

The Papers of Charles Hamlin (mss24661)

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Hamlin, Charles S., Scrap Book – Volume 167, FRBoard Members

205.001 - Hamlin Charles S
Scrap Book - Volume 167
FRBoard Members

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date July 3, 1941To The Files

Subject: _____

From Mr. Coe

MPC

After correspondence with Mrs. Hamlin (see letters of May 25 and June 4, 1941) the items attached hereto and listed below, because of their possible confidential character, were taken from Volume 167 of Mr. Hamlin's scrap book and placed in the Board's files:

VOLUME 167

Page 7

Memo on bank failures prepared by Mr. Platt.

Page 12

Amount of paper eligible for rediscount at Federal Reserve Banks - letter to Alexander Wall.

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(X-4784) Eligibility of Certain Notes Secured by Adjusted Service Certificates.

Page 65

Memo to Mr. Hamlin from Mr. Goldenweiser re holding of eligible paper of national banks.

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Memo to Mr. Hamlin from Mr. Eddy giving the various proposed amendments to the banking laws which the Board has recommended to Congress or is planning to recommend to Congress at the appropriate time.

Page 121

Failures - Credit Department - January 1920 - December 31, 1926.

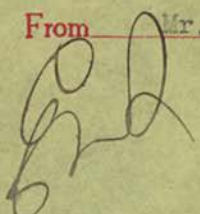
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Earnings and Expenses of Federal Reserve Banks.

Office Correspondence

FEDERAL RESERVE
BOARDDate January 24, 1927. *See 131 7*To Mr. Hamlin

Subject: _____

From Mr. Smead2-8105
G.P.O.

In accordance with your request I am handing you herewith a copy of the memorandum on bank failures which was prepared for Mr. Platt under date of January 22, 1927.

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Page 7

Bank Failures, 1864-1926

Source: Data compiled from Annual Reports of Comptroller and report of the National Monetary Commission

5-year period	Number of bank failures	Total number of banks in operation (a)	Annual rate of failure (Per cent)	Liabilities of failed banks (b)	Total deposits of all banks in operation (a)	Ratio of liabilities of failed banks to deposits of all banks - annual basis (Per cent)
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NATIONAL BANKS

1864-1868	13	1,334	.194	Not avail.	\$557,180,000	-
1869 - 1873	19	1,755	.216	"	769,660,000	-
1874 - 1878	41	2,057	.398	"	835,780,000	-
1879 - 1883	16	2,179	.146	"	1,245,060,000	-
1884 - 1888	39	2,859	.272	\$19,663,000	1,485,740,000	.264
1889 - 1893	118	3,588	.658	33,594,000	2,023,980,000	.332
1894 - 1898	129	3,673	.702	46,606,000	2,363,880,000	.394
1899 - 1903	43	4,191	.206	25,887,000	4,084,880,000	.126
1904 - 1908	81	6,061	.268	49,559,000	5,691,740,000	.174
1909 - 1913	32	7,239	.088	18,170,000	7,629,700,000	.048
1914 - 1918	57	7,604	.150	33,202,000	11,011,080,000	.060
1919 - 1923	104	8,092	.258	60,090,000	16,288,240,000	.074
1924 - 1926 (3 years)	318	8,045	1.317	166,170,000	19,633,221,000	.283

BANKS OTHER THAN NATIONAL

1864 - 1868	22	Not available		1,404,000	360,200,000	.078
1869 - 1873	57	"	"	13,064,000	621,920,000	.420
1874 - 1878	224	"	"	68,628,000	1,130,160,000	1.214
1879 - 1883	85	"	"	14,153,000	1,517,200,000	.186
1884 - 1888	135	"	"	27,949,000	1,847,520,000	.302
1889 - 1893	377	"	"	69,893,000	2,755,040,000	.508
1894 - 1898	509	5,915	1.722	56,710,000	3,359,340,000	.338
1899 - 1903	183	7,337	.498	49,543,000	5,533,720,000	.180
1904 - 1908	362	11,996	.604	281,236,000	8,283,440,000	.680
1909 - 1913	239	17,040	.280	82,280,000	10,907,878,000	.150
1914 - 1918	307	20,023	.306	97,493,000	15,548,971,000	.126
1919 - 1923	1,017	22,036	.924	285,173,000	24,392,335,000	.234
1924 - 1926 (3 years)	1,713	20,733	2.753	489,739,000	31,613,070,000	.517

(a) Average for the 5-year period.

