The Papers of Eugene Meyer (mss52019)

119_01_001-	Subject File, Federal Reserve Board, National Credit Corporation, 1931-32

EUGENE MEYER

SUBJECT FILE

Federal Reserve Board
National Credit Corporation
1931-32

Gov Harrison

October 7, 1931.

Dear Mr. President:

I want very much to thank you for your letter of October 5, which was delivered to me by messenger late that afternoon. The summary which it contained of the request you made to the New York bankers who were present at the meeting in Washington Sunday night was most helpful.

Now that your proposal has been placed before the public in the morning papers, it occurs to me that you might be interested in some short review of the situation as it now stands as we see it.

Immediately after our return from Washington on Monday morning a committee of New York bankers was appointed to consider your proposal. They authorized me late Monday afternoon to tell Mr. Mills (a) that they were prepared to support your suggestion to the bankers of the United States to form a corporation of $500,000,000 for the purpose of making funds available to banks requiring accommodation upon the basis of sound banking assets not now legally eligible for rediscount at the Federal Reserve Banks; (b) that, as requested by you, they would assume the leadership in the formation of such a corporation; and (c) that the twenty four members of the New York Clearing House Association would no doubt agree by the next day to contribute their share by pledging $150,000,000, which is approximately two per cent of their net demand and time deposits. This they have since done, as I informed you late yesterday afternoon. You may be interested to know that there has been quite general and enthusiastic support throughout New York to your proposal, not merely as to the formation of the $500,000,000 corporation but also as to the enlargement of the rediscount facilities of the Reserve System; the revival of some such institution as the War Finance Corporation; the strengthening of the Federal Farm Loan System, and your statement regarding a possible reconsideration of inter-governmental debts in the light of present conditions. Their agreement with your program cannot better be illustrated than by the prompt response they have made in the pledge of subscriptions to the new corporation.

You may remember that in your letter you indicated that the corporation should be organized not merely for the purpose of advancing funds to going banks on ineligible assets in order to prevent bank failures, but also to make loans against assets of closed banks. As I explained to Mr. Mills on Monday, the New York bankers' committee felt, and I agreed with them, that it would have been unwise if not impossible to have the proposed corporation undertake the task of making loans against the assets of closed banks as distinguished from the rediscounting of ineligible but sound assets in going institutions. The technical difficulties with respect to disposing of the assets of closed banks as well as the amounts involved made it seem impossible to include in the proposed new $500,000,000 corporation any provision designed to tackle this part of the program. I understood from Mr. Mills that this modification of the proposal, as outlined in your letter to me, was agreeable to you and that, to the extent that this aspect of the problem must be taken care of, it would have to be done independently of the proposed corporation.

We have also made progress in drafting a plan by which the proposed corporation may be quickly organized to function effectively. The proper and expeditious administration of a national institution of such scope may be difficult to insure, but I believe that with the cooperation of the various clearing houses as well as other voluntary associations of banks throughout the country it will be possible promptly and safely to make the funds of the corporation available in the different communities where they may be needed. Obviously, it would be impossible for one central group to determine the needs or to pass upon the merits of the applications of banks in remote sections of the country. This will probably have to be done through some sort of local association of banks which will pass upon the need for accommodation, the merits of assets to be rediscounted, and then jointly and severally guarantee the loan made by the corporation. This, you will remember, was the procedure followed in the flood pool and is somewhat similar to the procedure set up under the emergency Aldrich-Vreeland law.

I feel that your proposal to the bankers on Sunday night was a most constructive and important step in the present emergency. It will do much to provide liquidity for those banks which may need it, and there are perhaps many of them. Unfortunately, however, there are a great many banking institutions in the United States where the difficulty is not one of liquidity but of solvency, solvency which has been prejudiced by the continued depreciation in the value of the bank's assets. In this district, where I happen to be more familiar with the situation than in other sections of the country, the principal cause of bank failures has not been a lack of liquidity but rather insolvency caused by need for a drastic writeoff in bond portfolios. In other districts, I understand, many banks are threatened with insolvency because of losses in real estate loans as well as bonds.

So, while the proposed corporation will do much promptly to provide liquidity for certain solvent institutions needing cash, thus avoiding the forced sale of their assets at substantially depreciated values, it will not unfortunately be able to aid materially in improving the banking situation in those districts where the principal difficulty is the threat of insolvency through depreciation of bond or real estate values. The country banks in this district, and I believe it to be the case also in the Boston and Philadelphia districts and perhaps to a lesser extent elsewhere, have their resources very largely employed in bonds. Indeed, outside of half a dozen of our larger cities, nearly fifty per cent of the assets of the banks in this district are in bonds. The proposed corporation will be helpful in this situation to the extent that it relieves some of the selling pressure upon the bond market. But if the bond market is not substantially bettered very promptly the country banking situation in this district, and possibly in other districts as well, will still remain a critical problem.

I mention this now only that I might frankly emphasize what appears to be the unavoidable limitations of the proposed $500,000,000 corporation, and the real need for such other prompt action as will tend to enhance the value of assets in banks which are now threatened with insolvency on account of the drastic cut in bond and real estate values.

I have for some weeks surveyed the possibility of a bond pool. Apparently such a pool is not considered practicable or wise even if possible. I am told that it would only be a palliative which might only worsen the situation ultimately unless there is some fundamental improvement in the earning powers of the obligors of the bonds. This is especially true of the railroads. If the Interstate Commerce Commission fails to grant a rate increase it will no doubt, sentimentally at least, have a most reactionary influence upon the railroad bond market and thus largely nullify the immediately favorable response to your announcement this morning. This would no doubt be true, even though there is a growing belief in many circles that a rate increase would probably have relatively little effect upon railroad earnings at the present time. The important objective it seems to me, therefore, is to start some favorable or constructive steps before any unfavorable announcement possibly comes from the Interstate Commerce Commission.

In view of what appears to be the imperative necessity of no further reaction but rather a prompt betterment of the bond market, which is now largely influenced by the railroad bond situation, I cannot avoid the conviction that something must be done and must be done promptly. Whether this should be a rate, increase, wage reductions, or some form of banking support may raise differences of opinion. Even if you cannot take the initiative for the various reasons which you have pointed out, might it not be possible for you to talk with some of the more influential railroad presidents with a view to ascertaining more or less definitely what they think should be done. If you ask them to reach some sort of an agreement among themselves as to what they want and to formulate a program, then there might be some concerted effort on the part of the Administration and the banking community to cooperate in carrying out a program. As I see it, we are now in a deadlock on the railroad situation, and through it in the bond market, unless the railroads themselves promptly take stock and formulate their own program for submission to the necessary parties, whether governmental or financial.

The problem of those banks which have suffered large losses on mortgage loans is perhaps even more difficult of solution than that of those with large losses in their bonds. The suggestion you made on several occasions last week with reference to a possible mortgage rediscount system, if feasible, might ultimately prove of real relief in that regard. But even if the real estate problem is not capable of immediate solution, there is no reason on that account alone to delay whatever constructive steps might be taken with respect to bond values, an improvement of which would also indirectly affect the value of other bank assets.

