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CLASSIFICATIONS OF BANKS IN OPERATION  
ON DECEMBER 31, 1935

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CLASSIFICATIONS OF BANKS IN OPERATION ON DECEMBER 31, 1935

By classes of banks

Number of banks. When the banks in operation on December 31, 1935, were classified according to membership in the Federal Reserve System, it was found that 6,387, or 40 percent of the 15,861 banks, were members and that the total of 14,178 member and nonmember insured banks comprised approximately 89 percent of all banks. The number of banks in operation on December 31, 1935, by classes of banks is shown below:

Class of bank	Number of banks				
	Total	Member banks		Nonmember banks	
		National	State	Insured	Uninsured
Commercial <sup>1/</sup>	14,949	5,386	998	7,642	923
Cash depositories	39	--	--	24	15
Private	138	--	--	6	132
Morris Plan & Industrial	79	--	1	61	17
Mutual Savings	567	--	--	57	510
Branches of foreign banks	9	--	--	--	9
Trust Co., without deposits	77	--	2	1	74
Other financial institutions without deposits	5	--	--	--	5
<b>Total</b>	<b>15,863</b>	<b>5,386</b>	<b>1,001</b>	<b>7,791</b>	<b>1,685</b>
Percent of total	100.0	34.0	6.3	49.1	10.6
Percent of total (commercial only) <sup>1/</sup>	100.0	36.0	6.7	51.1	6.2

<sup>1/</sup> Includes 28 banks which reported no demand deposits and 172 (uninsured nonmember) banks for which the distribution of demand and time deposits was not reported.

By Geographic divisions. As may be seen from the following table, the largest numbers of banks were located in the West North Central and East North Central States which had 3,617 and 3,243 banks, respectively, in operation on December 31, 1935, and in the Middle Atlantic States which had 2,483 banks:

Geographic division <sup>1/</sup>	Number of banks				
	Total	Member banks		Nonmember banks	
		National	State	Insured	Uninsured
New England	935	330	46	159	400
Middle Atlantic	2,485	1,404	246	607	228
East North Central	3,243	863	251	1,991	138
West North Central	3,617	855	140	2,109	513
South Atlantic	1,646	471	101	926	148
East South Central	1,186	266	35	812	73
West South Central	1,673	748	64	741	120
Mountain	521	224	70	205	22
Pacific	557	225	48	241	43
Total	15,863	5,386	1,001	7,791	1,685

<sup>1/</sup> New England: Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut.

Middle Atlantic: New York, New Jersey, Pennsylvania.

East North Central: Ohio, Indiana, Illinois, Michigan, Wisconsin.

West North Central: Minnesota, Iowa, Missouri, North Dakota, South Dakota, Nebraska, Kansas.

South Atlantic: Delaware, Maryland, District of Columbia, Virginia, West Virginia, North Carolina, South Carolina, Georgia, Florida.

East South Central: Kentucky, Tennessee, Alabama, Mississippi.

West South Central: Arkansas, Louisiana, Oklahoma, Texas.

Mountain: Montana, Idaho, Wyoming, Colorado, New Mexico, Arizona, Utah, Nevada.

Pacific: Washington, Oregon, California.

Number of "Commercial"<sup>1/</sup> banks by geographic divisions. Inasmuch as a large majority of the mutual savings banks, Morris plan and industrial banks, cash depositories, private banks and other miscellaneous classes of nonmember banks are concentrated in the eastern part of the country, in the New England, Middle Atlantic, and South Atlantic geographic divisions, the following tabulation has been prepared to show the geographic distribution of commercial banks only:

Geographic division	Number of commercial banks				
	Total	Member banks		Nonmember banks	
		National	State	Insured	Uninsured
New England	559	330	45	139	45
Middle Atlantic	2,247	1,404	245	575	23
East North Central	3,161	863	250	1,963	85
West North Central	3,600	855	140	2,107	498
South Atlantic	1,499	471	101	870	57
East South Central	1,180	266	35	806	73
West South Central	1,660	748	64	741	107
Mountain	520	224	70	205	21
Pacific	523	225	48	236	14
Total	14,949	5,386	998	7,642	923

This table shows that over two-thirds of all commercial banks in the New England and Middle Atlantic divisions were member banks; in the Mountain and Pacific divisions, over one-half were member banks, and the proportion of member banks decreased in the West North Central and East North Central divisions to a little over one-fourth.

<sup>1/</sup> All of the analyses which follow are limited to the "commercial" banks shown in the table on page 1; the other classes of banking institutions shown in the table have been excluded.

It will be noted from the above tabulation that over one-half of the 923 uninsured banks were in the West North Central states which include, among others, four states that have had experience with deposit guaranty laws: Kansas, Nebraska, South Dakota, and North Dakota. The following list includes the states having over fifty uninsured commercial banks or having over one-fourth of their nonmember commercial banks uninsured:

State	Number of nonmember commercial banks		
	Insured	Uninsured	Percent uninsured
Kansas	254	264	51
Texas	299	79	21
Iowa	438	76	15
Nebraska	230	61	21
Rhode Island	2	7	78
New Hampshire	3	9	75
Maine	16	9	36
Connecticut	45	16	26

419 of the 923 uninsured banks, or approximately 44 percent, are in Kansas, Texas, and Nebraska, three states that had experience with guaranty laws. A high percentage of the nonmember commercial banks in the New England states are uninsured, but there are comparatively few nonmember banks in that division.

Deposits. Although the classification by number of banks showed that less than 43 percent of all commercial banks were member banks, the deposits of member banks comprised over 86 percent of all deposits on December 31, 1935. The total deposits of banks, by classes of banks, together with a comparison of the percentage <sup>of</sup> deposits of banks with the percentage of number of banks in each class are shown as follows:

Class of bank	Amount of deposits (In thousands of dollars)	Percent of total deposits	Percent of total number of commercial banks
Member banks:			
National	24,801,793	55.5	36.0
State	13,648,295	30.6	6.7
Nonmember banks:			
Insured	5,504,040	12.3	51.1
Uninsured	729,680	1.6	6.2
Total	44,683,808	100.0	100.0

According to ratio of demand to total deposits.

