

2011

THE *Banker's* CODE

Bank Replacement Special Report

Discover How To Make Huge Profits
Like The Banks With Less Work And Little To No Risk!

INTRODUCTION TO BANKING

We'd like to start this section out by having you grab a pencil and paper and watching a video. The video can be found at www.YouTube.com and is called Money As Debt, [Part One](http://youtube.com/watch?v=vVkJb26u9g8) (<http://youtube.com/watch?v=vVkJb26u9g8>) and [Part Two](http://youtube.com/watch?v=sanOXoWI0kc) (<http://youtube.com/watch?v=sanOXoWI0kc>). It is about 18 minutes long and will describe to you how money was created, this history of banking, how our entire national economy is generated and help you understand your future as a private lender.

It clearly makes everyone appreciate how the money system is set, whether it is good or bad; it doesn't matter. The key is to understand how it works right now and how to position yourself to benefit from a banker's mentality. In other words, how to make money, how to profit from it because it will really open your eyes to how being a banker works.



Again, watch this video, Money As Debt. Simply go to:

[http:// youtube.com/watch?v=vVkJb26u9g8](http://youtube.com/watch?v=vVkJb26u9g8)

In this section we are going to discuss why banking is one of the safest and lowest risk ways to make huge profit right now in today's market. There are quite a few of you who have been working very hard as real estate investors. We are going to discuss why banking and lending is so much safer, a lower risk, and a way to make huge profits and actually do a lot less work. In fact, most of the work is going to be done by all of those hard working investors out there.

You will understand the difference between the hard working real estate investor or investor versus a banker. We were real estate investors years ago and have bought and sold lots of property, just like many of you, and when you really understand where the power and where the least risk is, which is becoming the banker. You will see that you can make a substantial amount of money. So get prepared to really enjoy that section.

We will be discussing how to shift the risk; really understanding risk and how to shift that risk and then understanding your team. When we talk about how you can really do banking and private lending in less than four hours a month, it is because you have a team that is already built in to do all the hard lifting and the hard work. This is going to be one of those eye opening sections that teach you why banking is one of the safest, best places to be, especially in this down turning market.

A lot of people are looking for a skill to learn and one of the things that is very important to us is to have you step back and look at the big picture. That is why we are talking about banking here; is to really open your eyes and have you take a moment to look at the big picture and understand why banking is so important, because almost everybody out there is jumping from seminar to seminar to try and learn a skill. And we want you to step back and look at the big picture and understand why you should be considering banking.

Now we know some people that have taken the Private Lending course and they are doing very well, but we want you to understand at a higher level why this is so important because there is nothing worse than waking up one day and saying to yourself, you know what? I never looked at this way. I've wasted years and years of my life doing, wholesaling, or rehabbing or whatever it might be and I never took the time to really understand the big picture and why this is so powerful. And that is what we are trying to do in this section; looking at the big picture and seeing how banking relates to this.

First, we would like to discuss our teaching style and there are a handful of you that are fairly new and we welcome you and are excited that you are with us.

Our teaching style, we've been told, is very, very different from a lot of those seminars, sort of guru types. Now, first off, **this is no hype**. We are not hype guys and you are going to find that this is **extremely content rich**. It is really practical teaching based on real world experience in this market. This is not stuff that we did years ago; we practice what we preach and we're doing this right now and in a huge way. And that is really why we're able to give it back to you.

Also, it's transparent; **we're all about transparency**. We're not going to hold anything back. Many people seem to be comfortable wanting to go learn and get more information. And it really comes down to fear; many of you have heard the definition of FEAR is False Evidence Appearing Real.

F. A L S E
E. V I D E N C E
A. P P E A R I N G
R. E A L

We want to be able to show you that you don't know what you don't know. We are all about giving you everything that you really need to know to start doing banking and making money, how to act like the banker and how to be like a banker and how you overcome fear.

This is time tested; we have literally hundreds of people that are doing this very thing and have overcome their fears; Jean Griswold, Terrell Miller down in Southern California, and people who have actually been able to break out or break through some of those fears and be able to make real money. And that's really what this is about.

It is also outcome based; we want to be able to provide you everything that you need and know what you need to know and then know what you don't know so that you have the right team member who can tell you what you need to know. And you are going to understand that most of the work is actually done with a group of people that are already doing this right now. So with the outcome base, you are going to be able to come out of this being able to start actively becoming a banker.

Then lastly, those of you who take action, they are action based, savvy investors that are really tired of the hype and looking for not only the best practices, but the best community out there in the market. And that is really who we attract and who we try to teach, even in this market.

What we're trying to do is give you all the information and tell you here is the person on your team who needs to know this type of information. In other words, in your mind, you need to be able to compartmentalize the task or work to someone specific on your team.

We will teach you what your team members need to know and what they need to advise you on. You have to basically become the conductor. You need to be the conductor and make sure different people on your team are giving you the right information. So you'll learn that your broker needs to know this type of information and here is the information that your escrow company or title company need to know. We will be sharing this type of information with you and who on your team should be handling it so that you don't have to worry about it.

Please watch the video, Money As Debt, There are actually five parts and what we want you to do right now is listen on YouTube to Money As Debt [Part One](http://youtube.com/watch?v=vVkJFb26u9q8) (<http://youtube.com/watch?v=vVkJFb26u9q8>) and [Part Two](http://youtube.com/watch?v=sanOXoWI0kc) (<http://youtube.com/watch?v=sanOXoWI0kc>). So go ahead and do that right now; the transcript of those videos are below.



MONEY AS DEBT TRANSCRIPT

Two great mysteries dominate our lives; love and money. Love is a question that has been endlessly explored in stories, songs, books, movies, and television. The same cannot be said about the question of what is money. It is not surprising that monetary theory hasn't inspired any blockbuster movies, but it was not even mentioned at the schools most of us attended.



“Permit me to issue and control the money of a nation, and I care not who makes its laws.”

