

NELSON ALDRICH

Monetary Commission

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See New York letter - Kndel's request  
list checked names separately



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*Nelson W. Aldrich*

U. S. S.

*Handwritten notes at the top of the page, including "The Fisher" and "W. J. Fisher".*

*blanquet  
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VERBAL REQUESTS FOR PUBLICATIONS OF THE NATIONAL MONETARY COM-  
MISSION.

By Mr. Prince, of Illinois: 50 copies of all publications.

Mr. Goldfogle: 10 copies of Senate document No. 399 (Use of  
Credit Instruments in U. S., by Kinley).

Mr. Sterling, of Illinois: 20 copies of Senate document  
No. 399 (Use of Credit Instruments, by  
Kinley).

Mr. Bradley, of New York: 3 copies of all of the publica-  
tions of the Commission (for persons in  
his District who supplied the Commission  
with statistics for the Special Reports  
from Banks).

Mr. Nelson, of Wisconsin: 100 copies of Senate document  
No. 225 (Special Reports from Banks, 1909).

Mr. Lawrence, of Massachusetts: 15 copies of The Digest of  
State Banking Laws; 13 copies of The History  
of Banking in Canada, by Breckenridge; and  
16 copies of "The Use of Credit Instruments,  
by Kinley.

Mr. Cole, of Ohio: 4 or 5 copies of The Digest of State  
Banking Laws.

IN RE SENATE BILL NO. 3023 (ALDRICH BILL).

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The following questions and suggestions are asked and made with the knowledge that they are in the line of technical detail, but if they are of any importance at all they are very important, and should be clearly set forth by the wording of the law itself and not left subject to different interpretations by succeeding officials.

If the Secretary of the Treasury is expected to approve all acts of the Comptrollers and the Treasurer, as provided at the end of Section 1, it would be well to express this in specific terms at the end in a section by itself and state that it applies to the entire bill.

Page 2, Line 2

Bonds are to be deposited with Treasurer or any Assistant Treasurer. Therefore should not the Treasurer issue the receipt as at present, viz. in duplicate, and deliver original and duplicate to Comptroller; latter to retain original and send duplicate to the bank?

Page 2, Line 19

Can a bank issue Circulation against United States Bonds in excess of amount of capital stock only (as at present), and if so, would the excess (against U.S. Bonds) be taxable at 1/2% per annum or 1/2% per month?

Page 3, Line 12

Should not the words "of any State" follow the words "City or County", so as to read "by any City, or County of any State in the United States?"

Page 4, Line 6

Can the Treasurer require additional or other securities deposited, without approval of Secretary? That would be very arbitrary power to place in the hands of any one official. Mr. Treat, the present Treasurer, agrees with this.

Are Coupon Bonds acceptable as security for Additional Circulation? Many of the highest grade State and Municipal Bonds are issued in coupon form (in denominations not exceeding \$1,000 each), contain no provision for registration, and are not exchangeable for Registered Bonds. Any writing upon such bonds would injure their future saleability; therefore very great precaution and very explicit instructions should be provided in the law; or else, provision made for the Secretary to establish rules governing such matters.

If Coupon Bonds are to be accepted it would be well for the bill to contain the specific words "either coupon or registered bonds."

Does the word "transferred" on page 4, line 11, mean a transfer by delivery, or a transfer upon the books of a State Municipality or Railroad Company, into new certificates? If the latter is intended, then of course the bill must contemplate the use of registered bonds only, which would be a mistake.

If Coupon Bonds can be used, would not one detached instrument of assignment and transfer (of title--not of certificates) to the Treasurer of the U. S. in trust for a bank, suffice for each lot of bonds of the same kind, mentioning so many bonds of \$1,000 (or whatever the denominations may be) and giving the numbers of the bonds, the same as such assignments are usually made? If

Coupon Bonds are to be accepted and a memorandum or instrument of assignment must be attached to each bond, as the bill now provides, it would be necessary to execute at least one thousand separate assignments for one million dollars of bonds, even though the bonds might all be of one issue, which would involve a tremendous amount of unnecessary detail and labor.

Page 7, Line 10

Inasmuch as the proposed amendment of Section 9, Act of July 12th, 1882 (as amended by Act approved March 4th, 1907) does away with any and all limitation upon the amount of circulation that may be retired at any time, why is the provision in relation to bonds called for redemption, any longer necessary?

In re \$5.00 notes

Experience has demonstrated that the limitation of \$5.00 bank notes to one-third of a bank's total Circulation, although well-intended, was a mistake; and the proposed bill should afford such remedial legislation as may be requisite for the convenience of the people; therefore all legal restrictions as to denominations of national bank notes should be removed and the matter left to the discretion and judgment of the banks, who can best tell what may be needed by the people from time to time. The bug-bear about the non-circulation of silver certificates disappeared long ago.

All national bank notes which the people are required to accept and use as money (with no means of knowing anything about the banks issuing the same) should be by law made a first lien upon the assets of the bank (if perchance that remote possibility should become a necessity), as such notes are in no sense comparable to deposits made by a bank's own customers who do know the bank and who make their deposits voluntarily and at their own option and risk.

Are the banks to keep on deposit with the Treasurer of the U. S. a Five Per Cent. Redemption Fund for Additional Circulation, the same as at present?

All notes delivered to banks for additional Circulation should be in form exactly like the present circulating notes, except that they would probably have to state on their face that they are secured by "bonds" deposited with the Treasurer of the U. S. and in that event it would probably be wise to change the form of present Circulation (omitting the words "U.S. bonds"), so that all the notes will read alike. That would preclude the possibility of the public knowing that any particular bank had been paying 6% for money by taking out additional Circulation bearing a 6% tax. When additional Circulation is retired by depositing lawful money or other bank notes in the Treasury, the additional Circulation may continue to be in circulation for a long time after a panic or emergency has passed, and if there were anything upon such notes to indicate that they were in the nature of emergency Circulation, that fact might operate to the prejudice of the issuing bank's reputation.

Page 5, Line 20

The words "United States" should be inserted after the word "deposit" so as to read "and such Associations having on deposit U. S. Bonds bearing interest at a higher rate than two per centum per annum, shall pay a tax of one-half per centum each half year, etc."



There are many misconceptions concerning the Aldrich bill. It is not to be a substitute for any permanent plan of monetary relief. It is not intended to interfere with anyone of the proposed plans which have been advocated by our bankers and students of political economy.

Considerable criticism has been offered to the effect that the Treasury Department would have great difficulty in determining the intrinsic value of the various classes of bonds which are to be offered as security for emergency circulation. In reply to that criticism, we might add that the government has today every branch necessary to collect this information. There is already established in Washington the Department of Commerce and Labor, one branch of which consists of the Bureau of Statistics; another the Bureau of Corporations and still another the Census Office. These bureaus are thoroughly equipped with high grade men familiar with this line of work. On the other hand, we have the Inter-State Commerce Commission which can supply all the information needed pertaining to our great trunk lines.