Number of banks. An analysis of banks according to the ratio of demand deposits to total deposits showed that well over one-half of the 14,777<sup>1/</sup> commercial banks had demand deposits of from 30 percent to 70 percent of total deposits. Only 493 of the banks were primarily savings banks with ratios of demand deposits to total deposits of less than 20 percent and only 1,472, or about 10 percent, of the banks had demand deposits of 90 percent or more of total deposits. The classification of the banks according to the ratio of demand deposits to total deposits is shown below:

<sup>1/</sup> Exclusive of 172 banks for which the distribution of demand and time deposits was not reported.

Ratio of demand deposits to total deposits	Number of commercial banks				
	Total	Member banks		Nonmember banks	
		National	State	Insured	Uninsured
0.0 percent	28	--	1	21	6
0.1 - 9.9 "	67	13	3	45	6
10 - 19.9 "	398	191	10	180	17
20 - 29.9 "	1,196	574	82	506	34
30 - 49.9 "	4,066	1,547	325	2,089	105
50 - 69.9 "	4,228	1,438	299	2,315	176
70 - 79.9 "	1,856	616	113	1,014	113
80 - 89.9 "	1,466	483	73	779	131
90 - 99.9 "	962	338	72	466	86
100 "	510	186	20	227	77
Total	14,777	5,386	998	7,642	1/ 751

A comparison of the groups indicates that a larger proportion of the nonmember banks, particularly the uninsured banks, have high ratios of demand to total deposits, than have the member banks. More than half of the 751 uninsured banks had demand deposits of 70 percent or over of total deposits, while only about 30 percent of the 5,386 national banks, 28 percent of the 998 State member banks and 33 percent of the 7,642 insured nonmember banks had demand deposits amounting to 70 percent or more of total deposits.

Deposits. The following classification by ratios of demand deposits to total deposits, but showing the total deposits instead of the number of banks, indicates a somewhat similar distribution in the nonmember

1/Exclusive of 172 banks for which the distribution of demand and time deposits was not reported.

groups, but in member banks the bulk of the deposits was in the classifications with high ratios of demand deposits to total deposits:

Ratio of demand deposits to total deposits	Total	Member banks		Nonmember banks		
		National	State	Insured	Uninsured	
(In millions of dollars)						
0.0 percent	78	--	3	28	47	
0.1 - 9.9 "	302	34	21	235	12	
10. - 19.9 "	618	326	35	243	14	
20 - 29.9 "	1,782	916	208	594	64	
30 - 49.9 "	8,351	4,478	2,032	1,788	53	
50 - 69.9 "	7,272	3,717	1,973	1,472	110	
70 - 79.9 "	5,927	4,062	1,320	517	28	
80 - 89.9 "	9,085	7,031	1,658	310	86	
90 - 99.9 "	10,862	4,152	6,342	272	96	
100 "	309	86	56	46	121	
Total	44,586	24,802	13,648	5,505	631	

Over one-half of the deposits of State member banks were in banks having demand deposits of 80 percent or over of total deposits. The 90-99 percent ratio classification of State member banks contained only 72 banks but these banks had deposits of \$6,342,000,000, an average of almost \$90,000,000 per bank, as compared with average deposits of less than \$14,000,000 for all state member banks. The concentration is explained by the fact that the large state member banks in New York City with total deposits of nearly six billion dollars are in this high ratio classification. Similarly, the high average deposits of the national banks in the 80-89.9 percent and 90-99.9 percent ratio classifications are caused by the large New York banks in these classifications. In contrast, however, to the correlation of large member banks with high demand ratios, the member banks which had demand deposits only, were comparatively small banks.

By geographic divisions. Over one-half of the banks in the New England, Middle Atlantic, and East North Central divisions had demand deposits of less than 50 percent of total deposits; and the majority of the banks in the Mountain and West South Central divisions had demand deposits of 70 percent or over of total deposits. The total number of commercial banks in each geographic division is classified by ratio of demand to total deposits in the following table:

Geographic division	Number of commercial banks with the following ratios of demand deposits to total deposits--				
	Total	0-19%	20-49%	50-69%	70-100%
New England	559	62	252	110	135
Middle Atlantic	2,245	223	1,593	297	132
East North Central	3,136	85	1,536	1,023	492
West North Central	3,484	20	774	1,167	1,523
South Atlantic	1,499	59	546	465	429
East South Central	1,168	9	323	469	367
West South Central	1,648	1	46	261	1,340
Mountain	515	5	45	197	268
Pacific	523	29	147	239	108
Total	14,777	493	5,262	4,228	4,794

Percent of total number of banks with the above ratios of demand deposits to total deposits

New England	100	11	45	20	24
Middle Atlantic	100	10	71	13	6
East North Central	100	3	49	33	15
West North Central	100	1	22	33	44
South Atlantic	100	4	36	31	29
East South Central	100	1	28	40	31
West South Central	100	—	3	16	81
Mountain	100	1	9	38	52
Pacific	100	6	28	46	20
Total	100	3	36	29	32

According to population of places in which situated and according to size of loans and investments

Number of banks by size of loans and investments. A classification of the commercial banks on December 31, 1935, according to the amount of loans and investments disclosed a high percentage of small banks. More than 6,000 of the 14,949 banks had loans and investments of less than \$250,000, and 9,073 banks had loans and investments of less than \$500,000. The distribution of banks according to size of loans and investments is shown below:

Size group -- Loans and investments	Number of commercial banks				
	Total	Member banks		Nonmember banks	
		National	State	Insured	Uninsured
Under \$150,000	3,613	407	78	2,596	532
150,000-250,000	2,400	602	115	1,538	145
250,000-500,000	3,060	1,181	172	1,587	120
500,000-1,000,000	2,483	1,235	162	1,024	62
1,000,000-2,000,000	1,623	930	139	522	32
2,000,000-5,000,000	1,071	633	154	271	13
5,000,000-10,000,000	341	203	63	68	7
10,000,000-50,000,000	272	150	76	35	11
50,000,000 and over	86	45	39	1	1
Total	14,949	5,386	998	7,642	923
		<u>Percent of total number of banks</u>			
Under \$250,000	40	19	20	54	73
250,000-500,000	21	22	17	21	13
500,000-1,000,000	17	23	16	13	7
1,000,000-5,000,000	18	29	29	10	5
5,000,000-10,000,000	2	4	6	1	1
10,000,000 and over	2	3	12	1	1
Total	100	100	100	100	100

It will be noted that the percentage of nonmember banks in the smaller size groups was particularly high. Approximately 86 percent of the uninsured banks and 75 percent of the insured nonmember banks had loans and investments of less than \$500,000.