~Mayer Anselm Rothschild



For most of us the question of where does money come from brings to mind a picture of a mint printing bills and stamping coins. Money, most of us believe, is created by the government. That is true, but only to a point. Those metal and paper symbols of value we usually think of as money are indeed produced by an agency of the Federal Government called The Mint. But the vast majority of money is not created by The Mint. It is created in huge amounts every day by private corporations known as banks.

Most of us believe that banks lend out money that has been entrusted to them by depositors. Easy to picture, but not the truth. In fact, banks create the money they loan, not from the bank's own earnings, not from the money deposited, but directly from the borrower's promise to repay. The borrower's signature on the loan papers is an obligation to pay the bank the amount of the loan plus interest

or lose the house, the car, whatever asset was pledged as collateral. That is a big commitment from the borrower.

What does the same signature require of the bank? The bank gets to conjure into existence the amount of the loan and just write it into the borrower's account. Sound farfetched? Surely that can't be true, but it is.

To demonstrate how this miracle of modern banking came about, consider this simple story, The Goldsmith's Tale. Once upon various times, pretty much anything was used as money. It just had to be portable and enough people had to have faith that it could later be exchanged for things of real value like food, clothing, and shelter. Shells, cocoa beans, pretty stones, even feathers have been used as money. Gold and silver were attractive, soft, and easy to work with so some cultures became expert with these metals. Goldsmiths made trade much easier by casting coins, standardized units of these metals whose weight and purity were certified. To protect his gold, the goldsmith needed a vault and soon his fellow townsmen were knocking on his door wanting to rent space to safeguard their own coins and valuables. Before long, the goldsmith was renting every shelf from the vault and earning a small income from his vault rental business.

Years went by and the goldsmith made an astute observation; depositors rarely came in to move their actual, physical gold and they never all came in at once. That was because the claim checks the goldsmith had written as receipts for the gold were being traded in the marketplace as if they were the gold itself. This paper money was far more convenient than heavy coins and amounts could simply be written instead of laboriously counted one by one for each transaction.

Meanwhile, the goldsmith had another business; he lent out his gold and charged interest. While his convenient claim check money came into acceptance, borrowers began asking for their loans in the form of these claim checks instead

of the actual metal. As industry expanded more and more people asked the goldsmith for loans. This gave the goldsmith an even better idea. He knew that very few of his depositors ever removed their actual gold so the goldsmith figured he could easily get away with lending out claim checks against his depositor's gold, in addition to his own. As long as the loans were repaid, his depositors would be none the wiser and no worse off. The goldsmith, now more banker than artisan, would make a far greater profit than he could than by lending his own gold.

For years the goldsmith secretly enjoyed a good income from the interest earned on everybody else's deposits. Now a prominent lender, he grew steadily richer than his fellow townsmen and he flaunted it. Suspicions grew that he was spending his depositor's money. His depositors got together and threatened withdrawal of their gold, if the goldsmith didn't come clean about his newfound wealth.

Contrary to what one might expect, this did not turn out to be a disaster for the goldsmith. Despite the duplicity inherent in his scheme, his idea did work. The depositors had not lost anything and their gold was safe in the goldsmith's vault. Rather than taking back their gold, the depositors demanded that the goldsmith, now their banker, cut them in by paying them a share of the interest. That was the beginning of banking.

The banker paid a low interest rate on the deposits of other people's money that he then loaned out at a higher interest. The difference covered the bank's cost of operation and profit. The logic of this system was simple and it seemed like a reasonable way to satisfy the demand for credit. However, this is not the way banking works today.

Our goldsmith banker was not content with the income remaining after sharing the interest earnings with his depositors and the demand for credit was growing

fast as Europeans spread out across the world. But his loans were limited by the amount of gold his depositors had in his vault. That is when he got an even bolder idea. Since no one but himself knew what was actually in his vault, he could lend out claim checks on gold that wasn't even there, as long as all the claim check holders didn't come to the vault at the same time and demand real gold, how would anyone find out. This new scheme worked very well and the banker became enormously wealthy on the interest paid on gold that did not exist.

The idea that the banker would just create money out of nothing was too outrageous to believe. So for a long time the thought did not occur to people. But the power to just invent money went to the banker's head, as you can well imagine. In time, the magnitude of the banker's loans and his ostentatious wealth did trigger suspicions once again. Some borrowers started to demand real gold instead of paper representations. Rumors spread and suddenly several wealthy depositors showed up to remove their gold. The game was up. The sea of claim check holders flooded the street outside of the closed doors of the bank. Alas, the banker did not have enough gold and silver to redeem all the paper he had put into their hands. This is called a run on the bank and it is what every banker dreads.

This phenomenon known as a run on the bank ruined individual banks and not surprisingly, damaged public confidence in all bankers. It would have been straight forward to outlaw the practice of creating money from nothing. But the large volumes of credit the bankers were offering had become essential to the success of European commercial expansion. So instead, the practice was legalized and regulated. Bankers agreed to abide by limits on the amount of fictional loan money that could be lent out. The limit would still be a number much larger than the actual value of gold and silver in the vault. Quite often the ratio was 9 fictional dollars to 1 actual dollar in gold. These regulations were enforced by surprise inspections. It was also arranged in the event of a run,

central banks would support local banks with emergency infusions of gold. Only if there were runs on a lot of banks simultaneously would the banker's credit bubble burst and the system come crashing down.

Over the years, the fractional reserve system and its integrated network of banks backed by a central bank has become the dominate money system of the world. At the same time, the fraction of gold backing the debt money has steadily shrunk to nothing. The basic nature of money has changed.

In the past, a paper dollar was actually a receipt that could be redeemed for a fixed weight of gold or silver. In the present, the paper or digital dollar can only be redeemed for another paper or digital dollar. In the past privately created bank credit existed only in the form of private bank notes, which people had the choice to refuse just as we have the choice to refuse someone's private check today.