I hope you will please forgive my bothering you with such a lengthy letter, but I feel that you have already taken such an important and helpfully constructive step looking towards the correction of a very substantial part of the problem, that I would not be frank with you if I did not point out the very real need for fundamental improvement in the condition of a great many banks now threatened with insolvency and failure because of capital impairment through the severe depreciation of their assets - whether based on bonds or real estate.

Faithfully yours,

(Signed) George L. Harrison

Hon. Herbert Hoover,
The White House,
Washington, D. C.

GLH:MAR

TREASURY DEPARTMENT

FOR RELEASE, MORNING PAPERS,
Saturday, October 17, 1931.

STATEMENT BY SECRETARY MELLON.

Secretary Mellon today announced that the gold notes of the National Credit Corporation, created at the suggestion of President Hoover, will be accepted by the Treasury as collateral to secure any deposits of public moneys in depositaries designated by the Secretary of the Treasury.

The notes will be accepted at the same collateral value now accorded by the Treasury to commercial paper and bankers' acceptances, which, under existing regulations governing deposits in special depositaries, are accepted at 90 per cent of face value.

The Treasury regulations with respect to deposits of public moneys will be amended accordingly.

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October 6, 1931.

Governor Meyer:

I talked with Mr. Ottley over the telephone today and explained to him that while the Board is in sympathy with the purpose of the National Credit Corporation, it did not feel that, in view of its supervisory responsibility, it could undertake to do anything that might be construed as exerting pressure upon member banks to subscribe to the gold notes of the Corporation. He said he understood our point of view, but that he also wanted you to understand the position in which he finds himself.

The Corporation, he stated, is a "Washington baby" and he feels that he is entitled to some help from Washington in bringing Alabama and Florida into line. It seems that Mr. Oscar Wells, of Brimingham, has been holding off on the matter, and he fears that, in the circumstances, Alabama will be more or less completely out of the picture, realizing, as he does, that it is necessary to go through Birmingham in matters of this sort. He has had conferences with Mr. Wells and another Birmingham banker, but so far he has gotten no results. The other day he wired to the President regarding the matter and received in reply a strong general telegram, the President indicating, however, that he did not feel that he could communicate directly with individual bankers. While Mr. Ottley assumes that the President intended that he should use the message, he doubted that he should do so in the absence of the President's permission. He therefore wired the President last night for authority to use his telegram, but so far has not received a reply. He asked if it would be all right for me to inquire at the White House concerning the status of the matter, but I suggested to him that I thought it would be better to withhold such an inquiry in view of the fact that Mr. Ottley's telegram probably was not received until this morning.

A somewhat similar situation exists in Florida. The three leading banks in Jacksonville have taken no action so far.

Mr. Ottley asked me if I could make any suggestions. I told him that I thought the telegram from the President should serve every purpose if he received permission to make use of it.

F. R. H.

PLAN

OF ORGANIZATION AND OPERATION

OF

THE NATIONAL CREDIT CORPORATION

(Dated October, 14, 1931)

A corporation has been organized under the laws of the State of Delaware called The National Credit Corporation. The Corporation has a nominal capital consisting of twelve shares of capital stock of the par value of $100. each.

It is to have the usual corporate officers and a Board of Directors of twelve, one from each of the twelve Federal Reserve Districts, with the usual powers of directors and provision for an Executive Committee. Each Director is to subscribe to one share of stock and the shares are to be deposited with the Governor of the Federal Reserve Bank of New York.

Purposes of the Corporation.

The National Credit Corporation (hereinafter called the Corporation) has been organized primarily for the purpose of aiding and assisting banks throughout the United States to utilize their resources and credit so as to further the stabilization of financial and economic conditions and to enable them better to serve their respective communities.

The main function of the Corporation will be to lend or advance funds to banks or groups or associations of banks, upon such terms and conditions as shall be determined by the Board of Directors or Executive Committee. The Corporation may function directly or through a subsidiary or subsidiaries, all of whose stock will be owned by the Corporation.

The Corporation is to be authorized to issue up to $1,000,000,000 principal amount of Gold Notes (hereinafter called Notes). Interest upon the Notes will be payable only if earned, and when and as ascertained and declared by the Board of Directors.

Method of Operation.

Banks throughout the United States will be requested to subscribe to the Notes at par in a principal amount equal to 2% of their respective net demand and time deposits as of the call last preceding the date hereof, not exceeding an amount equal to 10% of their capital and surplus. This should provide at least the fund requested by the President of the United States. Subscriptions will be payable in instalments, on call of the Board of Directors, when and as required. Notes are to be issued from time to time to the principal amount of the instalments paid.

It is contemplated that one or more groups or associations of banks will be formed in each Federal Reserve District. Each group or association will be composed of the banks subscribing to the Notes, within the area covered by the group or association. These groups or associations are intended to provide the desired unity of action by the subscribing banks in the same area in effecting necessary loans to members requiring the same, from funds to be advanced by the Corporation on the pro rata liability of the other members. Each Director of the Corporation is to undertake the responsibility of organizing the groups or associations within his Federal Reserve District. The area covered by and the composition of each group or association and the agreement forming the same are to be approved by the Corporation. Each such group or association is to have its own Loan Committee which is to pass upon the loans requested by any of its own members and upon the security therefor.

The articles of agreement of each group or association will contain suitable provisions regulating the pro rata liability of its members for the repayment of advances made by the Corporation to such group or association. They will provide that no member shall be liable for the obligation of any other member. The liability of each member other than the borrowing member for the repayment of such advances shall be several and shall be in the proportion that the amount of the Note subscription of each such member bears to the aggregate of the Note subscriptions of all the members of such group or association, other than the borrowing member. The interest of each member in any loan made by the group or association to any member and in the security therefor shall be in like proportion. This proportion may change as the number of the members of the group or association changes. The proportion applicable at the time the obligation is incurred, however, shall govern. No group or association shall incur any obligation for advances by the Corporation beyond the aggregate amount of the Note subscriptions of the members of such group or association, unless the members of such group or association shall themselves determine otherwise by a percentage vote to be specified in the agreement under which such group or association is formed. Such specified percentage is to be subject to approval by the Director of the Corporation of the Federal Reserve District in which such group or association is located. Any member who has paid the entire amount of its Note subscription shall, in respect of its obligation for advances by the Corporation incurred by or through the group or association of which it is a member and not discharged through the application of the security therefor, have the option to liquidate such obligation in whole or in part by surrendering for cancellation Notes at par, without interest except to the extent previously declared by the Board of Directors and unpaid. Note subscribers shall have the right to anticipate full payment of their subscriptions.