The National Banking System has now been in operation for more than forty years. The objection to the Aldrich Bill by the American Bankers Association that it is "impracticable, unwise and financially unsound," is equally applicable to the National Banking System. When the plan of bond circulation was adopted in 1863, the question of inflation of government bonds was raised and the same objections which were applied to the National Banking system at that time are now raised concerning the Aldrich Bill. This bill does not intend to overthrow the safe system of note issue nor cripple the lending power of our national banks, nor will it create a fictitious bond market; neither with the taxation provisions result in preventing this extra currency from being retired from circulation. I

firmly believe that our bankers are so patriotic and broad-gauged that the unprofitableness of the emergency currency when needed will not be considered. If it should prove to the contrary the rate of taxation could be modified.

During the national banking Act there has been no inflation of our public debt and Congress has not made any effort to take advantage of this system. As a result, our government bonds have commanded a premium in the open markets of this country and have been referred to by European bankers in a most laudable fashion. That this is not true of many European securities reflects great credit upon our national government. This in large measure has been brought about by reason of our National Banking System. So far as criticism pertaining to the Aldrich Bill being in the interest of certain Bond Syndicates, I might further add that for many years the Secretaries of the Treasury have seen fit to accept certain classes of State and Railway bonds as security for government deposits. So far as I can learn there has been no inflation of these issues by reason of this fact, nor have the price of these securities been materially advanced by reason of this provision.

I can not see why these bonds having proven entirely satisfactory as security for government deposits should not prove equally as safe for emergency circulation. If our national banking circulation is safe, then this emergency circulation which has for its basis semi-public bonds, should also be safe. If such securities should depreciate the banks which have deposited them can at any time be called upon to put up additional security, and failing to do so the bonds can be sold by the Comptroller of the Currency and the proceeds applied to the liquidation

of this emergency circulation.

My attention was recently called to another apparent defect in the Aldrich Bill wherein it fails to make proper provision for the country bankers. The criticism came from one of your leading Philadelphia financiers.. He felt that certain classes of street railway and electric lighting bonds, many of which are held by our country bankers should be used for such purposes. Whether or not this additional provision would be a wise one is a very debatable question. I believe that many of our country banks today can comply with the requirements of the Aldrich Bill for better than is generally supposed.

Our present banking system in the opinion of most bankers and students of political economy is totally wrong. Our national banking currency, as you know, is based upon government bonds, which system in itself was an emergency plan growing out of the financing of the War of the Rebellion. The plan was devised to attract state and private banks to become national institutions. The government offered the note circulation as an inducement for financial institutions to become National Banks.

While it is true that prior to the war certain cities and states repudiated their debt, it is doubtful if any have attempted to avoid the payment of their just debts in late years. Is it not a fact that such securities as are authorized by the Aldrich Bill have already been accepted by Courts and Savings Banks in several of our states as absolutely safe investments? Why did our bankers heartily endorse the plan of Secretaries Shaw and Cortelyou and others of receiving such bonds as securities for government funds, while they openly criticise the provisions of the Aldrich Bill which provides for a similar class of bonds for

this emergency circulation.

While our national banking system has been the subject of severe criticism from its inception, still it has provided us with an absolutely safe currency. The one great weakness which it has developed has been its inelasticity. This defect, however could be corrected to a certain extent if certain changes and modifications of the National Banking Act were adopted.

What is especially needed and what has proven to be absolutely safe in recent years is the legalizing of our Clearing Houses, so that their functions and operations may be approved by the Courts of our land. They and our Sub-Treasuries should be so regulated that our Clearing House Associations would become a part of our National Banking System. The country could be so districted that our principal cities would conform with our present system of sub-treasuries. If this were so, all of the uncertainty of the intrinsic value of the proposed bonds to be issued as securities for this emergency circulation would cease. The burden of determining their value could be placed upon these Associations. In case of depreciation or default, the loss would be made good by the Associations and they in turn collect from the defaulting banks. Of course, under such a provision every national bank in the land would be a member of one of these organizations. In this way every country banker would be protected. The municipal and county bonds of each district would be thoroughly investigated and the country banker would find that it would be to his own advantage to hold a certain amount of these securities as a basis of an emergency circulation. This in itself would provide a better market for this class of securities than has been found in the past.

The pride and rivalry of each association would make

them most jealous of each other's standing and good name. It is certain that if some such plan were devised the moment any one of said banks was in trouble, or the bonds of any one of said municipalities were unsafe, the matter would be immediately reported to that particular district clearing house association. If deserving, the institution would receive immediate help; if not, the bank would have to liquidate. This unity of interest would be a bulwark of strength in the hour of trouble and a most wise provision in times of inflation.

The National Banking System has its faults, but it has nevertheless served its purpose well by giving to us at a time when sorely needed, a good, safe and staple currency. I believe it has come to stay in a modified form. Perhaps it may be materially changed in years to come, but the fundamental principles on which it is based will be retained.

The Bank of England, the Bank of France, and the Imperial Bank of Germany by reason of enjoying government deposits do much and offer considerable aid to their governments in times of need without compensation. So should our national banks, organized into some such plan as outlined assist our government in times of monetary stringency, because they too enjoy certain benefits, such as bank circulation and the receipt of government funds.

Kinley in his work on the Independent Treasury says : " It is better to keep a system whose evils we know, than to adopt an entirely new one, built on an ideal plan, whose defects we can only guess. " All legislation is the result of compromises. Senator Sherman informed me that the Sherman Act is his only in name. Our Federal Constitution is the result of a compromise. Our early banking

system was to a certain extent a system of patch-work legislation. Our National Banking System was copied largely after a system in force in New York State, which had previously undergone many material changes.

The Independent Treasury System was a welcome relief after the financial storm arising out of the failure of the renewal of the Charter of the Second Bank of the United States. That it has failed in some particulars to meet present needs has been clearly proven. Among its benefits were the safety of our public funds and a currency redeemable in part by gold and silver. It failed, however, to provide an elastic currency, which was possible under the charters of the First and Second Banks of the United States. As a result, we have adopted various plans of relief, such as the deposit of the government funds in national banks. Even this has been inadequate to meet the extraordinary strain of business conditions at various times throughout the year. Now, after both Congress and our various bankers have failed to agree upon a permanent plan of currency reform, this Aldrich Bill is offered, not as a substitute, but simply as an emergency plan. The Bill has certain weak points, but as a whole the principal object to be obtained will bring that relief and confidence which is absolutely essential in times of financial distress. Whether the government should restrict the amount of the emergency currency to be issued and whether the government should guarantee the payment of this currency without compensation, when it has declined to do either under the National Banking Act, is not so vital to the business community as is the question concerning the redemption of this currency in lawful money on demand. That this emergency currency will meet this requirement is

absolutely certain. For it will be equal, if not superior, to green banks for the reason that you will have first, the banks promise to pay, second, the government's promise to pay, third, the securities themselves, and fourth, the agreement to redeem the same at the United States Treasury in lawful money.

It is not a theory but a condition which confronts us. When an emergency arises heroic measures must oftentimes be adopted to save life or property. So, in the economic work. Commercial, Financial, and trade relations in recent years have produced a condition in the body politic which must be met in a manly fashion, otherwise, the failure to act may again result in untold financial ruin. What we need to adopt for the future is scientific banking. So many plans have been advanced that an agreement does not seem near at hand. The hope lies in some action on the part of Congress looking towards this end. It is to be hoped that a monetary commission will be appointed during this session of Congress with full power to investigate and recommend to our National Legislators a system of banking which will not only be superior to any other in the world but will also be readily adaptable to our financial needs and institutions. With the adoption of such a plan, let it be made absolutely essential to the furthering of our commercial life. Then and only then can we rightly take our place among the monetary powers of the world and begin to gain that mastery over foreign commerce which is justly our own.

