



# Common Good Finance Corporation

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## Memorandum of Understanding On Common Good Accounts ("Agreement")

### PARTIES:

1. **Common Good Finance Corporation** ("CGF") is a wholly-owned subsidiary of Society to Benefit Everyone, Inc. ("S2BE"), a Massachusetts nonprofit corporation. S2BE's purpose is to promote sensible and compassionate decentralized democratic economics to advance the common good of all. CGF's purpose is to create the first ever common good bank™ (the "Bank"). The principal office of both CGF and S2BE is at 48 Buckland Road, Ashfield, Massachusetts. CGF's postal address is P.O. Box 21, Ashfield, MA 01330.
2. **Self-Help Federal Credit Union** (the "Credit Union") is a nonprofit financial institution whose mission is to offer low income people, initially in California, responsible alternatives to high-priced high-fee fringe financial services and to create and protect ownership and economic opportunity for people of color, women, rural residents and low-wealth families and communities. The Credit Union's principal office and postal address is: Center for Community Self-Help, 302 W. Main St., Durham, North Carolina 27701.

### OVERVIEW / PURPOSE

3. **Collaboration.** In order to advance our shared objectives of economic justice, democracy, and community empowerment, we, the Parties to this Agreement, intend to work together to implement a new type of deposit account called a "Common Good Account" that could very quickly multiply the reach of both the Credit Union and the Bank, economically empowering communities everywhere (see the "Benefits to the Credit Union" section, below).
4. **Non-Binding Statement of Intent.** We acknowledge that this Agreement is not binding on the Parties, but that it is a statement of intent. There are currently no binding agreements between the Parties, either written or oral.

### DEFINITIONS:

5. A Common Good Account™ is a demand deposit account with the following features:
  - a. *For the Common Good.* Common Good Account deposits will be invested to advance the common good of all. They will be lent only to socially and environmentally responsible borrowers for socially productive purposes.
  - b. *Community Profits.* Investment profits from Common Good Accounts will go to schools and other nonprofit organizations, to benefit everyone.
  - c. *Hands-on Democracy.* Common Good Account depositors in each community will decide together how their deposits should be invested and how to spend the investment profits. Depositors will discuss and decide what new industries are needed in the community. Those priorities will be proactively funded, creating job opportunities with capital and microloans for small business startups and cooperative projects.
  - d. *Creating Money.* Depositors in each community will also decide how much money to create and which local nonprofits will receive that money, elevating local currency to the same status as national currencies such as dollars, Euros and yen.

- e. *No-fee Local Credit Card.* Common Good Account depositors will use a Common Good™ Card for purchases from participating local businesses or even get "cash back" with no purchase required. Any member business can accept the card, with no fees at all, using a card-swipe, cell phone or the internet.
  - f. *Local Rebates.* Many local businesses will offer a percentage rebate on sales to other Common Good Account depositors (typically 5 or 10%). Half the rebate will go to a Community Fund (along with the investment profits), half to the customer.
  - g. *No Minimum Balance.* There will be no minimum balance. Common Good Accounts will begin empty. The Bank will buy a credit union share on the new member's behalf (as a small zero-interest loan to the member). This will allow the member to open the account with no up-front cost.
  - h. *Electronic Statements.* By default, Common Good Account statements will be electronic. The member may request printed statements for a fee.
6. A Community Division is a group of fifty (50) or more Common Good Account depositors living in a same geographical community, cooperating under the terms of a signed covenant, to form and operate a nearly independent local economic system. In particular, Common Good Account deposits and investments from those deposits will be tracked separately for each Community Division and the depositors will guide democratically the investment priorities for those funds and distribution of the resulting profits.

## MECHANISM

- 7. **Paired Accounts.** From the depositor's point of view, the Common Good Account will look and feel like a single deposit account. Actually, though, it will consist of a Credit Union account paired with an account in the Bank. Funds will normally be held in the Bank account, but will be swept into the Credit Union account whenever necessary to cover a demand (withdrawal). Credit Union software must be adapted to accommodate the necessary information-sharing and automatic transactions.
- 8. **Covenant.** Common Good Account depositors will sign a covenant among themselves, the Credit Union, and the Bank. This covenant will authorize the necessary information-sharing and automatic transfers. In particular, the depositor agrees to hold at least 10% of his or her deposit as capital.

## ROLE OF THE BANK

- 9. **Promotion.** The Bank will promote Common Good Accounts throughout the United States and internationally. To open a Common Good Account, a new member must choose one of the participating credit unions. Upon opening, the Bank will deliver at least 3,000 new members to the Credit Union (over 2,000 have already signed up -- evidence that thousands more will likely join once Common Good Accounts are available).
- 10. **Democratic Process.** The Bank will oversee the democratic process for distribution of profits, setting investment priorities, and creating money
- 11. **Local Debit/Credit Card.** The Bank will issue a local credit/debit card to each Common Good Account depositor and will handle all card processing and backing.
- 12. **Fees for Services.** The Bank will pay the Credit Union for its services. These fees will be sufficient to cover the Credit Union's direct costs and pro-rated overhead.
- 13. **Handling Funds.** Common Good Account deposits will be held by the Bank.

## ROLE OF THE CREDIT UNION

14. **Staged Offering.** Initially all current operations of the Credit Union will continue with no change and the Credit Union will offer Common Good Accounts only to new members brought in by the Bank. Later, at the Credit Union's option, the Credit Union may offer Common Good Accounts to its existing customer base as well. (Until then, the Bank will not intentionally market Common Good Accounts to current customers of the Credit Union.)
15. **Customer Service.** The Credit Union will provide assistance in person, by telephone, by email and/or online, to answer questions about Common Good Accounts and to help members open an account or apply for a loan.
16. **Loan Servicing.** The Credit Union may service loans made from Common Good Account deposits and may participate in some or all of those loans.

## BENEFITS TO THE CREDIT UNION

17. **Rapid Membership Growth.** Once we have a common good bank system, any community anywhere can participate easily. Attractive community-level benefits will drive rapid growth.
18. **No Need For Additional Capital.** The Credit Union could potentially double or even quadruple its membership within a few years, with no need to raise additional capital, since Common Good Account deposits are actually held by the Bank.
19. **More Locations.** Business partners and nonprofit partners in each Community Division will give Credit Union members many convenient locations to make deposits and withdrawals.
20. **More Business Lending.** Common Good Accounts can result in substantial new business lending in communities that the Credit Union serves, creating desperately needed job opportunities especially through microloans for small businesses and cooperative initiatives.
21. **Fee Income.** The Credit Union will receive predictable fee income for the services it provides relative to Common Good Accounts, without the risks that accompany investment income.

## NEXT STEPS:

22. **Raising capital.** Once the Parties have signed this Agreement, affirming their intent to create Common Good Accounts, CGF will raise \$1.5 million in grants and investment capital, to cover the costs of organizing the Bank. The Credit Union may assist CGF in this step.
23. **Formal contract.** Once the Bank is chartered, the Bank and the Credit Union will enter a more formal agreement and will work together to implement Common Good Accounts, in preparation for the Bank's opening.

Signed,

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Credit Union

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Date



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CGF: William Spademan, President

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October 27, 2009

Date