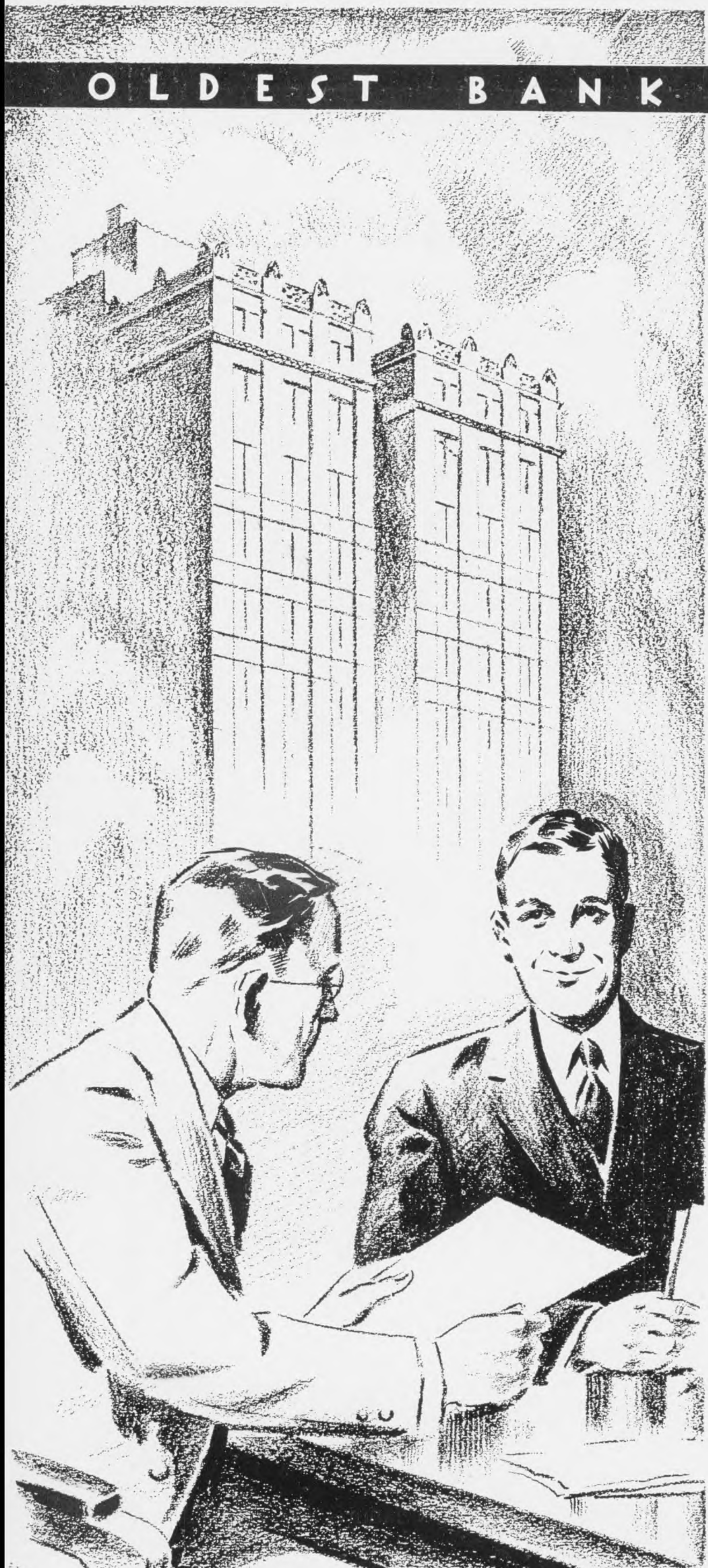
CENTRAL WESTERN BANKER
Omaha

NOVEMBER 1931

OLDEST BANK IN NEBRASKA



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CENTRAL WESTERN BANKER
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The Teller Tells the World

By C. W. FISHBAUGH

THE OTHER day I read about a bank in Illinois operating on the order of a speak-easy. Anybody who wanted to get in had to knock and be recognized, through a peep hole. The bank was held up twice in a few months so its officials take no chances.

But there's no news to that. All country banks operate that way—after four o'clock.

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A gentleman who attended the American Legion convention at Detroit was telling the local banker how all the legionnaires called for beer. The banker remarked: "Well knowing that Canada lies just across the river from Detroit it looks like to me that was just another way to say 'Let's adjourn.'"

News note: The local banker attended the A.B.A. convention at Atlantic City.

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The Mayfair State Savings Bank of Chicago invited its depositors to come in and draw out their money at 100 per cent on the dollar. The directors decided it was not possible to make money, so calmly closed up shop. The friendly run was slow and it was hard to get customers to take their money. Outside the doors of the bank stood various salesmen ready to solicit the customers.

And for no reason at all that reminds me of the story of Little Red Riding Hood and the wolf.

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Advertisement reads: "You too can make money at home."

President Ephriham says: "You better not, they'll ketch you."

Sometime I would like to read a biography of a successful man who didn't get up at four o'clock in the morning, work twenty hours a day and get twenty dollars a week.

The only one that I've read that's different is the one who admitted he didn't get up till seven o'clock on Sundays.

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From the year 1866 to 1876 in Brussels one bank was looted of five million francs by the dishonesty of one of its employes. The employe was in charge of the bond and safe deposit system and juggled bonds of customers over this period so thoroughly that no suspicion was attached to him till the final blow up. He had been given complete responsibility and no check up made on him.

If bank executives would read a few stories like this once in a while it might prevent a lot of future losses.

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During the trouble in Omaha $3,000,000 was brought from the Federal Reserve Bank at Kansas City by airplane.

And to think I was never interested in aviation.

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L. A. Andrew, state superintendent of banking of Iowa and former president of the National Association of Supervisors of state banks, in his speech at New Orleans said in part: "I believe the reasons for bank failures are easily determined: They are: First, an overbanked condition; second, the economic stress of the times; third, mismanagement within the bank, or rather mistakes in management."

Mr. Andrew has a way of hitting the nail on the head time after time.

(Continued on Page 15)

Nebraska Bankers Hold Annual Convention at Lincoln

E. N. VAN HORNE, popular president of the Continental Bank of Lincoln, was elected president of the Nebraska Bankers Association, at the concluding session of the Association's annual convention held October 22-23, at Lincoln. Mr. Van Horne served last year as chairman of the executive council. He succeeds J. G. Lowe, president of the Farmers State Bank of Kearney.

The exceptionally fine weather brought out a generous attendance of bankers and sessions were held on Thursday at the beautiful Shrine Country Club, east of Lincoln. The Friday meetings were held in the Student Activities Building of the State College of Agriculture.

The following were elected members of the executive committee: C. F. Brinkman, Omaha; Carl Weil, Lincoln; T. E. Green, Valley; W. F. Wenke, Pender, and W. S. Rodman, Kimball.

Hughes Reelected

William B. Hughes of Omaha was reelected secretary of the association. He has been secretary since 1905. Mr. Weil was named treasurer and W. H. McDonald of North Platte was elected chairman of the executive committee.

J. B. Owens, vice president of the Stockyards National Bank of Omaha, was selected as Nebraska member of the national executive council. A. D. Spender of Barnston was chosen Nebraska vice president of the national association.

A resolution approving Governor Bryan's drouth relief program was passed.

Another asked that the association go on record as recognizing bank service as a commodity for which banks should receive compensation through balances of customers or a scale service charge.

In a message to the association, Fred W. Sargent, president of the North Western railroad, discussed taxes and asserted the interference of government in business is growing.

Mr. Sargent was unable to attend the convention because of illness. His message was read by Samuel H. Cady, general counsel for the railroad.

Mr. Sargent asserted "business leaders who have the resources and ability to inaugurate vast jobs are holding back because they are uncertain what the government is going to do next, and are frankly scared."

The outstanding address of the convention was delivered by Julius H. Barnes, chairman of the United States Chamber of Commerce, who spoke on "Credits and Confidence."

Speaking of President Hoover's new national credit plan, based on the formation of a half-billion dollar credit corporation, Mr. Barnes said:

"An improved spirit of confidence, growing out of the president's plan, is evident in the east."

The plan should stimulate business "not by inflation, but by offsetting deflation," in his opinion.

Tariff "Secondary."

Tariff barriers between nations today are of secondary importance compared with the problem of fixing the inter-allied debts "within the ability of the debtor nations to pay," he said.

Business has generally accepted the principle of the ability of the debtor to pay as a basis for settlement in individual cases, and the same principle applied to nations would seem to be "not cancellation but just plain common sense," he said.

Explaining, he pointed to creditor business houses which, rather than force a debtor to the wall by insisting on full payment—thus destroying his ability to pay—would scale down the debt and extend it over a long period.

Allied Debts Too Big

"A man won't work as hard to repay a debt if he knows that no matter how hard he strives he must turn over every cent he makes for many years to a creditor. It takes the heart out of him and he is inclined to throw up his hands in despair," Mr. Barnes said.

"We are learning that the inter-allied debts are too big. To lighten the burden would not be cancellation but just plain common sense."