National Monetary Commission

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SAVINGS DEPARTMENTS OF NATIONAL BANKS

AND REAL ESTATE LOANS.

Summary of Replies from Bank Officers relating thereto.

Plan and galleys proofs by Secretary of Fin. (4 sub)  
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Merchants National Bank of Richmond, Richmond, Virginia. 16717

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19 independent, are at the same time closely affiliated with the National institutions and would result in bringing all of this class of business under government supervision and control. These powers could be granted without any weakening of the national system and with decided profit to the banks and their patrons, while at the same time have the opportunity to operate under the national law and derive the benefits consequent thereto.

### Savings Deposits.

8 The competition between savings and national banks has resulted in the organization by the latter of so-called savings departments, many of which are flourishing and in some instances are growing more rapidly than the other departments of the institutions. The banks find these accounts not only profitable, but they are also proving most valuable in assisting in the development of their commercial and other business.

Although only about 2,900 of the 7,200 national banks have as yet established savings departments, this class of deposits already amounts to \$612,000,000.

9 *apparently* The savings feature is entirely in keeping with the functions of the bank and the establishment of these departments is filling a long-felt want, the public apparently being eager to take advantage of the additional protection which government supervision gives to their deposits. In my judgment, however, the law should clearly define just what deposits are to be classed as savings and separate regulations should govern the investment of these funds. If the maximum rate of interest to be paid on such deposits were fixed, the character of the investment determined and the deposits made non-taxable under certain conditions, the people generally would derive much greater and more permanent benefit than can ever be hoped for as the result of the existing Postal Savings Bank Law.

### Limit of Loans.

That there is an urgent necessity for the provision of the act which limits the amount to be loaned to one firm or corporation is apparent, but that the law as it exists today is anything but perfect is equally evident. Its principal weakness is its flexibility, and at the same time the letter of the law can be strictly observed and yet the very object of its being be defeated. A law which permits a bank to loan 30 per cent. of its capital to ten or even forth affiliated corporations which are all dominated by one individual or one idea and which would likely be affected disastrously should the affairs of one become involved, and yet limits definitely the amount that can be loaned to one concern, regardless alike of its inherent strength, as well as its ability to collateral the loan with unquestionable security, is certainly subject to criticism. Is there any reason in permitting an institution to purchase an unlimited amount of government, railroad or other bonds and yet limiting the amount that can be loaned and yet limiting the amount that can be loaned on the same securities to responsible borrowers? It would indeed be disastrous were there no limit, and in fact the present limit in most instances is quite enough and in some, entirely too large; but it would undoubtedly seem most desirable that this present feature of our law should be so changed that there should be different limits for the various class of loans.

Merchants National Bank of Richmond, Richmond, Virginia.

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same time, in order that when the new currency system goes into effect, the laws in every respect may fully measure up to the demands of the situation and the business of the banks built up along conservative lines.

~~Real Estate Loans.~~

d The one thing which, above all others, seems to be responsible for the preponderance of State banks is the inability of the National banks to make real estate loans. It is quite easy to see how the framers of the revised law, so soon after the close of a devastating war and when real estate values were unsettled and undetermined, should have felt it necessary to prevent a bank's tying up its funds in long-time loans which could not be marketed easily in times of need. There is no apparent reason existing today, however, why a fixed proportion of the capital, surplus and profits of a bank should not be invested in well margined real estate loans. It is absolutely essential that a bank in a farming community should be able to make advances upon mortgages, and where ordinary precaution is taken, the risk incurred is hardly so great as in many classes of paper which can now be handled legally in large amounts. Of course no institution accepting demand deposits could survive if all, or an extremely large percentage, of its funds were invested in long-time real estate paper, but between these two extremes there is ample opportunity afforded for an amendment to be drafted which will enable the banks to make this class of loans within reasonable bounds.

Dependent upon the ground, as we are, for the production of our wealth, the government prohibits us from accepting it as security for loans and thus deprives the National Banks of what should be one of their chief functions, viz: the employment of the funds of the depositors in the up-building of the country, upon which they thrive and which makes their deposits possible. What greater security could the conservative banker desire than "the earth?"

Even as it stands today, the law is inconsistent in that it permits a bank to make unlimited investments in bonds, which are primarily secured by real estate and yet prohibits absolutely well margined loans to customers on real estate security. We are also permitted to lend 30 per cent of our capital on the single name paper of an individual and yet cannot accept his home or farm as security for even a small amount, until he has shown his inability to meet his obligations and when in all probability the security is no longer obtainable.

If the law be amended in this particular to a reasonable extent, with proper precautions being taken against real estate speculation and other abuses, the National Banks, and especially those in the country districts, will take a position in the work of developing the resources of this country which they cannot possibly occupy today.

~~Trust Powers.~~

2 In addition to permitting real estate loans, as outlined above, the field of labor of the banks in our national system could apparently be broadened to great advantage to themselves and with much benefit to the public at large by granting them, along conservative lines and within proper limits, the powers now enjoyed by Trust Companies. The latter, organized as they are, under the laws of the various states are not restricted to any particular field of endeavor, but are daily becoming more active competitors for the commercial business of the banks. Such a provision would do away to a great extent with the present tendency of those interested in National Banks to organize Trust Companies, which, while in a measure

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[From R. F. Bopes, President,

Center

American National Bank, Lynchburg, Virginia.]

~~November 6, 1911.~~

Double Lead

We acknowledge yours of the 6th inst. returning to us for correction the interrogation blank sent out by you under date of October 9th, 1911.

Regarding our answers to questions No. 4 and No. 4-A, beg to advise that we are not entirely satisfied that national banks should be permitted to make real estate loans at all. In the light of the information that we possess at present, we feel that our answer should be that we are not in favor of such loans.

Respectfully,

R. F. Bopes,

President.

[From M. W. Peterson,

16717

72

~~The~~ Dexter-Horton National Bank, Seattle, Washington.] *center*

~~November 10, 1911.~~

Double Lead

We do not favor commercial banks doing a savings business, but if national banks are to be granted that privilege under the supervision of your department, we believe that if they are allowed to make loans on real estate securities the amount so loaned should be within certain limits set by your office. We should say 25% should be the outside limit.

Yours truly,

M. W. Peterson,

Cashier.

Double Lead

16717

40

First National Bank, Escanaba, Michigan.

8th  
center

2. (A) Not less than 5% nor over 10% with an arbitrary limit of  $\frac{1}{4}$  or  $\frac{1}{2}$  the legal limit of loans, forcing as much as possible small loans well scattered. We, here, especially need home building loans.

4 (A) Not less than 5% nor over 10% until it was tried out, unless segregation and restricted investment prevail, in which case a larger percentage, say 20% or 25% of savings should go on real estate.

Our reason for opposing segregation of savings deposits and restricted investment in savings bank securities is that a very large proportion of our deposits are savings deposits and it would materially cripple this community so far as loans are concerned if we could not loan locally and, as I understand it, savings bank securities are confined to bond issues and fixed investments.

This county is rapidly developing and if our entire savings deposits amounting to over \$1,100,000 were cut out of the loan field, development would be very much retarded. In fact, we believe that the present arrangement is as good as can be devised, provided a reasonable percentage of deposits could be loaned on first mortgages on real estate.