When a loan is approved by the Loan Committee of any such group or association, the note of the borrowing bank and the security therefor, together with the note of the group or association (of which the borrowing bank is a member) in a like amount, shall be forwarded to the Corporation or delivered to its authorized agent with a request for the advance. If the same be approved by the Corporation, there will then be advanced to the group or association the amount of the loan. The group or association in turn will advance the amount to the borrowing bank. The note of the borrowing bank and the security therefor shall be security for the payment of the note of the group or association. This latter note will contain appropriate reference to the above mentioned pro rata liability of the members of the group or association in respect of such note, in accordance with the articles of agreement of the group or association.

The Notes of the Corporation will, subject to the payment of the expenses and other liabilities of the Corporation, have behind them all of the assets of the Corporation, which will consist principally of

1: The notes of the various groups or associations limited by the pro rata liability of their respective members as aforesaid, secured by

   (a) The notes of the borrowing banks;

   (b) The security furnished by the borrowing banks.

2: The cash on hand from time to time.

Additional Subscriptions.

In addition to subscriptions from banks as above provided, the Corporation may receive for its corporate purposes, subscriptions to Notes from other sources to which, however, loans are not available.

Character of Notes.

The Notes will be issued under an Agreement and will be payable one year from their date with the right to the Corporation to one or more extensions of the date of maturity not exceeding in the aggregate three additional years, but are subject to earlier redemption at the option of the Corporation at their face amount plus interest as provided in the Agreement. Notes will carry interest if earned at a rate up to but not exceeding 6% per annum, payable until maturity, only out of the surplus and net income of the Corporation when and as ascertained and declared by the Board of Directors. The Notes will be issued in registered form only and will be authenticated by a bank or trust company as Agent. The Notes and the Agreement under which they are issued will contain such other terms and provisions as shall be approved by the Board of Directors of the Corporation.

Office.

It is contemplated that the Corporation or its principal subsidiary will have its main office in the City of New York.

Forms.

Agreements, subscriptions, notes and other instruments required by the plan will be provided by the Corporation and forms will be furnished on application therefor.

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FEDERAL RESERVE BULLETIN

VOL. 17 OCTOBER, 1931 No. 10

REVIEW OF THE MONTH

The President of the United States, on October 7, after consultation with leading bankers and representatives of both political parties, issued the following statement:

President Hoover's proposal

"The prolongation of the depression by the succession of events in Europe, affecting as they have both commodity and security prices, has produced in some localities in the United States an apprehension wholly unjustified in view of the thousand fold resources we have for meeting any demand. Foolish alarm in these sections has been accompanied by wholly unjustifiable withdrawal of currency from the banks. Such action results in limiting the ability of the banks in these localities to extend credit to business men and farmers for the normal conduct of business, but beyond this to be prepared to meet the possibility of unreasoning demands of depositors the banks are compelled to place their assets in liquid form by sales of securities and restriction of credits so as to enable them to meet unnecessary and unjustified drains. This affects the conduct of banking further afield. It is unnecessary to specify the unfortunate consequences of such a situation in the districts affected both in its further effect on national prices of agricultural products, upon securities, and upon the normal conduct of business and employment of labor. It is a deflationary factor and a definite impediment to agricultural and business recovery.

"There is no justification for any such situation in view of the strength of our banking system and the strong position of our Federal reserve system. Our difficulty is a diffusion of resources and the primary need is to mobilize them in such a way as to restore in a number of localities the confidence of the banker in his ability to continue normal business and to dispel any conceivable doubt in the mind of those who do business with him.

"In order to deal with this wholly abnormal situation and to bring about an early restoration of confidence, unity of action on the part of our bankers and cooperative action on the part of the Government is essential. Therefore, I propose the following definite program of action, to which I ask our citizens to give their full cooperation:

"1. To mobilize the banking resources of the country to meet these conditions, I request the bankers of the Nation to form a national institution of at least $500,000,000. The purpose of this institution to be the rediscount of banking assets not now eligible for rediscount at the Federal reserve banks in order to assure our banks, being sound, that they may attain liquidity in case of necessity, and thereby enable them to continue their business without the restriction of credits or the sacrifice of their assets. I have submitted my proposal to the leading bankers of New York. I have been advised by them that it will receive their support, and that at my request they will assume the leadership in the formation of such an organization. The members of the New York City Clearing House Association have unanimously agreed to contribute their share by pledging $150,000,000, which is 2 per cent of their net demand and time deposits. I have been assured from other large centers, as far as I have been able to reach, of their support also.

I consider that it is in the national interest, including the interest of all individual banks and depositors, that all the banks of the country should support this movement to their full responsibility. It is a movement of national assurance and of unity of action in an American way to assist business, employment, and agriculture.

"2. On September 8 I requested the governors of the Federal reserve banks to endeavor to secure the cooperation of the bankers of their territory to make some advances on the security of the assets of closed banks or to take over some of these assets in order that the receivers of those banks may pay some dividends to their depositors in advance of what would otherwise be the case pending liquidation. Such a measure will contribute to free many business activities and to relieve many families from hardship over the forthcoming winter, and in a measure reverse the process of deflation involved in the tying up of deposits. Several of the districts have already made considerable progress to this end, and I request that it should be taken up vigorously as a community responsibility.

"3. In order that the above program of unification and solidarity of action may be carried out and that all parts of the country be enlisted, I request the governors of the Federal reserve banks in each district to secure the appointment of working committees of bankers for each reserve district to cooperate with the New York group and in carrying out the other activities which I have mentioned.

"4. I shall propose to the Congress that the eligibility provisions of the Federal reserve act should be broadened in order to give greater liquidity to the assets of the banks, and thus a greater assurance to the bankers in the granting of credits by enabling them to obtain legitimate accommodation on sound security in times of stress. Such measures are already under consideration by the Senate committee on currency and banking.

"5. Furthermore, if necessity requires, I will recommend the creation of a finance corporation similar in character and purpose to the War Finance Corporation, with available funds sufficient for any legitimate call in support of credit.

"6. I shall recommend to Congress the sub scription of further capital stock by the Government to the Federal land banks (as was done at their founding) to strengthen their resources so that on the one hand the farmer may be assured of such accommodation as he may require and on the other hand their credit may be of such high character that they may obtain their funds at low rates of interest.

"7. I have submitted the above-mentioned proposals which require legislation to the Members of Congress whose attendance I was able to secure on short notice at this evening's meeting—being largely the members of committees particularly concerned—and they approve of them in principle.

"8. Premier Laval of France is visiting the United States. It is my purpose to discuss with him the question of such further arrangements as are imperative during the period of the depression in respect of intergovernmental debts. The policy of the American Government in this matter is well known and was set out by me in a public statement on June 20 in announcing the American proposal for a year's postponement of debt payments. Our problem in this respect is one of such adjustment during the period of depression as will at the same time aid our own and world recovery. This being a subject first of negotiation with foreign governments was not submitted for determination at this evening's conference.

"9. The times call for unity of action on the part of our people. We have met with great difficulties not of our own making. It requires determination to overcome these difficulties and above all to restore and maintain confidence. Our people owe it not only to themselves and in their own interest, but they can by such an example of stability and purpose give hope and confidence in our own country and to the rest of the world."

