

Upon call of the Vice Governor, a special meeting of the Federal Reserve Board was held in the office of the Vice Governor on Monday, February 1, 1926 at 2:45 p.m.

PRESENT: Vice Governor Platt  
Mr. Hamlin  
Mr. Miller  
Mr. James  
Mr. Eddy, Secretary  
Mr. McClelland, Asst. Secretary

Mr. Martin, Federal Reserve Agent at the Federal Reserve Bank of St. Louis, was present and discussed with the Board the condition of the Crittenden County Bank and Trust Company of Marion, Ark., a member bank, and a proposal to organize a new institution to succeed it. He pointed out that the institution was the only bank in the county and its failure would deprive the community of banking facilities and involve serious losses to the depositors and community generally. The bank has capital of \$200,000 and surplus of \$40,000, loans and discounts of \$1,200,000 and deposits of practically the same amount, with only \$300,000 of the latter being individual deposits; the balance public funds. Mr. Martin stated that the bank had determined losses of \$190,000 and sufficient other paper which could be classed as losses to run the total to \$300,000, was indebted to the Federal Reserve Bank of St. Louis in the amount of \$216,000 and in addition was borrowing \$50,000 from correspondents. The proposal which is approved by the state banking authorities is to organize a new bank with new capital of \$100,000, using the \$200,000 capital of the present institution to take out losses and to levy an assessment on the stockholders of the present bank which it was believed would net only 50%, giving another \$100,000 of new

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money to take out losses or a total of \$300,000. He stated he was advised that the public deposits of the old bank would be retained in the new institution but would be placed on certificates running from three to five years, instead of as demand deposits. He further stated that there did not appear to be any possibility of increasing the individual deposits of the bank, but that if the bank could be continued for two or three years, and if cotton crops, upon which the surrounding community depends, were satisfactory, he believed the situation might be worked out. He stated that there was no possibility of continuing the present institution and discussed with the Board the question of admitting the new bank into the System. He stated that if a non-member bank in the same condition should apply for membership there would be no question but what he would recommend against approval of its application, but that in this case where an effort was being made to continue a bank already a member and indebted to the Federal Reserve Bank he was inclined to approve. He stated that with \$300,000 of losses charged off, the credit position of the Federal Reserve Bank with regard to its loans to the institution would undoubtedly be improved and stated it was understood that the new institution, if organized, was not to expect accommodation from the Federal Reserve bank in excess of \$250,000. He said that any new paper coming into the Federal Reserve bank would be good and that the problem was to work out old loans.

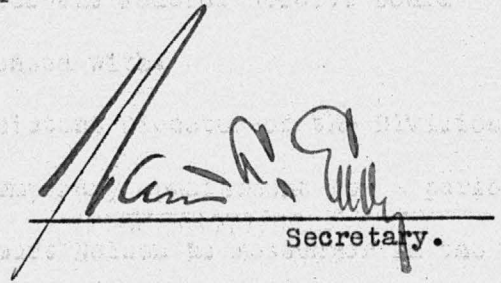
After discussion, Mr. Hamlin moved that the Board agree to approve application for membership in the System from the new bank when organized, on the conditions proposed by the organizers and the State banking authorities, as outlined by Mr. Martin, and subject to the following specific stipulations:

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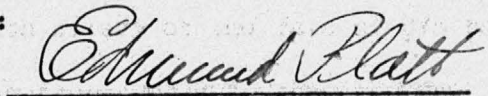
- (1) That the capital of \$100,000 be subscribed in new money.
- (2) That the Federal Reserve Agent secure from the directors of the present bank an agreement that at least \$100,000 of new money will be secured by assessment on its stockholders which will be used in eliminating losses.

Carried.

The meeting adjourned at 4:20 p.m.

  
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 Secretary.

Approved:

  
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 Vice-Governor.