In the present, privately created bank credit is legally convertible to government issued fiat currency; the dollars, lunies and pounds we habitually think of as money. Fiat currency is money created by government fiat or decree and legal tender laws declare that citizens must accept this fiat money as payment for debt or else the courts will not enforce the obligation.

So now the question is if governments and banks can both just create money, then how much money exists? In the past the total amount of money in existence was limited to the actual, physical quantities of whatever commodity was in use as money. For example, in order for new gold or silver money to be created, more gold or silver had to be found and dug out of the ground.

In the present, money is literally created as debt. New money is created whenever anyone takes a loan from the bank. As a result, the total amount of money that can be created has only one real limit; the total level of debt.

Governments place an additional statutory limit on the creation of new money by enforcing rules known as fractional reserve requirements. Essentially arbitrary, fractional reserve requirements vary from country to country and from time to time. In the past it was common to require banks to have at least one dollar's worth of real gold in the vault to back \$10 worth of debt money created.

Today, reserve requirement ratios no longer apply to the ratio of new money to gold on deposit, but merely to the ratio of new debt money to existing debt money on deposit in the bank.

Today, bank's reserves consist of three things; the amount of government issued cash that the bank has in its vault, the amount of credit it has with the central bank, and the amount of already existing debt money the bank has on deposit.

To illustrate this in a simple way let's imagine that a new bank has just started up and has no depositors yet. Investors have paid for the bank's infrastructure and have supplied it with sufficient cash to meet the demand for cash withdrawals. Typically cash in the vault will amount to no more than 1 dollar for every 20 or 30 dollars that could be demanded from the bank. The bank has joined the central bank system, which permits the new bank to borrow cash from the central bank if it's needed.

The doors open and the new bank welcomes its first loan customer. The customer needs \$10,000 to buy a car. On approval, the bank creates an account for the borrower and types in that the bank owes the borrower \$10,000. This \$10,000 is not taken from anywhere; it is created on the spot. The borrower does not take this money out in cash; instead he writes a check on his account to buy the car. The seller then deposits this newly created \$10,000 check at her bank. At a ratio of 9 to 1, this new \$10,000 deposit allows the seller's bank to create a new loan of \$9,000. And of that \$9,000 is then deposited by a third party and it becomes the legal basis for a third issue of bank credit, this time for

the amount of \$8,100. Like one of those Russian dolls, each layer of which contains a smaller doll inside, each new deposit contains the potential for a slightly smaller loan in a decreasing series.

Now in any stage, if the money created is taken out in cash and not deposited at a bank, the process stops. That is the unpredictable part of the money creation mechanism. But more likely, at every step, the new bank credit money will be deposited at a bank and the reserve ration process can repeat itself over and over until almost \$100,000 of brand new bank credit money has been created within the banking system. All of this new money has been created entirely from debt and all transactions have been carried out with bank credit. None of the banks involved have needed to use any of the cash in their vaults. What's more, under this ingenious system, the books of each bank in the chain must show that the bank is 10% on deposit than it has out on loan. This gives banks a very real incentive to seek deposits in order to be able to make loans, supporting the general but misleading impression that loans come out of deposits.

Now it can't be said that any one bank got to multiply the initial \$10,000 of bank credit into \$100,000 of bank credit. However, the banking system is a closed loop; bank credit created at one bank becomes a deposit in another and so on and so on. In a theoretical world of perfectly equal exchanges, the banks would owe each other nothing at the end of the day and the \$10,000 created out of thin air is a loan by the first bank could indeed become almost \$100,000 of new loan money in the banking system. If that sound ridiculous, try this; actual reserve ratios can be much higher than 9 to 1. For some types of accounts 20 to 1 and 33 to 1 ratios are common. There are also many exceptions where no reserve requirements apply at all.

So while the rules are complex, the common sense reality is actually quite simple; banks can create as much money as we can borrow. Despite the endlessly presented Mint footage, government created money typically accounts

for less than 5% of the money in circulation. More than 95% of all money in existence today was created by someone signing a pledge of indebtedness to a bank. What is more, this bank credit money is being created and destroyed in huge amounts every day as new loans are made and old loans repaid.

Banks can only practice this money system with the active cooperation of the government. First, governments pass legal tender laws to make us use the national fiat currency. Secondly, governments allow private bank credit to be paid out in this government currency. Thirdly, government courts enforce debts. Lastly, governments pass regulations to protect the money systems functionality and credibility with the public while doing nothing to inform the public about where money really comes from.

The simple truth is that when we sign on the dotted line for a so called loan or mortgage, our signed pledge of payment backed by the assets we pledge to forfeit should we fail to pay, is the only thing of real value involved in the transaction. To anyone who believes we will honor our pledge, that loan agreement or mortgage is now a portable, exchangeable, and saleable piece of paper. It is an IOU. It represents value and is there for a form of money. This money the borrower exchanges for the bank's so called loan.

Now a loan in the real world means that the lender must have something to lend. If you need a hammer, my loaning you a promise to provide a hammer I don't have won't be of much help. But in the artificial world of money, a bank's promise to pay money it doesn't have is allowed to be passed off as money and we accept it as such.

Once the borrower signs the pledge of debt, the bank then balances the transaction by creating, with a few keystrokes on a computer, a matching debt of the bank to the borrower. From the borrower's point of view this becomes loan money in his or her account and because the government allows this debt of the

bank to borrower to be converted to government fiat currency, everyone has to accept it as money. Again, the basic truth is very simple; without the document the borrower has signed, the banker would have nothing to lend.

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End Money as Debt Transcript

Hopefully, Money As Debt, [Part One](http://youtube.com/watch?v=vVkFb26u9g8) (<http://youtube.com/watch?v=vVkFb26u9g8>) and [Part Two](http://youtube.com/watch?v=sanOXoWI0kc) ([http:// youtube.com/watch?v=sanOXoWI0kc](http://youtube.com/watch?v=sanOXoWI0kc)) were as incredibly eye opening for you, as it was for us when we first watched it quite some time ago. You learned in those videos, a couple of very, very important things. That is that banks create money out of thin air. They start with creating a loan document, a piece of paper that they then turn into more money and are able to do arbitrage and leverage.