Number of banks by population of places in which situated. A distribution of banks according to the size of community in which they were situated showed that over one-half of the nonmember banks were in towns of less than 1,000 population and that over one-half of the member banks were in towns with populations of less than 5,000. The distribution according to population is shown in the following table:

Population of city	Number of commercial banks				
	Total	Member banks		Nonmember banks	
		National	State	Insured	Uninsured
Under 500	3,020	339	74	2,169	438
500-1,000	2,615	676	96	1,662	181
1,000-2,500	3,143	1,279	183	1,563	118
2,500-5,000	1,849	908	132	755	54
5,000-10,000	1,361	738	100	488	35
10,000-25,000	1,170	648	111	392	19
25,000-50,000	531	280	63	178	10
50,000-100,000	342	164	49	113	16
100,000 and over	918	354	190	322	52
Total	14,949	5,386	998	7,642	923
		Percent of total number of banks			
Under 1,000	38	19	17	50	67
1,000-2,500	21	24	18	20	13
2,500-5,000	12	17	13	10	6
5,000 and over	29	40	52	20	14
Total	100	100	100	100	100

Banks with loans and investments of less than \$500,000. The following table shows that 7,654 of the 9,073 banks with loans and investments of less than \$500,000 were situated in towns with populations of less than 2,500:

Population of city	Number of commercial banks having loans and investments of less than \$500,000				
	Total	Member banks		Nonmember banks	
		National	State	Insured	Uninsured
Under 500	2,933	307	70	2,120	436
500-1,000	2,375	551	89	1,557	178
1,000-2,500	2,346	838	133	1,275	100
2,500-5,000	836	336	56	415	29
5,000-10,000	305	124	13	154	14
10,000-25,000	110	22	3	76	9
25,000-50,000	39	4	--	29	6
50,000-100,000	37	5	--	24	8
100,000 and over	92	3	1	71	17
Total	9,073	2,190	365	5,721	797
		<u>Percent of number of banks</u>			
Under 1,000	59	39	44	64	77
1,000-2,500	26	38	36	23	12
2,500-5,000	9	16	15	7	4
5,000 and over	6	7	5	6	7
Total	100	100	100	100	100

A similar classification of banks with loans and investments of less than \$250,000 showed that nearly 95 percent of them were situated in towns with populations of less than 2,500.

In the classification shown in the table above and in the classification of banks with loans and investments of less than \$250,000, there appear some exceptional cases of small banks being in the larger cities;

it is probable that these banks are in the outlying or residential districts of the large cities. An analysis by states of the 168 banks with loans and investments of less than \$500,000 which were situated in cities of over 25,000 population indicates no unusual concentration. They were scattered among 34 states and the District of Columbia and the only states having 10 or more were:

State	Number of commercial banks with loans and investments of less than \$500,000 located in cities of 25,000 or over population
Indiana	14
Wisconsin	17
Minnesota	11
Kansas	10
Missouri	14

There were 13 member banks with loans and investments of less than \$500,000 located in cities with population of 25,000 or over. They were located in the following states: Massachusetts, Rhode Island, Pennsylvania, Nebraska, Indiana, Kentucky, Texas, Colorado, and California.

Banks with loans and investments of \$1,000,000 and over. The following classification of banks with loans and investments of over \$1,000,000 according to the population of the places in which they were situated shows that comparatively few banks of this size were in the smaller towns; only 222 or about 7 percent of the banks of this size were found to be in towns of less than 2,500 population:

Population of city	Number of commercial banks having loans and investments of \$1,000,000 or over				
	Total	Member banks		Nonmember banks	
		National	State	Insured	Uninsured
Under 2,500	222	147	14	60	1
2,500-5,000	375	236	32	98	9
5,000-10,000	552	336	47	160	9
10,000-25,000	810	499	85	218	8
25,000-50,000	433	260	57	113	3
50,000-100,000	270	153	49	64	4
100,000 and over	731	330	187	184	30
Total	3,393	1,961	471	897	64
		<u>Percent of number of banks</u>			
Under 2,500	7	8	3	7	2
2,500-5,000	11	12	7	11	14
5,000 and over	82	80	90	82	84
Total	100	100	100	100	100

As in the case of small banks in large cities, it is probable that some of the large banks in small places are due to special circumstances, such as being in suburban villages adjacent to large cities. For instance, one bank with loans and investments of over eighteen million dollars in the 250 to 500 population classification was the National Stock Yards National Bank of National City, Illinois, in the stock yards district across the river from St. Louis.

By geographic divisions. When banks with loans and investments of less than \$500,000 were classified geographically it was found that the New England and Middle Atlantic divisions had comparatively few of the smaller banks; however, in the West North Central and West South Central divisions approximately 80 percent of the banks had loans and investments of less

\$500,000. The geographic distribution of banks with loans and investments of less than \$500,000 is indicated in the following table:

Geographic division	Banks having loans and investments of less than \$500,000	
	Number of banks	Percent of total banks in division
New England	99	18
Middle Atlantic	487	22
East North Central	1,884	60
West North Central	2,905	81
South Atlantic	891	59
East South Central	853	72
West South Central	1,312	79
Mountain	352	68
Pacific	290	55
Total	9,073	61

The following table shows that in the West North Central and the West South Central states, which had the largest percentages of small banks, about 3,800 of the 5,260 banks in operation were situated in towns with a population of less than 2,500, compared with only 883 out of a total of 2,806 banks in operation in the New England and Middle Atlantic states, which had comparatively few small banks.