Tariffs will make little difference in international trade until the buying power of the buying nations is raised, according to Mr. Barnes, for "their buying power is now so low they couldn't buy in normal amounts even though no tariffs existed."

At the opening session on Thursday, the bankers were welcomed to Lincoln by W. A. Selleck, president of the Lincoln Clearing House Association. Invocation was pronounced by Rev. Paul C. Johnston.

Otto Kotouc, president of the Home State Bank of Humboldt, responded to the welcome.

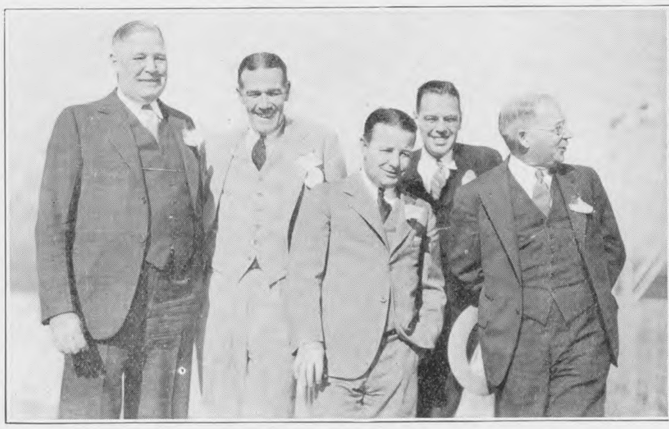
J. G. Lowe, president of the organization for the past year and president of the Farmers State Bank of Kearney, opened the formal program with an appeal "To hope for the best, prepare for the worst, and take what comes."

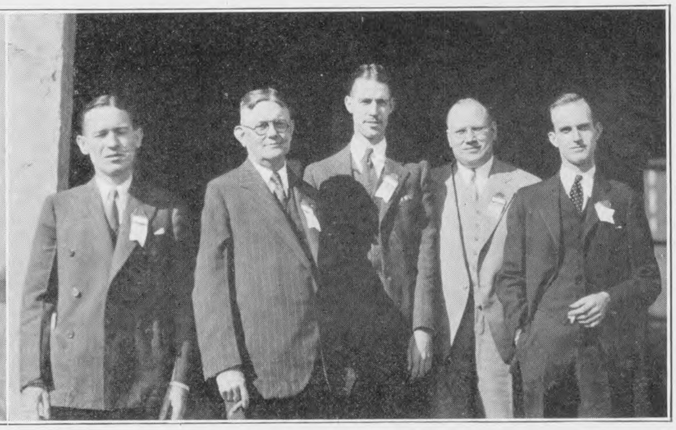
Predicts Normalcy by 1932

Discussing "The Trend of the Times," Mr. Lowe declared that from personal observation he is convinced

Above, left to right, Carl L. Fredericksen, vice president, Live Stock National Bank, Sioux City; W. "Bud" Allen, Continental Illinois Bank and Trust Co., Chicago; W. E. Resseguie, Continental Illinois Company, Chicago; George W. Woods, Nebraska banking superintendent; J. F. Ringland, assistant cashier, United States National Bank, Omaha; and James P. Kelley, cashier, First State Bank, Johnson, Nebraska.

With the Camera at Lincoln





Left to right, E. F. Jepsen, assistant cashier, First National Bank, Omaha; Calvin C. Burnes, vice president, Burnes National Bank, St. Joseph, Mo.; Laurence H. McCague, First Trust Co., Omaha; George M. Thompson, Fidelity National Bank and Trust Co., Kansas City, Mo.; and Fred D. Stone, manager, service department, First National Bank, Lincoln.

(Right photo.) Left to right, Richard L. Dunlap, assistant cashier, Commerce Trust Co., Kansas City, Mo.; H. L. Jarboe, president, Drovers National Bank, Kansas City, Mo.; J. D. Stocker, cashier, Otoe County National Bank, Nebraska City; Alvin E. Johnson, vice president, Live Stock National Bank, Omaha; and J. H. Ellis, Burns, Potter & Co., Omaha.

that a slow but steady progress in business is under way. He predicted normalcy by 1932.

The readjustment, he warned, will be on the basis of a much lower value of the dollar. He pointed out that, although the farmer is protesting about receiving 30 cents for grain that formerly brought 60 cents, the farmer is buying suits for $22 that once cost him $44.

The report of William B. Hughes of Omaha, secretary, revealed that the total number of financial institutions belonging to the association is 690. This is 53 less than last year, but represents 94 per cent of the eligible banks and trust companies in the state. Last year the membership was only 92 per cent of the total.

More Reward Money Spent

Mr. Hughes announced that money spent for rewards and investigations in connection with robbed or failed banks was larger last year than for many years, being $6,800 out of a total budget of $30,027. A plan has been devised, he said, to reduce the cost of rewards, but he did not discuss the changes.

A financial report prepared by Treasurer Denman Kountze, was read by Mr. Hughes in Mr. Kountze's absence.

A brief report of meetings of the executive council was given by E. N. Van Horne, president of the Continental National Bank of Lincoln.

Approximately fifty women also registered for the convention. They lunched at the Lincoln Country Club, and later toured the state capitol.

While the convention luncheon was in progress at the Shrine Club, George W. Holmes, president of the First National Bank of Lincoln, and a member of the board of directors of the United States Chamber of Commerce, gave a special luncheon in honor of Julius Barnes at the Cornhusker hotel, at which a number of prominent business and newspaper men of Lincoln were present.

Trust Company Banking

THE trust business is a natural development from public demand and not of financial institutions seeking a new avenue of profit, J. Stewart Baker, President Bank of Manhattan Trust Company, New York, pointed out to the Trust Company Division of the American Bankers Association at its meeting at the A. B. A. convention. "The public created the trust business," said Mr. Baker, "it was not a business extension device conceived by financial men and foisted upon the public in order to gain more profits. The order was the other way about—human need required a service that virtually compelled the creation of institutions which could render it and they came into being. It is no affectation to say that the perfectly legitimate motive of business profits has been rather remarkably subordinated in the development of trust service. Its social values have been so much more conspicuous. Public interest is intrinsic in everything that you do."

Mr. Baker traced the origin of the modern idea of the trust to Captain Robert Richard Randall, founder of Sailors' Snug Harbor in New York, who with his lawyers, Alexander Hamilton, first Secretary of the treasury of the United States, and Daniel D. Tompkins, who became Vice-President of the United States, took steps to make certain that his property should function indefinitely in the future. It was many years, however, before this new and vital principle began to be applied to other affairs, he said.

"The corporate fiduciary idea was not 'sold' to the public by any aggression of the institutions rendering it—not until comparatively recent years," said Mr. Baker, "because it rested almost inert through the era of small affairs before the advent of the railroad and of steam power in industry, but when public need called for its services it arose. Technically, it may have been invented by Hamilton and Tompkins, but generically it was created by the public."

C. M. Dopler

Who Runs Your Bank?

- - Your Customers - - Your Competitors - - or Your Own OFFICERS?

By C. M. DOPLER
Edward R. Burt & Co.

BANKING thirty years ago was different from the financial department store of today. The old time banker knew his institution from the ground up. Operations were less varied, methods simple and transactions relatively few. He could almost keep his records in his head and little transpired that he did not know in minute detail.

The banker of today is lost without departmental statements and a detailed knowledge of his operating costs. He can no longer follow the traditions of the past but must blaze new trails and evolve new methods.

In other words, if independent banking is to be successful in the future, bank executives must be far better informed than in the past ten years and the management must exercise adequate control over all operations. It can do so only if it maintains adequate records and is supplied with informing statements regularly.

No Universal Remedy

At the present time the situation is acute and the necessary records do not exist. Bank management is faced with the necessity for greater net income at once. How is the income to be provided? There is no universal panacea for inadequate profits.

Each bank must work out its own remedies and make them effective. In order to do so successfully the conditions in the individual institutions must be analyzed.

In other words, you must determine exactly why your bank is not earning what it should and when you have done that you know how to proceed to correct it. This is done through Bank Analysis or the Analysis of Operations, Operating Costs and Earnings.

Analysis will disclose that 75 per cent to 90 per cent of all checking accounts result in losses and that, even in a small bank, these losses aggregate thousands of dollars each year. It will show that more than half of the loans fail to pay their way and that the bank loses on 50 per cent to 60 per cent of the savings accounts.

It will indicate that most of the new business promotion methods serve only to reduce the bank's net revenue.

This year it will disclose the savings and commercial departments in many banks operating at a loss unnecessarily.

Analysis and research developed the formula that made long distance telephony possible. It saved the telephone companies about $300,000,000 in copper wire. That's why the Bell Telephone Companies alone spend nearly $19,000,000 a year in research.

The expenditure of but a few hundred dollars on research work—bank analysis—will do as much, in proportion, for your bank.

What Is Analysis?

Bank analysis is a research and survey of the various functions of the bank as disclosed, not alone by an examination of the compiled records, but also by an investigation of the personnel, the operating methods and the management policy.

Its purpose is to disclose exactly why your bank is not earning what it should and to point out how the earnings may be increased, to determine the weaknesses and indicate how they may be strengthened.