Appointment of committee

In accordance with the President's request, bankers in New York assumed the leadership in the formation of a $500,000,000 corporation proposed by the President. Gov. George L. Harrison, of the Federal Reserve Bank of New York, announced the formation of a committee of bankers to carry out the President's plan. The committee consists of Mortimer N. Buckner, president of the New York Clearing House Association and chairman of the New York Trust Co.; Charles S. McCain, of the Chase National Bank; Harry E. Ward, president of the Irving Trust Co.; George W. Davison, president of the Central Hanover Bank & Trust Co.; Herbert P. Howell, president of the Commercial National Bank & Trust Co., and Gordon S. Rentschler, president of the National City Bank.

Statement by Governor Harrison

In announcing the formation of the committee, Governor Harrison issued the following statement:

"President Hoover has requested the bankers of the Nation to form a national institution of at least $500,000,000 for the purpose of rediscounting for banks, when necessary, sound assets not now legally eligible for rediscount at the Federal reserve banks. He has also requested the bankers of New York to assume the leadership in the formation of such a corporation.

"Progress has already been made toward the immediate organization of the corporation and the development of the procedure by which it may promptly and effectively operate in various sections of the country. It is contemplated that there will be a board of directors of 12 members, one from each Federal reserve district, to be selected by the organization committee.

"All banks throughout the country will shortly be asked to participate in this undertaking by subscribing to the extent of 2 per cent of their net demand and time deposits. The members of the New York Clearing House Association have evidenced their unanimous support by agreeing to participate to the extent of $150,000,000.

"While the organization committee will issue the appropriate notices regarding the procedure for filing subscriptions, nevertheless any bank desiring to participate may immediately advise the governor of the Federal reserve bank of its district of the amount of its subscription.

"This procedure will afford an immediate means by which all other banks may evidence their cooperation pending the preparation of formal subscription blanks, which will be in the nature of an agreement to purchase debentures of the proposed corporation as and when funds are required. The organization committee itself will from time to time make appropriate announcements of the progress of its work and define its procedure."

The proposed plan for the organization and operation of the national credit organization is published in detail at the end of this review. This plan was submitted by the organization committee to the clearing house associations in a large number of cities.

Suspension of gold payments in England

In the international field, the principal occurrence in September was the suspension by Great Britain of the gold standard act, which had been in effect since April, 1925. By this action the Bank of England was relieved from the obligation, which it had assumed six years before, to redeem its notes in gold. Prior to the war the Bank of England had been under the obligation to redeem in gold coin or bullion its notes presented in any amount. During the war there was no legislative action on the subject, but gold was concentrated at the Bank of England and gold exports were strictly controlled by the Government. In March, 1919, gold exports were prohibited by an order in council, and in December, 1920, this prohibition was enacted into law for a period of five years. In April, 1925, under the postwar gold standard, however, the obligation of the Bank of England to redeem its notes in gold was limited to redemption in gold bars and in amounts of not less than

400 ounces, i. e., about $8,000. Since 1925, therefore, England has been on what has been sometimes called the gold bullion standard, under which gold is not used for domestic circulation, but is available freely for export purposes. The suspension of gold payments on September 21 relieved the Bank of England for the time being of its obligation to furnish gold for export. At the same time, the recent act, which is printed elsewhere in the BULLETIN, confers upon the British Treasury for a period of six months authority to take such measures "in relation to exchanges and otherwise" as they may consider expedient for meeting difficulties arising in connection with the suspension of the gold standard. In a statement made by the British Government at the time of the suspension of gold payments, it was asserted that this action does not affect obligations of the Bank of England or the Government which are payable in foreign currencies. Among such obligations are included the credit of approximately $125,000,000 extended on August 1 to the Bank of England by the Federal reserve banks; that of equal amount extended at that time by the Bank of France; and the credit of approximately $400,000,000 subsequently established by the British Government with private lenders in the United States and in France.

Suspension of the gold standard was decided upon by the British Government in consultation with the Bank of England in consequence of continued large withdrawals of funds from the London market. These withdrawals were almost continuous from the middle of July to September 19, and amounted for the period to $1,000,000,000, of which about $160,000,000 represented a loss of gold during the latter part of July, which reduced the gold reserves of the Bank of England from $810,000,000 to $650,000,000, and the rest the loss of foreign exchange, including that acquired through the foreign credits already mentioned. In August and September the use of these credits had protected the Bank of England from further loss of gold, and it was only after these amounts were substantially exhausted that England decided to suspend the operation of the gold standard. At the same time the Bank of England raised its discount rate from 4½ to 6 per cent.

Suspension by other countries

Suspension of gold payments by Great Britain was followed by similar action in several other countries. Denmark, Norway, Sweden, and Finland took formal action in this direction. The same is true of India, Colombia, and Bolivia. In some other European countries, such as Austria, Greece, Czechoslovakia, and Italy, the Government undertook to control foreign exchange transactions. Even prior to the suspension of gold payments by Great Britain, certain countries had taken action for the suspension or control of gold payments. Thus Argentina closed its conversion office as early as December 16, 1929. In Australia early in 1930 gold movements were placed under complete control by the Commonwealth Bank, and in New Zealand, the de facto stabilization of currency at par was abandoned at about the same time. During July, 1931, exchange transactions were placed under control in Germany, Hungary, and Chile. Some control of gold exports is also in operation in Canada, as indicated by the fact that gold is not moving freely from that country, notwithstanding the fact that Canadian exchange is far below the gold export point.

Suspension of free movements of gold and exchange by numerous countries has been accompanied by advances in discount rates at most of the important central banks. On October 9 the rate at the Federal Reserve Bank of New York was advanced from 1½ to 2½ per cent, and on October 10 the rate at Boston was increased from 2 to 2½ per cent and the rate at Cleveland from 2½ to 3 per cent.

Gold withdrawals and earmarking

Suspension of gold payments by England was followed in this country by the conversion of considerable parts of balances held by foreign central banks in New York into gold, some of which has been exported, but most of which has been retained in this country under earmark for account of foreign correspondents. Between September 19 and October 7 the amount of gold held under earmark for foreign account increased by $300,000,000, and in addition $100,000,000 was exported, largely to France. There were, however, at the same time imports of gold from Argentina, Canada, and other countries, and the net decrease in the monetary gold stock of the country for the period was $370,000,000. This decrease in gold stock, together with an increase of $303,000,000 in money in circulation, was reflected in an increase of $576,000,000 in the volume of reserve bank credit outstanding. Of this increase, $182,000,000 represented bills discounted for member banks, $10,000,000 United States Government securities, and $369,000,000 acceptances. A considerable part of this increase in acceptances represented the taking over by the reserve banks of $160,000,000 of bills previously carried for account of foreign correspondents and disposed of by them for the purpose of increasing their gold holdings. The foreign banks also used for that purpose a portion of their deposits with the reserve banks, which decreased from a maximum of $264,000,000 on September 9 to $153,000,000 on October 7.