Leslie French,

Cashier,

[Fraser]

Double Lead

16717

41

Scandinavian-American National Bank of Minneapolis, Minnesota. *Ceulas*

2. (A) Yes not to exceed 50%.
4. (A) 50% and reserve should be required on savings - same percentage as is required on other deposits.

We have in same office a State Mutual Savings Bank, entirely separate organizations, but practically under the same management.

It would be better, much better, in our opinion for all concerned if deposits in savings department might have protection afforded by our capital and stockholders liability.

Double Lead

16717

42

Merchants National Bank, Vicksburg, Mississippi.

Center

50

2. ~~(1)~~ Under proper restrictions and safeguards not to exceed fifty per cent of capital stock.
4. ~~(1)~~ Loan 75% properly safeguarded as to percentage of value of property.

Our savings bank is owned by almost the same stockholders as our national bank and has same officers. We operate it in same banking room, but with entirely separate clerks, books, etc. and we are examined at the same time by national bank examiners.

I have your inquiry, addressed to the cashiers of the national banks, under date Oct. 9th.

I am afraid that I may not have made myself clear in filling out the blanks, but I want to say, first, that I am very glad indeed that this inquiry is being made.

We have had, almost since our organization as a national bank, a savings department, which is owned almost exclusively by the stockholders of the Merchants National; the name of this bank is the Peoples Savings Bank & Loan Company. This bank was organized for the purpose of taking care of real estate loans, which in this section of the country is a very valuable part of our business. The bank was remarkably successful from the start; we organized with \$50,000 capital, and now have \$50,000 capital, \$50,000 surplus, \$60,000 undivided profits, and have paid 8% dividends since the first year of organization. Our savings deposits at this time are about equal to the commercial deposits in the Merchants National Bank.

For several years we had considerable trouble and criticism from the Comptroller's Office, as we had the two banks in the same room, and at that time the savings bank was not being examined with the national. We suggested to a former Comptroller that he examine both banks at the same time; since that time this has been done, and we have had no further trouble.

The only way that the savings bank business is reflected in the Merchants National is the amount of cash that they carry on hand. We report this as "due savings bank" in our report to the Comptroller's Office.

We are heartily in favor of allowing national banks to lend a certain percent of their funds on real estate collateral - of course this to be strictly safeguarded, both as to the percentage loaned and the margin in the real estate collateral offered. If you are familiar with this section of the country, you will realize that this style of loan is almost necessary, as our country is almost wholly agricultural, and it is very hard for a commercial bank to make loans that are not secured by real estate. Since the organization of our savings bank, however, we have never taken real estate loans in our national bank.

We are more and more convinced, each day, that the Comptroller's office is in the hands of a man who wants to make the national bank system both as strong and as efficient as possible.

Respectfully, (T. W. McCoy, Cashier,

[How

Double Lead

16717

43

~~The~~ First National Bank of Albany, Albany, Missouri.] *cut*

In my opinion a first mortgage loan on real estate not to exceed <sup>50</sup> ~~fifty~~ per cent. of the value of the land is the safest loan that can be made and cashes as readily as any paper on the market.

If a country bank wishes to discount any of their paper and have real estate loans, they are more easily sold than any other paper held by them.

In the case of personal notes a country bank is required to endorse before they can sell them.

Again it puts a national bank at a disadvantage with state banks and forces them to give up some of their best customers to state banks because they can accommodate them with real estate loans.

~~Yours~~ very truly,

M. P. Whaley,

Cashier,



From

Double Lead

16717

44

The National Bank of Ashland, Ashland, Nebraska.

center

October 10, 1911.

2. (A) 20% would be a liberal amount; 15% would more than meet our requirements. That amount of loans secured by good mortgages would enable us to meet a reasonable demand and would really strengthen banks as they could take some of these loans instead of investing in commercial and other paper that they don't know so well.

I am taking the liberty of adding a little to the answer in your circular enclosed.

I have always been a little at sea about the so-called "savings deposits" and not sure just what the Department meant by the term. I suppose all deposits represented by certificates as usually issued by country banks might be called savings deposits.

It is hard to distinguish sometimes what purpose a deposit is for. We issue the same kind of certificate to a farmer wishing to put \$3,000 on interest for six months and a boy or girl for \$10.

There are only two of us in the bank and it keeps us pretty busy without debating very much over fine points about the particular nature of deposits, the main thing is to get them.

I have been cashier of a national bank for some twenty five years and am strongly in favor of insisting that they be properly managed but with as little red tape to take time from more important things as possible.

Very respectfully,

F. E. White,

Cashier,

From

Double Lead

16717

45

(Claremont National Bank, Claremont, New Hampshire.)

8th Center

October 19, 1911.

In connection with the questions recently submitted to national banks by your office, relative to savings deposits and savings departments; we beg to say that our experience of some ten years with a savings department has shown that it is a branch of business which can be handled without interference with the commercial department, enabling us to serve a considerable element of the population advantageously to them, and with a fair margin of profit to ourselves.

We sincerely trust also that you may see your way to recommending in your report, in connection with proposed changes in the National Banking Laws, the enlargement of the powers of national banks in other directions. The increasing competition of state chartered banks which are able to handle lines of business from which national banks are barred puts a handicap on the latter which ought to be, it seems to us, removed. We have noted with gratification, expressions, coming from the Secretary of the Treasury, to the effect that banks operating under a federal charter should be given the privilege, under proper regulation and control, of performing any legitimate banking function.

Take for example our own community having a population of 7500 served by two national banks each having a savings department, and by one State Chartered Mutual Savings Bank.) If we were empowered to do a trust business we would be able to get some custom in the way of handling trust funds, acting as executor under wills, etc. and perform a local service of value to the community; but the amount of such business is not large enough probable to warrant the organization of a separate company with adequate capital. (Our present capital, facilities, organization and the public confidence enjoyed by our institution, if available, would enable us to act as Trustee with the minimum of expense and a greater degree of security to patrons than an independent organization with smaller capital could well furnish.)

Very respectfully yours,

(Frank H. Foster,  
Cashier,

[How

Double Lead

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46

The Citizens National Bank, Tilton, New Hampshire.

Curtis

October 13, 1911.

Hon. Comptroller of Currency.

I desire to make more extended replies to your interrogatories than the room will allow on the blank sent me, and so I take the liberty of writing to you.

In answer to question 1 will say that this bank has no savings department.

In answer to question 2 it would seem as though 10 or 15% of the capital of the bank perhaps might be loaned on mortgages, but I am not in favor of a very large per cent. inasmuch as commercial banks should confine themselves in their business department to commercial paper and quick assets. I will amend the answer somewhat, however, by answering question 3, by saying that I would favor an amendment to the law specifically authorizing establishing of savings departments in national banks, in which case I would favor restricting real estate loans to, say, 50% of the deposits in such savings department only, in which case I would favor keeping of the savings department accounts separately from the commercial accounts, which could be easily done by savings ledgers.

