

The JAK MEMBERS BANK

THE INTEREST-FREE SAVINGS AND LOAN SYSTEM

JAK has been operating an interest-free savings and loan system since 1970. A bank license was obtained in 1997. Formally JAK is a co-operative bank. We have 30,000 members and our growth is 12 percent per year.

Members' deposits finance all loans. The members have saved a total sum of € 78 million and have borrowed € 69 million.

Annual membership fees and loan fees (equals approximately 2.5 % effective rate of interest) cover administration and development costs.

In combination with the interest-free savings account we have two products. Both are interest-free.

1. The (Original) Balanced Savings Loan (best suited for individuals).
2. The (New) Support

The (Original) Balanced Savings Loan

This is the original loan that we have had since 1970. It is designed for people who are saving in order to get a loan for themselves or for a relative or a friend. All loans have to be balanced by savings. A certain amount of saving points that are borrowed have to be balanced out by an equal amount of saving points that are saved. The saving can be done before the loan is taken and during repayment but the bank and the saver/borrower will enter an agreement that the balance will be reached three months after the payment of the last installment. Then the money that is saved during the loan period can be withdrawn.

For example: For a loan of SEK 100,000 for 10 years the payments per month amount to SEK 1,775.00 (repayment 833.00, loan fee 108.00 and savings deposit 833.00). If the borrower had saved SEK 1,500 for 48 months before the loan, then the payments per month would have been SEK 1,532 (repayment 833.00, loan fee 108.00 and savings deposit 590.00). When the loan is repaid the borrower can withdraw SEK 100,000.00 in the first case and SEK 70,843.00 in the second case.

The (New) Support Savings & Loan Tool

This is a new instrument that we introduced in 2001. It is designed for small companies and associations who can afford to pay the fee and the installments but nothing more. These loans have to be balanced by savings just as the ordinary savings loan. The problem is solved because someone else is doing the saving.

Often when a loan is needed to finance a project that is important for the community there are also people who are willing and ready to do the saving. The first step is to get a Support Receiving Account at the JAK Bank. Then the supporters can open Support Savings Accounts. These are their own accounts where they can make deposits in support of the project.

They do not have to be members of JAK and they are free to withdraw their money if they need to. JAK will react if the Support Savings Loan Fund becomes smaller than the actual loan and ask the group of support savers to increase the fund. If the fund is not replenished JAK will ask for repayment of the loan within a year.

An association or a company can ask for a Support Receiving Account for their projects. The bank will assess the character of the applicant before an account is granted. A loan will be maximized to equal the sum of deposits in the Support Savings Accounts intended for the recipient of the support savings.

WHY INTEREST-FREE?

We regard receiving money in exchange for labor and for risk-taking as legitimate; however we do not consider it legitimate to earn money simply with money. In our opinion it is unethical to lend money against interest if there is neither risk nor labor involved.

The use of interest also has negative effects on society. It shows up in the prices of services and goods when producers add to their prices to cover their cost of interest on loans. In an interest economy money is moved from those who have less to those who have more and thereby assets are concentrated in the hands of the few. Finally, since our modern monetary systems are debt-based and practically all money is debt that has to be repaid with interest, we have a money stock that is always growing exponentially. Anything that grows exponentially will eventually reach a breaking point. Today we have exponential growth in both real and financial assets including money.

For these reasons the ultimate goal of JAK is an interest-free economy. In order to promote interest-free economics we: offer banking services based on an interest-free savings and loan system (see above) support the JAK Community Dialogue.

THE JAK COMMUNITY DIALOGUE

A relationship in which money is involved is always a matter of trust. Knowledge about our interest-free idea and our activities is best spread by word of mouth among people who know each other. Hence our marketing is based on the dialogue that members have with other people about the economy and about interest. Our organization supports all members in this dialogue.

The number of members has been increasing steadily. There were 19,000 members in 1991 and there are now 30,000 members (2005). There was a 12 percent increase in members over the last 12 months. 550 members want to promote the JAK model actively. Most of them are also members of local JAK branches. These branches are not engaged in our banking activities apart from sharing information about our products. They are mostly engaged in the civil society dialogue about our money and banking systems.