The second thing that you learned is that banks lend money that is not theirs. One of the things we're going to teach you that is so powerful is that banking is typically only for the super rich; a small group of people around the country that have been able to keep a private club. What we are doing is we are now showing you how you can do the same thing for yourself, how you can become the bank.

I want you to write three things down: Number one is banking at a high level. Number two is safety. Banking done right is one of the safest ways to make more money. Number three, less work. **More money, safety, and less work.**



We will be walking through why banking is one of the safest vehicles, how it is much safer, and much less risk than being a real estate investor or investor, how to make more money and how to do a lot less work.

In the video the claims they make seem so fantastic and we want everyone to know that all that is possible and every single one of us can do that. The claims do sound fantastic but we are going to show you exactly how you do that how everyone can do that.

THE RISK & POWER RELATIONSHIP

Let's talk about risk versus power. The way to look at it if you are following along and looking at the pyramid; at the bottom of the pyramid is typically the buyer. Above that is the investor, typically the real estate investor. Above that is the services; typically services are things like hard money lenders or lenders or title companies or mortgage brokers. Then at the very top of the pyramid is the banker.



Now, it is green because typically the bank has the money. Remember the old rule is he or she who has the gold makes the rules and rules the world. So the really important thing to realize is that there is more risk as you go lower down on the pyramid. The buyers and investors take more risk and the banker takes the least amount of risk. Again, buyers and investors take the most amount of risk.

In terms of power, it is the opposite; the buyer and investor typically have the least amount of power because they have to go out and receive the money from where? The banker. The power shifts and the banker always have the most amount of power.

We want you to notice on the pyramid, too, the base is huge because there are a lot of buyers out there. Right above that there are less investors, so buyers are buying from investors. But you will notice that there are a lot less investors than buyers, but there are still quite a bit of investors.

Then as you go up to the very top you'll notice that there are very few bankers or lenders out there. So there are few lenders and huge numbers of investors and even more buyers. What that tells you is that the people at the very top of the pyramid are the ones with the power and as you are going to find out they are shifting the risk away from the banker to the buyer ultimately, or to the investor.

This is even more so today in this down turning market because one of the hardest things to get in a credit frozen market, is access to cash and access to credit. So the bankers and the lenders set all the rules. The bankers take the least amount of risk. We will explain about that later in this section.



The other thing the bankers do the least amount of is marketing. So if you think about a real estate investor so much has to be done for finding those deals. Bankers

have deals coming to them in droves. Also, bankers do the least amount of work. They are using other people's time, other people's experience to do all the hard work. Bankers just sit back and lend money. And they lend money that's not even theirs, using other people's money or OPM, and they combine leverage with arbitrage. You want to write those two things down; leverage with arbitrage to generate huge profits.

Now, if some of you have not followed the two training sessions we did on leverage and arbitrage, we want to make sure that you go out to www.theWealthyCode.com. There are two sections on leverage and arbitrage that will really, really point out the power of banking and why real estate investing is nothing more than positive leverage and arbitrage to create huge profits, also known as spreads.



THE MONOPOLY SECRET

In the game of Monopoly there is a secret that will make you very rich. What is the one secret in Monopoly that allows you to win game every single time? Now, some people might say buy four green homes and then a hotel. Well, that is a good guess but there is no guarantee that you will win.

We're talking about the secret that allows you to win the game every single time. Some people might say buy Boardwalk and Park Place. That is another good guess, but there is no guarantee that anyone is



going to land on these sections, so there is no way to guarantee that you are going to win the game every single time.

We're talking about a secret that allows you to win the game every single time you play. What is that one secret? It turns out it is bank; **being the bank**. If you think about it, in the game you've got up to six investors running around trying to buy all the land, trying to build on the land, etc. And ultimately one person out of the six will win the game. The banker always wins the game. Think about that for a second.

Now, in reality and in life, if you think about it there are many, many investors out there and only a few make it. But the bankers always win. We want you to think about the game of Monopoly as really two games; there is the banker's game and then there is the investor's game. In real life it's the same thing; you have the banker's game and you've got the investor's game.

In Monopoly, you can actually own all the real estate and still run out of money. You can have apartments, but if you run out of money you start having to turn those Monopoly cards over and leverage just like in real life. When you run out of money and you have no more cash flow as a real estate investor you go broke. We have seen literally thousands of people have that happen.

Some of you may be thinking that being the banker isn't a whole lot of fun because you just sit back. Well, similarly for being bank, you can collect the big profits and do very, very little work, but you receive all the profits. We call that passive income, generating passive income. Some of us also call that free money.

INVESTORS VS. BANKERS

We want you to realize that this is coming from a place where we have been on both sides. We've been investors and we've been bankers or lenders. We want you to see both sides and we speak from experience.

So let's take a banker versus investor and let's look at the comparison between an investor versus a banker. Let's look at an investor and again, a lot of you have probably been real estate investors so you will totally understand what we're talking about.

Investor	Banker (<i>Lender</i>)
<ul style="list-style-type: none">• Learn Techniques (<i>wholesale, short sale, apartments, REOs, vacant land, etc.</i>)• Spend Money on Marketing• Deal with Sellers, Realtors, Buyers, Tenants, Contractors<ul style="list-style-type: none">• Write Offers• Deal with Lenders/Bankers<ul style="list-style-type: none">• Deal with Tenants• Make Repairs• Deal with Problems• Last to Make Money	<ul style="list-style-type: none">• Learn "The Bankers Code"• NO Marketing• NO Sellers, Realtors, Buyers, Tenants, Contractors, etc.<ul style="list-style-type: none">• NO Offers• Deal with Hungry Borrowers/Investors<ul style="list-style-type: none">• NO Tenants• NO Repairs• NO PROBLEMS• FIRST to Make Money

First off, as an investor, particularly a real estate investor, you have to go out and learn the techniques. For most people that means either learning how to wholesale or do short sale deals, or buy apartments, buy bank owned REOs, vacant land, etc. Many of you have spent literally tens of thousands and in some cases even a lot more learning all of these techniques.

