

SHOW ME THE LOAN PROMISSORY NOTE ACCOUNTING

I have put together this Accounting Primer to help understand the original journal entries and ledgering of the borrower's deposit item, better known as the Mortgage Promissory Note - (Negotiable Instrument)

§ 3.02[2]

ATTORNEY'S HANDBOOK OF ACCOUNTING

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As we see from this information taken right from the Attorneys very own Handbook of Accounting, the attorneys are expected to fully understand accounting principles. They too, just like the bankers have to account for each and every financial transaction. So there is a record of the bankers receiving your mortgage promissory note in their records. It's a shame that we provide the banks with a myriad of paperwork to get an alleged loan, but when you ask them for a few simple things, you can never get an honest response.

status for each of them, at least by principal category. The same applies to liabilities and the various components of owners' equity (e.g., stockholders' equity in corporations). To record all of the increases and decreases in assets, liabilities, and stockholders' equity, physical records of accumulated amounts (known as *accounts*) are maintained, using the *double-entry* method.

Double-entry record-keeping uses the two basic accounting terms that have nearly become clichés: the *debit* and the *credit*. In financial accounting, left and right columns denote debit and credit, respectively, or perhaps positive and negative, depending on the account. (Note that a debit is not the same as a debt.)

For every debit, there is a credit for an equal, offsetting amount; thus, the accounting records are kept continually *in balance*. In standard arithmetic, plus and minus signs (+/-) indicate addition and subtraction; in accounting, addition or subtraction is indicated by the physical placement of an amount within an account. Therefore, all asset and expense accounts are increased on the left side of an account sheet (debits) and decreased on the right side (credits). Conversely, all liability, revenue, and stockholders' equity accounts are increased on the right side (credits) and decreased on the left side (debits). These basic relationships are shown in the illustrations below:

Asset Accounts		Liability Accounts	
Debit (increase)	Credit (decrease)	Debit (decrease)	Credit (increase)

Excerpt from "The American Voters Vs. The banking System" He said we credit (liability column) cash and replace it with promissory note recorded as an asset. He claimed this means the bank loaned other depositor's money. Then he showed the seller of the house receiving the money by debiting the cash (recorded as an asset) and crediting (recorded as a liability) a new demand deposit account (checking account as a liability). Quote from a Bank Auditor

Stockholders' Equity Accounts	
Debit (decrease)	Credit (increase)

Revenue Accounts		Expense Accounts	
Debit (decrease)	Credit (increase)	Debit (increase)	Credit (decrease)

Transactions are recorded into books of original entry or *journals*. Journals may take a variety of forms, depending on the entity's needs. The simplest form of journal is the general journal, which contains a chronological list of transactions and other appropriate events expressed in terms of debits and credits allocated to particular accounts. Many companies develop special journals in addition to the general journal, such as sales journals, purchase journals, cash receipts journals, and cash disbursements journals.

These special books streamline the recording process by summarizing repetitive, common transactions in a single record. For example, the cash disbursements journal records all common or recurring transactions for which an asset or

(Matthew Bender & Co., Inc.)

(Rel.8-12/00 Pub.032)

The banks are no different than any other business, they have to comply with certain regulations mandated by law. For one, they have to maintain their accounting ledgers in accordance with Generally Accepted Accounting Principles better known as GAAP - 12 U.S.C. 1831

12 U.S.C. 1831N

1000 - Federal Deposit Insurance Act

SEC. 37. ACCOUNTING OBJECTIVES, STANDARDS, AND REQUIREMENTS.

(a) IN GENERAL.--

(1) **OBJECTIVES.**--Accounting principles applicable to reports or statements required to be filed with Federal banking agencies by insured depository institutions should--

- (A) result in financial statements and reports of condition that accurately reflect the capital of such institutions;
- (B) facilitate effective supervision of the institutions; and
- (C) facilitate prompt corrective action to resolve the institutions at the least cost to the Deposit Insurance Fund.

(2) STANDARDS.--

(A) **UNIFORM ACCOUNTING PRINCIPLES CONSISTENT WITH GAAP.**--Subject to the requirements of this Act and any other provision of Federal law, the accounting principles applicable to reports or statements required to be filed with Federal banking agencies by all insured depository institutions shall be uniform and consistent with generally accepted accounting principles.

Key thing to keep in mind is when you call the bank for to speak with someone the person on the phone really doesn't know about the fraud. They are only payment entry clerks or whatever. They can only access your payment history files. So to them, you owe the bank money, because the screen in front of them only show you owe the bank for a loan. The real accounting ledgers are kept by the big higher up banking officials CFO, etc.

In an accounting system the different journals and ledgers are kept separate. One hand doesn't know what the other hand is doing. That is why the fraud has been able to go on for all these years, only people with financial keenness was able to figure out the fraudulent accounting entries.