Geographic division	Number of commercial banks located in places with a population of --			
	Total	Under 2,500	2,500 to 5,000	5,000 and over
New England	559	100	74	385
Middle Atlantic	2,247	783	381	1,083
East North Central	3,161	1,872	334	955
West North Central	3,600	2,742	289	569
South Atlantic	1,499	851	209	439
East South Central	1,180	798	165	217
West South Central	1,660	1,055	250	355
Mountain	520	311	70	139
Pacific	523	266	77	180
Total	14,949	8,778	1,849	4,322

Percent of total number of banks

New England	100	18	13	69
Middle Atlantic	100	35	17	48
East North Central	100	59	11	30
West North Central	100	76	8	16
South Atlantic	100	57	14	29
East South Central	100	68	14	18
West South Central	100	64	15	21
Mountain	100	60	13	27
Pacific	100	51	15	34
Total	100	59	12	29

There was a rather close correlation between the proportion of banks in a geographic division in places with population of less than 2,500, and the proportion of banks that had loans and investments of less than \$500,000. The percentages are repeated below for comparative purposes.

Geographic division	Percent of total banks in division --	
	With loans and investments of less than \$500,000	In places with population of less than 2,500
New England	18	18
Middle Atlantic	22	35
East North Central	60	59
West North Central	81	76
South Atlantic	59	57
East South Central	72	68
West South Central	79	64
Mountain	68	60
Pacific	55	51

Population per bank. The population per bank in the West North Central states was only 3,800 as contrasted with population per bank of over 10,000 in the Middle Atlantic, South Atlantic and Pacific divisions. The approximate population per bank, based on 1935 Bureau of Census population estimates, is shown below:

Geographic division	Population per bank <sup>1/</sup>
New England	15,200
Middle Atlantic	12,100
East North Central	8,100
West North Central	3,800
South Atlantic	11,600
East South Central	8,900
West South Central	7,700
Mountain	7,100
Pacific	15,800
Total	8,500

<sup>1/</sup> If the mutual savings banks, Morris Plan and industrial banks, private banks and the various other classes of banking institutions shown in the table on page 1 were included in the calculations the population per bank would be lowered to 8,000 for the country as a whole, to 9,100 in the New England States, 11,000 in the Middle Atlantic States, and to 10,500 in the South Atlantic States. In the other geographic divisions the addition of the other banking institutions to the commercial banks would not materially change the population per bank.

According to size of deposits.

The following table shows that the distribution of banks according to size of deposits is very similar to the distribution by size of loans and investments:

Size group -- Loans and investments or deposits	Distribution by size of loans and investments		Distribution by size of deposits	
	Number of banks	Percent of total	Number of banks	Percent of total
Under \$150,000	3,613	24	2,449	16
150,000-250,000	2,400	16	2,237	15
250,000-500,000	3,060	21	3,441	23
500,000-1,000,000	2,483	17	2,841	19
1,000,000-2,000,000	1,623	11	1,856	12
2,000,000-5,000,000	1,071	7	1,271	9
5,000,000-10,000,000	341	2	420	3
10,000,000-50,000,000	272	2	325	2
50,000,000 and over	86	--	109	1
Total	14,949	100	14,949	100

It will be noted from the above table that in the two smallest size groups the number of banks in the deposit classification was less than the number in the loans and investment classification, but in the larger size groups there were more banks in the deposit classification than in the loans and investment classification. This results from the fact that the loans and investments of the average bank are less than its deposits. In the following table the total loans and investments and total deposits of all commercial banks on December 31, 1935 are compared:

	Total	Member banks		Nonmember banks	
		National	State	Insured	Uninsured
(In millions of dollars)					
Loans and investments	35,157	18,950	10,968	4,642	597
Deposits	44,684	24,802	13,648	5,504	730
Deposits percent of loans and investments	127.1	130.9	124.4	118.6	122.3

This comparison shows that the average deposits of all banks were 27 percent greater than the average loans and investments. It seems quite probable that if the banks were distributed into size groups according to total deposits approximately 27 percent larger than the corresponding loans and investments size groups, the number of banks in the corresponding groups would be about the same.

Insured nonmember banks with deposits of \$1,000,000 or more. Under the terms of the Banking Act of 1935 insured nonmember banks having average deposits of \$1,000,000 or more during the year 1941 will be required to join the Federal Reserve System or forfeit their insurance privileges. On December 31, 1935, there were 1,118 insured nonmember banks with deposits of \$1,000,000 or more. Of these banks 1,042 were located in 28 states, as shown in the following table:

State	Number of insured nonmember banks with deposits of \$1,000,000 or over	State	Number of insured nonmember banks with deposits of \$1,000,000 or over
<u>New England</u>		<u>South Atlantic</u>	
Maine	11	Maryland	22
Vermont	20	Virginia	22
Massachusetts	29	West Virginia	18
Connecticut	32	North Carolina	29
<u>Middle Atlantic</u>		Georgia	12
New York	97	Florida	10
New Jersey	66	<u>East South Central</u>	
Pennsylvania	147	Kentucky	26
<u>East North Central</u>		Tennessee	12
Ohio	70	Mississippi	21
Indiana	72	<u>West South Central</u>	
Illinois	66	Louisiana	15
Michigan	34	Texas	14
Wisconsin	49	<u>Pacific</u>	
<u>West North Central</u>		California	<u>36</u>
Minnesota	14	Total, 28 States	1,042
Iowa	46	Total, 21 other States <sup>1/</sup>	76
Missouri	32		
Kansas	20		

<sup>1/</sup> Including District of Columbia.

236 of the insured nonmember banks with deposits of \$1,000,000 or more on December 31, 1935, were situated in the Chicago Federal Reserve district, 160 in the New York district and 148 in the Cleveland district. The insured nonmember banks with deposits on December 31, 1935 of \$1,000,000 or more are distributed by Federal Reserve districts as follows:

Federal Reserve district	Number of insured nonmember banks with deposits of \$1,000,000 or over
Boston	83
New York	160
Philadelphia	112
Cleveland	148
Richmond	99
Atlanta	57
Chicago	236
St. Louis	78
Minneapolis	24
Kansas City	47
Dallas	20
San Francisco	54
Total	1,118

According to ratios of total capital account to total deposits.