Gold exports and the conversion into gold earmarked for foreign account of a large volume of foreign balances previously held in the New York market, which were reflected in a net decrease of $370,000,000 in the country's stock of monetary gold, had little effect, however, on the amount of free gold at the disposal of the Federal reserve system, owing to the fact that the reserve banks met the demand for reserve bank credit arising from these transactions and from the increase in the demand for currency through the discount of paper and the purchase of acceptances, which are eligible as collateral against Federal reserve notes. The decrease in the gold stock, therefore, has resulted in a substitution of eligible paper for gold in the collateral back of Federal reserve notes, with the consequence that the amount of free gold in the possession of the reserve banks has remained substantially unchanged.

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Proposed Plan for Organization and Operation of National Credit Corporation [1]

A corporation is to be organized under the laws of the State of Delaware, to be called National Credit Corporation or other suitable name. The corporation is to have a nominal capital consisting of 12 shares of capital stock of the par value of $100 each.

It is to have the usual corporate officers and a board of directors of 12, one from each of the 12 Federal reserve districts, with the usual powers of directors and provisions for an executive committee. Each director is to subscribe to one share of stock and the shares are to be deposited with the governor of the Federal Reserve Bank of New York.

Purposes of the corporation.—National Credit Corporation (hereinafter called the "corporation") will be organized primarily for the purpose of aiding and assisting banks throughout the United States to utilize their resources and credit so as to further the stabilization of financial and economic conditions and to enable them better to serve their respective communities.

The main function of the corporation will be to lend or advance funds to banks or groups or associations of banks, upon such terms and conditions as shall be determined by the board of directors or executive committee.

The corporation is to be authorized to issue up to $1,000,000,000 principal amount of debentures. Interest upon the debentures will be payable only if earned, and when and as ascertained and declared by the board of directors.

Method of operation.—Banks throughout the United States will be requested to subscribe to the debentures at par in a principal amount equal to 2 per cent of their respective net demand and time deposits. This should provide at least the fund requested by the President of the United States. Subscriptions will be payable in installments, on call of the board of directors, when and as required. Debentures

[1] Statement issued by organization committee on Oct. 8 and telegraphed to clearing house associations.

are to be issued from time to time to the principal amount of the installments paid.

It is contemplated that one or more groups or associations of banks will be set up in every Federal reserve district. Each group or association will be composed of the subscribing banks within the area covered by the group or association. Each director of the corporation is to undertake the responsibility of organizing the groups or associations within his Federal reserve district, availing of existing groups or associations wherever feasible. The area covered by and the composition of each group or association are to be approved by the corporation. Each such group or association is to have its own loan committee, which is to pass upon the loans requested by any of its own members and upon the security therefor.

The articles of agreement of the various groups or associations will provide that the liability of each member in respect of the obligations of the association shall be in the proportion that the amount of the net demand and time deposits of each member as of the last preceding call date bears to the aggregate of the net demand and time deposits so determined of all of the members of the association. This proportion will change as the number of the members of the association changes, but in respect of any obligation of the association, the proportion applicable at the time the obligation is incurred, measured by said deposits so determined, shall govern.

No group or association shall incur any liability which shall cause its total obligations at any one time outstanding (exclusive of interest), to exceed the aggregate amount of the subscriptions of the members of such group or association, except in each instance with the consent of the members of such group or association together having such percentage of said subscriptions as may be specified with the approval of the director of the corporation of the Federal reserve district in which such group or association is located, in the agreement under which such group or association is formed. Any member who has paid the entire amount of its debenture subscription (the right to anticipate full payment being available to all debenture subscribers), shall with respect to any liability or obligation to the corporation incurred by or through the group or association of which it is a member and not discharged through the application of the security therefor, have the option to liquidate such liability or obligation in whole or in part by surrendering for cancellation debentures at par, without interest except to the extent previously declared by the board of directors and unpaid.

When a loan is approved by the local loan committee the note of the borrowing bank and the security therefor, together with the note of the group or association (of which the borrowing bank is a member) in a like amount shall be forwarded to the home office of the corporation or delivered to its authorized agent. The corporation is thereupon to advance to the group or association the amount of the loan if approved and the group or association in turn is thereupon to pay over the funds to the borrowing bank. The note of the borrowing bank and the security therefor shall be security for the payment of the note of the group or association, which will contain a provision fixing the liability of the member banks of the group or association with respect to such note in accordance with the articles of agreement of the group or association herein provided.

The debentures of the corporation will therefore have behind them all of the assets of the corporation, which will consist of:

(1) The notes of the various groups or associations limited with respect to liability of their respective members as aforesaid, secured by—

(*a*) The notes of the borrowing banks;

(*b*) The security furnished by the borrowing banks.

(2) The cash on hand from time to time, subject to the payment of the running expenses of the corporation.

Additional subscriptions.—In addition to subscriptions from banks as above provided, the corporation may receive subscriptions to debentures from other sources to which, however, loans are not available.

Character of debentures.—The debentures will be issued under an indenture and will be payable one year from their date with the right to the corporation to one or more renewals not exceeding in the aggregate three additional years, but subject to earlier redemption. Debentures will carry interest if earned at a rate up to but not exceeding 6 per cent per annum until maturity, payable only out of the surplus and net income of the corporation when and as ascertained and declared by the board of directors. The debentures will be issued in registered and nontransferable form only and will be authenticated by a trustee. The debentures and the indenture under which they are issued will contain such other terms and provisions as shall be approved by the board of directors of the corporation.

Office.—It is contemplated that the corporation will have its main office in the city of New York.

Forms.—All agreements, subscriptions, notes and other instruments as required hereunder will be provided by the corporation and forms will be furnished on application therefor.

Dated, New York, October 8, 1931.

Appointments to Staff of the Board

On September 16, 1931, Mr. Floyd R. Harrison was appointed assistant to the governor of the Federal Reserve Board.

On October 7, 1931, Mr. Chester Morrill was appointed secretary of the board, to fill the vacancy caused by the resignation, on May 31, of Mr. Walter L. Eddy.

Change of Governor at Dallas Bank

Mr. Lynn P. Talley, who has been associated with the Federal Reserve Bank of Dallas since April 15, 1915, and its governor since July 1, 1925, resigned as of October 1, 1931. Mr. B. A. McKinney, who has been associated with the Federal Reserve Bank of Dallas since it was organized in 1914, served as governor from 1922 to 1925, and has recently been president of the Federal Advisory Council, has been elected governor of the bank to succeed Mr. Talley, effective October 5, 1931.

Changes in Discount Rates and Bill Rates

The discount rate on all classes and maturities of paper was increased from 1½ to 2½ per cent at the Federal Reserve Bank of New York, effective October 9; at the Federal Reserve Bank of Boston from 2 to 2½ per cent, effective October 10; and at the Federal Reserve Bank of Cleveland from 2½ to 3 per cent, effective October 10.

