

# CENTRAL WESTERN BANKER

*Omaha*

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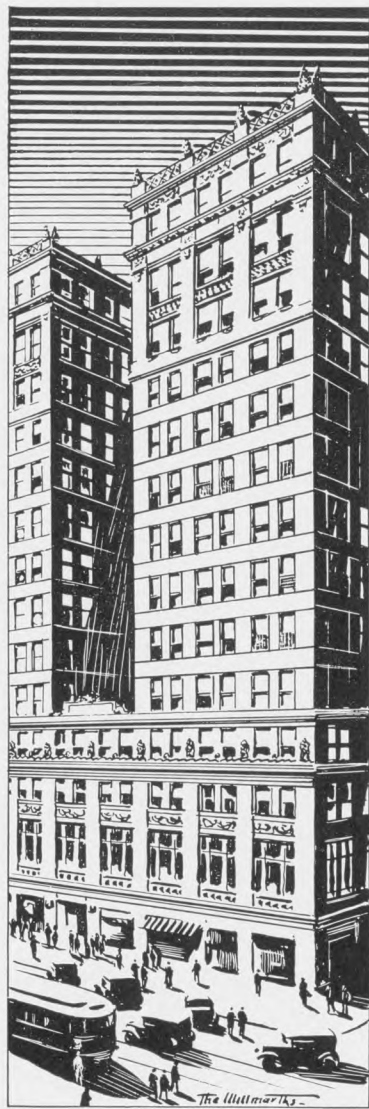
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*September*

*1934*

# Make Our Bank Your Office When You Are in Omaha



● The First National Bank of Omaha and the banking institutions in the surrounding area have grown up side by side in a spirit of friendly co-operation.

We are interested in your problems and in the conditions in your territory. That is why we ask you to drop in whenever you are in Omaha and talk things over.

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Whether you are a customer or not, we are always glad to see you.

## FIRST NATIONAL BANK OF OMAHA

MEMBER OF FEDERAL RESERVE SYSTEM

# CENTRAL WESTERN BANKER

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## How Will The A. I. B. Deal With The Banking Problem?

By O. HOWARD WOLFE

*Cashier*  
*The Philadelphia National Bank*  
*Philadelphia*

FOR MANY years we have been talking about the ignorance of the public concerning banking and currency. We were in the habit of telling funny stories illustrating the truth of that fact. Of all the educational institutions in the country, the American Institute of Banking is probably the only one which has made an intelligent, organized effort to teach sound banking principles, not only to bank students, but to the public generally as well. In spite of the progress that has been made, we have lived to see that widespread ignorance of banking and currency can result in tragedy. For this, at least, it is unfair to blame the bankers. Our educators are at fault for omitting from our textbooks and curricula the simple, fundamental, economic facts which every school child should know.

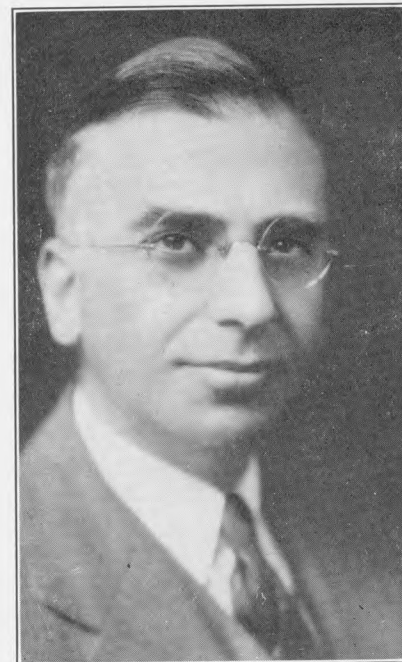
### Need Clear Thinking

It is because of this universal misunderstanding of banking and currency that we have ceased to think clearly or even to think for ourselves. One might suggest a hundred phases of the banking problem on which thinking is muddled to a degree that has contributed largely to the delay in the restoration of prosperity. For example, the theory that we can all get richer by increasing the

amount of money in circulation; the almost total misunderstanding of the fact that the real money of this country is bank deposit currency and not silver or gold coins. Due to this habit of muddled thinking, there has been since 1933 a vast amount of unfair criticism of bankers, and the theory seems to prevail that none of the thousands of bankers in this country are to be trusted either as to their honesty, their efficiency, or their sincerity because a few score have proven unworthy.