Some of the measures for improving the bank's earning power involve the sale of services that have ostensibly been given away under the mistaken impression that free service creates good will.

However, there is nothing really new about the idea of selling banking services. In fact, that is exactly what you have been doing all along, and your customers have been paying for banking services but, on account of the important changes that have taken place in bank operations during the past twenty years, the customer has not been paying enough.

The impression of free service is a mere fiction but, because the transaction was not clear-cut, like the purchase and sale of a watch or a pound of butter, neither the banker nor his customer has clearly understood it as a sale.

It has remained for analysis to clarify our ideas and the analysis discloses that you must sell banking service at a higher price—a price that not only covers the cost, in banks that are operated efficiently, but a price that includes an adequate profit. The selling plan must do more than this. It must eliminate the unfairness that is now a characteristic of American banking and distribute the burden equitably so that one customer does not pay more than another for the same service.

Few measures so effectively improve bank earnings as the analysis of checking accounts with the consequent charges for activity and services that are not paid for by the earnings on the balances carried in the accounts. The elimination of unjustified interest and reduction of interest paid naturally follows.

Unprofitable Practices

Few of us realize the tremendous losses that the American banks have suffered through unprofitable checking accounts. Statistics show that at least 75 per cent of all checking accounts fail to earn a profit for the bank.

When interest rates were high a survey of the checking accounts in 342 banks in a middle western state disclosed that 256 or 75 per cent of the banks actually lost money on their total checking deposits and that these losses amounted to $700,000 each year. Three hundred and thirty-nine banks, or all but three, failed to earn the profit that they should. The deficiency of profit in these 339 banks exceeded $2,000,000 a year.

If these losses were not more than offset by other revenues most banks would have failed years ago but banking as a whole, when properly managed, is one of the most profitable businesses in the country and other customers make up the losses.

Checking Service Undervalued

It is evident that the bank's most valuable "stock in trade" the one thing, above all, upon which the bank should earn a profit — checking service — is being sold at prices much below cost. To what end?

Analysis of the checking accounts and activity charges on the unprofitable ones correct this practice. While this may appear as a radical departure it is merely the application of sound, common-sense business principles to commercial banking.

It is simply a matter of selling service to the depositors and if the "salesman knows his wares" as he can know them, through bank analysis, the sale presents few difficulties.

Activity charges on unprofitable checking accounts should not be confused with small balance service charges.

The service charge—a charge of 50 cents or $1.00 when the balance in an account drops below $50 or $100—is a penalty assessed because the customer does not keep a specified amount of money in the bank.

It is patently a measure adopted to increase the bank's revenue and, while it was temporarily a step in the right direction, its favorable results were more a matter of psychology than anything else. However, it has effectively prepared both the banks and the public for the *true* corrective for the unprofitable checking account.

The Activity Charge

That true corrective is the activity charge—a sound and scientific method for equalizing the burden of maintaining the bank's checking service and providing a means for each customer to pay the bank for the service rendered exactly in proportion to the amount of the service.

The plan provides for the regular monthly analysis of each checking account that does not contain an average balance sufficient to adequately compensate the bank for what it does for the customer.

As a part of the analysis of the bank, the operating costs are determined — the unit cost of handling checks drawn against the account, the cost of handling deposit tickets, transit and clearing items, cashiers checks, notes, etc., and a proper selling price is fixed for each item.

The average net earning rate on the earning assets, after allowing for loan and investment costs, is ascertained as is also the percentage of available cash reserves.

With this data at hand, a bill is prepared each month covering services performed for the depositor, during the preceding month. This bill indicates just what the depositor should pay the bank for services on his account either by keeping an adequate balance in his account, so that the net earnings are enough to pay for the services, or by a special charge to the account.

The special charge is the activity charge and it represents the value of the service performed in excess of the earnings on the balance carried. It is charged to the customer's account each month. *Depositors whose accounts supply an adequate profit in the earnings are not charged.* Under this plan there is no "float" or "exchange" problem.

The activity charge on the unprofitable checking account is exactly the same as a charge for electricity, gas or water. The customer receives the same kind of a bill — a bill that he understands because he has been receiving similar bills all his life.

Educating Customers

An explanation is necessary only because he has not been receiving such bills from his bank. While a definite and accurate knowledge of the exact condition in your own institution is necessary so that the customer's confidence may be retained, if the charges are applied sensibly by "selling" the plan to the depositor, the effort will be well worth while and you gain his cheerful co-operation.

The small balance service charges were largely a matter of advertising but with the activity charge an elaborate educational campaign of printed matter is both unnecessary and undesirable. The successful methods for inaugurating activity charges, methods that have been evolved and perfected in hundreds of banks during the past ten years, involve a more complete, a more comprehensive and more carefully prepared program than can be supplied in mere printed matter.

It is not a matter of starting the charges at any specific date but rather a gradual development of the plan, at first, through personal contact and verbal explanations, to be followed later by a limited number of short but well prepared printed notices.

Before any printed matter is sent out and before any customers are charged, the ground must be adequately prepared. Every officer and employee should be thoroughly familiar with all details, and every precaution should be taken to avoid any possibility of offending any of the bank's customers.

Properly carried out the program for turning the unprofitable checking accounts into profitable business requires at least four to six months and it should not be rushed.

This is particularly true if all of the banks in the community inaugurate the activity charges at the same time.

Properly operated activity charges on unprofitable checking accounts should produce additional *net* revenues of about $250,000,000 each year for the banks of the United States.

Making Notes Profitable

Consider that the actual handling of the notes, just the note cage cost, bookkeeping cost, etc., is rarely less than 60 cents per note and often exceeds $1.00. The loan officer's time, credit expenses, etc., vary from $1.50 to $10.00 per loan. It is easily seen that few, if any, loans for less than $500.00 pay their way.

Fortunately, this is a condition that can be corrected without affecting the true customers of the bank—the depositors. Some banks are handling the small loans in a special department while others merely make a service charge on each loan of less than $500.00.

The American public wants a satisfactory financial structure and intends to have it.

It is tolerant but expects the banks to "clean house." The public recognizes the need for greater earnings in banking and expects to pay the bill. It is waiting for its bankers to evolve a satisfactory method but it is not going to be satisfied with methods based upon anything but definite facts.

The public expects you to find out what is wrong with banking and expects you to correct the unsatisfactory conditions. It is perfectly willing to pay for adequate charges, and is standing by right now in anticipation of new charges, but it insists that you work out these charges on a fair and equitable basis.

But don't do as the banks in two or three other cities have done and get the whole countryside stirred up against you. Investigate, get at the facts in your own institution, find out how the job has been done successfully and do it right.

BONDS AND INVESTMENTS

Mortgages for Bank Investment

By AUSTIN McLANAHAN

President, Savings Bank of Baltimore

THE INVESTMENT situation in this country has been changing so rapidly that it is necessary to make constant readjustments to meet the new conditions. The tendency to go direct to the public for funds, instead of to the banks, except in the case of real estate loans, shows no sign of diminution.

"THE RECOVERY of real estate values cannot be long delayed, however, and this situation will correct itself. The point is that mortgages have certain limitations and that it is desirable, whenever possible, to improve or remove these limitations."

Furthermore, the increase of capital is so much more rapid than the increase in population that it has been predicted our grandchildren may see the investment rate around 2 per cent or less, provided we have, in the meantime, no widespread destruction of capital such as resulted from the World War. We may experience over-production of capital just as we have an over-production of oil.

The pressure of capital for investment is such that the corporate borrowers are enabled to obtain privileges that formerly would not have been permitted. This has proceeded to such lengths that in some cases the bondholder is little, if any, better off than a preferred stockholder.

All these changes have borne heavily on the banks. The volume of commercial borrowing has decreased and the prosperity of the country has resulted in greatly increased deposits. The banks have increased their loans on stock and bond collateral. They have sought savings accounts because they have thought these the least costly deposits. Perforce, they were compelled to use their surplus funds in bonds, and in the outlying districts they made mortgage loans.

Through the medium of newly formed mortgage companies, that most ancient and respectable type of investment, the real estate mortgage, invaded parts of the country which had not been able to obtain mortgage money readily, with the resulting debacle familiar to all of us.

The reaping of the harvest of the expansion of recent years has been a sore trial. We have seen numberless banks close their doors, with resultant heavy losses to their communities. Others still in existence find themselves more or less crippled by frozen assets or unacknowledged losses. The bankers did not sufficiently realize the fact that they must keep in such shape that they would be prepared to meet unusual conditions when the tide turned. The better and larger metropolitan banks made a fetish of liquidity and it is well they did. A small bank may be tided over a strain by its more powerful brothers, but if the larger banks should fail to pull through emergencies, we would be apt to have chaos.

Let us look at the growth of both banking and real estate mortgages during the past 30 years. The situation is brought out somewhat more clearly by resort to the comparison of certain figures and percentages for the years 1900, 1920 and 1930. These data show that in 30 years our population has increased about 23½%; our per capita wealth 200%, and our banking resources 586¼%.

