreement. There must be full disclosure by both sides of all material facts so everyone knows and agrees with what is going on—it is called "full disclosure." If you are not aware of all of the material terms and conditions of an agreement, how could you possibly agreed to those terms and conditions? And if you did not agree to them because you were not aware of them, how can there be a valid agreement in place at all? How could there have been a meeting of the minds? There couldn't.

By now you can see you did not receive a loan from the "credit card" company, but In fact, they profited from your signature. Then, every time you use the "credit card" they profit some more as "new money" is brought into circulation. As if that is not enough, the "credit card" company also wants you to pay them again, plus interest. Furthermore, there is no way for you to have understood all the terms of their contract as full disclosure because it was not disclosed to you at the signing of the contract. Until you understand the scam, it is very hard to see how the credit card companies keep going when so many people with "credit cards" file bankruptcy. However, once you do understand the scam, you see they profit no matter what. The "credit cards" are a godsend for the "credit card" companies as they are free to create "new money" out of thin air. Ironically, this answers a question we all have asked. Why do they seem to offer credit cards like water?

Finally, the “credit card” companies have the audacity to lie to us as whole, by saying the reason for the interest rate increases are due to the large number of defaults and/or bankruptcies...lying thieves! What they should be doing is sending you a thank you letter for the cash you have made them, instead of collecting a debt that has more than been paid in full.