You then have to figure out how to market in a competing market for all of these deals. Most people have to send out postcards or letters or buy Web sites and spend a huge amount of money on marketing. Then they have to deal with sellers and talk to sellers, in some cases they have to deal with realtors, they have to find buyers, sometimes wholesale buyers, they have to deal with tenants and toilets, they have to work with contractors and rehabbers and all the headaches. They write offers and in some cases dozens and dozens of offers before they get any accepted.

Once they have those offers, then they have to go talk with lenders or bankers to get the money and get access to the money. They have to deal with tenants if they are holding properties or holding apartments. They have to go out and deal with all the tenants and all the problems with tenants. They have to make the repairs and fix ups and deal with the problems and all of the problems that can go wrong. And they are typically the last to make any money.

Now let's look at the comparison of the banker. First off, you don't actually have to go and learn all the techniques of buying and selling and wholesaling. You learn one thing and that is how to become the banker and what we call **The Banker's Code**. You don't have to do any marketing; no marketing. All the hard work is done by the real estate investors, you don't deal with sellers, you don't deal with realtors, you don't deal with buyers or tenants or etc. You don't have to write any offers.



THE
Banker's
CODE

You see, instead of dealing with lenders, you are the bank and you get to deal with those hungry borrowers and investors out there that are finding incredible deals and they are now coming to you to get their deals funded. Lastly, you don't have to deal with tenants, you don't have to do any of the fix ups, you don't have to deal with any of the problems, and you are the first to make the money. Because who on those real estate deals always gets paid first? The Banker.

One thing that is not obvious here is that as a banker you never have to get a mortgage. As an investor, you still have to get a mortgage. As a banker, you don't have to have good credit. In fact you don't have to have any cash. The investor needs to have both of them.

Let's just say the bank is lending money to three different people. One is a wholesaler, one is an expert in short sales, and has been doing it for ten years and the other person is an expert in rehabbing properties and has been doing it for eight years and has a whole crew. What is happening here is that the lender is leveraging all of these people's experience without having to go out and go to a seminar and learn how to do all of this stuff.

What they are doing is leveraging all three borrower's experience and they are the first ones to make the money. So you have someone else learning how to do all of this on their dime and the bank is benefiting from all of that and leveraging all these people's time.

One of the questions that has come up is around the marketing; no marketing. How does a banker get around marketing? Let me give you a couple of examples, especially in this credit frozen market.

When a real estate investor goes out and does all the work and finds the deals, what do they need to do? They need to get them funded. There are tens of thousands, if not hundreds of thousands of incredible real estate deals that real estate investors are looking to get funded. So it is one of the easiest things to find great deals. In fact at the seminar, [the Banker's Code Seminar \(http://thebankerscode.com/wow/\)](http://thebankerscode.com/wow/), we spent a lot of time practicing and a lot time walking through exactly how to find all these great deals.

Let me give you one example: Real Estate Clubs. When you go to a real estate club and you are in front of let's say a hundred real estate investors and everyone is introducing themselves, going around the room as a real estate investor. What happens when you introduce yourself as a private lender or as a banker? You fund deals for real estate investors and you are a great source of short term money. You are able to introduce yourself as a private lender. Imagine the deal flows and all of a

sudden you have all the power and now people are bringing credible deals to you. That is just one example.

There is no marketing that you have to do as a banker. You don't have to send out postcards, letters, buy Web sites and all that expensive stuff, because that's the role of the investor; the investors do all of the hard work.

POTENTIAL LOSS & RISK

So how much potential loss does an investor have going into a deal? What are the potential losses as an investor?

**How Much Potential Loss Does An
Investor Have Going Into a Deal?
How About a Banker?**



Let's think about buying in the stock market. When you buy in the stock market and you buy a stock and without using any borrowed money or margins. Let's just say you take \$2,000 and you buy \$2,000 worth of stock. Then suddenly, the stocks are worth nothing. Well, you just lost \$2,000 and you know from day one how much the potential loss is. The potential loss is your initial investment.

Now let's look at that from a real estate investor's perspective. The real estate investor puts up let's say, \$20,000 as a down payment on a house. Look at the potential loss here; let's say everything goes south and they lose the \$20,000

investment. They also lose all of the cash flow and all the negative cash that they put into it and the negative cash for the fix ups and repairs. They lose their credit because they stopped making payments on the mortgage, they also lose if they are over encumbered, meaning if their loan is higher than the value of the property and they have a foreclosure, the lender could come after them for the remaining money.

So if you look at a real estate investor going into a deal, the potential loss is a lot more than the initial investment. In fact it could be everything they have. It could be affecting everything they have. So the downside about a deal going bad is very significant for a real estate investor.

Let's look at the lender's downside. The lender lends X dollars and they are not paid. Well, the worst case scenario is they know they may lose X, but in reality they have collateral securing their money. So the lender can always turn around and sell that collateral to get some of their money back. In fact, in most cases they will get a lot more than just their money back.

But having said that, even in the absolute worst case, lenders know from day one how much their loss is limited to. It is very important for a savvy investor to know from day one, what is the maximum potential loss he may have.

Unfortunately for the investor it is a lot more than what they initially bargained for or invested.

So investors think that their risk is what they put into the initial purchase or the initial property. But in fact, for an investor it can be so much more than that. It could be substantially higher; not only their credit, but it literally could be their lives.