Mortgages secured by real estate in all types of banks as of June 30, 1900, 1920 and 1929 increased 882%. Remember that these mortgages were in banks. In addition to them were loans made by insurance companies, by trust estates of all kinds, by building and loan associations, by individuals, by many newly formed mortgage companies, and other agencies. The total is a colossal sum.

In New York

In New York state the population in the years 1900 to 1930 increased 73%, the per capita wealth over 110%. During this same period, the assets of the mutual savings banks of the state increased nearly 394%; for the first 20 years, nearly 146%, and for the last 10 years, 101%; from one billion dollars in 1900 to almost five billion dollars in 1930. The mortgage loans of these banks increased in the 30 years over 696%; for the first 20 years, 188%, and for the last 10 years, 176½%. In 1930 the mortgages amounted to nearly three and one quarter billion dollars, or almost one-third of the ten and one-half billion dollars in mortgages in all the banks of the United States. In other words: in 1930, 65½% of all the resources of all the mutual savings banks in New York state were invested in mortgage loans, as against 40½% in 1900.

It may be assumed that these loans are entirely safe; that they have contributed enormously to the growth of the communities in which they are made and to the comfort and well being of the citizens thereof. Furthermore, the rate of interest on the mortgages is such that the banks are able to pay a generous return to their depositors and set aside adequate reserves for their protection. These statements are applicable to all mutual savings banks, wherever located, and to many stock banks which have utilized a portion of their reserves in this field.

The only question which might be raised is as to the marketability, or better, the liquidity, of this item on the asset side of the balance sheet.

Building and loan associations frequently have trouble in marketing their mortgages. Mortgage companies are strenuously endeavoring to keep their heads above water. On the other hand, the strong title companies, with their wealth of money and experience, are doubtless finding a ready market, as heretofore, for their mortgage bonds.

What makes the difference? Is it not marketability, transferability, or liquidity, whichever you may choose to call it? What makes for this transferability? Is it not the deed of trust and the certificate of the trustee?

The difficulty attending the transfer of a mortgage is primarily the time and expense involved in examining the record title to the mortgagee to see that no prior assignment thereof has been made, the drawing and execution of the assignment and other legal details. The appraisal of the value of the property takes relatively little time.

Type of Trust Funds

Real estate mortgages are regarded, and rightly so, as one of the safest forms of loans that can be made. They do not fluctuate in the market, because they have no market as do bonds and stocks. If they are secured by property worth twice or at least five-thirds the amount of the loan, and salable, what better investment could one ask for a trust fund. If that trust fund be an estate, there need be no cause for concern. But if that trust fund be savings deposits, payments of which may be demanded unexpectedly, the picture changes.

Many of our large savings banks in the northeastern section of the country have well over half their resources invested in real estate mortgages. Furthermore, it is not unlikely the character of these savings deposits has been changing and that an increasing number represent accounts which, in whole or part, have but a temporary abode in the banks and will be withdrawn if safe investments yielding a higher return than the bank rate come into view.

Deed of Trust

What would happen if these large banks, which are sometimes referred to as mortgage banks, were compelled to realize upon a large amount of their mortgages? One has only to remember what happened in 1929 to one of them, when a run was started upon it. Bonds were depressed in price and it seemed best for the banks which came to the rescue to take the mortgages of the bank as collateral for their advances. The mortgages were made to the bank. Their assignment, examination of title, and the other incidents thereto meant a tremendous amount of work on the part of everybody concerned, and to furnish the relief promptly the helping banks had to take a great deal on faith. To their everlasting credit be it said that they met and saved the situation magnificently. Confidence was speedily restored, and in a relatively short time the loans were all repaid. If, however, these mortgages had been in the form of a deed of trust to, say, the president of the bank and his successor in office, the question of title would not have arisen. The only question then to be considered by the lending banks would have been the security of the loan. The mortgage notes could have been sold, or pledged as collateral for a loan, in fact, treated as any other piece of negotiable paper. The deeds of trust would have been of relatively short life. Perhaps a few of them might have run for as long a period as ten years, but in all probability the majority would have run for five years or less. It might have been described in case of a large mortgage to have had a number of notes for round amounts totaling the whole amount due rather than the one large note which might prove unwieldy.

So far as this suggestion goes, the immediate purpose to be served is to meet a situation which requires prompt action and the expectation is that the storm will have passed in a short time and the original owner of the loan be in a position to take back the loan which he sold or on which he borrowed. Should this not be possible, those to whom the notes have been transferred have a safe short term security yielding in normal times more than can be obtained from bonds affording equal security. Nevertheless, it is to be hoped that the machinery can be perfected to such a degree that a demand would be created for such notes so that a lender on them could readily find some other lender who would be ready to take them for his own portfolio.

Discretion

It is not meant that all real estate loans should be so treated. Manifestly, if the purpose is to use them in case of need, the largest loans would with the least trouble bring in the largest amount of funds and in addition would have greater attraction for the large lender. It would probably be found in practice sufficient to have all loans above a certain amount, say \$100,000 for the larger banks, \$20,000 or even less for the smaller banks, in the form of a deed of trust and the smaller loans in the form of the usual mortgages. The really determining factor as a maximum would be the amount deemed necessary after disposal of more marketable assets to insure the payment of deposits down to such an amount as would make the continuance of the profitable operation of the bank an improbability. The point to be made is that only perpetual trusts, such as insurance companies, can afford to take such risks as are now taken by many banks.

What has been said has not been intended as a criticism, but rather as a suggestion. In New York state, there is so little margin between the 65½% now loaned and the 70% permitted to be loaned on mortgages that in the event of need arising to any abnormal degree, the other banks would not be in a position to extend a great deal of help because they could not go above the 70% limit. The resources of the Federal Reserve Banks, of the Federal Farm Loan Banks, or of any other financial agency of the Government are not available to the New York banks so far as their mortgages are concerned. On the other hand, with capital generally so hard pressed to find safety and a good yield, it can hardly be doubted that, if the mortgages were readily transferable, other agencies, such as insurance companies, trust estates, and banks in other states would gladly avail themselves of the opportunity to be of assistance and at the same time add to their portfolios large quantities of good mortgages which under no other circumstances could they expect to obtain en masse. It is not unlikely that these outside agencies would welcome a discussion of the situation, the forms to be used, the safeguards to be provided and the methods to be employed to insure a smooth working out of all the details.

There is also another point to be considered. When the mortgage market was very active a few years ago, some banks found themselves loaned up to their legal limit, and unable to accommodate any more good borrowers. They thus lost control of the situation which they might have kept had they been able to reduce their portfolios by sales of some of their good mortgages to out-of-town financial institutions. When the demand subsided and their portfolios had been reduced below the legal limit, they probably could have repurchased the mortgages they had sold. Furthermore, it must not be forgotten that 70% of swollen resources is not the same as 70% of depleted resources and that it may become necessary to reduce the amount of mortgage loans, should very heavy withdrawals occur as happened in the fall of 1929.

Suggestions Welcomed

Were the subject gone into with the object of preparing for such an unlooked for possibility as the transference of the mortgages, a better way might be evolved than has been suggested herein. It is appreciated that in the event of transference of the mortgage lien to an out-of-town holder, the questions of collection and transfer of interest, of amortization payments, supervision of the tax payments, releases, renewals, and the like, would have to be worked out. It is most desirable to conform, as far as practicable, to a standard method with which all interested parties could make themselves familiar, so that prompt action could be taken in case an emergency arose. If it be true that the character of deposits is changing, the matter of transferability becomes of increasing importance, and in consequence greater liquidity is desirable in the bank's assets.

In the case of loans secured by stocks or bonds, listed and actively dealt in on the leading stock exchanges, the banker knows every day the value of the collateral behind his loan.

Offer Two New Series

TWO NEW series of Corporate Trust Shares were released for public offering last month by Administrative and Research Corporation of New York.

One of the new series is called Series AA, and will be of the so-called "distributive type," similar in operation to the original series of Corporate Trust Shares, which lead all other fixed trusts in volume of share sales during 1930 and to date in 1931. The other series will be of the capital accumulation type, and is called the Accumulative Series. Both new series have a portfolio of 30 leading common stocks.

The new shares will sell at a price level slightly under the price of the old. In each unit of the new series there are 16 shares each of 30 companies, or a total 480 shares, whereas the old series had 4 shares each of 28 companies, a total of 112 shares.

An outstanding feature of the new Corporate Trust Share series is the method by which stocks may be eliminated from the portfolio. Instead of permitting the sponsors unbridled discretion as to when a stock may be removed from the portfolio, the new Corporate Trust Shares operates under a set of pre-determined fixed provisions. No stock is eligible for elimination unless and until one or another of certain situations arise, and even then, if the situation does not warrant, the stock need not be removed from the list.

The situations under which a stock may be eliminated are all specifically set forth in the Trust Agreement. Thus, the investor knows at the time he makes his purchase the conditions under which an elimination may be made. The sponsors feel that the list of danger signals, as they might be called, permit sufficient latitude to protect against any stock becoming a burden on the investment as a whole, but do not allow the sponsors unbridled discretion. Thus, Corporate Trust Shares sets itself up as a trust which is fixed both in name and in fact.