Number of banks. The classification of all commercial banks according to the ratio of total capital account<sup>1/</sup> to total deposits disclosed that a great majority of the banks had book capital accounts amounting to more than 10 percent of total deposits. 9,544, or more than one-half of the 14,949 commercial banks, had ratios of total capital accounts to total deposits of 15 percent or over. Only 420 banks, or about 3 percent, had capital ratios of less than 8 percent and 1,321 banks, or approximately 9 percent

<sup>1/</sup> Aggregate book value of capital stock, capital notes and debentures, surplus, undivided profits and reserves.

of the total, had capital ratios of less than 10 percent. The number of banks and a percentage distribution of the number of banks in the capital ratio classifications are shown in the following table:

Ratio of book capital account to total deposits	Number of commercial banks				
	Total	Member banks		Nonmember banks	
		National	State	Insured	Uninsured
Less than 6 percent	60	27	1	26	6
6 - 7.9 "	360	154	30	153	23
8 - 9.9 "	901	405	73	380	43
10 -14.9 "	4,084	1,691	372	1,829	192
15 -19.9 "	3,577	1,424	247	1,753	153
20 and over "	5,967	1,685	275	3,501	506
Total	14,949	5,386	998	7,642	923

  

Percent of total number of banks					
Less than 8 percent	3	3	3	2	3
8 - 9.9 "	6	8	8	5	5
10 - 14.9 "	27	31	37	24	21
15 and over	64	58	52	69	71
Total	100	100	100	100	100

Book capital account and net sound capital. It must be remembered that the capital ratios used in the above table are based on the book capital at December 31, 1935, unadjusted for appreciation or depreciation in securities, or other hidden assets, or assets classified in reports of examination as loss or doubtful, but still carried on the banks' books. The following comparison shows the distribution of insured nonmember banks according to capital ratios, based on net sound capital at the date of the most recent report of examination by the Federal Deposit Insurance Corporation during 1935<sup>1/</sup>, and based on book capital at December 31, 1935. (Com-

<sup>1/</sup> Annual Report of the Federal Deposit Insurance Corporation for the year ending December 31, 1935, page 43.

parable data are not available for member banks or for uninsured non-member banks):

Ratios based on -	Percent of insured nonmember banks with capital ratios to total deposits of -		
	Over 10%	5 to 10%	Under 5%
Net sound capital at date of latest examination during 1935, by Federal Deposit Insurance Corporation <sup>1/</sup>	87	11	2
Book capital, Dec. 31, 1935	93	6	1

Some of the improvement indicated between the examination date and December 31, 1935, may be real, due to continued rehabilitation of banks during 1934-1935, current earnings, and the rise in security prices during this period; but the comparison indicates that the book capital ratios should be scaled down somewhat to reflect the ratio distribution based on net sound capital.

Total deposits. Another classification was made according to total deposits rather than according to the number of banks and it was found that about 11 percent of total deposits were in banks that had capital ratios of less than 8 percent and that over 25 percent of all deposits were in banks with capital ratios of less than 10 percent. The percent of deposits in uninsured banks that had capital ratios of less than 8 percent or 10 percent was similar to the percent of the number of banks, but in the insured nonmember and member groups the proportion of the total deposits in banks with capital ratios of less than 8 percent or 10 percent was considerably larger than the proportion of the number of banks with lower

<sup>1/</sup> Annual Report of the Federal Deposit Insurance Corporation for the year ending December 31, 1935, page 43.

capital ratios. This indicates that the larger banks had lower capital ratios than the smaller sized banks. The following table shows the deposits and the percent of total deposits in each capital ratio group:

Ratio of book capital account to total deposits	Deposits (in millions of dollars)				
	Total	Member banks		Nonmember banks	
		National	State	Insured	Uninsured
Less than 6 percent	570	501	6	57	6
6 - 7.9 "	4,246	3,111	926	190	19
8 - 9.9 "	6,522	4,373	1,614	510	25
10 - 14.9 "	19,406	11,796	5,609	1,861	140
15 - 19.9 "	8,550	2,898	4,301	1,228	123
20 and over	5,390	2,123	1,193	1,658	416
Total	44,684	24,802	13,649	5,504	729
<u>Percent of total deposits</u>					
Less than 8 percent	11	15	7	5	4
8 - 9.9 "	15	18	12	9	3
10 - 14.9 "	43	47	41	34	19
15 and over	31	20	40	52	74
Total	100	100	100	100	100

In contrast to the classification according to the number of banks, the above classification by total deposits indicates that only in the nonmember groups were <sup>there</sup> over one-half of the total deposits in banks having capital ratios of over 15 percent. Nearly two-thirds of all banks had book capital ratios of over 15 percent but less than one-third of all deposits were in banks with this high ratio.

By geographic divisions. As shown by the following table, 420 banks with ratios of total capital accounts to total deposits of less than 8 percent

were concentrated largely in the West North Central and the East North Central states:

Geographic Division	Number of banks with ratio of capital account to total deposits of less than 8 percent				
	Total	Member banks		Nonmember banks	
		National	State	Insured	Uninsured
New England	2	—	1	—	1
Middle Atlantic	4	1	1	2	—
East North Central	94	39	11	39	5
West North Central	145	45	9	75	16
South Atlantic	35	15	3	17	—
East South Central	25	8	1	12	4
West South Central	53	37	—	14	2
Mountain	45	26	4	15	—
Pacific	17	10	1	5	1
Total	420	181	31	179	29

Banks not on the Federal Reserve Par List.