(b) Figures for National banks prior to 1897 are total deposits.

NOTE: National bank figures are for report years ending October 31 except for 1925 and 1926 which cover years ending June 30. All figures for banks other than National are for fiscal years ending June 30.

January 22, 1927.

Mr. Flatt

Bank Failures 1864-1926

Mr. Smead

In compliance with your request of January 14 we have prepared the attached summary statement of bank failures since 1864 in answer to the four questions contained in Congressman Black's letter of January 11.

The figures have been compiled from the annual reports of the Comptroller of the Currency and from the report of the National Monetary Commission. It is understood, of course, that while the figures are the best that we can get together, they, as in the case of all other data regarding bank failures, are necessarily subject to a small margin of error, especially so far as banks other than national are concerned. To answer Congressman Black's questions in the exact manner in which he asked them might lead him to false conclusions as to what has actually happened, and accordingly, it was thought best to show the figures by five-year periods, together with the number and liabilities of all banks in operation, in order to facilitate a comparison of bank failures at the present time with those during the years following the passage of the National Bank Act. You will note from the table attached that we have not been able to locate figures showing the deposits or liabilities of national banks during the earlier years.

The statement as prepared does not actually show the total number and liabilities of national and other banks which failed from the time of the establishment of the national banks to the time of the establishment of the Federal Reserve System and since that date, and accordingly I am giving below the figures for these periods so far as they are available.

	<u>1864-1914</u>	<u>1915-1926</u>
<u>Number of Failures</u>		
National Banks	552	458
Banks other than National	2,289	2,941
<u>Liabilities of Failed Banks</u>		
National Banks	(a) \$210,252,000	\$249,688,000
Banks other than National	696,919,000	840,346,000

(a) Total deposits from 1882 to 1896 and liabilities after that date. Figures prior to 1882 not available.

*See also
see also*

January 26, 1927

Dear Mr. Wall:

I received in due course your letter of December 29, 1926, in which you ask to be given the benefit of any information which the Board may have with respect to the amount of paper held by member banks which is eligible for rediscount with the Federal reserve banks, and hope that you have not been inconvenienced in any way by this delayed acknowledgment. According to the best information obtainable, member banks on June 30, 1926 held \$4,920,000,000 of paper eligible for rediscount with the Federal reserve banks and \$2,850,000,000 of United States securities which are available as security for member banks' collateral notes. It is understood, of course, that these figures are partly estimated.

Xerox

The amount of customers' paper eligible for rediscount with the Federal reserve banks plus the amount of United States securities which are available as security for member banks' collateral notes is something over eighteen times the amount of present borrowings from the Federal reserve banks (\$416,000,000) and about two and three quarters times the maximum amount (\$2,827,000,000) ever under rediscount with the Federal reserve banks. While it is true, of course, that for one reason or another individual member banks frequently find that they cannot obtain any further accommodation from Federal reserve banks owing to a lack of eligible paper, it would appear from the foregoing that member banks as a whole have a supply of eligible paper and United States securities on which they can obtain accommodation from the Federal reserve banks greatly in excess of any possible requirements.

Trusting that these estimates may be of some value, I am, with kind personal regards,

Very truly yours,

Mr. Alexander Wall, Secretary,
The Robert Morris Associates,
Lansdowne, Pa.

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FEDERAL RESERVE BOARD

WASHINGTON

X-4784

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

January 29, 1927.

