

Mortgages in the Credit Coin System

Most money today is created by the issuing of mortgages. And mortgage borrowers are obliged to pay back Principal plus Interest when only the Principal has been created. Unless 100% of the money banks take in as interest is guaranteed to be spent so that borrowers can earn it again, this creates a condition of systemic bankruptcy by design that is only overcome by continuous expansion of the money supply/aggregate debt. In the absence of this expansion, the system produces foreclosures, evictions, and when severe, bank failures.

In the Credit Coin system, builders could issue their own Credit Coin to pay their expenses. Such builders would not be carrying any debt, except their obligation to provide the products they promised, on time. And they could capitalize new construction anytime by issuing new Credit Coin.

There would be no bankers to beg credit from, no payments to make and no "interest clock" to beat. That is because the builder's only creditors are customers who have acquired the builder's Credit Coin in order to buy the buildings. All that is owed by the builder is *product ready on time*.

The builder has both the ability and the responsibility to create enough purchasing power to absorb all of his product and the system itself ensures this. As well there is no interest to pay, so the real price of homes would be much lower. And, under the Credit Coin system, payment would be made directly to the builder and *the timeline of payment could be adjusted any time according to the builder's discretion*.

All of this is important to keep in mind because Credit Coin would provide opportunities to do things unimaginable in the current system. For example, in a building boom, an Issuer's outflow of Credit Coin could be *increased* debt-free. It would be spent to build more homes. This increase in the outflow would be balanced by the increased inflow of payments from new sales and therefore, the builder's Credit Coin would remain *at parity with the universal unit*.

In a housing slowdown, the builder's outflow of Credit Coin would be *reduced* as fewer homes need be built. If this is due to major economic downturn, customers may experience difficulty maintaining payments. The builder may have to layoff much of his workforce. However, the Issuer/builder is NOT in debt for "money". His only legal obligation is to provide product in exchange for his own credit vouchers. And because slowdowns usually result in *excess inventory*, the builder probably has lots of product with which to honor his credit.

That is not where his problem lies. The problem is the inflow! The builder needs to balance incoming Coin with outgoing Coin to keep its Coin at par. And outgoing Coin has been reduced. Therefore, one way the builder could cope with a housing slowdown would be by *reducing its customers' payments* to keep the pace of inflow equal to the pace of outflow. Another would be to maintain the same outflow by using the extra income to *support the laid off workers*. Yet another would be to create new credit and *invest in new business opportunities* creating new employment.

The builder could also spend lavishly on himself. Whichever course is chosen, no Issuer-builder would have to go bankrupt, and no home buyer need lose his or her home due to some inescapable math. Construction workers would still see their work reduced, but otherwise, this would be a very different scenario than today's where a real estate slump leads to people camping outside empty vandalized houses, and insolvency of the banking system requiring drastic increases in public debt.