



T. R. PRESTON,
PRESIDENT

HEAD OFFICE

HAMILTON NATIONAL BANK

CHATTANOOGA, TENNESSEE

February 7, 1938

Hon. Marriner S. Eccles, Chairman,
Federal Reserve Board,
Washington, D. C.

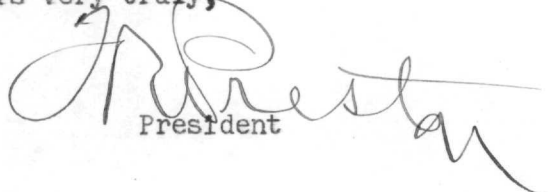
Dear Gov. Eccles:

We hope you will take time to read the enclosed copy of letter to Senator Glass with reference to abolishing bank holding companies.

We are identified with a small holding company, and in this letter have tried to state our situation. We believe if these were abolished it would be extremely hurtful and would do nobody any good. There is no public demand for the abolishment of holding companies in this section except from a few who are probably interested otherwise. If these companies are abolished all over the country it is going to further depress business.

With regards, we are,

Yours very truly,


President

February 7, 1938

Senator Carter Glass,
Washington, D. C.

Dear Senator Glass:

Referring to the contemplated bank holding company bill which you are preparing, aided by the Treasury, the F. D. I. C., and other Administration agencies. You have sponsored many constructive measures along financial and banking lines, and no one has a finer reputation than you for fairness and being able to see both sides of a question, and I beg to present our situation.

We have a small holding company and can best present our side of the matter by stating our own proposition. Permit me first to identify myself by saying that I have been in the banking business for more than forty-five years, all of that time with one institution, - the Hamilton National Bank of Chattanooga, which was originally the Hamilton Trust and Savings Bank. In 1928 I was President of the American Bankers Association, and for nearly thirty years have served on their Executive Council and various important committees.

1st. Our holding company is known as the Hamilton National Associates, is locally owned, and our associated banks number seventeen, all located in East Tennessee and North Georgia. With the exception of Chattanooga, Knoxville and Johnson City they are all in small towns. Their total resources are more than ninety million dollars, exclusive of trust funds. Everyone of these banks came through the depression without trouble, while banks were failing all around. All were allowed to re-open after the bank holiday without restrictions. In ten towns ours were the only banks left at the end of the depression. We have never heard the slightest criticism from any supervising authority because of the fact that our banks were identified with a holding company. We believe we can positively state there is no public demand in our section for the abolishment of holding companies: this comes entirely from those who are personally interested otherwise.

2nd. The claim is often made that holding companies or branch banks siphon money from the small communities to the larger ones. This is not true in our experience. As an example, - Our group of banks has agreed to take commodity cotton loans from the farmers of this area to the extent of three millions of dollars, a large percentage of which loans have already been made. We do not believe this would be possible if they were all independent units.

During 1932 the matter of marketing the tobacco crop in Morristown, Tennessee, where we had a bank, was a rather serious matter. It required loans to the extent of \$290,000.00 to the dealers of that section in order to start the movement. This sum could not be secured at that time anywhere except from our affiliated banks, and it so happened that our bank at Morristown was the only one left in the county after the depression, all others having failed. Our group of banks furnished the entire amount, the crop was marketed in an orderly way, and the community of course greatly benefitted. We could give many similar ex-

3rd. The public is always criticizing Wall Street, partly because of the large concentration of financial resources in New York. The best way we can see to offset this condition to some extent is to build up large financial institutions elsewhere. Many manufacturing and mercantile establishments throughout the country must go to Wall Street for a large percentage of their banking business. The local banks as a rule are not large enough to handle same. We have never heard of any community being injured by having a branch of a large, sound bank in its midst, or by being identified with a sound holding company. Would not abolishing holding companies have a tendency to further concentrate great banking resources in Wall Street?

4th. This country at one time had approximately thirty-one thousand independent banks. Between sixteen and seventeen thousand of them disappeared, most of them by failure, with great loss and demoralization to their respective communities. The representatives of banks of this type are the ones that are now so bitter against branches and holding companies. If holding companies are destroyed not only will business be further disturbed and stocks of these banks depressed, but will not the country revert to the old days, when we had a multiplicity of these small unit banks? It is estimated that we now have more than three thousand small unit banks that have not sufficient earning capacity to justify their existence.

5th. Holding companies in this section have been extremely helpful to the public. We believe our company is typical of many throughout the country. Does a set-up of this kind deserve destruction? If holding companies have an evil influence why could not some legislation be passed to correct same, either by automatically converting the units into branches within their respective States, without waiting for conforming laws of the various State legislatures, or in some way supervising them, so that the public cannot be harmed. If they should be allowed five years to liquidate, and another depression should come during that period, it simply could not be done without great injury to the public.

What people need now above everything else is a rest from too much legislation, and they should be given an opportunity to adjust themselves to the new conditions.

Yours very truly,

(Signed:)

T. R. PRESTON,

President

February 10, 1938.

PERSONAL AND CONFIDENTIAL

Mr. T. R. Preston, President,
Hamilton National Bank,
Chattanooga, Tennessee.

Dear Mr. Preston:

I acknowledge receipt of your letter of the 7th enclosing a copy of a letter to Senator Glass relative to abolishing bank holding companies.

As you possibly know, I am not at all in sympathy with such a proposal. I am thoroughly familiar with the set-up of bank holding companies throughout the United States, as the Federal Reserve Board, in compliance with the Banking Act of 1933, has had a good deal to do with this entire matter. In my opinion, there has been altogether too much misinformation, and apparently up to this time no time or trouble has been taken by those expressing a desire to liquidate bank holding companies to ascertain the facts and effects relative to this important matter.

Your letter to Senator Glass should serve a very constructive purpose. What is true relative to the operation of your holding company is largely true of all other holding companies throughout the United States. They have served and are still serving a very great public need.

Sincerely yours,

M. S. Eccles,
Chairman.

MSE:VB:b