SUBJECT: Eligibility of Certain Notes Secured by Adjusted
Service Certificates.

Dear Sir:

One of the Federal Reserve Banks recently addressed the Board with reference to the eligibility for rediscount of a note secured by an adjusted service certificate upon which interest had been collected in advance at a rate which in terms of true interest would bring the yield upon the note within the limitations prescribed by the World War Adjusted Compensation Act.

While the question raised apparently required an interpretation of the Board's Regulations the correct interpretation of the Regulations necessarily depended upon the position that the Director of the United States Veterans Bureau would take in the event that notes representing loans made to veterans under the circumstances described were presented to him for payment under Section 502 of the World War Adjusted Compensation Act. In view of this fact, the Board requested the Director of the Veterans Bureau to advise it whether payment would be made on the notes described in the event they were presented to him, and the Director replied that the Veterans Bureau will honor such notes and make redemption upon proper presentation.

In view of the position of the Director of the Veterans Bureau, the Board is of the opinion that the notes described are eligible for rediscount by Federal Reserve Banks.

Very truly yours,

Walter L. Eddy,
Secretary.

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TO GOVERNORS OF ALL F. R. BANKS EXCEPT PHILADELPHIA.

Office Correspondence

FEDERAL RESERVE
BOARDsee 131

Date February 2, 1927

To Mr. Hamlin

Subject:

From Mr. Goldenweiser

~~E. G. J.~~

2-406

On June 30, 1926 national banks, according to reports of the Comptroller of the Currency, held about \$3,500,000,000 of eligible paper and non-national member banks held about \$1,300,000,000, making a total of \$4,800,000,000. In addition to this national banks held \$1,600,000,000 of United States securities available as collateral for the banks' notes and non-national banks held \$1,250,000,000, making a total of Government securities of \$2,850,000,000. Thus the total amount of borrowing from the reserve banks possible for the member banks on the basis of our present holdings of commercial paper and Government securities is \$7,650,000,000. This compares with the largest amount of discounts ever held, namely in November, 1920, of about \$2,800,000,000 and the present volume of discounts of about \$365,000,000.

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Office Correspondence

FEDERAL RESERVE
BOARDDate February 4, 1937. *80**see BH*To Mr. Hamlin

Subject: _____

From Mr. Eddy2-905
G.P.O.

By direction of the Governor, there is handed you herewith, for your information, copy of a memorandum prepared by General Counsel, listing the various proposed amendments to the banking laws which the Board has recommended to Congress or is planning to recommend to Congress at the appropriate time.

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February 3, 1927.

To Mr. Wyatt
From Mr. Seitz

According to the records of this office the Federal Reserve Board has approved or recommended legislation to the members of the 1st and 2nd Sessions of the 69th Congress, excluding the McFadden Bill (H.R.2), in the following instances:

(1) In a letter addressed to Senator McLean under date of June 15, 1926, the Board stated that it saw no objection to the proposal that Section 202 (c) of Title II of the Agricultural Credits Act be amended so as to permit Federal Intermediate Credit Banks to make loans, advances or discounts having a maturity of less than 6 months in cases where such loans, advances or discounts represent part of a series of loans, advances or discounts to a single borrower, all of which are secured in whole or part by the same chattel mortgage and some of which have a maturity of at least 6 months.

I have been unable to find in the Corporation Trust Company reports any record of the introduction of this bill either in the first or the second session of the 69th Congress down to the date of this memorandum.

(2) The Board recommended, in a letter addressed to Congressman McFadden under date of January 16, 1926 (X-4508), the adoption of the proposed amendment to Section 13 of the Federal Reserve Act increasing the maximum maturity of advances made by Federal reserve banks to member banks on their promissory notes from 15 days to 90 days when such notes are secured by paper eligible for rediscount or for purchase by Federal reserve banks.

This proposal was introduced in the 1st Session of the 69th Congress by Congressman McFadden as H.R.7894 but the bill was never reported out by the House Banking and Currency Committee.