Show me the Loan

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THE ACCOUNTING PROCESS

§ 3.02[3]

expense account is debited and cash is credited, but with less detail than one would see in the general journal. (See § 3.03, Exhibit 3-3, below.)


The recording function is completed when the entity's accounting personnel periodically transfer out, or *post*, accumulated debits and credits from the journals to the next level of records—the *ledger*.

[3] Posting to Ledger Accounts

[a] General and Subsidiary Ledgers


Just as an entity keeps a general journal, it also maintains a general ledger, which is merely an accumulation of the various accounts (assets, liabilities, stockholders' equity components, revenue, and expenses) listed in the entity's chart of accounts.⁵ An organization of any significant size is likely to have more than one item in an account classification. For example, the entity may have many customers for whom there are accounts receivable, and many suppliers to whom amounts are owed. If deposits are maintained in several financial institutions or in various accounts within a single bank, a separate ledger account is usually kept for each bank account. Correspondingly, many companies maintain separate accounts for each piece of land, each building, each major piece of machinery, and each investment in the securities of other entities. In addition, the numerous categories of revenue and expenses will need their own ledger accounts.

To deal with the high volume of transactions, the principal or general ledger is usually subdivided into subsidiary ledgers. The general ledger maintains *control accounts* for the major categories—e.g., cash, accounts receivable, and inventory—and the subsidiary ledgers contain the details of each control account. For example, each bank account that is part of the total in the cash control account has a corresponding subaccount in the subsidiary ledger; and the subsidiary accounts receivable ledger would have a separate subaccount for each customer from whom an amount was due.

PAY TO THE ORDER OF
 LEHMAN BROTHERS HOLDINGS INC.
 WITHOUT RECOURSE
 LEHMAN BROTHERS BANK, FSB
 BY: 
 RICK W. SKOGG
 VICE PRESIDENT

Above Restrictive Indorsement and an actual Blank Indorsement (below) that was on the same Note – UCC 3-205. Let us not be fooled by way the banks indorse the Notes – bottom line is they deposit them. Just like you endorse the back of a check for depositing.

They don't indorse them to just sit in your file folder all neatly tucked away.

Pay To The Order Of
 Without Recourse
 Lehman Brothers Holdings Inc.
 By: 
 Denise E. Elwell
 Senior Vice President

FEDERAL RESERVE BANK OF CHICAGO – MODERN MONEY MECHANICS

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' transactional 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. See *illustration 3 below*.

Expansion - Stage 1

3. Expansion takes place only if the banks that hold these excess reserves (Stage 1 banks) increase their loans or investments. Loans are made by crediting the borrower's transactional account, i.e., by creating additional deposit money.

STAGE 1 BANKS

Assets	Liabilities
Mortgage Loans..... +9,000 (debit entry)	Borrower's Transactional Account.... +9,000 (credit entry)

Note: The Federal Reserve has already provided the Generally Accepted Accounting Principle (GAAP) debit and credit entries for when the banks receive a promissory note.

12 U.S.C. 1813(I)(1)

(I) **The term "deposit" means--**

(1) the unpaid balance of money or its equivalent received or held by a bank or savings association in the usual course of business and for which it has given or is obligated to give credit, either conditionally or unconditionally, to a commercial, checking, savings, time, or thrift account, or which is evidenced by its certificate of deposit, thrift certificate, investment certificate, certificate of indebtedness, or other similar name, or a check or draft drawn against a deposit account and certified by the bank or savings association, or a letter of credit or a traveler's check on which the bank or savings association is primarily liable: **Provided, That, without limiting the generality of the term "money or its equivalent", any such account or instrument must be regarded as evidencing the receipt of the equivalent of money when credited or issued in exchange for checks or drafts or for a promissory note upon which the person obtaining any such credit or instrument is primarily or secondarily liable,** or for a charge against a deposit account, or in settlement of checks, drafts, or other instruments forwarded to such bank or savings association for collection,

Note: The bank is supposed to give credit for receipt of the promissory note, no difference from when you hand the teller a check to deposit. The bank gives a receipt for the credit to your account.

NOW THAT WE HAVE HAD THE PRIMER LET'S GO INTO THE ACTUAL ACCOUNTING ENTRIES MADE FOR A BORROWER'S PROMISSORY NOTE. ALTHOUGH NO MONEY IS EVER FUNDED BY THE BANK NOR MONEY LENT, WE WILL STILL FACILITATE THE ENTRIES AS THEY DID TO STILL COME TO THE SAME CONCLUSION

CAN YOU SHOW ME THE LOAN?