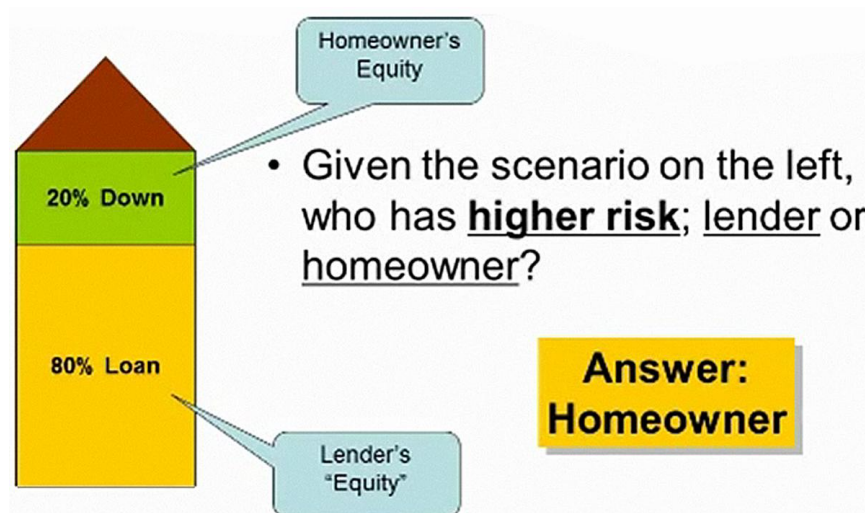
RISK SCENARIOS

A banker is pushing the risk to borrower or to the investor and the banker's loss is limited to the amount of money they put into the deal. As more people are buying real

estate, their number one reason for buying real estate is for passive income. So they are buying these rental properties and let's say they are making \$150 a month for example. Now for \$150 a month, they are risking almost everything they have. The question you have to ask yourself is it worth it?

Obviously, some people say it's worth it because they don't have much to lose, but we are talking about all the loss potential in the future. So in other words, if you destroy your credit on one deal, that will have repercussions on every deal moving forward. So you have to ask yourself risk versus reward. The banker is the first one making that \$150 or \$200 a month and not doing much work. The banker is in a much different position than the investor.

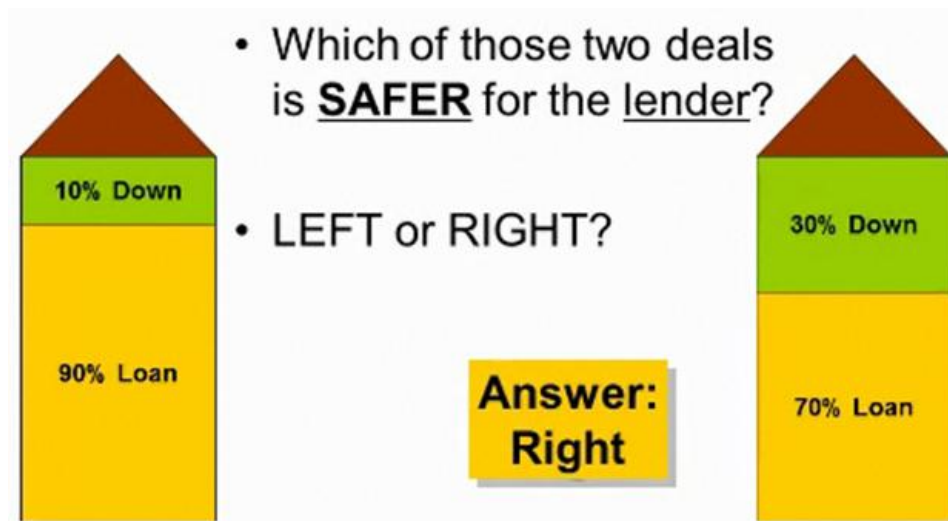
I want you pretend you are buying a home and you are putting 20% down and the lender is putting 80% in the loan. So the homeowner's equity is really the 20% down payment and the lender's portion is 80%. The question to ask yourself is this; who has the higher risk? Who is taking more of a risk? The lender or the homeowner? Keep in mind, the homeowner is putting 20% and the lender is putting up 80%. Some of you may say the lender; some of you may say the homeowner. But the reality is the homeowner is taking on more risk.



Here is why; let's just say you bought the property and then the very next day you had to sell the property for some reason. Well, you have to pay 6% in commission,

you have to pay closing costs, and you have to pay fees. Let's say 10% off the top. So the lender has their 80% but half of your money went into paying the closing costs and the agent and all of those fees. What just happened is you lost your money first as a homeowner, and the lender still got their money. So the first money to go is the homeowner's and the lender's money is more secure.

Next let's look at two different deals. Let's say you are buying a house and you have two possible scenarios where you could put 10% down and have the lender put up 90% of the loan. On the other deal you could put 30% down and you can have the lender put up 70% of the loan. Which one of these deals is safer for the lender?



It turns out that the more money down that you put, the safer it is for the lender, and you are taking on more risk. The risk relationship between you and the lender is as follows: It is inversely proportional. What that means is every time you take on more risk as a homeowner, the lender takes on less risk. When you shift more risk onto the lender, the homeowner takes less of a risk. So by you putting 30% down, that means the lender is taking a safer position, which means you, the homeowner, are taking on more risk. You have more money to lose before the lender loses money.

When you put up 10% of the money, what you are doing is taking on less risk and you are shifting more risk to the lender. We use the word "shift" here on purpose because as a lender, the first lesson you have to learn is you become a master in

shifting risk. The first lesson you must learn as a lender is you become a master at shifting risk. Because as a lender, you know the more money the borrower puts down, the more risk they are taking, therefore, the less risk you are taking. That is one of the first things you must learn as a lender.

So going back, which one is safer for the lender? Obviously, the scenario where the borrower puts up 30% and the lender puts up 70% of the loan. That is a much safer position for the lender and it is a much better deal.