Our magazine Grus & Guld (Gravel and Gold) supports all members' dialogues and seminars while active members also receive financial support from their branch for their local activities. We educate JAK members in interest-free economics, banking and other relevant subjects. In addition we arrange meetings to support the internal dialogue that is so important for those who really want to talk about JAK with others.

OF COURSE WE OWN A BANK!

We needed a bank and we wanted it to operate according to our ethical standards. And we did not want to be exploited. Therefore we created our own bank.

We want another world – just and fair

JAK is an association that actively engages in the economic rules of our society. Our bank is a practical example of a just and fair economy and that another world is possible. JAK is different because it is interest-free.

Other banks profit from the borrowers by charging a fee. Interest payments are a major part of most people's total payments. Remember that you do not only pay interest directly to the bank. It's also part of the price you pay for goods and services.

Producers, shipping companies, wholesalers, retailers and others in the production chain all pay interest. Naturally they add to their prices to cover their interest costs. In the end the consumer pays most of the interest costs that have accumulated in the production chain. As much as half of any price at any given store may be covering interest costs accrued earlier. In housing it is even higher; estimates come close to 70 percent.

A real interest-free bank

Known simply as JAK, the JAK MEMBERS BANK is the first bank in Sweden, and perhaps the world, where members share the benefits of a viable, interest-free banking system that they themselves take responsibility for. JAK was established as a co-operative savings and loan association in 1965 and was granted official bank status by the Swedish government on the recommendation of the state's Financial Supervisory Authority in December 1997. Because JAK is officially recognized as a bank, the savings of members are covered by the Swedish banking system's deposit guarantees. This official recognition also confirms that JAK has an approved structure and management and that it offers a viable, trustworthy and interesting alternative to other banks. The main function of JAK is to provide members with interest-free savings loans. There are now 28,000 JAK members, served by 550 local representatives and 28 local offices throughout Sweden. Bank deposits in July 2004 totaled about € 75 million and outstanding loans about € 67 million.

A NATIONAL FOCUS BUT ...

We accept deposits and we give loans in Swedish Crowns (SEK). We give loans on mortgage or with personal guarantees but the property or the guarantor has to be Swedish. Hence there are few foreigners among our members.

There is growing interest in the JAK system and we do take part in international discussions on interest-free banking. However we are not seeking partners for an international expansion of JAK yet we will do what we can, with our limited resources, to convey our knowledge and experiences to parties interested in similar systems in their own countries.

THE LOCAL ECONOMY

Urbanization and over-heated big cities are unsolved problems. The financial sector is part of a global economic system that disinvests in rural areas while investing in big cities and university cities. Banks are growing by mergers and rationalizing by reducing staff and branch offices. As a result the access of small companies to financial services is diminishing. And reduced access means a reduction in the supply of loan capital. Access to risk capital has never existed for small companies.

LOCAL BRANCHES, FOR A JUST AND FAIR ECONOMY

Membership contact is maintained through local representatives and local offices. The activities at the local branches are not part of the banking system. Here, members help other members make up their savings and loan plan. They also work with information, study groups, action groups and exhibitions.

There is also a magazine for members called Grus & Guld (Gravel and Gold). Grus & Guld features reports on the activities of the local divisions, serves as a forum for open and lively discussions between JAK members and management, and offers in-depth articles about issues related to personal finance and to JAK's vision of a just and fair, sustainable economy for all. There is also a website at www.jak.se.

JAK is for a just and fair economy. By this we mean a sustainable economy that takes all environmental costs and gains into account and aims to increase long-term prosperity for everyone. Through its savings and loan program and its efforts to spread information about the ill effects of interest on money, JAK is working actively to promote an economy that does not exploit people or nature.

Our contact address is:

JAK MEMBERS BANK

Vasagatan 14,

541 50 Skövde

SWEDEN

Telephone: +46 (0)500 - 46 45 00

Fax: +46 (0)500 - 46 45 61

E-mail: jak@jak.se

Web site: <http://www.jak.se>