In this State the law permits savings banks and national banks to operate in the same office, but also requires that twice a year examinations shall be made simultaneously by committees from both banks. I have been expecting however, that some legislation might be enacted that would forbid this association in the same office, although personally with the restrictions as to examinations which obtains in this State I cannot see any danger therein. Permit me to say, however, that in the small communities like our own it would be an expensive hardship to require an institution like ours here to operate in separate offices with a separate force, as it would mean a more expensive equipment and if any legislation was recommended it might be along the line of authorizing a savings department in national banks, which would then permit a national and savings bank to consolidate under a national charter, and continue the savings department under said charter lawfully. Unless some such provision as that is made it might mean in some instances that the savings bank might have to either go out of business or content itself with inadequate facilities and safeguards.

It seems to me that it might be allowable also to even further extend national bank charter facilities to the extent of permitting the national bank to act as executor, trustee, or guardian, or other fiduciary capacity. I appreciate the fact that this last recommendation would immediately receive the opposition of many trust companies, but I can see no possible objection to a national bank receiving money of estates in settlement and perform that sort of work for which it is admirably equipped, and thereby materially increase its income.

\*\*\*\*\*

If you were doing business in a rural community you would appreciate the importance which the one or two financial institutions bear to the prosperity of the community, as a single institution cannot do in a larger community where better facilities obtain.

I am ready to express myself further in the matter should you care to correspond, and I am,

Very truly yours, (A. Cass, Cashier,

[From

Double Lead

16717

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47

The Keene National Bank, Keene, New Hampshire.

} center

October 12, 1911.

We return herewith filled out, your circular of the 9th inst. relative to the savings departments of national banks.

The writer would like to explain the views of the board here, in reference to our savings department. We believe that this department in a national bank should not in any way compete with mutual savings banks doing a legitimate business in different communities. In our case here, for instance. This bank pays but 2% per annum on savings deposits, and they are demand obligations, subject to withdrawal when the check is presented. We have in this town, two good mutual savings institutions, who pay from 3 1/2% to 4% interest. These people are looking for local mortgages. With deposits payable on demand, it would be very risky, in our opinion, for a national bank to allow any portion of these deposits to be tied up in real estate loans, which are not even a moderately quick asset.

This bank has about 5400 accounts in its savings department, averaging less than \$100.00 a deposit.

Respectfully yours,

W. L. Mason,

Cashier,

[How  
Double Lead

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49

3  
First National Bank, Croton-on-the-Hudson, New York.]

8th Center

October 11, 1911.

We should like to make another suggestion which is not quite covered by your questions of October 9th, answers to which we enclose, and that is this:

The law in regard to real estate mortgages as security for loans by national banks should certainly be changed. It is somewhat immaterial to the national banks of the country - speaking from my own observation, - whether or not they be allowed to invest in real estate mortgages, that is whether they be allowed to make permanent loans on the security of real estate itself, giving no thought whatever to the person owning the real estate. The country banks, however, are very much hampered in their business by the law forbidding them to take real estate mortgages as collateral security for temporary loans. ~~It very often happens that a good customer of the bank desires a temporary loan on his note, and is perfectly willing to give, as additional security, a mortgage on a piece of property he owns himself or a mortgage which he may have taken as an investment. It may be that his note is perfectly good, and the board of directors, or discount committee, of the bank would unquestionably discount the note without security, but is it not better to take all the security which may be offered, for trouble may arise between the time of the making of the note and the time the note falls due.~~

There is still another case in which the law works more hardship, and that is the case of a depositor desiring a temporary loan and being unable or unwilling to obtain an endorsement on his note, but being perfectly willing to give a mortgage as additional security. In this case the board of directors are forced to make a choice between loaning the money on the man's unsecured note or refusing the loan and perhaps, thus losing a depositor; whereas, if they were allowed to take the security, there would be no question about their making the loan.

We, therefore, very strongly urge that, whatever be done about the law allowing national banks to invest in real estate mortgages, the law should be amended to allow them to take real estate mortgages as collateral security for temporary loans.

Yours very truly,

(Leslie R. Palmer, President,

Double Lead

National State Bank of Troy, Troy, New York.

16717

8th center

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October 20, 1911.

Q2. ~~AT~~ We are strongly against any amendment to the law allowing national banks to invest any of their deposits in real estate mortgages as we do not consider mortgages a proper investment for strictly commercial banks, nor within the spirit or intent of the National Bank Act. Assets should be as "liquid" as liabilities.

Q4. ~~AT~~ We are opposed to any amendment specifically authorizing establishment of savings departments or allowing any investments in real estate mortgages and also to the segregation of such deposits and restriction of their investment.

-----  
Supplementary to the specific answers to the questions in your circular of October 9, 1911, we have to say: The first questions are in regard to "Savings" deposits. The New York State law at present will not allow us to use the word "Savings"; we never have used it and do not desire to. We have now, and we have had ever since this bank was established in 1852 as a State bank, a "Special Deposit on Interest" department in which we issue pass books. These deposits can only be drawn when the pass book is presented with the check or order. Our regulations so not require or provide for notice of withdrawals. We also issue Certificates of Deposit bearing interest, payable on surrender of the certificate when properly endorsed.

All our deposits are payable strictly on demand, without notice, whether on certificate or on pass book. We do not pay interest on daily balances except on local municipal accounts and a few other accounts to which special reasons apply.

Our "Special Deposit" department is used largely by customers who have funds for which they have no immediate use and on which we would not pay interest if left on their business account. We have depositors in our "Special Deposit on Interest" department who have dealt with us through three generations, and we have always found these "Special Deposits on Interest" the most stable in every panic.

We are opposed to any amendments to the law specifically authorizing the establishment of Savings Departments in national banks. The old State banks had this "Special Deposit on Interest" department long before the national bank act existed and we have continued it after our conversion to a national bank under the National Bank Act.

We would not favor segregation of these deposits nor a restriction of their investment. We find the general public thoroughly posted on the law governing national banks, and that the published reports are understood and critically scrutinized.

We do not believe in guaranteed deposits nor preferred deposits and do not think there should be any radical changes in the present law under which national banks are now universally safe and prosperous. There will always be a few minor exceptions under any law.

Respectfully,

Henry Colvin,  
Cashier,

[Fraser]

Double Lead

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~~The Bank of New York, N. A., New York.~~ <sup>3</sup> <sup>Feb 7(?)</sup> - 8th center

New York, ~~Oct.~~ 11, 1911.

3 [We are enclosing your circular letter with answers relative to ~~savings banks, etc., and would like to say in addition, that we are not~~ in favor of the establishment of savings departments in national banks for the reason that they are not needed in the cities, and in the country the money might be invested ill advisedly, so that we think it is much better not to alter the regulations of the National Banking Act in this respect.

Yours very truly,

(Chas. Olney,

Vice President,

Memo.:

It will be interesting to see if the large banks in the large cities follow this idea.

L.O.M.

[From

Double Lead

16717

14

51

3  
First National Bank, New York, New York.

] 8 ft center

~~October 21, 1911.~~

Replying to your circular letter of the 9th instant, this bank receives no savings deposits, hence we make no reply to your various questions in relation to this subject.

Replying to your inquiry No. 2, we would favor an amendment to the law allowing national banks to invest in real estate mortgages only as a means to an end, namely, the adoption of a new comprehensive banking and currency law, and in that case would limit the investment to 10% of deposits.

Replying to your inquiries Nos. 3, 4, and 5, there would seem to us to be no occasion to amend the law specifically authorizing the establishment of savings departments in national banks. The establishment of such departments which has already been made in various places is designed, we understand, to meet the competition of trust companies rather than that of savings banks.