On December 31, 1935, there were 2,553 nonmember commercial banks with deposits of \$743,000,000 that were not on the Federal Reserve par list. The banks not on the par list represented approximately 30 percent of the number but only 13 percent of the deposits of all nonmember commercial banks. The Boston, New York, Philadelphia and Cleveland Federal Reserve districts did not contain a single bank not on the par list, and

in the other 8 districts<sup>1/</sup> it was found that the banks not on the par list were concentrated in the Southeastern part of the country and in a few North Central States, as shown below:

State	Number of nonmember banks	
	Total in State	Not on par list
North Carolina	160	144
South Carolina	80	75
Georgia	198	188
Florida	95	78
Tennessee	245	178
Alabama	129	124
Mississippi	181	174
Arkansas	164	99
Louisiana	116	104
North Dakota	137	133
South Dakota	124	100
Nebraska	291	157
Minnesota	465	392
Wisconsin	487	164
Total, 14 States	2,872	2,110
Total, 15 other States	3,921	443

<sup>1/</sup>During 1936 a number of national banks in the Minneapolis Federal Reserve district have converted into State banks and have withdrawn from the par list. In this connection the following excerpt is taken from a report of Mr. Preston of the Minneapolis Federal Reserve Bank, submitted to the Board with Mr. Peyton's letter of October 24, 1936:

"A large number of national banks visited indicated that they were giving serious consideration to surrendering their national charters and operating as state institutions, thereby permitting them to increase their earnings through the revenue derived from exchange. This exchange situation is a serious one in our district, and I am satisfied beyond a reasonable doubt that we have very little chance of obtaining any new state members and that many national banks will eventually surrender their charters for conversion into state institutions. Now if all banks were permitted to make an exchange charge, or if a nation-wide arrangement could be devised whereby the maker's account would be charged on a uniform basis of, say, 10¢ a hundred dollars, when checks were issued and transmitted out of its trade territory, that we would experience little difficulty in bringing into the System virtually all the State banks that could qualify. I have often wondered whether the supervising authorities at Washington are fully cognizant of this exchange situation as it exists in the Ninth District and the necessity for corrective legislation."

By size of deposits. The classification of banks not on the par list by size of banks showed that the banks were even smaller than the average nonmember bank. The average deposits of nonmember banks were \$727,000 on December 31, 1935, compared with average deposits of banks not on the par list of \$309,000. 1,590 of the 2,553 banks not on the par list had deposits of less than \$250,000 and 2,190 had deposits of less than \$500,000. The concentration of the non-par banks in the small size groups is shown in the following table:

Size group - deposits	Number of banks		Deposits (In thousands of dollars)	
	All nonmember commercial banks	Banks not on par list	All nonmember commercial banks	Banks not on par list
Under \$150,000	2,237	988	209,063	89,443
150,000-250,000	1,734	602	338,494	116,852
250,000-500,000	2,098	600	734,549	206,218
500,000-1,000,000	1,298	270	908,229	183,832
1,000,000-5,000,000	1,052	87	1,962,919	130,523
5,000,000 and over	146	6	2,080,466	61,907
Total	8,565	2,553	6,238,720	788,775

By population of town. 1,001 of the 2,553 banks not on the par list were located in places with a population of under 500, and 1,654 were located in places with a population of less than 1,000. By population of towns in which situated the non-par banks are distributed as follows:

Population of town	Number of banks not on par list
Under 500	1,001
500 - 1,000	653
1,000 - 2,500	569
2,500 and over	330
Total	2,553

Capital requirements for Federal Reserve membership and for conversion into national banks.

Under the terms of section 9 of the Federal Reserve Act, as amended, and Regulation H, to be eligible for admission to membership in the Federal Reserve System a State bank, other than a mutual savings bank, must possess sufficient capital<sup>1/</sup> to entitle it to become a national banking association in the place where it is situated. There are certain exceptions to this requirement, however, two of which are:

1. banks organized prior to June 16, 1933 (the date of the approval of the Banking Act of 1933) situated in a place the population of which does not exceed 3,000 inhabitants, and at the time of admission having a capital of not less than \$25,000, may be admitted to membership, and
2. banks (whether or not organized prior to June 16, 1933) situated in a place the population of which does not exceed 3,000 inhabitants, and which are entitled to the benefits of insurance and have a capital of not less than \$25,000, may be admitted to membership.

A mutual savings bank must possess surplus and undivided profits of not less than the amount of capital required for the organization of a national bank in the place where it is situated in order to be eligible for membership.

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<sup>1/</sup> The word "capital" refers to capital stock only.

The minimum capital required for the organization of a national bank is as follows:

If located in a city or town with a population --	Minimum capital <sup>1/</sup>
Not exceeding 6,000 inhabitants	\$50,000
Exceeding 6,000 but not exceeding 50,000 inhabitants	100,000
Exceeding 50,000 inhabitants (except as stated below)	200,000
In an outlying district of a city with a population exceeding 50,000 inhabitants; provided State law permits organization of State banks in such location with a capital of \$100,000 or less	100,000

Banks operating branches (other than branches outside the head office city established after February 25, 1927) are subject to the same capital requirements as banks operating no branches at all. Banks operating branches outside of the head office city established since February 25, 1927, are required to have \$500,000 of capital unless they are located in a State the population of which is less than 500,000 and the largest city in which has a population of less than 50,000, in which circumstances the minimum capital required is \$100,000; or if located in a State with a population of less than 1,000,000, the largest city in which has a population of less than 100,000, the minimum capital requirement is \$250,000. It is also required that the aggregate capital of banks with such branches must not be less than the aggregate minimum required for the establishment of an equal number of national banks situated in the various places in which such bank and its branches are situated.

<sup>1/</sup> The word "capital" refers to capital stock only.

Nonmember banks (other than mutual savings banks) with insufficient capital for Federal Reserve membership

Number of banks and total deposits. On December 31, 1935, 2,835 banks, other than mutual savings banks<sup>1/</sup>, with deposits of \$964,000,000 had insufficient capital to qualify for Federal Reserve membership. Of the 2,835 banks ineligible for membership, 319 with deposits of \$303,000,000 were operating branches outside of the head office city established after February 25, 1927, and were thus subject to higher capital requirements than the remaining 2,516 banks with deposits of \$661,000,000 which were not operating such branches.