(3) The Board in its 1925 Annual Report (page 36) renewed its recommendation, which it had repeatedly urged for some years, that Section 8 of the Clayton Act be amended so as to give the Board more latitude in the matter of granting permits. This recommendation was embodied in a bill introduced in the 1st Session, 69th Congress, by Congressman McFadden in the House as H.R.9098 and by Senator Glass in the Senate as S.3007 but no action was taken on either of them after they were referred to the Banking and Currency Committees of the respective houses. This amendment, however, was later placed in the so-called McFadden Bill (H.R.2) by the Senate when it passed that bill during the 1st Session but when it passed the House the second time this amendment was one of those upon which the House failed to agree.

(COPY)

February 3, 1927.

To Mr. Hamlin

SUBJECT: Legislative matters held
in suspense pending the disposition
of the McFadden Bill.

From Mr. Wyatt

Dear Mr. Hamlin:

In accordance with your request I am handing you herewith a memorandum listing the various proposed amendments to the banking laws which the Board has recommended to Congress or is planning to recommend to Congress, but on which further action has been postponed until the McFadden Bill is disposed of.

Respectfully,

Walter Wyatt,
General Counsel.

Memorandum attached.

(4) On March 10, 1926, a letter was prepared by this office addressed to Senator McLean in which the Board stated that an amendment to Sections 3466, 3467 and 3468 of the Revised Statutes taking away the right of the United States to a priority in its claims against insolvent State banks would prove beneficial. This was written in answer to a letter received from Senator McLean asking for the Board's views on this question and as far as I have been able to ascertain it was never mailed. Mr. McClelland advises me that the Board referred the letter to the Secretary of the Treasury who has never returned it to the Board. Although this letter has never been sent and the question involved does not directly concern the Federal Reserve Board, I have mentioned it because it is probable that you will wish to have it included in the list of cases which the Board has ordered to be placed in suspense until after March 4, 1927.

In addition to the foregoing the Board itself has tentatively agreed to recommend the enactment of certain amendments to the Federal Reserve Act but it has decided to withhold these recommendations until the next session of Congress. These proposals are as follows:

(1) Amend Section 13 of the Federal Reserve Act so as to authorize Federal reserve banks to rediscount or purchase sight or demand bills of exchange and thereby eliminate the requirement that such bills be secured by agricultural products only. This amendment was suggested by Mr. Vest in a memorandum to the Board dated January 13, 1927, and on January 17 a letter was prepared by this office addressed to Senator McLean and Congressman McFadden recommending the enactment of the amendment. As stated above the Board did not send the letter but ordered it placed in suspense until after March 4, 1927.

(2) Amend Section 4 of the Federal Reserve Act so as to permit an officer, director or employee of a mutual savings bank to serve as Class B or C director of a Federal reserve bank. This proposal was a result of the recent conference of Governors and on December 21, 1926, a letter was prepared by this office addressed to Senator McLean and Congressman McFadden recommending that such an amendment be enacted. On January 20, 1927, Mr. Eddy addressed a memorandum to you advising that the Board approved the form of amendment prepared by Mr. Vest but that it would withhold making its recommendation until the next session of Congress.

(3) Amendment to restore to Federal Courts jurisdiction over all suits by and against Federal reserve banks and to exempt Federal

reserve banks from the process of attachment or garnishment before final judgment in any case, as national banks are now exempt under the terms of the Revised Statutes. On January 20, 1927, a memorandum was addressed to you by Mr. Eddy advising that the Board on January 19 voted to approve your recommendation of January 7 that this amendment be held in abeyance until the next session of Congress.

For record purposes I might add that the McFadden Bill (H.R. 2) was intentionally omitted from the above list, pursuant to your instructions, because it is expected that this bill will shortly become law.

