

C O P Y

X-3154

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FEDERAL RESERVE BANK
OF ATLANTA

June 25, 1921.

My dear Mr. _____:

I am in receipt of your letter of June 24th, and note that you have notified your customers, who are borrowing on cotton, to sell some and pay their notes by July 1st.

Of course, you understand, this is a matter with which we have nothing to do. From our correspondence with your bank, we have made no such demands, for it is not our policy to demand of member banks that any particular class of paper be liquidated and the proceeds paid to us. It is a fact that some member banks are borrowing very heavily from us, and, when their borrowings reach such a great amount that we feel they should be more conservative and do banking in a safer way, then we call their attention to the fact that we do not wish to extend further accommodations. It is then a matter between the member bank and their customers and there are ways of obtaining a liquidation of their paper other than forcing their customers to sell their cotton.

We assume that a great many of your loans are made to customers where there is no cotton hypothecated as collateral. Probably the bulk of your loans are in that shape, and, while we are not insisting that your bank pay off your borrowings in total, or any amount of it, we are merely admonishing you not to go to any greater length on your borrowings which are already so high, being more than two times greater than your Capital and Surplus and more than six times greater than your basic discount line. We will continue to carry for you your large line of rediscounts until business conditions in your locality bring about a proper liquidation without forcing your customers to sell their cotton to liquidate.

Yours very truly,

(signed) M. B. Wellborn
Governor.

Mr. _____, Cashier,
The First National Bank,
_____, Alabama.

C O P Y

X-3154-a

THE FIRST NATIONAL BANK
_____, Ala.

June 24, 1921.

Mr. M. B. Wellborn, Governor,
Federal Reserve Bank,
Atlanta, Ga.

Dear Sir:

On June 15th, we notified all customers who owed us notes secured by warehouse receipts for cotton, that we would expect them to sell cotton and pay their notes July 1st. Since that time cotton has declined, and they are teaming in to see us begging more time.

We are at a loss to know what to say to them until we learn how you feel about what we owe you.

We realize and appreciate the fact that you have been exceedingly nice and good to us, and we do not feel warranted in giving our customers, who are holding cotton, further extensions unless it is perfectly satisfactory with you to give us extensions.

They all think, as they have been thinking since last Fall that cotton will go up and that it will not be fair and just to force them to sell on this down market.

We have enough paper secured by cotton to pay you all we owe you on rediscounts.

Please advise us your wishes in the matter and your opinion about cotton.

Yours very truly,

(signed) _____
Cashier.