### Many Fallacies

There are many fallacies in public and private thinking that are of particular interest to bankers, as, for example, that banking laws under which we operate have been written by bankers; that all who operate banks are, per se, bankers; that banks are refusing to make loans; that frozen deposits represent so much tied up spending power; that somehow these frozen deposits can be thawed out without first requiring borrowers to pay back their loans, or calling upon taxpayers to make good the losses of others, a simple plan which seems to proceed on the theory that although many banks have failed, all other businesses are solvent and can pay back what they have borrowed; that banks can survive without making profits.



O. Howard Wolfe

One fallacy that crops up very frequently is the theory that the Government can and should operate the banks. First it should be pointed out that there is no other business, public or private, that is so closely restricted and regulated as the banking business. Not a bank failed but that had been subject to at least two examinations annually. These examiners are Government employees, and I have no thought whatever of criticizing them in any way, but we must not expect the impossible. By what process can a bank examiner be a better judge of credit than the bank that extended it?

### Something for Nothing

The best illustration I can think of, of unsound thinking is the reasons which are advanced for the cause of the depression. There is an old Roman proverb that reads: "Barbarians fear that which they do not understand," and we might well remind ourselves of a boom and a crash that everybody understood perfect-

ly. I am referring to the Florida land boom. Everyone understood exactly what was happening. Few if any bought land in that state to use it, but only to sell it to the next fellow at a higher price. When the collapse in Florida came, nobody blamed it on the bankers, the war debts, on the vested interests, on Wall Street, or on the Republican party. So far as I know, no corrective legislation has been attempted. What happened in Florida after the collapse is what happened in the country at large when people bought securities as the Florida speculators bought real estate, not to be held, not for investment, but merely to be sold at a higher price to the next fellow. All the legislation in the world will not discourage the invincible optimism that somehow we can get something for nothing.

Another major item of muddled thinking is the belief that it was the President who closed the banks in March, 1933. The President merely set the date. It was the public that closed the banks. The great majority of these financial institutions were and are sound, strong, and well-managed, but the public has

continued to nurse the belief that the closing was due to banking weakness. If confidence is lost, the public can close any form of institution, including the Government itself.

#### Restore Confidence

Our outstanding banking problem is therefore first, how to restore public confidence in banks and bankers. The theory that sound banking can be achieved by legislation is pretty well exploded. As a matter of fact, consider carefully first the reasons for the banking upset in the latter days of the depression, and then ask yourself if any single piece of new banking legislation that has been proposed or enacted can of itself prevent a repetition of what happened from 1926 to 1933, except to the extent it may re-inspire public confidence.

The American Institute of Banking is a body having no other aim than the education of bankers—to produce bankers in whom the public can and will have confidence. The obvious thing to suggest is that each should look to his own housecleaning, and see to it that he will leave no stone unturned to increase in

knowledge and in understanding of sound banking doctrines. The Institute, however, in my judgment has a larger job. We must cease being merely an organization of students, and become an organization of teachers; teachers not only from the public platform, the forum, and the classroom, but teachers by example, as well as by precept.

The next two years should determine whether the American Institute of Banking has the courage of its convictions; if it has the courage to accept financial educational leadership. Have we the courage to teach that small, weak banks unable, under any but the most favorable circumstances to earn a living, are a menace rather than a help; that a real estate mortgage is not a loan unless it is properly amortized; that the dual banking system has its weaknesses as well as its strong points; that deposit insurance can never be better than a temporary expedient for inspiring confidence in banks; that what is needed is a banking system founded on economic laws and administered by trained bankers, educated in the theory and practice of sound finance?