Respectfully,

C. D. Backus,

Cashier,



[From]

Double Lead

16717

52

The National City Bank of New York, New York.

8th center

October 18, 1911.

We beg to reply seriatim to the questions asked in your letter of the 9th instant.

1. Does your bank receive savings deposits?  
Answer. No.

2. Would you favor an amendment to the law allowing national banks to invest a certain percentage of their deposits in real estate mortgages? If so, what per cent?

Answer. For banks of the type of The National City Bank, we do not think it necessary. Possibly for the sake of banks in some of the States, where the community is almost altogether a farming or agricultural one, it might be desirable to permit banks to lend their depositors or customers upon their notes, secured by mortgages on their farms.

We are inclined to believe if this were permitted, the total amount so loaned should bear some relation (we are not prepared to state exactly what) to the amount of the bank's time deposits. We are unable to bring ourselves to believe that deposits withdrawable strictly upon demand should be loaned on the security of real estate mortgages.

3. Would you favor an amendment to the law specifically authorizing the establishment of savings departments in national banks?

Answer. Under rigid restrictions in regard to the investment of the funds deposited in such departments, - yes.

4. Would you favor restricting real estate loans to a certain percentage of the deposits in such savings department?

Answer. Not necessarily to the deposits of the savings department, but we are of the opinion that they should bear some proper relation to the total of all the time deposits of the bank.

If so, what percentage?

Answer. We are not prepared to say.

5. Would you favor the segregation of savings deposits and the restriction of their investment as provided by the mutual savings bank laws of certain States?

Answer. Yes.

Respectfully,

Arthur Kavanaugh,

Cashier,

*of this from abstract double*

[from] ↑  
Double Lead.

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16717

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3  
The Chemical National Bank, New York City. ] center

October 14, 1911.

4 In returning your form of inquiry dated October 9th, 1911, we have answered the questions provided for therein, as requested. Referring to Question No. 2, "Would you favor an amendment to the law allowing national banks to invest a certain percentage of their deposits in real estate mortgages?" and, "If so, what per cent? Please answer fully", we beg to say that we appreciate that national banks located in small towns and villages and in rural communities would be benefitted if they were permitted to invest a certain percentage of their deposits in real estate mortgages, but, as flexibility and a liquid condition are the strongest features of any bank receiving deposits from the public, payable on demand, we believe that the general principle that a bank should not loan on real estate mortgages is a sound and correct one, the country over.

We can also appreciate that banks located as above-mentioned would favor an amendment to the law authorizing the establishment of savings departments in national banks, but it would be necessary that the books should be kept distinct and separate but if savings departments were established, it would be well to restrict the percentage of such deposits invested in real estate loans to not more than 25% of the total amount of the savings department's deposits.

8 We have answered these respective questions in the negative on your form, but we can appreciate that certain benefits would accrue to the banks and likewise to the community in certain sections of the country, if such amendments were passed. On general principles, however, we are opposed to the passage of these amendments.

Respectfully,

J. B. Martindale,

President,

[Honey

Double Lead

16717

54

The First National Bank, Mantua, Ohio. ] center

October 14, 1911.

Further in reply to your inquiries, will say that our savings monies are handled the same as any other money. We have separate books, but is handled by the same clerks and is in same drawer.

I am not so familiar with conditions in the cities, but in country places it is almost absolutely necessary that national banks be allowed to loan to some extent on real estate. It is the best security we can get and if we should need to dispose of some of our paper, nothing would be cashed quicker by city banks than good real estate paper. The fact that we could not legally take on real estate secured paper has caused us most of our losses.

~~This is a small bank, located in a farming country and is owned almost entirely by farmers. There are but two besides myself employed. Our conditions are very different than in many other places. Am not familiar with the "mutual savings bank" laws so cannot answer question 5.~~

Our directors have talked the matter of real estate loans over carefully and are unanimously of the opinion that they should be allowed. Possibly they should be restricted to towns of less than 25,000 or some thing like that. I knew of one prosperous national bank that contemplates

~~liquidating when its charter runs out in a year or two and taking a State charter on account of the real estate loan feature of the National Bank Act. The national bank system should be made so good and meet the needs of the people so closely that it would be preferred to the State systems of various kinds that we now have.~~

We appreciate the efforts that have been made under your administration to improve the banking conditions of the country and trust that you can bring about the improvements that we think you have in contemplation.

Yours respectfully, Ira E. Hine, Cashier,

Double Lead

The Medina County National Bank, Medina, Ohio.

October 14, 1911.

In connection with the enclosed statement as to our views in regard to savings deposits and the legal right of national banks to take real estate mortgages under the law, I feel it necessary to make one or two statements in addition to the other information enclosed. Mortgages loans made by national banks in Medina, and I understand some few other places in Ohio, are made on demand, with the agreement with the person borrowing the money, that they shall have one year to get the money after demand for same has been made, providing the obligations of the mortgage are fulfilled. This method does not tie up assets for a long time any more than ordinary notes of a years time would do, and as there is a provision for renewal of the notes, paper can be kept clean and fresh and frequently endorsed notes cleaned up or renewed.

I am not in favor of any amendment to the law specifically authorizing the establishment of savings departments in national banks, unless I can be assured that such amendment will be practically written by the present efficient Comptroller of the Currency, and not by politicians in Congress. The national banks of the country are all desirous of obeying the law, and to that end inefficient and unwise laws should not be placed on the statutes and their enforcement thereby made necessary.

Without the aid of any legislation, or any other laws than those of good business sense, a large number of national banks have instituted savings departments in their institutions, prospered and done well. Would it not be just as well to give them the legal right to loan on real estate and then let them alone?

Very respectfully yours,  
B. Hendrickson, Cashier

[From F. E. Burton, Cashier,

16717

56

The First National Bank, Canal Dover, Ohio.] *Ceuler*

October 13, 1911.

By your circular letter of the 9th inst. relative to mortgage loans you have touched upon a subject that is of vital importance to every small bank under the control of the department.

Double Lead

In almost every instance, our basis of credit on local loans is real estate, and if we had been permitted to secure a preferred lien on this class of property in the first instance our percentage of loss would have been reduced 75%. In addition to this we have lost a very large amount of savings deposits, and other profitable business, by not being able to assist the young men of our community to build homes after they had accumulated half the amount needed, in our savings department. These young men had nothing but mortgage security at the time to offer, and naturally their future business would go to the bank that took their mortgage. In many instances they later developed into merchants and manufacturers and prosperous farmers and that little mortgage on their first investment brings to the bank that assumed it their valued business of later successes.

out.

~~At our state and group conventions I have talked on this subject with hundreds of national bankers from the smaller cities and have yet to find one that would not welcome a law permitting them to take mortgages under proper restrictions.~~

I certainly hope that the movement inaugurated by your department will result in some favorable legislation on the subject.

~~Very truly yours,~~

~~F. E. Burton,~~

~~Cashier.~~

Crow C. H. Kennedy, Cashier,

16717

57

~~The~~ Commercial National Bank, Youngstown, Ohio.

October 10, 1921.

### Double Lead

Please find enclosed your information blank of October 9th duly filled out.