At the Federal Reserve Bank of New York buying rates on bills of all maturities were increased as follows: On September 25 bills having maturities up to 90 days, from 1 to 1¼ per cent; 91 to 120 days, from 1⅛ to 1⅜ per cent; 4 to 6 months, from 1¼ to 1½ per cent; and on October 9 bills having maturities up to 90 days from 1¼ to 1¾ per cent; 91 to 120 days, from 1⅜ to 2 per cent; 4 to 6 months, from 1½ to 2 per cent.

Changes in Foreign Central Bank Discount Rates

The following changes have been reported in the discount rates of central banks in foreign countries:

National Bank of Bulgaria—September 29, from 8½ to 9½ per cent.

Central Bank of Chile—October 6, from 7 to 6½ per cent.

Czechoslovak National Bank—September 23, from 5 to 6½ per cent.

Danish National Bank—September 5, from 3½ to 4½ per cent; September 26, from 4½ to 6 per cent.

Bank of England—September 21, from 4½ to 6 per cent.

Bank of Finland—October 1, from 6 to 7½ per cent.

Bank of France—October 10, from 2 to 2½ per cent.

German Reichsbank—September 2, from 10 to 8 per cent.

Bank of Greece—September 26, from 9 to 12 per cent.

National Bank of Hungary—September 11, from 9 to 8 per cent.

Imperial Bank of India—September 22, from 7 to 8 per cent.

Bank of Italy—September 28, from 5½ to 7 per cent.

Bank of Japan—October 6, from 5.11 to 5.84 per cent.

Netherlands Bank—September 29, from 2 to 3 per cent.

Bank of Norway—September 12, from 4 to 5 per cent; September 26, from 5 to 6 per cent; September 28, from 6 to 8 per cent; October 8, from 8 to 7 per cent.

Bank of Sweden—September 21, from 4 to 5 per cent; September 25, from 5 to 6 per cent; September 28, from 6 to 8 per cent; October 8, from 8 to 7 per cent

NATIONAL SUMMARY OF BUSINESS CONDITIONS

[Compiled September 23 and released for publication September 26]

Volume of industrial production and factory employment, which usually increases at this season, showed little change from July to August, and the board's seasonally adjusted indexes consequently declined. The general level of wholesale prices remained in August at about the same level as in the two preceding months, but declined somewhat in the first three weeks of September.

Production and employment.—Industrial production, as measured by the board's seasonally adjusted index, declined from 83 per cent of the 1923–1925 average in July to 80 per cent in August, which compares with the previous low level of 82 per cent for December, 1930. Output of steel, which ordinarily increases in August, declined further to 31 per cent of capacity, reflecting in part curtailment in automobile production; lumber output also decreased, contrary to seasonal tendency. Activity at textile mills and shoe factories showed about the usual seasonal changes, and production in these industries continued to be in substantially larger volume than a year ago. In the latter part of August output of crude petroleum decreased 30 per cent, the reduction being in east Texas, following earlier curtailment in Oklahoma fields; in the middle of September production increased somewhat.

Factory employment, which usually increases at this season, showed little change from the middle of July to the middle of August. The number employed in the clothing and shoe industries and in canning factories increased, while employment at steel mills, automobile plants, foundries, and car-building shops declined.

Value of building contracts awarded, as reported by the F. W. Dodge Corporation, continued to decline in August and for the first eight months of 1931 was 31 per cent less than in the corresponding period of 1930, reflecting decreases of 18 per cent in contracts for residential building, 30 per cent for public works and utilities, 54 per cent for factories, and 56 per cent for commercial building.

Department of Agriculture crop estimates, based on September 1 conditions, were about the same as estimates made a month earlier. High yields per acre and large crops were indicated for cotton, winter wheat, and tobacco, while crops of spring wheat and hay were expected to be unusually small, chiefly on account of dry weather. The corn crop was estimated at 2,715,000,000 bushels—600,000,000 bushels larger than last year, but 50,000,000 bushels smaller than the 5-year average.

Distribution.—Daily average freight-car loadings declined somewhat in August, contrary to the seasonal movement, while department-store sales increased, but by an amount slightly smaller than is usual in August.

Prices.—The general level of wholesale prices increased from 70 per cent of the 1926 average in June and July to 70.2 per cent in August, reflecting increases in the prices of livestock, meats, dairy products, and petroleum, offset in large part by decreases in the prices of grains, cotton, and cotton textiles. During the first three weeks of September prices of livestock, meats, hides, and cotton declined, while prices of dairy products continued to increase.

Bank credit.—Volume of reserve bank credit, which had increased by $240,000,000 during the month of August, increased further by $70,000,000 in the first part of September, and in the week ending September 19 averaged $1,265,000,000. The demand for the additional reserve bank credit arose chiefly from an increase of $295,000,000 in the volume of currency outstanding; there were also further transfers to the reserve banks by foreign correspondents of funds previously employed in the acceptance market, offset in large part by a growth of $60,000,000 in the country's stock of monetary gold. Following suspension of the gold standard act by Great Britain, more than $100,000,000 in gold was added to the amount held by Federal reserve banks under earmark for foreign account, and there was a corresponding decrease in the country's stock of monetary gold.

Loans and investments of reporting member banks in leading cities, after declining in July and the first half of August, showed little change in the 3-week period ending September 9. There was a further decline in loans on securities, while holdings of investments increased somewhat. In the following week the banks added $227,000,000 to their holdings of United States Government securities when an issue of $800,000,000 of United States Government bonds was brought out, while holdings of other securities were reduced by $40,000,000. Loans on securities continued to decline, and all other loans were also reduced, contrary to seasonal tendency.

Money rates in the open market continued at low levels. On September 22 the rate on bankers' acceptances advanced from seven-eighths of 1 per cent to 1 per cent. Yields on high-grade bonds increased during the last half of August and the first part of September.

October 28, 1931.

Hon. Harcourt J. Pratt,
Highland, New York

Dear Mr. Pratt:

Upon my return to the office today I found on my desk your letter of October 23, 1931.

While the National Credit Corporation was formed in accordance with the suggestion of the President, it is not a governmental organization, and will not function under the supervision of the Federal Reserve Board. The directors and officers will be responsible for its operation and the selection of its personnel. As you perhaps know, the twelve directors--one from each Federal reserve district--were selected by the Organization Committee, and they had their first meeting on October 17. At that meeting, Mr. M. N. Buckner, the director from the Second Federal Reserve District, and Chairman of the Organization Committee, was elected President of the Corporation.

I enclose for your information a copy of a pamphlet recently issued by the Corporation in which its plan of operation is described.

Very truly yours,

(Signed) Eugene Meyer

Cm

Governor

HARCOURT J. PRATT
27TH DIST. N. Y.

MEMBER
COMMITTEE ON AGRICULTURE

Congress of the United States
House of Representatives
Washington, D. C.

At Highland, N. Y.
Oct. 23, 1931.