SHOW ME THE LOAN ACCOUNTING ENTRIES

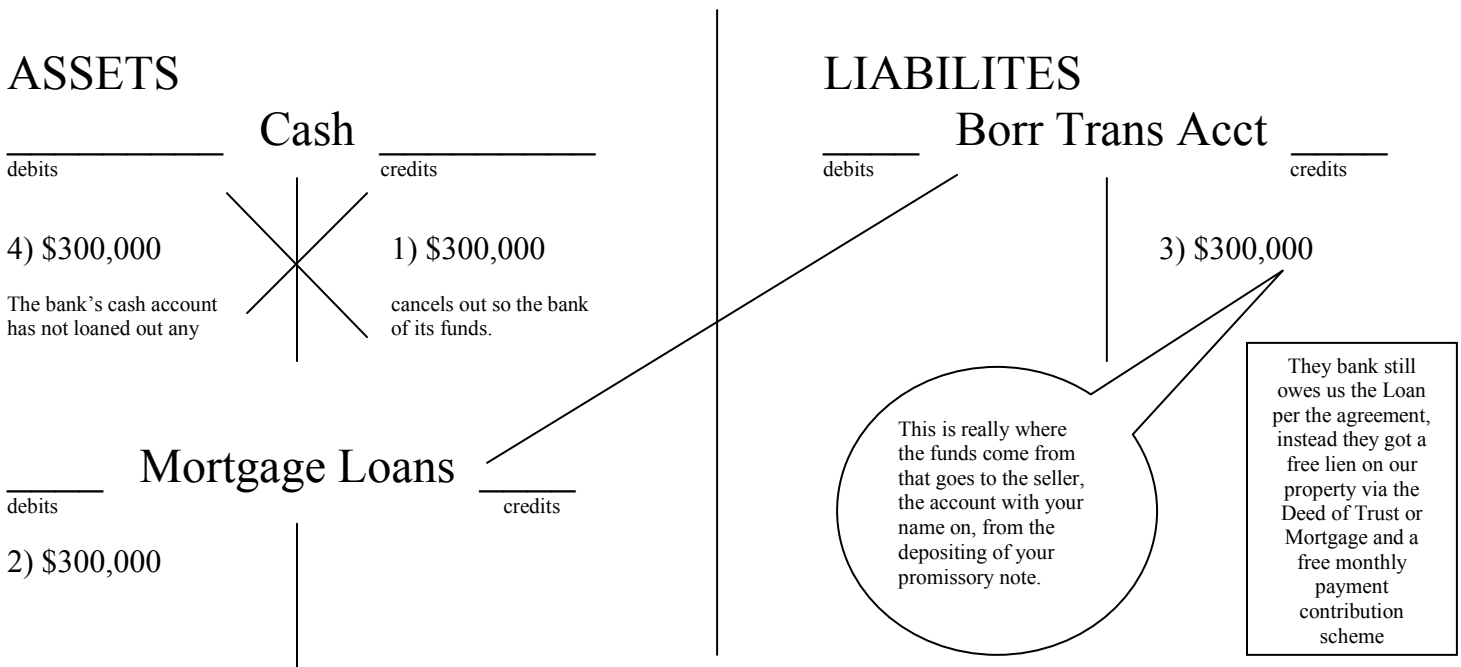
To facilitate the transaction, we will use T-Accounts. Also, to please the banks we play along with their claim they made a loan. Sales price of the home is \$300,000 with a Note signed in that amount. The numbered paragraphs correspond the numbered entries made in the journal/ledger below

- 1) They claim they give the seller a check written from their cash account, a credit entry to cash is made for \$300,000 – which they purport constitutes the loan to you – the check to the seller to buy the house.
- 2) To record the bank receiving the your Note (money equivalent) as a bank asset, a debit entry is made to their Mortgage Loans Account for \$300,000.

Note: The banks books are in balance, so if you don't know any better, the banker has deceived you to believe they really made a loan. But we now know through 12 U.S.C. 1813(l)(1), the borrower is supposed to get credit for their Negotiable Instrument (Note). Remember, when you deposit a check, the bank credits your account for the instrument and you get a receipt. More importantly, under both 12 U.S.C. 1813(l)(1) AND 12 U.S.C. 1831n (GAAP), **the bank has to account for receiving your negotiable instrument.**

- 3) The bank has to record receiving your promissory note (negotiable instrument), they credit a DDA in your name for the amount of the note, \$300,000. They changed the intent of the agreement and changed the promissory note so it funds the check to the seller.
- 4) The bank shows the seller receiving the check by debiting cash (recorded as an asset).

AMERICAN NATIONAL BANK



If you have understood the diagram, you should have noticed that after the bank's cash account cancels out. They never lose anything from their cooking of the books. What's left on the books are the same journal entries the Federal Reserve stated above in Modern Money that should be made by banks when they make loans: "What they do when they make loans is to accept promissory notes in exchange for credits to the borrowers' transactional accounts. **Loans (assets) and deposits (liabilities) both rise**"

MR. BANKER, I HAVE JUST ONE QUESTION: CAN YOU SHOW ME THE LOAN, I DID'T GET IT?