

Zion's Savings Bank and Trust Company

HEBER J. GRANT, President
JOHN F. BENNETT, Vice President
GEO. S. SPENCER, Vice President
WILLARD R. SMITH, Cashier
WM. M. EWAN, Asst. Cashier
J. FORBES DONE, Asst. Cashier
WM. T. PATRICK, Asst. Cashier

CAPITAL \$ 1,000,000.00 - SURPLUS \$ 500,000.00

Salt Lake City, Utah

March 30, 1935.

Mr. Marriner S. Eccles,
Governor, Federal Reserve Board,
Washington, D.C.

Dear Mr. Eccles:-

The Cashier of Zion's Savings Bank and Trust Company informs me he has written you in some detail regarding four Amendments to the "Banking Act of 1935," and "The Federal Reserve Act," which are very desirable for strictly stock savings banks. He has been talking to me regarding the Amendments, and it does appear to me that it is nothing but fair that our non-mutual banks should enjoy the same favorable legislation accorded mutual banks. It does not seem right to classify us on the same basis as commercial institutions, when we so closely resemble in our operations mutual banks.

The Cashier of the bank has submitted to me his arguments in favor of the Amendments. These I have read and heartily concur therein. I sincerely hope you will view them with the same favor and use your influence to have them incorporated in the new laws.

I am taking the liberty of enclosing a copy of the arguments, as submitted to me, and also a copy of the suggested Amendments to the Act.

Yours very truly,



President.

Inc. Argu. & Amdts.

5-3-d
5-3-d
5-3-d

No.1 Savings Banks guarantee of all types of deposits: 12

If the country is to have permanent deposit insurance, the great criticism of the present Act is that all banks are put together in one group, when their methods of business are, in many cases, diametrically opposed, some pay interest on practically all of their deposits, while others pay no interest on any deposits and therefore require entirely different handling of their resources.

Insurance for savings banks should command a very low rate compared with commercial and other types of banks. All savings bank loans can be made only on the highest type of security and the classes of security and the conservative margins required are plainly stated in State Banking Acts.

It is neither fair nor just to mutual savings banks and strictly savings banks, as operated under western conditions, to link them with departmental banks, commercial banks and trust companies where money is shunted from one department to the other, as the opportunity offers to play with the savings of savings depositors,

Real savings banks operated as such, are a boon to the man or woman of small means. Conditions in the West are different from those in the Eastern States, hence codes, rules and regulations should vary in each Federal Reserve District to conform to existing conditions or customs not in conflict with good savings bank practices.

National banks under several administrations have been receiving the individual savings of the people and issuing savings pass books showing deposits and the money so received credited to the depositor as a savings deposit, but here it ends. In practice, from here on, the money so received is put into and

mingled with the other funds of the national bank, a commercial institution.

In a national bank, the people's savings deposits can be loaned on notes of hand at will by the officials of the bank and, if they choose, without any security whatsoever to protect the loan except the personal responsibility of the recipient of the loan.

In the interest of safety, no money so deposited by savings depositors should be loaned without the borrower first putting up ample approved security to secure the money so loaned. In California, and other States, the law governing State Banks requires that no money received from savings deposits be loaned either by strictly savings banks, mutual savings banks, or by a savings department of a departmental bank except on ample and approved security. These provisions are apparently entirely ignored in the National Bank Act.

By combinations and other manipulations, banks incorporated principally for commercial business have acquired the people's savings deposits, sometimes in amounts almost double their commercial deposits. In one instance, in a published statement, a national bank has approximately two hundred sixty millions in commercial deposits and approximately four hundred sixty millions in savings deposits, all dumped into the same pot and these savings deposits can be handled and loaned commercially, with all the attendant risks of commercial banking, while mutual savings banks and savings banks doing no commercial business, when loaning their deposits, must require ample security for all loans made. This condition of facts shows very clearly that banks having only savings deposits should be put in an independent group by themselves and not be forced to participate in guaranteeing unsecured loans of commercial banks.

No.2. Interest on reserves of savings banks in correspondent Banks:

Under the provisions of the Banking Act of 1933, mutual savings banks are allowed to receive interest upon their deposits. (Section 11. Par.b.)

There are 594 Mutual Savings Banks in the United States, as of June 30, 1932, and they are located in the following States:

Total - New England States	379	Total Resources	\$3,711,220,000
Total - Eastern States	195	Total Resources	7,047,074,000
Total - Middle Western States	16	Total Resources	220,708,000
Total - Pacific States	<u>4</u>	Total Resources	<u>155,140,000</u>
	594		\$11,134,142,000

It will be noted that 574 are located in the New England and Eastern States, with resources of \$10,758,294,000, while the Middle Western and Pacific State have only 20, with total resources of \$375,848,000, or approximately three and one-half per cent of the total resources of the Mutual Savings Banks in the United States.

A law giving to the Mutual Savings Banks of New England and Eastern States special privileges by not allowing strictly savings banks in the rest of the country to receive interest from commercial banks upon their deposits is unjust and unsound. In order to operate savings banks conservatively, so they will be able to pay withdrawals without affecting their loaning ability, it is very essential that they maintain sufficient balances in cash with banks duly authorized by the State Banking Department, as depositories. Unless a savings bank has the right to receive some interest from its depositories, the tendency would be to operate with as little cash as possible, in order to meet the interest to savings depositors, costs of operation, and other demands of the savings bank business. Under certain conditions of the money market, this might at times cause the hurried investment in securities and possibly would encourage loaning on a poorer type of real estate security.

No.3. Savings Banks as members of the Federal Reserve System:

The Federal Reserve System was inaugurated to develop the commercial banking resources of the country. Savings Banks, properly operated, have practically nothing in common with the Federal Reserve System and it would be a great injustice to force them to join that system. They are not able to discount their loans with the Federal Reserve Bank and therefore do not receive the main benefit accruing to commercial banks which are members of the system.

No.4. Savings Banks' depositors being allowed the use of checks to withdraw funds:

The Federal Reserve Bank, having in mind solely commercial business, would probably classify checking accounts against a certain class of savings accounts, on which checks are used as a convenient form of withdrawal, as being commercial business which would not be the case, as no commercial loans are made at all by savings banks. It has been found, under western conditions, that a strictly savings bank, in order to function properly, should have this type of account. These accounts are opened principally for personal convenience by savings depositors, who prefer to do all their banking in one place. They are not of a type that require commercial accommodation. The balances are moderate and the checking service has been found to be a benefit to the depositor as well as to the savings bank. Also, frequently, people obtain loans from a savings bank, open checking accounts and some portion of the money remains with the bank for a long period.

10

SUGGESTED AMENDMENTS TO H.R. 5357, 74th

CONGRESS FIRST SESSION.

Insert on page 3 after paragraph 6 another paragraph reading as follows:

The term "non-mutual savings bank" means a bank, other than a mutual savings bank, transacting a savings bank business, which maintains not less than \$5% in amount of its deposits, exclusive of funds held by it in a fiduciary capacity, as time savings deposits of the specific term type or of the type where the right to require written notice before permitting withdrawal is reserved, but in the case of either type represented by savings passbooks and not subject to checking and not withdrawable on demand as a matter of right except for a limited period of not more than 30 days subsequent to maturity.

Insert on page 10, lines 21 and 22, after the words "mutual savings banks" the following: "and non-mutual savings banks."

Insert on page 37, lines 19 and 24: "(b) or a non-mutual savings bank."

Insert on page 65, line 24: "(3) to any deposit made by a non-mutual savings bank".

Insert on page 67, line 2, after "mutual savings banks" a comma and the words "non-mutual savings banks."