Hon. Eugene Meyer
Governor
Federal Reserve Board
Washington, D. C.

My dear Governor:-

In connection with the bankers' pool suggested by the President, a number of inquiries have come to me as to whether this would be controlled by or be under the supervision of the Federal Reserve Board, and whether its functioning would bring about any increase in personnel.

I shall very much appreciate whatever information you may find it possible to give me.

Sincerely yours,

H J Pratt

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A Description of

THE NATIONAL CREDIT CORPORATION

By

CORNELL, LINDER & CO., Inc.

Investment and Industrial Advisors to Banks

50 BROAD STREET, NEW YORK, N. Y.

Banks have found it increasingly difficult to convert sound assets into cash when needed. Continued business depression, demoralized security markets, general lack of confidence—all combined to bring about an acute banking situation. Assets ordinarily liquid became frozen in increasing mass. To meet the emergency, President Hoover requested that banks throughout the country form a national organization to enable banks with sound assets to obtain cash when necessary.

In immediate response to the President's request, THE NATIONAL CREDIT CORPORATION was organized with twelve directors, each one representing a Federal Reserve district. The directors are a selected group of outstanding commercial bankers and their selection has been favorably received throughout the country. They serve without pay.

The National Credit Corporation is in the nature of a cooperative non-profit making institution. It is expected that its expenses will be relatively small and that nearly all the interest it receives on loans made by it will be available for payment of interest on its own notes.

The corporation's funds will not be available to banks already closed. Neither will they be available for taking over or liquidating assets of such banks. The purpose is wholly to aid going banks with sound but semi-liquid or slow assets in obtaining cash if necessary. Its loans will be made on usual banking principles, only such collateral being taken as is normally accepted by any prudent bank as a basis for a loan.

The mobilization of the country's banking resources and personnel in this national institution adds an impetus of great significance to efforts being made to stabilize business and financial conditions. Its acceptance throughout the country and the rapidity with which the corporation is coming into operation give hope that bank failures will be reduced by the relief that is being made available to sound banks in need of aid.

MAIN FEATURES

The National Credit Corporation is organized under Delaware laws to make loans to banks against the pledge of sound though not immediately liquid assets. Its headquarters are in New York City.

The corporation has twelve shares of capital stock, of which one share has been subscribed by each director and deposited with the Federal Reserve Bank of New York, and may issue its notes in an aggregate amount not exceeding $1,000,000,000.

National and state banks throughout the country have been invited to subscribe to the corporation's notes to an amount equal to 2% of the subscribing bank's net demand and time deposits, but not exceeding 10% of unimpaired capital and surplus. Payment for the notes is to be made in instalments when called. It is expected that the first call will be for 20% of the amount subscribed.

Interest at not exceeding 6% per annum will be paid on the notes if earned and when declared payable by the directors. The notes will run for one year but the maturity may be extended from time to time by the corporation for not exceeding in the aggregate three years additional and may be redeemed by it prior to original or extended maturity.

The Secretary of the Treasury has announced that The National Credit Corporation's notes will be accepted by the treasury as collateral to

MEMORANDA AND FORMS ISSUED
by
THE NATIONAL CREDIT CORPORATION

Plan of Organization and Operation of The National Credit Corporation (Dated October 14, 1931)

Subscription Agreement Blanks and Memorandum in Regard Thereto (Dated October 14, 1931)

Articles of Agreement Forming National Credit Association No. .... of the .... Federal Reserve District (Dated as of October 17, 1931)

FORM No. 1. (10-17-31)—*Certified Copy of Resolution Authorizing Bank or Trust Company to Become Member of National Credit Association No. .... of the .... Federal Reserve District.*

FORM No. 2. (10-17-31)—*Application for Loan*

FORM No. 2A. (10-17-31)—*Opinion of Counsel for Borrowing Bank or Trust Company*

FORM No. 2B. (10-17-31)—*Resolution of Board of Directors of Borrowing Bank or Trust Company*

FORM No. 2C. (10-17-31)—*Certificate of Election of Officers of Borrowing Bank or Trust Company*

FORM No. 2D. (10-17-31)—*Form of Note of Borrowing Bank or Trust Company*

FORM No. 2E. (10-17-31)—*Security Offered by .... in Connection with Application for a Loan from National Credit Association No. .... of the .... Federal Reserve District*

FORM No. 3. (10-17-31)—*Approval of Loan by Loan Committee of National Credit Association No. .... of .... Federal Reserve District*

FORM No. 4. (10-17-31)—*Application of Association for Advance by National Credit Corporation*

FORM No. 4A. (10-17-31)—*Certificate of Secretary of Association*

FORM No. 5. (10-17-31)—*Note of National Credit Association No. .... of the .... Federal Reserve District*

secure deposits of public moneys in designated depositaries at the same collateral value now accorded to commercial paper and bankers' acceptances, which, under existing regulations, are accepted at 90% of face value.

Loans will be made only to subscribing national and state banks, whether or not members of the Federal Reserve System.

PLAN OF OPERATION

The Delaware corporation, named The National Credit Corporation, is the parent organization which issues the notes subscribed by banks. It is intended to function as a holding company owning all of the capital stock and indebtedness of its operating subsidiaries to whom it will supply funds. It may operate directly or through subsidiaries. One such subsidiary, named National Credit Corporation, has been incorporated under New York laws to operate wherever feasible throughout the country. The subsidiary will receive applications for loans, pass upon and make loans, and prescribe the liability, on such loans, of members of the local loan associations.

In many areas local loan associations are being organized according to clearing house association groupings; elsewhere organization is according to other groupings. These local units will have a numbered designation: "National Credit Association No. .... of the .... Federal Reserve District."

The National Credit Corporation furnishes the association with pro forma articles of agreement which define the purpose and area of the association, the conditions upon which banks may become members of the association, the constitution and powers of the loan committee appointed to act as managers of the association, and the liability of members.

No member is liable for the obligation of any other member for the repayment of any advance made by National Credit Corporation to the association. Each member is severally liable for such proportion of such advance as the amount of the subscription of such member to the notes of The National Credit Corporation bears, at the time the liability is incurred, to the aggregate of such note subscriptions of all the members of the association other than the borrowing member. The association cannot incur any obligation for any advance by National Credit Corporation in excess of the aggregate amount of note subscriptions by the association without the consent of a minimum percentage, specified in the articles of association, of the aggregate note subscriptions of such association. In the event such excess liability is incurred without the unanimous consent of the members of the association, a non-assenting member may withdraw from the association, subject to such member's pro rata liability previously incurred.

PROCEDURE

To become entitled to the benefits of the credit facilities provided by The National Credit Corporation, a bank must subscribe for notes of The National Credit Association and to the articles of agreement of the National Credit Association formed for the area in which the bank is located. Application for membership must be accompanied by certified copy of resolution of the board of directors of the bank authorizing the bank to become a member of the designated National Credit Association.