As private lenders we are going to stick to the 65% to 70% of the value; we never put more than that in because all we are doing is simply shifting the risk to the borrower.

We will spend a lot more time discussing this in [the Banker's Code Home Study Course](#), especially at the Banker's Code Live Event (<http://theBankersCode.com/wow/>). We spend a lot of time looking at different types of scenarios around safety and risk and the types of deals and types of opportunities that you want to go after and how shift more risk over and over and over again to the borrower and actually make a lot more money than the actual investor.



As the banker you have the opportunity to make a lot more money than the actual investor and we will spend a considerable amount of time not only going through how to look at this, but we also provide software tools for you to calculate the risk and what types of deals to go after and then we break up into exercises where you will actually go through specific scenarios and see what would be a good deal to go after or not. We will do that both in [the Bankers Code Home Study and the Live Event](#) (<http://theBankersCode.com/wow/>).

One thing to stress is that any savvy investor needs to look at two things; they need to look at the upside and the downside of every single deal. It is amazing when we hear investors that look only at the upside and don't investigate the downside. As a banker, one of the first things you need to understand is that you must look at both sides, upside and downside.

The lender will make more money because they are covering the downside and shifting the risk to the borrower. That is what bankers do; they are covering the downside because they know the upside is going to take care of itself. If you talk to an investor, you will find that 90% of the investors only talk about the upside, without ever considering the downside. That it is the key thing for a savvy investor is to consider the downside, as well.

Let's move to the next scenario. Here the lender agrees to put up 100% of the loan and requires no down payment from the borrower. Now, the lenders like this scenario because what happens to the risk here? The lender is putting all of the money down and the borrower is putting no money down. What happens here is the risk gets shifted away from the borrower to the lender. Remember the risk doesn't disappear; it just shifts back and forth. So by putting down 100% the lender just shifted all of the risk to themselves and away from the borrower.



- Do Lenders Like This Scenario?
- What happens if homeowner walks away?
- Who's "problem" is this if homeowner walks away, lender or homeowner?

What happens if the homeowner or borrower walks away? Now this becomes a problem for the lender and in fact, because of this exact scenario is what a lot of banks

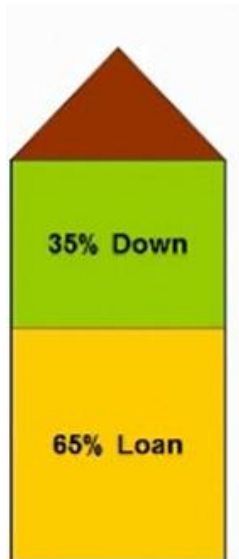
did in the past. They got greedy and they broke their own rules and started lending 100% to 125% of the value of the home. And that was a big mistake.

One of the biggest lessons you must learn as a banker is that because you have the power, and because you set your own rules, breaking your own rules puts you at risk. And that is what happened with the lenders all competing for more borrowers and started doing these 100% and 125% loans and all they were doing was shifting the risk away from the borrower and onto themselves.

As a lender we urge you to never break your own rules, because you are the one writing those rules. As an investor, you must play by the banker's rules. You can't break the rules because they aren't yours.

As a lender you have the power to write your own rules and you have the power to break those rules. That is good and bad, so we urge you to create strict rules and then abide by them. In fact, we go through in [the Bankers Code Live Event \(http://theBankersCode.com/wow/\)](http://theBankersCode.com/wow/) rules that you will dictate for yourself.

Now, let's look at one more scenario which is the lender puts up 65% of the loan and the borrower puts up 35% down payment. What just happened to the risk here? The lender shifted most of the risk to the borrower and that is a good position to be in. That is one of the key things you should learn is that our limit as lenders is that we want to go no more than 65% or 70% of the value and we are going to ask the homeowner to put up the rest.



- Do Lenders Like This Scenario?
- What happens if homeowner walks away?
- Who's "problem" is this if homeowner walks away, lender or homeowner?

If the homeowner walks away from the property, and there is a foreclosure, the lender has all that equity, protective equity, for the lender and it is what keeps them in good shape when lending.

OTHER PEOPLE'S MONEY

You may be asking where do I come up with the money to actually make the loan and actually become a banker. Remember, just like you learned in [Money As Debt, Part One](#) (<http://www.youtube.com/watch?v=vVkFb26u9g8>) and [Part Two](#) (<http://www.youtube.com/watch?v=sanOXoWI0kc>) banks lend money they do not have. They are lending other people's money. So we are going to show you a number of ways to never use any of your own money or any of your own credit. The most important thing is understanding a bank mindset and how banks operate and how they push and shift the risk to the borrower and how they make more money, create safety and with less work. This is a very important point.

Let's walk through what banks do. Let's say you are walking into a bank and on one side you see some advertising and it says, "2% checking account. Open a checking account today and we'll give you 2%." On the other side of the bank you see

a poster that says, "6% Special low rate mortgages." Now right there you can see that they are borrowing money from one side at 2% and they are lending it right back to you at 6%.

The typical process of what banks do is first they advertise to have you open a checking or savings account or CD. What they are really doing is actually raising money from you. We have been conditioned since childhood to save our money in a savings account. What we are actually doing is lending our money to the bank at a low interest rate. So you open a savings account and put in \$10,000 and the bank turns around and lends right back out to us as a mortgage at 6%. This means they are tying up all of the collateral. Everything we own, they are tying up. Typically they would take whatever amount they are lending, plus a cushion. Let's say they are lending out \$100,000, and then they will take out \$120,000 to \$130,000 in collateral. This what banks do; they are borrowing money at a low rate and lending it out at a higher rate. And they are tying up collateral as much as possible.

This is what we do as private lenders. We do the same, exact thing; we borrow money at a lower rate and we turn around and we lend it out at a higher rate and we borrow as collateral everything we can and in fact if you stick to the 65% lending percent that we spoke about earlier, that means that you are going to tie up 1-1/2 times the loan amount you are lending.

