



Potential Social Return on \$1

The common good bank's design as a distributed network of Community Divisions could result in a phenomenally large social impact. To give a sense of the mind-boggling range of possibility, here is a calculation of potential social return on a single dollar invested today in a theoretical private offering to start the first common good bank. ("M" means million.)

Loan Fund Multiplier

- \$1.5M ⇒ \$5M lending capital x4.3
 Angel investment will enable the bank to get a charter, so that it can accept \$5M to \$8M in investments from ordinary investors.
- \$1 capital ⇒ \$9 deposits x10
 Capital adequacy regulations allow the bank to accept up to 9 times as much in deposits as the amount of capital raised.
- \$1 ⇒ \$9 MORE deposits x10
 Under our United States fractional reserve banking system, regulations effectively allow banks to lend out up to ten times as much as they originally receive as deposits.
- \$1 ⇒ 90¢ in local currency x1.9
 For every dollar of deposits, communities can choose to create up to at least ninety cents worth of local currency, for local grants or additional lending.
- 1 bank ⇒ 4 MORE banks per year x5 per year
 Within the past year, even before the first common good bank exists, communities in four other states (besides Massachusetts) have begun working to create common good banks. We speculate that every year, for the next several years, each common good bank will inspire *at least* four more communities to start one.
- \$20M ⇒ \$200,000 to give away 1% per year
 A one percent return on average assets (ROA) is common for mature community banks. Our business plans show that with \$20M in assets, common good banks can return more than \$200,000 in profits and merchant contributions to the Community Fund, even in the first year.

5-year **TOTAL** impact: **\$2.3M to lend + \$5,776 to give**
 if local currency is lent.

\$1.2M to lend + \$1.1M to give
 if local currency is granted.

Wow! A million to lend and a million to spend for the common good FOR EACH DOLLAR INVESTED. That potential social return could make common good banks a *very* attractive investment opportunity for community-minded investors.