Any bank desiring to obtain a loan from the association must file application therefor with the loan committee of the association of which such bank is a member, in form approved by the loan committee. Application for loan and documents required as part of the application will be furnished by the loan committee in printed form, including:

1. Certified copy of resolutions of the board of directors of the applicant,

2. Certificate of election to and incumbency in office of officers of the applicant with specimen signatures,

3. Form of note to be executed by the applicant upon the acceptance of application with a list and description of the security to be tendered therewith, and

4. Opinion of counsel for applicant covering matters pertaining to the loan, to be filed when the loan is made.

In addition, the bank must furnish with its application,

5. A certified copy of its charter and a certified excerpt from its by-laws showing the authority of its board of directors to borrow money, execute notes and other instruments and give security therefor, and

6. A certified statement of its financial condition as of the date of application.

If the loan committee approves making the loan and the security therefor, it makes application, in behalf of the National Credit Association for which it acts, for the advance by National Credit Corporation in form and under regulations prescribed by the corporation. The application of the association must be accompanied by a certificate of its secretary showing members of the association, the amount of the note subscription of each member and the amount of each member's pro rata liability upon the association's note given for the advance. The note given by the association also shows the name and amount of pro rata liability of each member and is delivered, together with the note and collateral of the borrowing member, as security for the advance by National Credit Corporation.

Thus, National Credit Corporation has the note of the borrowing bank, the collateral furnished by the borrowing bank and the note of the association of banks of which the borrowing bank is a member, as security for any loan it makes to a borrowing bank.

* * *

It is estimated that the aggregate deposits of the banks in all the clearing house associations throughout the country amount to about $43,000,000,000. Full note subscriptions of 2% of deposits would provide approximately $860,000,000. The limitation of subscriptions to 10% of unimpaired capital and surplus will probably reduce the potential amount of resources to be mobilized below the figure indicated. Nevertheless, subscriptions aggregating well over $500,000,000 may be expected.

In proportion to the volume of bank assets, this is not a large sum. But the fact that this credit facility is being made available may serve well to relieve the strain and go far to make actual use of its potentialities unnecessary. From the inception of the plan, it has been made clear that the credit to be provided by the plan is to be granted to banks only in case of necessity.

It is not to be assumed that the plan provides a means for unloading bad or doubtful assets. Nor does it provide for any bank a way of escape from the penalties of unsound management. Certainly it relieves no bank management of its responsibility to maintain the integrity of its resources or of its duty to attain by usual procedure such liquidity as its business requires.

* * *

Many questions naturally arise in the minds of bankers in regard to the details of the organization and operation of The National Credit Corporation, questions which frequently cannot be accurately answered from the reports given in the press. While we have no official connection in any way with the National Credit Corporation, our location in New York City and our relations with many of the banks, bankers and banking officials enable us to obtain details concerning this Corporation and its operations. We shall be pleased, therefore, to answer inquiries from banks in regard to these matters.

All statements herein are official or are based on information which we regard as reliable, but are not to be considered as representations by us.

This bulletin marks the inauguration of a series to be issued by us from time to time. They will be devoted to banking and other topics of timely interest to banks. They are not in any sense part of our regular service to clients in which no stereotyped bulletins are used.

Our service for banks, whether as advisors in regard to their secondary reserves and investments or as consultants in respect to industrial problems with which they may be confronted, is individual and confidential. We do not engage, in any way, in the merchandising of securities.

CORNELL, LINDER & CO., INC.

November 3, 1931.

1931 NOV 4 PM 6 17

Treasury Department

WESTERN UNION TELEGRAM

Telegraph Office

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WE56 52=

ATLANTA GA NOV 4 322P

HON EUGENE MEYER=

FEDERAL RESERVE BOARD=

I AM WORKING WITH ALL MY MIGHT TO SECURE SUBSCRIPTIONS TO THE CREDIT CORPORATION AND WOULD APPRECIATE YOUR SENDING ME A TELEGRAM GIVING YOUR ENDORSEMENT OF THE PLAN WITH IMPLIED PERMISSION ON YOUR PART TO USE IT IN CONNECTION WITH THE ORGANIZATION OF THIS DISTRICT STOP BELIEVE IT WOULD PROVE MOST HELPFUL=

JOHN K OTTLEY.

Confidential

NATIONAL CREDIT CORPORATION

LOAN APPLICATIONS APPROVED

November 4, 1931 to January 19, 1932, Inclusive

SUMMARY

	Number of Loans	Amount
November 4, 1931 to December 3, 1931	23	$4,170,000.
December 4, 1931 to December 28, 1931	164	15,576,500.
December 29, 1931 to January 6, 1932	135	28,708,337.
January 7, 1932 to January 13, 1932	139	13,672,000.
Total to Close of January 13, 1932	461	$62,126,837.
Add:		
January 14, 1932 to January 19, 1932 (not detailed)	111	19,896,100.
GRAND TOTAL - To close of January 19, 1932	572	$82,022,937.

Confidential

THE NATIONAL CREDIT CORPORATION

33 LIBERTY STREET, NEW YORK, N. Y.

TELEPHONE JOHN 4-3300

January 19th, 1932.

My dear Governor:

I am enclosing herewith, at the request of Governor Harrison, copies of the statements of advances made by The National Credit Corporation as submitted to the meetings of the Executive Committee of the Corporation up to the present time.

In addition to the loans made to date, we have credit commitments outstanding amounting to $57,500,000. making a total of loans and commitments as of this date of $139,522,937.

Please do not hesitate to call on me if I can be helpful in any way.

Yours sincerely,

M A Buckner

President.

Honorable Eugene Meyer,
Washington.

h.

THE NATIONAL CREDIT CORPORATION

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NATIONAL CREDIT CORPORATION

STATEMENT CLOSE OF BUSINESS DECEMBER 31, 1932

APPLICATIONS IN TRANSIT TO HOME OFFICE

NONE

LOANS MADE AND PAID

		No. of Loans	Amount
TOTAL LOANS AND COMMITMENTS		1,217	$188,654,153.27
Less: Loans fully paid	$148,644,453.27		
Partial payments	3,813,072.39		152,457,525.66
			$36,196,627.61
Commitments - cancelled to date			28,600,000.00
LOANS OUTSTANDING			$7,596,627.61

LOANS MADE TO BANKS - SINCE CLOSED
(Figures included in Loans Made and Paid)

		No. of Banks	Amount
TOTAL LOANS MADE		78	$12,729,816.27
Less: Loans fully paid	$5,024,316.27	41	
Partial payments	4,822,097.61	—	9,846,413.88
LOANS OUTSTANDING		37	$2,883,402.39

SUBSCRIPTIONS TO GOLD NOTES

	No.	Amount
TOTAL SUBSCRIPTIONS RECEIVED	4,182	$423,957,015.01
TOTAL GOLD NOTES ISSUED (Against payments on 3 calls of 10% each)		$125,393,913.17
Less: Payments of 95% in partial redemption		119,124,217.48
GOLD NOTES OUTSTANDING		$6,269,695.69