Another feature of the new Corporate Trust Shares series are important supplemental services, many of which are new to the fixed trust field. These include such services as putting the shareholder on record as to the amount of his semi-annual distributions through newspaper publication of amounts to be distributed. Also newspaper publication is required of notice of any reinvestment rights which may be granted from time to time.

The Trust Agreement also provides that for the convenience of cashing coupons, paying agents other than the Trustee may be appointed in cities outside of New York and requires that shareholders be given notice of the names and locations of any such paying agents through newspaper publication twice a year at coupon payment dates. Another important supplemental service has to do with income tax data for shareholders. In the new series of Corporate Trust Shares, shareholders will have available, not later than February 15th of each year, data with respect to the trusts' distributions to assist them in preparing their current income tax statements. Income tax data is also made available to shareholders at such time as they may liquidate their holdings through the trustee. Again, income tax data is made available at the time of general termination of the trust.

INSURANCE
Its Application to the Banking Fraternity

Farm Values and Farm Insurance

By I. D. GOSS
Manager, Farm Department, Continental Insurance Co.
(From address at Sioux City Convention, Iowa Association of Insurance Agents)

MUCH HAS been said and written this year about insurable value. I can hardly hope to say anything new on this subject. But so important an issue cannot be too frequently or too strongly brought to attention. There is some difference of opinion in farm circles on minor issues, but there is practical unanimity in the belief that the insurance written by stock companies on farm property has been permitted unwittingly to get out of hand until it has in many instances reached or eclipsed the actual value of farm improvements. It is my observation that a great majority of the local agents concur in this belief. Actual value has never in our day been so hard to lay your hand upon. It is an elusive quantity, in many cases defying exact estimate. Actual value is relative. A model house or barn on an exhibition platform would have a definite value based solely upon the material and labor which entered into its construction. This same building located on an Iowa farm might have an entirely different value. If it was built at a cost of $5,000 on a $20,000 farm, it cannot continue to be worth $5,000 when the value of the farm depreciates to $8,000 or $10,000, or what will you give. Too many times the farm owner is willing to admit the deflation of his buildings. However, if this $5,000 dwelling erected some years ago on his $20,000 farm should be destroyed, he would be quick to see the inconsistency of putting up another $5,000 dwelling on his farm now worth $10,000. He simply wouldn't do it. If he had insurance based on replacement cost, he would build in correct proportion if he was a prudent business man and would fatten his bank account with a thousand dollars or so of the insurance money. A fire in such circumstances must appear a bit of good fortune. The farm underwriter knows that every such situation is like unto an inactive volcano which may break out at any moment. If you could see the number of cases which come into our offices for assignment of existing policies where the sale price of the farm is little, if any more than the insurance written on the buildings, you would be thoroughly convinced that the value of a set of improvements is relative and must be held in correct proportion with the value of the farm of which they are a part.

I. D. Goss

The Utility Factor

In estimating the value of a farm building, an equally important factor is the utility of the building. Value and usefulness come within identical boundary lines. The changes which have taken place on the farms make it very desirable that we give good heed to this feature. The transition from the horse age to the power machinery age, the abandonment of certain lines of farming and the adoption of others, are likely to render some of the buildings next to useless and therefore next to valueless. I cite as an example a loss which our own farm department sustained a few weeks ago in a state adjoining Iowa. A barn burned insured for $3,000 and written some four years ago. Our adjuster reported that the barn was empty and of no use to the farm. I later had an opportunity to talk to the owner and when I asked him if he would rebuild the barn, he replied that he would not as it was built to take care of his cattle and he was no longer in the cattle business. I ask you if this $3,000 loss was not a fortunate one to that owner?

With present farming methods it appears that less barn room is required and it is always desirable to investigate the occupancy of barn No. 2, if such a barn exists. If the second barn is practically out of use, its actual value has depreciated proportionately. If you accept for insurance on the basis of their physical value, buildings which have lost their usefulness, you are adding to the farm underwriter's choice collection of valcanoes, which however inert to the casual view, will sooner or later leap out with tongues of fire and engulf him.

With a chain of developments which have literally squeezed much of the value out of many farm buildings before our eyes, the situation is now the more aggravated by the rapid and radical decline in material and labor costs. Lumber prices have been on the down and down for months and we are told that they continued to fall during the past summer at the rate of 5 to 10 per cent per month. Building costs are apparently down from 20 to 35 per cent, depending upon labor conditions and the dispositions of retailers to pass on the price reductions. There is nothing complicated in this feature of our calculations. If we insured a building at 75 per cent of its actual value five years ago, it is insured for 100 per cent today because it is worth that much less now, to say nothing of natural depreciation. Any building which is now over-insured should be reduced. We may not elect to do this, and if not, we simply extend again the long vista of volcanoes, which will erupt and who knows when. So we may say that our farm underwriters settled in the last decade in a sort of death valley surround by these volcanic peaks which poured red lava down upon their heads and determined the complexion of their experience figures.

Would Abolish Bureau

Nebraska Insurance Commissioner Herdman will recommend to the next legislature that it abolish the state hail insurance bureau. Established in 1917, the bureau had a wide popularity for several seasons, but because of the refusal of the state to make any appropriations for payment of losses it was necessary to promote these when they exceeded the premium revenues.

This happened so often that patronage fell away, until during the 1931 season the premium receipts were but $5,798. These were close to $200,000 a year at one time. Mr. Herdman says that he sees no future for the bureau, and that unless crop growers make it evident next year that they wish it retained by patronizing it better, he will ask for its abolishment.

At North Platte

A local life underwriters' association has been organized at North Platte, Nebraska, with J. E. Sebastian as president.

New Nebraska Company

Articles of incorporation of the Nebraska Farmers Insurance Company have been approved by Commissioner Herdman and filed with the secretary of state. It will be an extension of the activities of the Indemnity Company of America, a Lincoln company that sells automobile coverage, and will be managed by the same officers. D. E. Wilkinson is president and treasurer of the new company, and J. G. Heitkotter vice president and secretary. The company will write fire, lightning, tornado, windstorm, hail, water sprinkler and earthquake damage.

THE TELLER TELLS THE WORLD

(Continued from page 3)

On October 12 Argentina, Bahamas and Brazil celebrate a national holiday on which bills cannot be protested.

If you live down there and are going to kite checks, that's the day to do it.

The latest Rand McNally bankers' directory shows 4,554 fewer banks than in 1929. But in spite of the fewer banks the surplus and profits of the banks show a gain of $457,739,779. But deposits have declined $3,675,135,608, over three billion dollars.

The question is, who has this three billion?

Embarrassing moments: When the bookkeeper marries the daughter of the largest and most important stockholder.

A banker in South Dakota states that the Postal Savings in South Dakota has forced out of the state an amount of money equal to the deposits of all the state banks. Western states need all the money they can produce to develop their country. Why doesn't the government discourage this outflow of money by cutting the interest rate to 1 per cent?

During the trouble at Davenport when depositors were making runs on the banks, one bank had a jazz orchestra playing popular melodies from its balcony.

The bank weathered the storm. "Music hath charms."

Although not official, I understand that one of the songs played by the orchestra, was: "One More Chance."

Edmund Lane, from whose efforts two robbers were caught as they held up the Erie Avenue Bank, Cincinnati, is to be given a year at college at any school he chooses.

The robbers will also attend a state institution, although the choice will be made by the state and the term somewhat longer.

"Today is your day. Yesterday is dead—forget it. Tomorrow does not exist—don't worry."

After reading that axiom, I have no doubt that all our borrowers feel the same way.

Last ramblings. . . . Did you ever see a bank examiner without a cigar clinched in his mouth? . . . Bills and notes were first established as negotiable by an English statute passed in 1705. . . . The charter of a national bank is good for twenty years. . . . A transposition is always divisible by nine. . . . It is claimed that the profit from actual banking operation is only one third of the total profit of a bank. . . . Every banker has his favorite story to tell at lunch . . . but I can't tell mine except in the smoking room.

There's a story told on two bankers that attended a group meeting. They had to sit for a long time on the pine boards allotted to them. Finally one whispered: "These boards make my head ache."

The other whispered back: "That's funny, it effects me opposite.

The Garard Trust & Savings Bank of Chicago after paying its depositors in full had left on hand $170,577 to divide as dividends among its stockholders, upon termination of the receivership.

And Mr. Ripley is welcome to use that in "Believe It or Not."

This week I ran across another good chattel. It reads: "2 horses, 6 cows, 7 calves and increase, ½ interest in 160 acres implements and machinery."

Even in these days of large farms and larger ideas that's a lot of machinery.

Nebraska News

WM. B. HUGHES, Secretary, Nebraska Bankers Association

Nebraska Service Charges

The officers of the Nebraska Bankers Association, and especially William B. Hughes, the secretary, have been doing their utmost to help the banks of the state establish reasonable charges for various services that used to be "free" to the customers — although hard experience has demonstrated that the banks paid heavily. Such business methods as charging a fee for checking accounts which do not maintain profitable balances, or charging for the handling of items from out of town, or a charge per check on accounts which rarely keep more than a few dollars balance have received the earnest attention of the association, working through the various county associations, groups and regional clearing houses, and steady progress is being made toward sound and profitable banking.

