A New Paradigm for Monetary Liquidity

Financing the Recovery of U.S. & Global Economies by Deploying Dormant Assets through Risk Mitigation and Incentives

Global and Sustainable Middle Class
New and Renewed Infrastructures
Higher Education
Affordable Housing
Vocational Training – Wage Equality
Eradication of Poverty and Hunger
Targeted Venture Capital Funds
Introduction

Conscientious Credit Funding Organization (CCFO) introduces a new paradigm for Monetary Liquidity to redeploy funds on a global scale.

The global economy suffers from a widespread lack of liquidity. Despite low interest rates, cash is horded to the point that there is more cash sequestered on the sidelines than in any time in history.

CCFO will provide the structures to promote and enable governments, financial institutions, corporations, individuals and certain charitable entities a way to finance their prime directives and more effectively serve their constituents. This newly engaged money will result in several millions of new well-paying jobs worldwide.

At its core, CCFO promotes the substitution of credit for cash by collateralizing cash deposits at banks pledged to guaranty development loans. CCFO proffers risk mitigation and incentives to encourage the credit funding.

The initial target is to create $1 billion in credit funding, followed by $10 billion, and ultimately up to $1 trillion dollars for worldwide infrastructure (re)development, microfinance, low income housing, vocational training and green technology implementation.

Without $1.00 Donated or Gifted

CONCEPT EXAMPLE—Keeping it simple!

As with many innovative ideas, the fundamentals of Credit Funding are essentially simple. Let’s work through an example. Assume that your daughter has graduated college and secured a well paying job.
She wants to buy a nice new car, but has never established credit on her own, primarily because you have always felt proud of being able to provide the best for your children. You are confident, knowing the nature and history of your child that she will make the payments on the car, plus she has already earned the down payment.

Here are your three options:

1. Purchase the car for her, which does nothing to establish your daughter as a credit-worthy and independent person.

2. Guarantee the manufacturer's new car loan so both your names are on the financing.

3. Deposit a CD in your bank with your name on it, and pledge it as collateral for the lowest possible interest car loan so your daughter can buy the car *herself*.

With the third option the loan is entirely in your daughter’s name, and she is responsible to the bank for payment with the car pledged as first collateral. Your CD is called as a guaranty ONLY in the event of a default and only up to the unpaid loan balance. When the cycle is done and your daughter has paid off her loan in full, your CD is released to you *with the interest it has earned*. Just in time, as you want to help your graduating son the same way, so you buy a new CD to facilitate his purchase of a new car!

Note: One way to limit the exposure to risk would be to have your daughter purchase a Loss Limit Assurance policy from a special insurance company to insure that your total exposure on your $30,000 CD collateral pledge is limited to the first 10% or $3,000. The Insurer would assume fourth position behind your daughter, the car, and your $3,000.

Here are the wins from the above transaction:

- You get to be the benefactor, likely without it costing you a penny.
- The economy prospers from the cash infusion of an additional car sold.
- The bank gets to leverage your deposit and lend an additional $240,000+.
- The insurer makes a good bet, and will mitigate their exposure by likely selling off a fifth exposure position to a re-insurance group, which will do the same.
- Your funds are free plus interest to do it all again.
HISTORICAL PRECEDENCE

President Franklin D. Roosevelt received adamant advice to raise taxes and introduce a forced savings program to fund the priority imperative of the time, WWII. Instead, FDR wisely followed the advice of the Secretary of the Treasury, Henry Morgenthau, Jr., who hired Peter H. Odegard, a political scientist who specialized in motivating mass populations, to create the War Advertising Council.

The result was a whopping $187.5 billion (conservatively $2.25+ trillion in today’s dollars adjusted for inflation) to fund the war effort. Just as important as the money, the War Bonds became a rallying cry for the public to express its patriotism, follow its iconic leaders’ calls for action, and allowed for 85 million Americans to actively participate. CCFO intends to apply this precedence to charities and infrastructure (re)building in a global economy.

Credit Funding will result in updated versions of New Deal type programs creating millions of jobs, strengthening the banking system, and rebuilding a broad and financially healthy middle class, which in turn creates greater prosperity.

HOW CREDIT FUNDING WORKS (See Chart on page 6)

1. CCFO secures the commitments of the diverse set of participants, establishing targeted credit funding activities. This will include enrolling existing non-profit, public works, and green technologies. Each project will incorporate loan take-out strategy to release the pledged collateral, which may be redeployed... again and again. Examples include first mortgage funding for housing, pledges of future wages on education and vocational training, payment of microfinance loans, and sales of future revenues on public works to fixed income investors.

2. CCFO packages the submission for Loss Limit Assurance to the major special insurance companies: Berkshire Hathaway, AG Zurich, and Lloyds of London, to name a few in the West. They calculate the risk to assume 90% of the payback responsibility AFTER the collateral pledge guarantor has paid the first 10%. We assume this assurance will cost an up-front, one-time premium of 5–7% of the total loan.