Respectfully,

S. E. Seitz,
Law Clerk.

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FAILURES - CREDIT DEPARTMENT - JANUARY 1920 - DECEMBER 31, 1926

Amount of Failures (in dollars)
January 12, 1920 - December 31, 1926

Number of Failures (Makers' Names)
January 12, 1920 - December 31, 1926.

<u>Year</u>	<u>Amount of Failures</u>	<u>Amount of Transactions</u>	<u>% Failures</u>	<u>Year</u>	<u>Number of Failures</u>	<u>Total Names Handled</u>	<u>% Failure</u>
1920	none	\$ 872 514 698	none	1920	0	30 018	none
1921	\$26 500	2 258 380 157	.00117	1921	2	55 950	.00357
1922	28 181	1 679 209 327	.00168	1922	7	43 785	.01599
1923	106 000	2 277 710 734	.00465	1923	5	44 215	.01131
1924	10 000	428 697 351	.00233	1924	2	24 663	.00811
1925	none	1 357 312 268	none	1925	0	38 871	none
1926	3 900	1 567 944 932	.00025	1926	2	38 677	.00517
Total	\$174 581	\$10 441 769 467	.00167		18	276 179	.00651

In the past seven years the Credit Department has passed upon 10.4 billions dollars of Commercial Paper and has had but .002% in its portfolios at time of failures.

During the past seven years there have been but two failures of our member banks, or in fact since the bank opened in 1914, these two being the Warren National Bank of Warren and the First National Bank of Putnam, Connecticut, both failures due to large defalcations by officers. This bank has never lost one dollar through discount operations and we have had only one loss, amounting to about \$1200., in the handling of checks for collection, and that was owing to a missort and delay in presentation, the maker of the check failing between times and our officers felt that under the circumstances in the particular case we should absorb the loss.

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS
JANUARY 1927.

Total earnings of the Federal reserve banks in January were \$3,857,000 - \$935,000 less than in December, and \$130,000 lower than in January, 1926. Most of the decrease since December was in earnings from discounted bills, but earnings from purchased bills and U. S. securities also declined \$165,000 and miscellaneous earnings \$140,000.

Current expenses in January were \$100,000 more than in December and about \$40,000 above January 1926. Current net earnings (total earnings less current expenses) were \$170,000 less than in January 1926, and the annual rate of current net earnings on average paid-in capital was 14.4 per cent, as compared with 17.0 per cent a year ago.

The Federal Reserve Bank of Richmond was the only bank whose current net earnings did not meet dividend requirements. In January of last year all the reserve banks earned enough to meet the monthly dividend accruals; but in January 1925 four banks failed in this respect and two of these (Richmond and Atlanta) did not have sufficient earnings to cover their current operating expenses.

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Not for publication

EARNINGS AND EXPENSES OF FEDERAL RESERVE BANKS, JANUARY 1927.

St. 5262

Federal Reserve Bank	Month of January 1927				January 1927			Month of January 1927		
	Earnings				Current expenses	Current net earnings	Annual rate of current net earnings on average paid-in capital	Current net earnings	Dividends accrued	Balance available for depreciation allowances, surplus, franchise tax, etc.
From dis-counted bills	From pur-chased bills and U. S. securities	From other sources	Total							
							Per cent			
London	\$117,251	\$161,946	\$3,994	\$283,191	\$182,234	\$100,957	13.5	\$100,957	\$44,002	\$56,955
New York	410,347	456,378	23,175	889,900	529,651	360,249	11.5	360,249	183,763	176,486
Philadelphia	150,106	140,068	9,688	299,862	192,286	107,576	10.1	107,576	62,990	44,586
Cleveland	211,097	201,435	14,248	426,780	225,645	201,135	17.3	201,135	68,585	132,550
Richmond	76,433	60,413	7,855	144,701	118,268	26,433	5.1	26,433	30,501	4,068
Atlanta	116,970	65,630	14,210	196,810	99,648	97,162	22.8	97,162	25,101	72,061
Chicago	308,632	291,239	32,483	632,354	332,319	300,035	21.1	300,035	83,736	216,299
St. Louis	64,792	92,415	4,653	161,860	110,214	51,646	11.5	51,646	26,471	25,175
Minneapolis	14,083	90,705	14,299	119,087	88,364	30,723	11.9	30,723	15,261	15,462
Kansas City	34,844	143,302	26,607	204,753	148,401	56,352	15.8	56,352	20,975	35,377
Dallas	19,044	118,695	8,158	145,897	98,655	47,242	12.9	47,242	21,511	25,731
San Francisco	130,588	209,230	11,657	351,475	201,576	149,899	20.4	149,899	43,267	106,632
TOTAL										
Jan. 1927	1,654,187	2,031,456	171,027	3,856,670	2,327,261	1,529,409	14.4	1,529,409	626,163	903,246
Dec. 1926	2,282,485	2,196,103	313,711	4,792,299	2,222,050	2,570,249	24.3			
Jan. 1926	1,740,890	2,103,026	142,036	3,985,952	2,285,534	1,700,418	17.0	1,700,418	586,003	1,114,415