The association has also been busy in the matter of establishing a proper service charge for handling public moneys. In the last number of the Nebraska Bankers Association Record, Secretary Hughes was able to report that in 64 counties of Nebraska, agreements have been made by the banks with the county officials for payment to the banks of a service charge under the new state law allowing the payment of a one per cent service charge to the banks that are required by statute to pay 2 per cent interest and furnish security for county funds that are handled. Mr. Hughes says that the reports to his office have been "unanimous in stating that the banks cannot, under present conditions of the money market, escape a loss on public money at 2 per cent plus security and plus all of the work that is done for public treasurers, especially county treasurers, and plus the fact that a public money deposit in most instances is so handled, with regard to fluctuation, as to make it extremely difficult to realize any profit in its handling."

In another field the banks are having success, too, in arriving at a more sound business basis. That is in the payment of interest on time deposits. Generally over the state the banks are reducing their interest rate to three per cent, and in some instances less, on money placed on time deposit for twelve months. Among the towns that are now listed as having banks which pay no more than this rate are the following: Benning, York, Waco, Thayer, Henderson, Madison (1 bank, Omaha, Lincoln, Campbell (1 bank 2 per cent), Nebraska City (3 banks 3 per cent, 1 bank 2 per cent), Benedict, Gresham, Bradshaw, McCool Junction, Minden (1 bank nothing), Lushton, Norfolk, and Tilden.

THE FIRST NATIONAL BANK at Hastings, Nebraska, closed October 5, when federal bank authorities took charge. Deposits totaled about $2,200,000. Stockholders and depositors are endeavoring to reorganize the bank.

J. R. CAIN, JR., vice-president of the Omaha National Bank, was elected a vice president of the national bank division of the American Bankers Association at its annual convention at Atlantic City, N. J., although Mr. Cain was unable to attend the national convention. Mr. Cain's election as president of the national bank division of the association is forecast for next year.

A NEW BANK, the Wahoo State Bank, was organized in mid-October in Wahoo, Nebraska, with a paid up capital of $50,000.

The bank is to open for business January 2nd in the Saunders County National Bank building, assurance having been given by state banking officials that a charter would be granted. Howard Mielenz, who is cashier of the new bank, has been an agent for the department and in charge of several failed banks.

The president of the new bank will be John G. Hohl of Prague, Nebraska. Elmer G. Rish, Wahoo manufacturer, will be vice president. These will be directors, with A. J. Havel, Prague, and M. A. Phelps, Wahoo. All of the stockholders are residents of Saunders county.

The bank will be the second in Wahoo. The other bank, now operating, is a national bank.

THE CASS COUNTY, Nebraska, Bankers Association recently elected H. A. Schneider of Plattsmouth, president, at a meeting held in Nehawka. O. C. Hinds, Weeping Water, was made vice president, and Rea F. Patterson, Plattsmouth, secretary-treasurer. The association will hold its annual convention in 1932 at Greenwood.

RAYMOND BAUR, vice president of the Omaha National Bank, has resigned to become president of the American Union Life insurance company of St. Joseph, Missouri.

The resignation will become effective January 1, 1932. Mr. Baur has been an officer since last January 1 of the Union Life. He became vice president of the Omaha National Bank in the spring of 1927.

IN THE eighth Federal land bank district, comprising Nebraska, Iowa, South Dakota and Wyoming, more than 90 per cent of the farmer borrowers are meeting their obligations promptly, including interest payments and taxes, it was made known in Omaha last month.

The news was given at the annual convention of the secretary-treasurers of the national farm loan organizations of the district. It was also announced that the Omaha land bank had set up reserves to cover all the real estate it owns, and that realty acquired by the bank is being sold in considerable volume, indicating a fairly good demand for farms of the better type.

Officers of the association were elected as follows: president, A. M. Haskell, Huron, South Dakota; vice presidents, J. W. Goodsell, Creston, Iowa, and Carl D. Ganz, Alvo, Nebraska; secretary-treasurer, Hallvard Kloster, Eagle Grove, Iowa; executive committeemen, H. C. Modlin, Perry, Iowa, M. E. Isaacson, Marquette, Nebraska, and C. S. Brakke, Flandreau, South Dakota.

OMAHA BANKERS hailed as a conservative step toward restoring prosperity, the formation, under inspiration of President Hoover, of the National Credit Corporation, designed to ease the national credit situation.

F. H. Davis, president of the First National Bank, said: "It seems to me this is a move in the right direction. The plan already has had a stimulating effect. As I see it, it's largely a matter of restoring public confidence. The country's still in good shape."

Victor B. Smith, vice president of the Omaha National, said: "It is apparently a necessary step to bridge over a situation created primarily by unwarranted lack of confidence. It will not change fundamental values, but it should prevent, to a large degree, foolish and needless sacrifices of intrinsic values at unduly depressed prices."

Victor B. Caldwell, of the United States National Bank, said: "Unquestionably it is a very constructive step. The admissions to rediscount of collateral loans will contribute much to the liquidity of member banks of the federal reserve system. It breathes hope into business such as we haven't had for a year and a half."

D. P. Hogan, president of the Federal Land Bank of Omaha and the Federal Intermediate Credit Bank, saw the move as helpful to the land banks.

New Liquidating Plan

Stockholders of the Peters Trust company, bankrupt, of Omaha, have formed a corporation known as the Corn Belt company, for the purpose of purchasing the remaining unsold assets of the concern, Trustee Herbert S. Daniel announced recently.

The corporation's president is Edward Gisin, who was cashier of the Peters Trust company, and has been assisting Trustee Daniel. Other officers are: Miss May Tulleys, former stenographer at the trust company, vice-president; Mrs. Virgil Haggart, secretary. Large stockholders in the trust company were among the backers of the new organization, it was stated. They include R. C. Peters, former president of the trust company; M. D. Cameron, former president of the Peters National bank; W. S. Weston and C. J. Claassen, former vice-presidents of the trust company.

It was explained the corporation is being organized for the benefit of all stockholders who wish to join, in the hope that they may realize something on their investment. There are about 75 stockholders.

The remaining assets, of undetermined value, largely include farms, or interests in farms such as first, second and third mortgages. If the sale is confirmed, the corporation would operate the farms until they could be sold.

The corporation offers to purchase the assets for such amount as would be sufficient to pay creditors at once a total of 75 per cent of their allowed claims. They have already been paid 50 per cent.

Creditors, however, would be allowed to elect whether they would take the remaining 25 per cent in cash immediately, or would be given the opportunity of realizing one hundred per cent on their claim by accepting an immediate cash payment of 5 per cent and five promissory notes for the balance, bearing interest at 6 per cent, each note to be for an amount equal to 9 per cent of the principal amount of each claim and payable respectively one, two, three, four and five years from date.

Installs Tear Gas

Bandits who pick on the Beatrice National Bank, Beatrice, Nebraska, will have to contend with tear gas. With a newly installed system, the bank can be flooded with choking fumes in three-fifths of a second.

Amherst Banker Dead

Sidney E. Smith, 73, cashier of the First National Bank at Amherst, Nebraska, died at his home in Amherst last month. He is survived by his wife and two children.

He had been engaged in the banking business in Amherst for the past seventeen years and was well known over a large section. He was formerly prominent in county politics.

Bank Moved to Topeka

Merger of the Wakarusa State bank with the Guaranty State bank, Topeka, Kansas, Fifth Street and Kansas avenue, was completed and the transfer of $70,000 in deposits and $60,000 in loans was completed, it was announced recently by Norton A. Turner, president of the Guaranty State bank.

The Guaranty State bank has a capital stock of $50,000, surplus of $50,000, undivided profits of more than $20,000 and deposits of $1,150,000. The book value of the Guaranty is reported higher than that of any other Topeka bank.

Officers of the Kakarusa bank were: J. N. Robinson, president; Graydon N. Sutherin, cashier. Mr. Sutherin and W. J. Firestone, assistant cashier of the Wakarusa bank, will be in the Guaranty bank temporarily to aid in getting the work lined out, Mr. Turner said.

The Guaranty State bank officers are: Norman A. Turner, president; S. V. Firestone, vice president; H. H. Turner, cashier; C. W. Pratt, assistant cashier.

The Wakarusa bank was formed in 1909 by S. V. Firestone and associates with a capitalization of 10,000. Seven years ago, Mr. Firestone severed his connections with the Wakarusa bank and went to Topeka to become vice president of the Guaranty State bank.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC., REQUIRED BY THE ACT OF CONGRESS OF AUGUST 24, 1912

Of CENTRAL WESTERN BANKER, published monthly at Omaha, Nebraska, for October 1, 1931.

State of Iowa, County of Polk, ss.

Before me, a Notary Public, in and for the State and County aforesaid personally appeared Gerald A. Snider, who, having been duly sworn according to law, deposes and says that he is the Associate Publisher of the CENTRAL WESTERN BANKER, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management (and if a daily paper, the circulation), etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, embodied in section 411, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor, and business managers are: Publisher, Clifford De Puy, Des Moines, Iowa; Editor, R. W. Moorhead, Des Moines, Iowa; Associate Publisher, Gerald A. Snider, Des Moines, Iowa.