I would like to urge as strongly as possible this amendment to the national bank laws, authorizing us to some extent to loan on mortgage. In the city of Youngstown it is absolutely necessary for us to make some mortgage loans to hold our position in securing our share of business, but owing to the fact that it is generally known that national banks cannot under any circumstances make mortgage loans a large percentage of our peoples bank accounts, both savings and checking, go to the Savings Banks and Trust Companies, where otherwise the national banks would receive their fair percentage. In other words, if a depositor gives you his his checking account and his savings account and he wants to borrow on a mortgage, and we cannot accommodate him, he will certainly go elsewhere with his banking business.

~~Very respectfully,~~

~~C. H. Kennedy,~~

~~Cashier.~~

Double Lead

16717

52

*From*  
Jas. E. McKeever, Cashier,

First National Bank, Williamsburg, Ohio. *Center*

~~October 17, 1911~~

*A* 2. ~~in~~ Twenty-five per cent. We think this the best thing could be done for our country banks and would in no way injure the city banks for it would force the private and State banks to send to the city banks the amount we would thus loan, giving us the advance in rate of interest.

~~\*\*\*\*\*~~

*2*  
I wish to thank you for taking up the best movement for national country banks, that could be made in permitting a certain per cent. of deposits being made on real estate which are the safest loans we can make, and as I see it, it will work no hardship for the city banks, for the private and State banks will be compelled to send to the city banks the amount we take of their business, thus giving us a chance to put out more of our money at a better rate and a safer security.

~~Again let me thank you for this just and fair move.~~

~~Yours truly,~~

~~Jas. E. McKeever,~~

~~Cashier~~

Double Lead

16717

59

[From A. E. Mergenthaler, Cashier,  
First National Bank, Fostoria, Ohio.] *center*

~~October 18, 1911.~~

*I* We have always been in favor of permitting national banks to make mortgage loans and it is a handicap to the country national bank not to be allowed to do so. Our experience is panicky times, when banks were going down about us, even in our own city, is that the depositors would be only too glad to accept mortgages in lieu of their deposits, when they would refuse to accept their own city bonds or other form of security. Our mortgages have been limited to farm property and our only loans on city property are those which have been taken to secure previous debts and have been very small.

~~Respectfully,~~

~~A. E. Mergenthaler,~~

~~Cashier.~~



[From W. Coyword, Cashier,

16717

60

Security National Bank of Oklahoma City, Oklahoma.] *center*

*October 12, 1911*

## Double Lead

~~I enclose herewith your blank under date of Oct. 9th, with all questions answered.~~

~~In further answer to question 2-A, in which I say that I think the percentage should vary according to the community, and also in answer to 4-A, will say that here in Oklahoma well secured short-time real estate mortgages are fully as liquid as any other class of assets that we have, with the exception of grain and cotton loans.~~

This is primarily a cotton country, and in the rural districts the credits are from spring until fall, and the lines of credit are, in my opinion, almost absolutely rigid until the cotton movement starts each fall. I believe that loans from winter or spring until fall to farmers in moderate amounts should be permitted to be made on their farms as well as on such chattels as they may have, and believe that the real estate loan will be paid as quick, or quicker, than the loan on the chattels.

In the matter of liquidity of loans, it is my opinion that farm loans from the concerns primarily in that business, can be obtained as quickly as realization can be made on any other class of assets outside of the two mentioned above. The usual farm loan requires from ten days to a month to close.

~~Yours very truly,~~

~~W. Coyword.~~

~~Cashier.~~

The danger in my opinion is overvaluation of the land by the banker.

[From W. H. Wehrung, President, 16717

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The Hillsboro National Bank, Hillsboro, Oregon.] *center*

~~October 19, 1911.~~

## Double Lead

In connection with yours of October 9th, 1911, in reference to change of National Banking Law allowing national banks to loan on real estate mortgages, permit me to express myself more fully than space would allow in your information blank. As stated in our report to you we favor the loaning of at least sixty per cent of our joint deposits on real estate mortgages on a land valuation not to exceed forty per cent of the cash value of said real estate. Land values are now based on the percentage of profit produced per acre, properly tilled, or a business block on a percentage of rental received. The Oregon exemption law reads in part as follows:

Lord's Code, Sec. 222. Extent of Homestead Exemption.

"Such homestead shall not exceed \$1,500 in value, nor exceed one hundred and sixty acres in extent, if not located in town or city laid off into blocks and lots; if located in any such town or city, then it shall not exceed one block; but in no instance shall such homestead be reduced to less than twenty acres nor one lot, regardless of value. (L. 1893, p. 92, Sec. 3; B. & C. Sec 222.)"

Under the Oregon Exemption law, national banks in an agricultural district like ours are handicapped in not being allowed to loan on mortgages. At least fifty per cent. of our farms are small tracts of fifteen to twenty acres and are being tilled so as to pay the owner a good profit. You will note, under the above section, 222, a farmer owning twenty acres of land which may be worth twenty thousand dollars, his personal note would not be worth the paper it is written on, for the twenty acres is exempt, regardless of value. The country bank cannot loan all it's available money on commercial paper in a city of fifteen hundred to three thousand inhabitants with two or three banks to handle the business. We are forced to look to the farmer for at least <sup>60</sup> per cent of our loans and in an agricultural community like ours it would be a great benefit to the national banks if they were allowed to loan to the small farmer on mortgages, which would be gilt edge loans; it would also be a profitable line of business to the bank. A number of national banks in Oregon have opened state savings and trust banks in connection with their national, same stock holders, president of one will be vice-president of the other, vice-versa, running both national and state savings in same room, doing business over the same counter.

We read the National Bank Law and understand it to say that this is not permissible, still it is being done every day. We do not desire to open a State savings in connection with out national. We would rather carry on our savings department as it is now if we were allowed to loan our joint deposits on real estate mortgages. Being in competition with a national bank connected with a state savings to take care of their mortgages, and the handicap such as the exemption law referred to, will we be permitted to loan on mortgages which would be the safest and best loans possible in our community.

Trusting the consideration of this lengthy letter will not impose on your valuable time, I am

Yours very truly, W. H. Wehrung, President.

[From E. A. Crawford, Vice President, <sup>Center</sup>

Lumbermens National Bank, Portland, Oregon.]

16717  
October 27, 1911.

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Referring to your circular letter of Oct. 9th asking us for information as per your schedule, we beg to reply as follows:

1. Does your bank receive savings deposits? . . . . . Yes.
  - (a) If so, is your savings department operated as a separate division, with separate books, etc. . . . . Yes.
  - (b) Is your savings department operated in the same room with the commercial department? . . . . . Yes.
  - (c) Are your savings deposits subject to withdrawal by check? . . . . . No.
  - (d) Or only upon presentation of pass books? . . . . . Yes.
  - (e) Or only upon surrender of certificates of deposit? . . . . . Yes.
  - (f) Do your regulations provide for notice of withdrawal? . . . . . Yes.
  - (g) If so, do you enforce such regulations? . . . . . No.

Double Lead

2. Would you favor an amendment to the law allowing national banks to invest a certain percentage of their deposits in real estate mortgages? If so, what per cent.

We would not favor a law allowing national banks to invest in real estate mortgages to any extent, as we regard the investment of funds in real estate mortgages a very dangerous matter for commercial banks, and allowing any percentage of deposits to be so invested would lead to many abuses by the banks. It would also be difficult for the banks to discriminate between its customers on a percentage basis, whereas at the present time we can refuse all real estate loans. If we were allowed to make real estate loans on a percentage basis we think it would be very difficult to draw the line at a safe proportion of our loans.