Additional capital required for Federal Reserve membership. The 2,835 ineligible banks had total capital of \$90,000,000 on December 31, 1935. They would have needed \$187,000,000 of additional capital to qualify for Federal Reserve membership. The 2,516 banks operating no branches outside of the head office city established after February 25, 1927, had capital of \$63,000,000 and they would have needed \$58,000,000 of additional capital for Federal Reserve membership. The 319 banks with branches which were subject to higher capital requirements had capital of \$27,000,000 on December 31, 1935, and would have needed additional capital of nearly \$130,000,000 to qualify for membership. The total present capital and the additional capital required by the ineligible banks for Federal Reserve membership are tabulated below:

<sup>1/</sup> On December 31, 1935, 37 of the 567 mutual savings banks in operation had insufficient surplus and undivided profits to qualify for Federal Reserve membership. The 37 banks not eligible for Federal Reserve membership had surplus and undivided profits of \$2,592,000 on that date and they would have needed additional capital funds of \$2,863,000 to qualify for membership.

	Present capital	Additional capital required for Federal Reserve membership
(In thousands of dollars)		
2,516 banks operating no branches outside the head office city established after February 25, 1927	63,003	57,572
319 banks operating one or more branches outside the head office city established after February 25, 1927	26,970	129,830
Total, 2,835 banks	89,973	187,402

Ratio of capital to deposits. The 2,835 banks with insufficient capital to qualify for Federal Reserve membership on December 31, 1935, had a ratio of capital to deposits of 9.3 percent and a ratio of total capital account (capital, surplus, and undivided profits/ and reserves) to deposits of 15.5 percent. If the capital of these banks was increased to the minimum capital required for membership they would have a ratio of capital to deposits of 28.7 percent. Because of the higher capital requirements for banks operating branches outside the head office city established after February 25, 1927, the minimum capital required for Federal Reserve membership would provide a ratio of capital to deposits for these banks of 51.8 percent. These ratios are summarized in the following table:

	Ratio to total deposits of --		
	Present capital	Total capital account	Minimum capital required for membership
2,516 banks operating no branches outside the head office city established after Feb. 25, 1927	9.5%	16.4%	18.2%
319 banks operating one or more branches outside the head office city established after February 25, 1927	8.9	13.7	51.8
Total, 2,835 banks	9.3	15.5	28.7

By size of capital stock. From the following table it will be seen that 1,920 of the 2,835 nonmember banks, other than mutual savings banks, with insufficient capital for Federal Reserve membership on December 31, 1935, were banks with capital of less than \$25,000:

Banks with capital stock of --	Number of nonmember banks		
	Total	Banks operating no branches outside the head office city established after Feb. 25, 1927	Banks operating one or more branches outside the head office city established after Feb. 25, 1927
Under \$25,000	1,920	1,898	22
25,000 - 50,000	359	260	99
50,000-100,000	351	255	96
100,000-200,000	176	103	73
200,000 and over	29	--	29
Total	2,835	2,516	319

By size of deposits. 1,345 of the 2,835 banks not eligible for membership on December 31, 1935 because of insufficient capital had total deposits of less than \$150,000 and 2,346 of the banks had deposits of less than \$500,000. By size of deposits the banks are distributed as follows:

Banks with total deposits of --	Number of nonmember banks		
	Total	Banks operating no branches outside the head office city established after Feb. 25, 1927	Banks operating one or more branches outside the head office city established after Feb. 25, 1927
Under \$150,000	1,345	1,340	5
150,000-250,000	521	477	44
250,000-500,000	480	393	87
500,000-1,000,000	284	190	94
1,000,000-2,000,000	162	97	65
2,000,000 and over	43	19	24
Total	2,835	2,516	319

By population of city. The following table shows that 1,851 of the 2,835 ineligible banks were located in places with a population of less than 1,000 and 2,073 were located in places with a population of less than 3,000:

Population of city	Number of nonmember banks		
	Total	Banks operating no branches outside the head office city established after Feb. 25, 1927	Banks operating one or more branches outside the head office city established after Feb. 25, 1927
Under 1,000	1,851	1,773	78
1,000-3,000	222	154	68
3,000-6,000	187	143	44
6,000-50,000	288	243	45
50,000 and over	287	203	84
Total	2,835	2,516	319

By States. 2,145 of the 2,835 banks with insufficient capital for Federal Reserve membership were located in the 15 States named in the table below. It will be noted that Kansas, Missouri, Minnesota, and Iowa each had more than 200 banks with insufficient capital on December 31, 1935, to qualify for Federal Reserve membership.

State	Number of banks	Present capital	Additional capital required for Federal Reserve membership
		(In thousands of dollars)	
Kansas	321	6,236	5,764
Missouri	284	5,728	5,897
Minnesota	264	5,356	4,844
Iowa	211	7,116	43,909
Kentucky	138	3,078	5,722
Oklahoma	138	2,356	2,544
Wisconsin	130	6,225	26,950
Nebraska	115	2,100	2,200
Tennessee	112	2,549	5,351
Texas	94	2,119	1,481
Illinois	75	2,342	1,583
Mississippi	68	2,286	7,014
Georgia	67	1,719	1,831
Indiana	65	4,098	11,402
Michigan	63	1,278	3,122
Total, 15 States	2,145	54,586	129,614
Total, 33 other States	690	35,387	57,788
Total, United States	2,835	89,973	187,402

Banks operating branches, by States. The 319 branch banks subject to higher capital requirements for Federal Reserve membership were located principally in seven States, Iowa, Wisconsin, North Carolina, Indiana, Virginia, Mississippi and Louisiana. The following table shows that the 245 branch banks in the seven States needed more than \$100,000,000 of additional capital to qualify for Federal Reserve membership under present law.

State	Number of banks	Present capital	Additional capital required for Federal Reserve membership
		(In thousands of dollars)	
Iowa	93	4,570	41,930
Wisconsin	59	4,175	25,325
North Carolina	27	3,995	9,955
Indiana	21	1,652	8,848
Virginia	20	1,860	8,140
Mississippi	15	1,213	6,287
Louisiana	10	1,312	3,688
Total, 7 states	245	18,777	104,173
Total, 19 other states	74	8,193	25,657
Total, United States	319	26,970	129,830

Banks with insufficient capital for conversion into national banks.