2. That the owner is: De Puy Publishing Company, Des Moines, Iowa. Clifford De Puy, Des Moines, Iowa. Gerald A. Snider, Des Moines, Iowa. Wm. H. Maas, Chicago, Illinois.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contains not only the list of stockholders and security holders as they appear upon the books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustee is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

GERALD A. SNIDER.

(Signature of Associate Publisher.)

Sworn to and subscribed before me this 1st day of October, 1931.

EARL S. LINN.

(My commission expires July 4, 1933.)

News of the Omaha Stock Yards

Guard Against Bruised Meats

Bruised meats are increasing, according to reports from an eastern seaboard packer. Analyses of these reports show that this packing company, from July 22 to August 4, slaughtered 15,831 hogs, of which 6,762 had bruised hams. During August, 26,249 hogs were slaughtered, with 14,196 bruised hams. For this period, assuming two bruised hams for each hog, this packer had 24.8 per cent of his hogs showing bruises, or one out of every four. During July, 1930, bruised meat per hog averaged one-eighth pound per hog for this same slaughterer, whereas for July, 1931, the average per hog was one-four pound, or double that of a year ago. Without doubt, other packers have witnessed similar increases in bruised meats.

While this packer's experience may not be entirely representative, one must assume that live stock marketing agencies are becoming more careful in the handling of live stock. Farmers, truckers, and railroad and stock yard employes should be more careful in handling live stock, for, undoubtedly, it is the rough handling that has caused the increase in bruised meats.

Too many live stock men use canes too forcibly in loading and unloading live stock. Some seem unmindful of the fact that injury easily results from prodding or hitting hogs over the ham or loin. Canes should be used very little. Canvas flapjacks can be used just as effectively as canes to drive hogs and will not cause bruises.

If bruising of animals becomes general it will mean that all packers will be compelled to pay less to the farmer in order to cover the additional loss due to bruises. Consequently, every live stock producer has an interest in seeing his live stock marketed with care; particularly, should he see that the trucker loads the live stock at the farm in a careful manner and without bruising. After loading at the farm the responsibility of careful handling falls upon the trucker and the live stock marketing agencies.

Business Will Prosper

First to profit when economic conditions are straightened out will be the live stock end of agriculture. This is the belief of Prof. H. J. Gramlich of Lincoln, general superintendent of the Ak-Sar-Ben Live Stock Show, which opened in Omaha on October 31.

Professor Gramlich says that the unemployment situation is directly to blame for the depression in the live stock industry. When the men who are unemployed in the east get back to work, favorable conditions will develop for live stock marketing at better prices.

Nebraska Farm Wages

Farm wages in Nebraska are above the average for the United States and somewhat above the average for the north-central group of states, the state and federal division of agricultural statistics announced recently.

The average farm wage in Nebraska is given as $28.50 per month, with board, or $40.40 without board. The average farm wage in the country is $23.31 and board. This latter figure is about 13 per cent above the pre-war level. A year ago farm wages were 50 per cent above the pre-war level as compared to the present index.

The present supply of farm labor is reported 13.4 per cent above normal, while the demand is 68.9 per cent normal.

National Dairy Show

The National Dairy association closed its silver anniversary exposition at St. Louis following a nine-day display of the best thoroughbred cattle in the country, the section of 10 national grand champions and the distribution of $25,000 in prizes.

Although rain was responsible for small crowds at the beginning of the show, more than 140,000 persons visited the exposition.

Breeders' and exhibitors' awards in the Holstein division went to the Ellenwood Farms, Deerfield, Ill., while similar awards for Brown Swiss went to Hull Brothers of Plainesville, Ohio. Gurnsey exhibitor and breeder awards were given the Boulder Bridge Farm, Excelsior, Minn.

Two similar Jersey honors went to Crieve Hall Farmers, Nashville, Tenn. Ayrshire breeders' honors went to Adam Seitz and Sons of Waukesha, Wis., while the exhibitors' banner for that class went to the Sycamore Farms, Douglasville, Pa.

Prices Near Pre-War Level

Nebraska farm land has almost reached the pre-war level of land prices, says the state and federal division of agricultural statistics. The federal census valued farm land at $55.81 on April 1, 1930. The present value is estimated at $50.

Nebraska farm land has dropped almost to pre-war level with the index of values 5.6 per cent above the average land value for the years 1912, 1913 and 1914. A conservative estimate of the present value is $50 an acre. The farm land was valued at $46.95 in 1910; $78.87 in 1920; $60.06 in 1925 and $55.81 in 1930 by the federal census.

Dairy Position Good

Nebraska dairy farmers should be in a favorable position on the basis of the report of the state and federal division of agricultural statistics on the national cold storage stocks of creamery butter.

National stocks were reported reduced 23.4 per cent during September and present stocks are estimated to be 61 per cent of a year ago and 58 per cent of the five-year average.

Stocks of eggs are 10.7 per cent below a year ago but are slightly above the five-year average. Stocks of frozen poultry are considerably above last year and above the average.

October stocks of creamery butter are 80,173,000 pounds as compared with 131,489,000 pounds a year ago and the five-year average of 138,168 pounds.

Butterfat, it is pointed out, is taking the lead among farm prices in the matter of price recovery. The low stocks of butter are regarded favorable to further increase.

Cheese stocks total 65,832,000 as against 85,076,000 pounds a year ago.

Mineral Rations

Minerals in the live stock ration are highly important, if health and economical gains are desired. If needs from which the mineral substances have been extracted are fed to live stock, they will cause death sooner than if no feed is fed at all, says H. B. Osland, of the Colorado Agricultural College.

A simple, inexpensive mineral mixture that can be mixed on the farm, and that may be fed to advantage to all classes of stock, is composed of 2 parts of steamed bone meal, 2 parts of lime cake and 1 part of salt. This mixture has given very satisfactory results under Colorado conditions. It costs about $40 a ton, but really is not expensive because only small amounts are consumed by stock daily.

The steamed bone meal supplies both calcium and phosphorus. The lime cake furnishes the calcium carbonate, and the salt has an adequate supply of sodium and chlorine. Therefore this mixture supplies the four mineral elements that are most likely to be lacking in the ordinary ration.

Why Plumbers Get Rich

The plumber worked and the helper stood helplessly looking on. He was learning the business. This was his first day.

"Say," he inquired, "do you charge for my time?"

"Certainly, you idiot," came the reply.

"But I haven't done anything."

The plumber, to fill in the hour had been looking at the finished job with a lighted candle. Handing the two inches of it that were still unburned to the helper, he said witheringly:

"Here, if you gotta be so darned conscientious, blow that out!"—Exchange.

New Mexico

Jones Elected President

E. M. Brickley, president of the First State Bank of Mountainair, New Mexico, offered his resignation at a business meeting last month, and H. B. Jones was elected to take the office.

New Mexico's First Closure

Only seven states and the District of Columbia have had no bank failures since the beginning of the present year. The seven states are Maine, New Hampshire, Vermont, Rhode Island, Connecticut, Delaware and New Mexico. Wyoming suffered its first suspension of the year during the month of August and Massachusetts, Arizona and Nevada also had only one failure since the beginning of 1931, and now New Mexico has been added to the list since the First National Bank of Las Cruces closed its doors.

J. B. Gilchrist Dead

J. B. Gilchrist, president of the American National Bank of Silver City, New Mexico, died recently of heart disease at his home in Silver City. He had been ill for a week, although he had been a sufferer from heart trouble for a number of years.

Meet at Las Cruces

Representatives from the various banks comprising Regional Clearinghouse Group No. 1, of the New Mexico State Bankers' Association, met recently at the Pullman cafe, Las Cruces, for the regular bi-monthly meeting, with the First National Bank of Las Cruces as host. After a delightful dinner, a business session was opened presided over by Mr. McSain, State Bank Examiner John Bingham, who was in Las Cruces as the personal representative of Governor Seligman for the Bankers' Day Program of Farmers' Week at the State College, was present and in his talk laid especial stress upon the fact that his department was ready and willing to assist any of the bankers of the state with the different problems that might confront them from time to time. Discussions followed, in which all of those present took part. Those attending the meeting were Mr. Johnson of Hatch, Mr. Jones of Hot Springs, Mr. Ross of Lordsburg, Messrs. Coon, Tempke and Wells of Deming; Messrs. McSain, Moore, Aragon, Lackey, Barker, Campbell and Heath of Las Cruces, and Mr. Bingham of Santa Fe.

Kansas News

At Topeka

George A. Guild was elected chairman of the board of the Central National Bank of Topeka, Kansas, and C. B. Merriam chairman of the board of the Central Trust company, at a meeting of directors of both institutions last month. They succeeded the late J. R. Burrow, sr., who for many years was head of these two financial institutions.

In the election of Guild and Merriam to these two high positions in the Central Bank and Trust company, the directors more closely knitted the three veteran banking families of Burrow-Guild-Merriam. These interests own the controlling stock in the two institutions. For many years they have been closely associated in their management and will continue in the future. J. R. Burrow, jr., is president of both bank and trust company. He succeeded his father three years ago.

