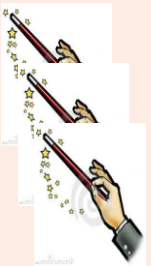
What Happens When You Want a Loan

This process was purposely built to be confusing & illogical since it's meant to hide the fact that banks charge interest on money they create from nothing.

People, Companies, Local/ State Governments	Commercial Bank	Federal Reserve
Sam deposits $1,000 into Bank of America	Sam no longer owns the money he deposited. The bank owns it and Sam becomes an unsecured creditor of the bank. The deposit takes on a split personality & instantly become part of BofA's *Bank Reserves,* as all deposits do.	
Sam's checking account has 1,000 credits put in it.	**It's a bank liability** because the funds are owed back to the depositor.	**It's also treated as a bank asset** as long as the deposit remains in the bank. With a 10% Reserve Rqmt. $100 would be held at the Fed.
	Fractional Reserve Banking Magic now comes into play	
Jane requests a $900 loan from Bank of America	The other $900 is considered *Excess Reserves* and is the basis for new loans. ***Now, it would be logical to assume that this $900 would come out of the existing $1,000 deposit but that is not the case***. ***The original $900 is owed back to Sam so the bank creates a new $900 out of thin air***. ***In the bank's contorted logic they now say they have an additional $900 of Excess Reserves and since new loans come from Excess Reserves, they now can make $900 of new loans***. ***This new $900 is not officially considerd new money until it is used to capitalize a new loan***. When the bank sells someone a new loan the *Excess Reserves* go down (fewer dollars for new loans) & the national money supply increases $1900 (the original $1,000 deposit plus the made-up $900).	
Jane puts up real, physical collateral against the loan amount which is comprised of money created from nothing.		
	New Loan Process now comes into play	
	The bank's approval process checks that Jane can afford to pay the interest and that her collateral is equal to the loan's value. Remember, Jane is pledging a real, physical entity of value against the bank's made-up money stored in a computer.	
Jane signs loan document (IOU).	Signing the bank's lending agreement, gives the bank the legal authority, via its charter, to capitalize the loan from *Excess Reserves* (made-up money) by adding to the borrower's account the amount of the loan. It's a bookkeeping entry done by computer. This transaction transforms the made-up money (Excess Reserves) into new real money (Legal Tender). ***Banks don't lend any of their own money or that of their depositors***. ***They want you to think they are sharing their assets so they can charge you interest but they are sharing nothing they own***. ***The money for new loans comes from the bank creating new money out of thin air***. Deposits don't create loans – loans create deposits. No new loans – no new money.	
Jane's account is increased by $900 & she pays doctor bill.		
	Fractional Reserve Banking Process Repeats & Repeats	
Doctor receives $900 & deposits it at Chase Bank.	The new deposit becomes part of Chase's *Bank Reserves*. 10% is stored at the Fed & 90% of the $900 or $810 is now categorized as *Excess Reserves* i.e., newly created money out of thin air to be used by Chase to make more loans. That $810 can be loaned out & redeposited at a 3rd bank creating an additional $729 of new money for new loans at that bank and this continues on and on.	
	This **Deposit-Money Creation-Loan Cycle** can technically go on into infinity, however, the average mathematical result is that about $9,000 can be created on top of the original $1,000. In other words, ***for every deposit in the banking system, about 9 times that amount can be created as new money out of thin air***. This new money can only come into existence if there is someone desiring a new loan. The Fractional Reserve Banking System is based 100% on increasing debt.	

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