## FARM INCOME INCREASED

**I**N THE drought area, the extreme conditions which have been painted so darkly by the public press, will be greatly minimized by various reliefs furnished by the Federal Government as well as by bonuses for restricted acreage earned at the beginning of the season. It would seem that the condition in this area will in no wise be as serious as the propaganda is endeavoring to indicate.

A prominent financial authority, after careful investigation, makes the following statement:

“The drought is not expected to cut farm purchasing power by a single dollar. Farm income last year was about \$6,500,000,000. It is expected to

run to \$7,000,000,000 this year, plus about \$600,000,000 in ‘benefits,’ plus from \$200,000,000 to \$300,000,000 in drought relief. In the drought sections, income from crop sales will be substantially less, but will be brought up to last year’s figures by ‘benefits.’

“In the corn-hog area, the gross income will be larger than it was last year, by reason of ‘benefit’ and relief. Unfavorable weather over the next several weeks will not change the picture as to farm income, since any further crop losses would be compensated for by additional relief.

“The Government’s experts are convinced that the drought will not be a serious factor in fall business.”

# Co-operative Credit Associations Operating in Nebraska

**"The banks are finding it difficult as it is to make earnings on their investment, and if they are subjected to competition of this kind, the chances for earnings are very much limited or entirely eliminated"**

**T**HERE has been organized in Lincoln, Nebraska, during the past few months a concern known as the Union Credit Association. While apparently organized for the purpose of conducting a small loan business, the units of the parent Association seem to be extending their operations into the realm of general banking. Commenting on the activities of this new Association, a Nebraska banker says:

"This association is organized by C. A. Sorensen, former attorney general of Nebraska, together with his partner, L. R. Newkirk, and since that time Mr. Barkley of the Lincoln Joint Stock Land Bank has become president of this association. They have organized a number of Co-Operative Credit Associations, principally in towns without banking facilities.

"Under the law, fifteen members at \$10 each can organize a bank or Credit Association, and all new members are voted in by the board of directors. They can accept deposits, both demand and time, and must enter into the pass book ninety per cent of such deposit as a demand or time deposit and ten per cent as shares. In other words, a member depositing \$100 gets credit for \$90 which is subject to withdrawal or assignment of any kind and \$10 is entered upon the pass book as shares. After a member has withdrawn all his cash subject to withdrawal, he can also withdraw the amount deposited in shares, provided there is sufficient funds or reserve on hand to pay him, if not, the Association can require thirty days' notice.

#### Counter Checks

"In transacting their business, they have regular counter checks for the withdrawal of cash, and they also have a regular check book with the stub, in which they can make an assignment of any part or all of their deposit, subject to with-

drawal. In other words, this blank provides that the member hereby assigns so many dollars to whoever it may be payable, instead of using the words "pay to the order of" as used in the usual bank check. These assignments seem to circulate the same as checks, but it is dangerous for a bank to receive them as checks, but should always receive them for collection, for the reason that the amount deposited to the credit of a member is subject to any fines, or loans or other obligations to the Association.

#### Partial Assignments

"A further question arises as to whether or not a partial assignment can be made as is attempted in these Co-Operative Credit banks. The organizers for the Union Credit Service Association require that \$100 be paid in cash, and they require a contract to be signed in which they agree to render certain services to such local associations as enumerated in the contract. The contract runs for twenty-five years, and the local Association agrees to pay one-half of one per cent on the first \$50,000, and one-fourth of one per cent on all deposits in excess of that sum, on December 31st of each year for twenty-five years. In other words, it would cost a local association around \$10,000 for the twenty-five year period, and the services rendered to them amount to nothing, because the law requires that the Banking Department shall examine and supervise such associations.

"The Banking Department of Nebraska as at present situated, not only consents to such associations being organized, but as a matter of fact they encourage their organization, and it is rumored that the present department head is secretly interested in the Union Credit Service Association. He was formerly a vice-president in the Lincoln National Bank, of which W. E. Barkley was

president.