Number of banks and total deposits. On December 31, 1935, 5,963 banks, exclusive of mutual savings banks, with deposits of \$1,731,420, operating in the United States, had insufficient capital for conversion into national banks. These banks are classified as follows:

Classes of banks	Number of banks	Deposits (In thousands of dollars)
State member banks	237	82,524
Nonmember banks:		
With sufficient capital for Federal Reserve membership but not for conversion into national banks	2,891	685,193
With insufficient capital for Federal Reserve membership or for conversion into national banks	2,835	963,703
Total	5,963	1,731,420

Additional capital required for conversion into national banks.

As may be seen from the following table, the 5,963 banks would have needed \$252,697,000 of additional capital for conversion into national banks. The total capital of the banks on December 31, 1935, amounted to \$181,703,000 divided between State member banks and nonmember banks as follows:

Classes of banks	Present capital	Additional capital required for conversion into national banks
(In thousands of dollars)		
237 State member banks	7,426	5,074
Nonmember banks:		
2,891 banks with sufficient capital for Federal Reserve membership	84,304	60,246
2,516 banks operating no branches outside the head office city established after Feb. 25, 1927 with insufficient capital for Federal Reserve membership or for conversion into national banks	63,003	57,572
319 banks operating branches outside the head office city established after Feb. 25, 1927 with insufficient capital for Federal Reserve membership or for conversion into national banks	26,970	129,830
Total, 5,963 banks	181,703	252,722

The 319 nonmember banks operating branches outside of the head office city established after February 25, 1927, were deficient more than \$129,830,000 of capital for conversion and the 5,643 banks without such branches were short \$122,892,000 of capital for conversion.

Ratio of capital to deposits. The 5,963 banks with insufficient capital for conversion into national banks had a ratio of capital to deposits of 10.5 percent and a ratio of total capital account (capital, and reserves) surplus, undivided profits/ to deposits of 16.5 percent. If the capital of these banks was increased to the minimum capital required for membership the banks would have a ratio of capital to deposits of 25.5 percent. These ratios are summarized in the following table:

Classes of banks	Ratio to total deposits of --		
	Present capital	Total capital account	Minimum capital required for conversion into national banks
237 State member banks	14.8%	9.0%	15.1%
5,726 nonmember banks	10.6	25.6	16.6
Total, 5,963 banks	10.5	16.5	25.1

In the case of banks operating branches outside the head office city established after February 25, 1927, the ratio of minimum capital required for conversion into national banks to total deposits of the banks on December 31, 1935, would amount to more than 50 percent.

By size of capital stock. The distribution of the 5,963 banks with insufficient capital on December 31, 1935 for conversion into national banks shows that 1,920 of the banks had capital of less than \$25,000 and 3,473 had capital of from \$25,000 to \$50,000. Included in the 3,473 banks with capital of from \$25,000 to \$50,000 are 2,891 that had sufficient capital for Federal Reserve membership but lacked sufficient capital for conversion into national banks. These figures are summarized in the following table:

Banks with capital stock of --	Number of banks		
	Total	State member banks	Nonmember banks
Under \$15,000	721	--	721
15,000-25,000	1,199	--	1,199
25,000-50,000	3,473	223	*3,250
50,000-100,000	363	12	351
100,000-200,000	178	2	176
200,000 and over	29	--	29
Total	5,963	237	*5,726

\*2,891 of these banks had sufficient capital on December 31, 1935, for Federal Reserve membership but not for conversion into national banks.

By size of deposits. 2,196 of the 5,963 banks with insufficient capital on December 31, 1935 for conversion into national banks had total deposits of less than \$150,000, and 5,276 of these banks had deposits of less than \$500,000. The banks are distributed by size of deposits as follows:

Banks with deposits of --	Number of banks		
	Total	State member banks	Nonmember banks
Under \$150,000	2,196	33	2,163
150,000-250,000	1,599	64	1,535
250,000-500,000	1,481	95	1,386
500,000-1,000,000	471	40	431
1,000,000 and over	216	5	211
Total	5,963	237	5,726

By population of city. 4,042 of the 5,963 banks with insufficient capital for conversion into national banks were located in places with a population of less than 1,000. By population of cities in which located, the 5,963 banks are distributed as follows:

Population of city	Number of banks		
	Total	State member banks	Nonmember banks
Under 1,000	4,042	130	3,912
1,000-3,000	1,147	95	1,052
3,000-6,000	190	3	187
6,000-50,000	295	7	288
50,000 and over	289	2	287
Total	5,963	237	*5,726

\*The 2,891 banks with sufficient capital for Federal Reserve membership but not for conversion into national banks were distributed as follows: 2,061 in places with population of less than 1,000 and 830 in places with a population of 1,000 to 3,000.

By States. The banks with insufficient capital on December 31, 1935, for conversion into national banks were concentrated principally in the East North Central and West North Central States -- 4,346 of the 5,963 banks were situated in 15 States, as shown by the following table:

State	Number of banks	Present capital	Additional capital required for conversion into national banks
(In thousands of dollars)			
Kansas	474	10,476	9,174
Missouri	466	10,976	9,749
Iowa	436	13,191	49,134
Minnesota	431	10,124	8,426
Illinois	304	8,945	6,630
Nebraska	276	6,465	5,885
Wisconsin	273	10,914	29,411
Texas	255	7,142	4,558
Indiana	250	10,081	14,669
Kentucky	237	5,946	7,804
Michigan	213	7,509	8,191
Ohio	204	7,894	6,856
Tennessee	192	4,843	7,057
Oklahoma	181	3,471	3,579
Georgia	154	4,171	3,729
Total, 15 States	4,346	122,148	174,852
Total, 34 other States <sup>1/</sup>	1,617	59,555	77,870
Total, United States	5,963	181,703	252,722

<sup>1/</sup> Including the District of Columbia.