3. Would you favor an amendment to the law specifically authorizing the establishment of savings departments in national banks?

We would favor an amendment authorizing the establishment of savings departments in national banks, and allowing the savings department to loan up to a greater percentage of deposits than the National Bank Act now allows; but we would not favor a law that would specify a particular kind of security that should be purchased by the savings department. Especially in our Western country it would proscribe the business of the bank to such an extent, by limiting them to the purchase of certain high grade securities, such as you have in many of the savings laws of the Eastern States, that it would not be profitable for national banks to engage in savings business.

4. Would you favor restricting real estate loans to a certain percentage of the deposits in such savings department?

We would not favor loans upon real estate in the savings department.

5. Would you favor the segregation of savings deposits and the restriction of their investment as provided by the mutual savings bank laws of certain States?

For reasons stated above, we would not favor the restriction of investments of savings funds the same as the mutual savings banks of certain states.

Double Lead

[From S. R. Dickey, President, center

~~The~~ National Bank of Oxford, Oxford, Pennsylvania. <sup>27</sup> 16717

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~~October 14, 1911.~~

Herewith we are returning to you the list of questions with out answers, received from you, under date of the 9th inst.

We answer question <sup>no</sup> #3 "no" because the law as it now stands, or as the Department now interprets it, gives us the privileges of conducting a savings department. If the amendment suggested would come up for discussion and be passed it would, in all probability, carry with it a demand on us to segregate such deposits and compel us to conduct this part of the business along the lines of State Savings Banks, and invest the money only in securities specified for such. This would compel us to either discontinue this department of our business, or invest a good deal of the deposit away from this center. We are decidedly of the opinion that we do not want any legislation that will disturb the present conditions.

Very truly yours,

S. R. Dickey,

President.

Double Lead

[From J. J. W. Eversman, Cashier,

The German National Bank, Pittsburgh, Pennsylvania.] center

October 18, 1911.

16717

64

We take pleasure in enclosing herewith answers to your questions as submitted Oct. 9th. Attached to your questions you will find an additional answer to No. 3, which in our opinion should also be considered.

The writer has favored such changes as you suggest for some time, and feels that under the circumstances, in this city, where national banks are paying 4% on savings deposits, the law should be amended to such an extent as would permit carrying a certain percentage of savings deposits in real estate loans together with changes in legal reserve requirements on such deposits, which in our opinion should be 15% with the same provisions as state institutions.

~~J. J. W. Eversman~~

16717

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[From Wm P. Allen, President,

~~The~~ First National Bank, Arlington, South Dakota.] *center*

~~October 12 1911~~

Double Lead

In addition to your request of October 9th, I will say that in my opinion it would be to the advantage of national banks in smaller towns in the agricultural districts to invest a portion of their funds in real estate mortgages. It is our experience that in times of depression or financial stringency, our customers are anxious for this kind of security, and that this is the first class of security that the bank has been able to realize on in times of trouble.

~~Very respectfully yours,~~

~~Wm P Allen~~

~~President.~~

From Wm. Hall, Cashier,  
~~the~~ First National Bank, Gallatin, Tennessee.

16717

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center

~~November 4th, 1911.~~

**Double Lead**  
We did not answer questions 4 and 5 of your circular letter of October 9th because of the fact we have had no experience on the subject about which you make inquiry.

We have an opinion on this subject, based on general business principles, but it is only an opinion and can be of no service to your department of the Government, to in any way aid in coming to a conclusion on the subject embraced by these questions.

As the majority of loans made here are based on real estate values, and as so few borrowers have bonds or stocks, or other kinds of such securities to offer as collateral, banks look to the value of land owned by the borrower, and on this basis the loan is made. But as real estate loans are some times slow to realize on, we are of the opinion that 33 1/3% of deposits.

We write this in explanation of our answer to question 4, in your circular letter of October 9, 1911.

Respectfully,

Wm Hall,

Cashier.

Center

[From D. J. Young, President,

First National Bank, Canadian, Texas.]

16717

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~~October 13, 1911.~~

### Double Lead

Loans by national banks on real estate might be all right in certain sections of the United States and especially in the larger cities, but as a general rule I do not believe it would be good policy. Real estate loans as a rule will have to be made for a longer time than a bank can conservatively loan for. It takes too long to realize on real estate loans especially in times of depression.

Should national banks be permitted to loan a certain percentage on real estate they would soon be loaned up to this limit and then they would be in the same fix they are now or worse.

In my opinion real estate has no business in the assets of a bank excepting where it is necessary to take it in order to secure or collect an existing debt. The present laws are liberal enough in this respect.

In savings deposits where withdrawal of same can be limited by notice a certain percentage may be safely loaned on real estate but, where deposits are subject to check on demand without notice, real estate has no business in the assets of such banks. ~~Much could be said on this subject.~~

~~Yours very truly,~~

~~D. J. Young.~~

~~President.~~



[From Thos. B. McAdams, Cashier,

16717

60

Merchants National Bank of Richmond, Richmond, Virginia.]

November 8, 1911.

Enclosed please find answer to the circular recently sent out by your department.

I also take the liberty of enclosing a pamphlet, pages 7 to 12 of which will give in a general way my ideas as to what changes should be made in the National Banking Act. I would respectfully invite the consideration of your Department and the Commission to the advisability of changing the law so that there will be different limits for the various classes of loans.

Respectfully,

Thos. B. McAdams,  
Double Lead,  
Cashier.

Pages 7 - 12 of the pamphlet are as follows, quoted from "IFU" - an address by Thomas Branch McAdams, Cashier Merchants National Bank, Richmond, Virginia, delivered before Virginia Bankers Association, Hot Springs, June 16, 1911 and North Carolina Bankers Association, Kanuga Lake, June 22, 1911.

#### National Banking Act.

If the various provisions of the National Banking Act were lived up to in the spirit as well as the letter and if this law, which has remained practically unchanged since 1873, were so amended that it would better conform to the conditions of to-day, the failure of a National bank would indeed be a rare occurrence.

Fundamentally, the National Bank Act is sound and wise and the best evidence of its strength is the wonderfully small percentage of losses which have been incurred by depositors since the organization of the system.

I am now speaking specifically of the National Banking Act, because its most important provisions serve in a large measure as the basis for the banking laws of the various States and also because the future development of the business of this country demands that the scope of the operations of National Banks should be so broadened as to make it not only possible but most advantageous for the various State institutions to ultimately enter the national system.

That the system in its present shape does not as yet fulfill all the requirements is best indicated by the fact that there are over twice as many State as National banking institutions in operation today, and although a great many new National Banks are organized every year and a large number of State banks are being converted into National institutions, new State banks are being chartered in such numbers that there is every reason to believe they will continue to largely outnumber National banks until the National Banking Act is so amended that State institutions can conduct their business profitably under its provisions.

Let us hurriedly consider then a few changes in these laws, the adoption of which at this time would apparently prove beneficial. So much is being said and written about the reform of our currency system, the need for which is universally admitted, that it is quite unnecessary to dwell here upon the details of this most important of all the needed changes in the National Banking Act. We should observe in passing, however, that whether or not the Aldrich plan is adopted, desirable amendments along other lines should be given careful consideration at the