"The manner of the organizing of these Associations was condemned in an editorial of the *Omaha World-Herald* and an editorial of the *Nebraska Union Farmer*, as being mushroom banking, and recently the Attorney General, Paul F. Good, rendered an opinion that the stockholders in such associations are subject to a double liability provided for banks in this state.

#### Original Purpose

"The original purpose of this law was the organization of associations in industrial enterprises where they have a lot of employees so that they could loan money to each other and not be compelled to deal with so-called "loan sharks," and the original purpose was laudable, but the attempt to make banking institutions out of such associations is fraught with a great deal of danger, for if a few of them fail, such failure will reflect upon regular commercial banks, and for the further reason that this state, like all others, was very much over-banked, and the theory was advanced that no new charters would be issued where existing banking facilities are adequate.

"There are no restrictions against the organizing of these credit associations, and they can be organized in any town where banking facilities exist and are amply able to take care of the situation.

"It is believed that an attempt will be made by the sponsors of these credit associations to amend the present law, to remove some of the present restrictions, and license such associations in every village and hamlet in the state.

"The banks are finding it difficult now to make earnings on their investment, and if they are subjected to competition of this kind, the chances for earnings are very much limited or entirely eliminated."

# THIS BUSINESS OF BANKING

**F**OR MANY centuries the principal operation of the banker has been the receipt of deposits and the repayment on demand of sums so deposited. Any amount of legislation cannot further emphasize the axiom which is bred in the bone of bankers: the sanctity of the contract to repay other peoples' money.

But banks could not remain mere community safety deposit boxes. The excess funds of the butcher and the baker were loaned to the candlestick maker to meet his current requirements. Thus, the banker's second job is the making of loans, and it is proper for him to make them so long as he has, in exchange for money loaned, good assets—the obligations of persons who will honor their debts and repay money borrowed from the banker in order that he may, when called upon, repay the money deposited with him.

## Bankers Criticized

Bankers have been criticized for their unwillingness to make the loans which, by some, are regarded as essential further to promote the national recovery.

The American banking system, as a whole, has been even more severely criticized for the failure of a large number of banks to weather the storm which culminated with the bank holiday of recent memory. Undoubtedly, the American banking system has much for which to answer, but that system is the product of American economic wisdom of the last century and a half. It is, among the great banking systems of the world, one of the most completely supervised and thoroughly controlled by government. Its faults cannot therefore be charged wholly to a system so governed unless those by whom supervision has been exercised assume some responsibility for past errors.

## Confidence Regained

The public has now regained its confidence in the banks of the country, and such confidence is justified. It remains, now, for the bankers to regain their confidence in the public; to learn that the

**FROM a recent radio address by Norman E. Towson, assistant treasurer of the Washington Loan and Trust Company, Washington, D. C. Mr. Towson points out that bankers, who after all are human, are trying to the best of their ability to meet the demands made upon them by the problems of the day.**

people are willing now as in the past, to respect their obligations, to be fair in their judgments, and to shoulder the responsibility for their own errors.

Banking is no longer merely a matter of receiving deposits and paying checks. The American Bankers Association defines good bank management as demanding the three qualities of technical competence, economic understanding, and conscientious responsibility. This is a high standard, and one which cannot be achieved by any amount of legislation. Legislation can only make illegal such acts as the public conscience has come to define as dishonorable. The determination of whether an act is dishonorable and should be made illegal cannot prevent damage. The ethics of bankers which guides them in the basic principles of right action must, in the last analysis, be depended on to raise the business of

banking to the level of a profession where it can fulfill its highest obligations to the economic welfare of the nation.

If those now planning to make a career of banking have not a high sense of conscientious responsibility—not alone to their depositors and stockholders, but to the community and the nation, if they are unwilling to content themselves with a reasonable income in recompense for long and diligent labors for the public good, if they will not aid in making of banking a profession dedicated to the welfare of the entire national economy, then they should seek elsewhere for their proper vocation.

## Committee Chairman

A former Omaha banker, Walter W. Head, of St. Louis, has accepted chairmanship of the National Committee for Religion and Welfare Recovery. Mr. Head was at one time president of the Omaha Trust Company, and was a member of the Nebraska State Capitol Commission at the time of the erection of a new \$10,000,000 state capitol building.