So if you are lending someone \$100,000, you are going to tie up \$150,000 worth of collateral, because then they would have too much to lose to default. So we are doing the same thing as banks.

Now, think about this; why would we go deposit our money in a bank? Why are we comfortable doing that? Some people say they want to be able to write checks, I want to be able to somehow save my money, some others would just say that's what they've always done. Well, there are two things going on here; one is we've been

conditioned to do that and also because we feel safe. We feel the money is safe in the bank as opposed to under our mattress.

Let's discuss the word, "safe," for a moment. We are depositing the money because we feel safe. And that is because of the FDIC that is really protecting our money, it is insurance basically up to \$250,000 of our money is protected by the FDIC. That is the number one reason we are saving our money in that bank. Do we ask for any collateral from the banks? No, we don't. We simply deposit our money because we've been conditioned to and we have been told the FDIC is there to protect it.

As most of you know, the FDIC doesn't have enough money to cover everyone with a bank account if we all pull it out. So they are basically playing at insurance. They are assuming that at no given time everyone will pull their money out and all the banks will go out of business. So that sort of insurance is keeping us feeling safe and continuing to deposit our money in the bank.

In reality, as a private lender, what you want to do is get your OPM sources feeling safe because you will find that they will lend you the money without any security whatsoever. We will show you in the class how to generate collateral out of thin air, but keep in mind one thing; the number one trait of a banker is making people feel comfortable lending you money, because you are going to turn around and lend it right back out. Everything else is the easy part.

MAKE MONEY LIKE BANKS

Another point is that we as a society have been programmed by the banks. Growing up, how many courses did we have on how to balance our checkbook? How many classes did you receive in junior high, high school, or college on compound interest? How not to have compound interest? These are the rules that were written by the banks and their own club. What we're doing here with [the Banker's Code](#)

<http://theBankersCode.com/wow/>) is unveiling and opening up those rules and really changing your mindset. Hopefully, this is an eye opening experience.

Once you understand how you can act and be like a bank, the rules change with lower risk to you, with much higher power and you are making more money than everybody else. There is an old saying that real estate investors have the ability of becoming millionaires. Bankers have the ability to become billionaires. That is what we are showing you in this document, how to become a bank, think like a bank, and act like a bank and make money like a bank.

The videos you watched earlier, Money As Debt, [Part One](#) (<http://youtube.com/watch?v=vVkFb26u9g8>) and [Part Two](#) (<http://youtube.com/watch?v=sanOXoWI0kc>) really shows you how we use the banks today. That is very important and why you should watch them because the intention of the goldsmith back in time, who eventually became a banker, was to really be able to borrow money and then lend it right back out. That is the intent of bankers. So it is important that you understand how this came about and why banks operate the way they do today. It all started with the same intention of making more money.

As a private lender you want to have the same intent; get investors feeling safe and secure banking with you while you are lending it right back out.

We are not talking about starting a real brick and mortar bank; we are not talking about getting a banking license. What we are talking about is making money like a bank. In fact you cannot call yourself a banker or a bank, for legal reasons. That is why we call ourselves private lenders but we're making money just like the banks.

You do not have to be rich or have good credit. In fact you don't have to have strong financials or much money at all. We have students doing this with little to no money, but they understand the power of the banking and banker's code. That is the key.

Finally, anyone can start immediately. There is a huge need for money right now and understanding how to control and manage risk, how to shift risk and using certain strategies in banking, you can start making money immediately.

This is one of the biggest transitions of wealth than most of us will ever see in our entire lifetimes. In three years you will look back and you'll say one of two things; either you'll be saying you are so glad I took action and did this or you'll be saying you wish you did. This is one of the greatest markets we will ever see for banking and being a private lender that we will ever see in our lifetimes. Hopefully, what you are learning here is information and content that is opening your eyes to a bigger opportunity, with more safety and less risk, to make a lot of money and do a lot less work if you have the mindset and you act and think like a banker.

BIG PICTURE OF BANKING

Let's look at the big picture one more time. Let's go back to the initial question we asked which was why banking? We discussed the three most important things; safety, more money, less work. We hope when you look at the big picture now, you understand why banking is so powerful. When we say you can make money from about four hours of work per month, we mean it. It is that easy and you'll wind up making more money. Why? Because as an investor you are working three, four or five deals at a time. As a lender, you can lend 20, 50 or 100 loans and you **are getting a portion of every single one of those loans, yet you aren't doing any of the work.** That is why you can make a lot more money because of the number of loans you can do and at the same time you are doing very little to no work.

Understand that we are talking about **more money** and **less work** and the most important thing, **safety**. Covering the downside. Hopefully, we've succeeded in opening your eyes to this process and helping you realize that banking is truly one of

the most powerful wealth strategies known to man. We know that the largest entities in the world are banks.

For a free, 60 minute strategy session with one of our Wealth Strategists to determine if this strategy is a fit for you, visit <http://www.RequestStrategy.com>.

In summary, the banker versus investor; look at all the hard work that the investor is doing. First he has to learn all of the techniques of how to invest, they have to then find the deals and spending money on marketing, and they have to deal with realtors, sellers, buyers, tenants and contractors. They must write a lot of offers, they have to deal with lenders and bankers, tenants and repairs, deal with all the problems and remember, and typically they are the last to make any money.

On the other hand, the banker all they do is learn one thing which is how to become a lender, they learn the Banker's Code, they don't spend money on marketing, or deal with sellers, buyers, tenants, etc. They don't have to make offers and they in turn get to deal with hungry borrowers and investors in this market. No tenants, no repairs, no problems, and again, the banker or private lenders are the first to make the money.

We're really excited about being able to present this information to you. Hopefully, you now see why banking is so powerful and keep traveling the path of becoming bankers. Congratulations and we're very excited for you. Visit <http://www.RequestStrategy.com> for a Free 60 Minute Session with one of our Wealth Strategists.

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