Each participant in the program has to pledge its full faith and credit to repayment of the loans. So, if necessary, they may have to use donations or assets to cover any shortfall to achieve total repayment. Thus, the
collateral pledge guarantor and the Loss Limit insurer are after the operations and full faith and credit of the borrower, in third and fourth positions, and will typically have close to zero risk.

3. With the confirmation and terms of the Loss Limit Assurance policy, CCFO goes to wealthy individuals, corporations and dedicated Master Limited Partnerships (MLPs) to propose Credit Funding transactions. The depositors will purchase CDs at their own major banks, then pledge the CDs as collateral guaranteeing Credit Loans.

Corporate proposals will typically, but not necessarily, match up company strategic interests with the enrolled programs. For example:

- Low income housing funded by lumber, housing materials, and supplies companies.
- Microfinance funded by communications, pharmaceutical, and medical supply companies desiring third world markets.
- Vocational training programs for Registered Nurse/Certified Medical Technician credit funded by the healthcare sector.

Once convinced of the limit on losses and the good will engendered by the activity, major corporations, high net worth individuals, and MLPs will purchase CDs in increments of $100 million and pledge the CDs as collateral to guarantee CCFO approved projects. The CDs remain interest earning assets of the depositor, with a GAAP footnote of the collateral pledge and limited exposure.

Non-cash assets may also be pledged as collateral to secure the loans.

4. The banks are happy, they get a large CD, which allows them to fund a portfolio of loans at a high multiple of the CD amounts. This creates higher liquidity (growth) in the economy. The banks arrange the loans to the approved projects. As a prerequisite to funding the loan, the Loss Limit Assurance policy (5–7 %) has to be purchased, along with a 1% fee to CCFO. The projects receive a net funding of $92–94 million, reducing fundraising costs by up to 80%, plus saving the enormous time and effort of the fundraising process.

5. Each and every beneficiary (the women in the villages, the low income families qualified to afford a new mortgage at a low % of fair market value, the vocational trainees, the purchasers of fixed revenue streams) funds the
borrowing entity to repay the credit loans with interest. This releases the CDs. The entire cycle is repeatable creating a sustainable monetary liquidity paradigm.

- Microfinanced women pay it forward by paying off their loans to the microfinance organizations, which goes to reduce the bank loan balance.

- Low income families pay it forward by having the mortgage return all costs plus interest to the builder, which repays the credit loans.

- Individuals with new high paying jobs sign a letter of intent to contribute 20% of their new net wages to the charity that helped advance their own lives. Note: donating to a charity and getting a charitable deduction is immensely better than paying phantom income taxes on educational loan principal and interest reductions.

- Sale of future usage revenues from (re)building infrastructure and green technology implementation will pay off the bank credit funded loans.

6. Here is the most exciting part. As each first tranche (round) of loans are fully paid, the CDs are released with interest to the depositor, then the depositor can REPEAT, creating a SUSTAINABLE, RENEWABLE and CONTINUOUS monetary liquidity.

ACCELERATORS:

CCFO will promote tax incentive legislation to encourage participation in Credit Funding plans.

CCFO advocates a 10% U.S. Tax Credit on the CD pledged to a CCFO Program, with the interest earned also tax exempt. The plan calls for funding via purchase of 3–5 year bank CDs.
TARGETED IMPERATIVES

CCFO will work with certain programs to create cooperative mandates to achieve specific objectives. One example is securing the commitment of microfinance organizations to dedicate an amount equal to 10% or more of their total Credit Funding amount—the funds for this to be taken from their donations pool—to return to the work (long abandoned) of outreach to the poorest of the poor.

This will enable the international initiative to double the outreach of Savings Groups (the successful program for the poorest of the poor) from 50 million people reached today to 100 million people reached by 2020. Yes, in four years. This will also help achieve the World Bank published priority initiative to eradicate abject poverty worldwide by the year 2030.

Other mandates may arise, such as, gender equality through vocational training for women, village development with food source, potable water and sanitation, Veteran of Wars vocational training, and other socially conscious imperatives.

FUNDING FOR CCFO, 501(c)(3)—OPERATIONS

CCFO will seek a limited amount of initial donations, up to $750,000 to commence operations. Thereafter, all funding will come from the 1% fee paid to CCFO by the recipients of credit funding. Salaries and benefits will be capped and also limited to a fixed % of funding. Initially, until cash flow from fees commences, CCFO will have three full time executives and one part time executive to manage the initial operations of the Credit Funding program.

John Hatch, retired founder of FINCA has agreed to serve in an advisory capacity to present the program to the major microfinance organizations. John is keenly interested in the initiatives to reach the poorest of the poor.

We encourage you to make contact and ask any questions about CCFO:

Neal Katz, nealineden@gmail.com, (503) 883-1973, Carlsbad, CA