Mr. Head is also a former president of the American Bankers Association. In business life he is president of the Great American Insurance Company of St. Louis. He takes an active interest in youth welfare. He is president of the National Council of the Boy Scouts of America.

## Housing Bill

To stimulate recovery and employment, the Administration is pinning great hopes on its new housing bill, which will go into operation shortly. Under it, a part of mortgage loans are guaranteed and interest rates lowered—it is thus supposed to benefit both lender and borrower. Its proponents believe it will liberate \$1,500,000,000 of private capital and provide employment for millions.

1934  
CONVENTION  
—  
Nebraska Bankers  
Association  
—  
Lincoln,  
November 8-9

# The Nation's Capital Invites You!



## 1934 CONVENTION of AMERICAN BANKERS ASSOCIATION to be held in WASHINGTON, D. C. OCTOBER 22--25



The Willard Hotel, Convention Headquarters

**W**HEN the curtain rises on the autumn scene in the nation's capital next October, spectators on hand will have a chance to see and participate in a variety of activities offered nowhere else in the world.

For October is Washington's most exciting time during the year—and most beautiful. Facilities for relaxation and diversion are at their best. Educational benefits are in full swing. National and international activities are renewed with gusto after the lackadaisical summer months. It's the time for fun-loving as well as the serious-minded.

Particularly this fall, Washington will have more than ever before to offer its visitors. For its mammoth building program is fast nearing completion, and by October, the tall fences which surround Uncle Sam's new headquarters will be taken down to reveal some of the finest buildings in the world.

If you are coming to Washington for

relaxation, here are a few of the things you will find:

Twenty-five up-to-date golf courses all available from any downtown hotel and always in good condition.

Miles of bridle paths in the seventeen-hundred acre Rock Creek Park, located in the heart of the city, and winding through other picturesque scenery.

Speed boat rides and steamer excursions down the historic Potomac River, and deep-sea fishing on Chesapeake Bay, only an hour's distance from Washington. Washington is one of the ranking yachting centers of the nation.

Some of the finest night clubs, cocktail rooms, cafes and dining rooms in hotels in the country, patronized by nationally-known personalities.

Regular polo games between Uncle Sam's crack Army teams from Fort Myer, a sport fast becoming one of the most popular in the nation's capital.

Hundreds of parks, planned by the finest horticulturists in the country; parks that present a beautiful background in the fall with their brilliant plots and beds of vari-colored blooms.

Wide streets and roads both within and without the city to carry you to sights of national historic interest, sights of unusual beauty, and sights peculiar to Washington alone.

### Educational Benefits

Taking for granted that the average persons in the United States is familiar with the internationally-known sights so characteristic of Washington—sights that offer educational benefits of every kind—here are a few comparatively unknown facts about the nation's capital that will interest the visitor:

Did you know that the exhibit of strange kinds of money collected by the Smithsonian Institution in Washington from all parts of the globe is considered

one of the most interesting of its kind in the world? Assembled by the Smithsonian ethnologists, it includes such articles as shells, bright feathers, axes, spear heads, fish hooks, blocks of salt, blocks of pressed tea and tobacco, all sorts of skins, glass bottles, coconuts, eagle feathers, cocoa beans, whale teeth, porcupine quills, tails of animals, red hair from behind the ear of the flying fox, stone and clay beads, mill-stones of yellow limestone, hoes and spades, crosses of copper, ingots of iron, buffalo robes and hundreds of other articles.

Did you know that the Government print shop here is the largest in the world?

Did you know that there are more automobiles in Washington than any other city its size in the country?

Did you know that the concourse at the Union Station is the largest room in the world, that it could house a standing army of fifty thousand men?

Did you know that the famous reptile house in the U. S. Zoological Park is the only place of its kind in the world except the one in Netherlands, Holland?

Did you know that the Chamber of Commerce of the United States which has its beautiful headquarters in Washington is the largest national trade organization of its kind in the world?