J. R. Burrows Dead

Joel Randall Burrow, 78, chairman of the board of the Central National Bank and Central Trust Co. of Topeka, Kansas, for 50 years a Kansas banker, former secretary of state, and one of the leading financiers of the West, died last month. His death came peacefully following a gradual failing in health for the past three years.

After his retirement as president of the Central National Bank and Central Trust Co. in 1928 when he was succeeded by his son, J. R. Burrow, jr., only surviving child, Mr. Burrow spent much of his time at his old desk taking it easy and greeting his friends. Three months ago he gave up his daily visits to the bank and remained at home.

Succeeds Father

Following the death of the late J. R. Burrow, president of the First State Bank of Portis, Kansas, his son, J. R. Burrow, junior, was elected president. He is also president of the other Burrow institutions at Topeka, Smith Center and Athol; J. P. Thomas, cashier of the bank at Portis for 27 years was elected vice president. C. M. Thomas, who has been assistant cashier for a good many years, was elected cashier; M. H. Hill remains as a director and another director will be elected later to comprise a board of five.

Wilson County Meeting

Election of officers was held last month by the Wilson County Bankers' association at its regular meeting held in Fredonia, Kansas. W. G. Fink, of Fredonia, was elected president, succeeding Albert Tucker of Altoona, and E. A. Warren and Ed Moulton of Neodesha were elected vice president and secretary of the organization. Taxation problems were under discussion at the business session.

At Emporia

E. V. Wood, who was formerly in the Farmers National Bank in Burlington, Kansas, and has been assistant secretary of the Citizens Building & Loan association at Emporia, has been elected cashier of the Citizens National Bank there. The announcement has been made by M. A. Limbocker, president of the bank. Mr. Wood's place will be taken in the Building & Loan association by M. S. Ellis.

Buys Interest at Radium

G. H. Branch of Russell has purchased a controlling interest in the Radium State Bank from P. H. Zuercher of Radium, Kansas. Mr. Branch has tendered his resignation as vice-president and trust officer of the Russell-Farmer State Bank of Russell.

Although the town of Radium is small, the bank with which Mr. Branch will be connected is rated one of the best of the smaller banking institutions in the state. It has a combined capital and surplus of $22,000 with undivided profits of $20,000.

Becomes President

At the meeting of the board of directors held at the Overland Park State Bank, Overland Park, Kansas, C. P. Moss was elected as president to fill the vacancy caused by the resignation of Frank Bayerl, who has gone to Texas.

Mr. Moss is a retired business man who was formerly a vice-president and director of the Peet Mfg. Co.

Special Meeting

A special meeting of the officers and directors of the First National Bank of Sterling, Kansas, was called for the purpose of filling the vacancy caused by the death of R. A. Newman. Mrs. Ella Schwartz was elected as director. A. L. Burget was elected president and E. W. Farrell cashier. Other officers are A. L. McMurphy, vice president and Marion Trueheart and Mrs. Pearl Leathermann, director.

Announces Merger

The Kansas state banking department has announced the merging of the Fontana, Kansas, State Bank with the Miami County National Bank, Paola.

The Fontana bank's latest statement to the department listed $57,000 deposits.

Bank Officials Change

E. M. Brickley, president of the First State Bank of Mountainair, Kansas, offered his resignation, and H. B. Jones was elected to take the office.

Wyoming News

The New President

One of the most widely known bankers in the west is William E. Fair, new president of the Wyoming Bankers Association, who was elected to succeed Carl F. Shumaker of Cas-

WILLIAM E. FAIR

per. Mr. Fair is vice president of the Bank of Commerce, Sheridan, and was formerly a banker at Cheyenne.

Wyoming Bank Record

Only three other states in the nation share with Wyoming the distinction of being without a bank failure this year, John A. Reed, state bank examiner, said recently, exclusive of the recent Kemmerer Savings Bank closure.

Only three banks in the state have closed their doors during the past five years, said Mr. Reed.

The quarterly report of the examiner June 30 showed the state and national banks in Wyoming with a total of $68,202,739, in combined banking resources. They had a reserve of 23 per cent.

The fifty-seven state banks have assets totaling $27,178,919, an increase of $4,508 over the amount reported March 25.

The surplus of all state banks on June 30 totaled $1,410,003, $1,250 under the March surplus. Undivided profits were $77,356 more than in March. Reserves increased $9,157 and totaled $175,645.

The twenty-five national banks in the state showed an increase of $93,-213.

Wyoming bank deposits totaled $56,846,985.

Discuss Cattle Financing

To discuss conditions affecting the live stock industry and to provide means for financing feeder loans, United States Senator Carey of Wyoming met in Omaha recently at the federal reserve branch with representatives of member banks in this territory.

"It has been suggested that the live stock industry was perhaps not receiving the banking support to which it is entitled," said L. H. Earhart, managing director of the Omaha branch, Federal Reserve Bank of Kansas City.

"The member banks in attendance reiterated confidence in the industry, realizing that it is basic to our section of the district, and indicated a willingness to place funds for feeding purposes at the disposal of experienced feeders and stockmen worthy of credit, and to render every reasonable assistance to correspondent banks.

"The federal reserve bank does not make direct loans to producers or feeders of live stock, but the bank of the Tenth district and its branches each season discount large amounts of live stock paper for their member banks. More than 90 per cent of the branch loans at present are for the benefit of agricultural and live stock producers and feeders.

"The attitude of the Federal Reserve Bank of Kansas City and its branches is best expressed by a communication sent to all member banks in the tenth district. This expressed willingness to render every assistance possible under the law, in financing of the orderly marketing of agricultural products and the feeding of live stock and other agricultural activities.

Colorado News

Observes 50th Anniversary

The Western National Bank of Pueblo, Colorado, is this year celebrating its fiftieth anniversary. It was established in 1881.

The bank has a capital of $100,000 and surplus of $150,000. Its resources total approximately two and one-half million dollars.

Warns Against Counterfeits

Bankers of Northern Colorado have received warnings from Rowland K. Goddard, head of the United States Secret Service department in Denver, to be on the lookout for counterfeit silver dollars that have been in circulation around Boulder and other cities in this part of the state, during the past few weeks, and have made their appearance at business houses and banks in large numbers.

The first report was received from a "coin in the slot" gasoline station which collected eleven of the counterfeits in one night, although a Boulder bank cashier had accepted the coins, and after giving them a thorough test, had pronounced them all right so far as he could learn.

The phoney coins are dangerous because of their perfection.

Ft. Collins Deposits

Deposits in banks of Fort Collins, Colorado, total more than 3½ million dollars, according to quarterly reports of the three institutions.

The total of deposits at the close of the quarter was $3,655,415.14. Of this total $1,843,919.32 was in demand deposits and $1,811,495.82 in time deposits.

Colorado Springs Deposits

Colorado Springs banks show a healthy financial condition, according to reports to the comptroller of currency. At the last report there was a total of deposits in the seven reporting banks of $18,104,362.15. This total compares with $17,228,087.35 at the time of the July call or a gain of $876,274.80. The total September 29 is but $415,861.93 lower than the figure reported for the same period a year ago when it was $18,520,224.08.

Investment Bankers Elect

At the annual meeting of the Rocky Mountain group of the Investment Bankers association in Denver, Colo., the following officers were elected for the year 1931-1932.

President — E. Warren Willard, Boettcher-Newton & Co.

Vice President—Paul Loughridge, Bosworth, Chanute, Loughridge & Co.

CONTINENTAL ILLINOIS BANK AND TRUST COMPANY

CHICAGO

Statement of Condition at Close of Business, September 29, 1931

RESOURCES

Cash and Due from Banks		$ 176,663,532.01
United States Government Securities		156,199,049.61
Other Bonds and Securities		83,446,162.37
Loans: Demand	$ 230,069,291.11	
Time	328,330,524.77	558,399,815.88
Stock in Federal Reserve Bank		4,200,000.00
Customers' Liability under Letters of Credit		10,828,256.07
Customers' Liability under Acceptances		23,139,332.32
Other Banks' Liability on Bills Purchased and Sold		39,483,308.86
Interest Accrued but Not Collected		2,992,571.24
Bank Building		15,000,000.00
		$ 1,070,352,028.36

LIABILITIES

Capital		$ 75,000,000.00
Surplus		65,000,000.00
Undivided Profits		4,089,137.59
Reserve for Contingencies		10,000,000.00
Reserve for Dividend Payable October 1		3,000,000.00
Reserve for Taxes and Interest		10,020,295.15
Deposits: Demand	$ 566,829,746.61	
Time	260,994,202.23	827,823,948.84
Liability under Letters of Credit		11,684,198.62
Liability under Acceptances		23,666,726.53
Liability on Bills Purchased and Sold		39,483,308.86
Discount Collected but Not Earned		584,412.77
		$ 1,070,352,028.36

Invested Capital	**Over $ 170,000,000***
Deposits	**$ 827,823,948**
Resources	**$1,070,352,028**

Continental Illinois Company . . Capital $20,000,000

*The capital stock of the Continental Illinois Company is held in trust for the stockholders of the Continental Illinois Bank and Trust Company