FEDERAL RESERVE BOARD

DIVISION OF BANK OPERATIONS

FEBRUARY 9, 1927.

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Federal Reserve Bank	Month of				December 1926			Year 1926			
	Earnings				Current expenses	Current net earnings	Annual rate of current net earnings on average paid-in capital	Current net earnings to Dec. 31	Dividends accrued to Dec. 31	Balance available for depreciation allowances, surplus, franchise, tax, etc.	
	From dis-counted bills	From pur-chased bills and U. S. securities	From other sources	Total						On Dec. 31	On Nov. 30
Boston	\$189,654	\$152,919	\$13,756	\$356,329	\$188,195	\$168,134	22.5	\$1,286,665	\$525,023	\$761,642	\$637,510
New York	525,135	568,467	96,307	1,189,909	486,047	703,862	22.8	4,179,526	2,100,191	2,079,335	1,557,513
Philadelphia	206,502	141,980	14,157	362,639	100,097	262,542	24.5	1,570,374	730,598	839,776	640,231
Cleveland	305,967	216,217	21,540	543,724	229,494	314,230	27.2	1,986,138	808,505	1,177,633	931,469
Richmond	100,627	59,249	11,903	171,779	116,010	55,769	10.8	1,045,078	363,957	681,121	655,838
Atlanta	161,551	86,382	4,393	252,326	106,937	145,389	34.1	1,656,699	296,573	1,360,126	1,239,867
Chicago	404,833	305,490	44,061	754,384	330,379	424,005	29.9	2,742,606	985,959	1,756,647	1,416,104
St. Louis	128,566	94,076	11,711	234,353	122,159	112,194	24.9	1,131,405	314,420	816,985	731,286
Minneapolis	17,330	96,864	27,760	141,954	90,867	51,087	19.6	558,576	187,609	370,967	335,244
Kansas City	46,421	147,923	32,418	226,762	150,886	75,876	21.3	994,412	252,764	741,648	686,707
Dallas	35,066	113,070	14,581	162,717	99,539	63,178	17.3	948,318	257,502	690,816	649,145
San Francisco	160,833	213,466	21,124	395,423	201,440	193,983	26.4	2,149,616	506,068	1,643,548	1,492,796
TOTAL											
Dec. 1926	2,282,485	2,196,103	313,711	4,792,299	2,222,050	2,570,249	24.3	20,249,413	7,329,169	12,920,244	10,973,710
Nov. 1926	2,037,154	1,971,056	145,497	4,153,707	2,356,090	1,797,617	17.6				
Dec. 1925	2,249,539	2,175,725	229,529	4,654,793	2,244,648	2,410,145	24.3	14,272,543	6,915,958	7,356,585	5,532,918

FEDERAL RESERVE BOARD
DIVISION OF BANK OPERATIONS
FEBRUARY 4, 1927.