Washington, the people's city, is as it should be. It has a wide appeal for everybody, young and old. It is a many-sided city and is at its peak in activities of all kinds in the fall of the year.

The nation's capital opens wide its doors to the members of the American Bankers Association.

## Mortgage Bankers to Convene in Chicago

**H**ERALDED as the most significant mortgage banking event in two decades, the twenty-first annual convention of the Mortgage Bankers Association of America will be held in Chicago at the Edgewater Beach Hotel, October 4 and 5. Coming as it does during a period of much federal mortgage legislation and especially with regard to construction financing that is affecting building programs in all sections of the country, this convention is felt to be of significance to all phases of property management, financing and sales.

Highlighted with addresses by leaders in the affairs of the country, the convention will be taken up with pertinent and timely round table discussion, participated in by recognized authorities representing divergent points of view.

There will be six principal speakers with a balanced affiliation insofar as the beliefs of the present administration are concerned. Those that can be announced as this story goes to press are: Frank C. Walker, chairman, National Emergency Council; Colonel Frank Knox, publisher of the Chicago *Daily News*; and John H. Fahey, chairman, Federal Home Loan Bank Board, and Arthur F. Hall, president, Lincoln National Life Insurance Co., Ft. Wayne, Ind.

Mr. Walker is known as the President's lieutenant in all recovery and relief projects. The NEC coordinates the operation of the Home Owners Loan Corporation, Farm Credit Administration, Agricultural Adjustment Administration, National Recovery Relief Administration and subsidiary bureaus. An address by the executive director of this coordinating council will be of vital and of timely interest.

Colonel Knox, as publisher of one of the country's leading newspapers, located in the second largest city and in the heart of the great middle western farming area, will present to the Mortgage Bankers Association Convention a most interesting address.

Although Mr. Fahey has not announced his subject at this writing, his talk will no doubt illuminate the subject of governmental lending. The activities of the Government in the mortgage field will hold the center of interest at this convention and it is for this reason that the men best equipped to know the activities of the administration in this field have consented to present to the convention the most complete knowledge of the subject. These talks will stimulate constructive discussion and will excite nation-wide comment.

## Nebraska Officer

The Federal Housing Administration has a nation-wide organization consisting of ten regional directors and a director in each state. These representatives will be located in permanent headquarters at key points to cooperate in all phases of the Better Housing Program. Through



E. N. Van Horne

the cooperation of the American Bankers Association, a representative has been appointed to act as liaison officer in each state between the financial institutions and the Federal Housing Administration. The latter arranges for representation (starting August 15) at state headquarters for the purpose of providing information in response to requests of financial institutions regarding the credit phase of the program.

The liaison officer for Nebraska is Edwin N. Van Horne, president of the Continental National Bank of Lincoln.

## Your Bread and Butter

The greatest service being rendered to our country today by editors, is their help in awakening the people to the fact that **THE PEOPLE** are the government, that the constitution which protects them is the greatest document in the world guaranteeing life, liberty and pursuit of happiness in social and business activity, and that encroachments and limitations which are made on it detract from the opportunities of our citizens.

The safety of American property rights lies in a widespread and general understanding of these simple basic propositions.



# The Public Attitude Toward Banks and Bankers

**EXCERPTS from an investigation conducted for the past few months by *Trust Companies Magazine*, with a view to determining just how the public feels toward its banking institutions. While there has been some improvement, the sentiment still seems to be sub-normal**

**W**HILE the question might be raised as to whether public opinion was subject to mathematical appraisal, *Trust Companies Magazine*, in a recent issue, has gone a long way in proving that such is possible. Their investigations have been especially directed toward how the public regards its banks and bankers, including editorial attitude of newspapers throughout the United States. That "the pen is mightier than the sword" still holds true, and there is no question but what adverse criticism of the press has done much to mold public opinion in the same direction. What is the attitude of your local newspaper? Is it for you, or against you? If the latter, perhaps a little serious conversation with your local editor would help.

In discussing the public attitude toward banks, we quote from *Trust Companies Magazine* as follows:

"While our immediate interest is in the public attitude toward banking institutions, we feel that the study has a much broader significance. As a general rule, if a man is distinctly hostile toward banking institutions as a group, you can safely class him as a radical, politically and socially; if he objects to hasty criticism of banking institutions and yet points out their shortcomings, looking with favor on proposals of reform, you can safely class him as a liberal in his political leanings; if he is an outspoken champion of banking institutions as a group, the chances are that he is a conservative in his political alliances and is strongly opposed to socialistic tendencies.

"Obviously, the editorial attitude of the newspaper you read does not necessarily reflect your own attitude. In fact, it has been demonstrated repeatedly that the editorial stand of a newspaper on specific questions may be directly counter to that of the majority of its readers.

"Nevertheless, most thoughtful men will doubtless concede that readers naturally drift toward publications which reflect views in substantial agreement with their own.

"Take a radical newspaper as illustration. Can it be doubted that a majority of its readers are themselves radical?

"Of course, conservatives are found among the readers of radical publications, and radicals among the subscribers to conservative journals. In either case, however, the majority of readers find their own sentiments reflected in the paper of their choice, because the success of a newspaper depends largely upon the ability of its management to gauge the temper of its own public.

"At the outset we recognize that the evidence of one editorial might not be sufficient to warrant a classification of the attitude of the paper itself, and heretofore we have based our reports on the number of editorials falling in each class. This took no account of the relative im-

portance of newspapers. Furthermore, during the early months of our study, it did not seem practicable to make allowance for the fact that a larger number of editorials were being received from papers holding extreme views than from those whose attitude might be termed "normal."

"The next step was to devise a method of rating the attitude of each paper, as a preliminary to calculating a weighted rating for each state.

#### Method of Rating

"As will be recalled by those who have been following these reports, each editorial was placed in one of five groups:

"(1) Editorials distinctly favorable to banking institutions—this term used in its general rather than its technical sense;

"(2) Those more favorable than otherwise;

"(3) Comments indicating uncertainty of editorial attitude or so balanced in their effect as to make classification unsatisfactory;

"(4) Editorials leaning toward hostility; and

"(5) Those indicating a distinctly hostile attitude or presenting a distortion of fact.

"In further explanation, we have called attention to the fact that many of the editorials placed in Group 2 contained no adverse flavor and might be described more accurately as "mildly favorable," whereas others in the same group contained sentences or paragraphs which detracted from their generally favorable character.

#### 75 Considered Normal

"The policies followed in making the original classifications and the method of calculating individual and combined ratings cause us to believe that for the country as a whole a rating of 75 would be the approximate "normal." In support of

(Continued on page 12)

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# Canada, Too, Has A Plan For Agriculture

The Natural Products Marketing Law, enacted in the last session of Parliament of the Canadian government, is given here in its principal features. Because of widespread interest in various plans of agricultural production and marketing control, it is well to know what our neighbors to the north are doing in this connection. Work has not yet been organized under the new law.

**S**WEEPING authority to regulate imports, exports, and domestic marketing of all natural products except those of the extractive industries such as mines, quarries and oil wells, has been placed in the hands of the Canadian Governor in Council under the provisions of the Canadian Natural Products Marketing Law enacted during the last days of the late session of Parliament, according to a statement issued by the Foreign Agricultural Service, Bureau of Agricultural Economics. The law empowers both the Canadian Government and organized producers to set up and put into operation codes or marketing schemes which become law simply by approval of the Governor in Council without reference to Parliament. It is to be administered mainly through a Dominion Marketing Board headed by a Minister to be designated by the Governor in Council.

Natural products are defined in the Act as including animals, meats, eggs, dairy products, cereals, seeds, fruits and fruit products, vegetables and vegetable products, maple products, honey, tobacco, lumber, and such other natural products of agriculture, forest, sea, lake or river, and any article of food or drink wholly or partly manufactured or derived from any of those products as may be designated by the Governor in Council. Products of Canada's mines, quarries and oil wells are not included.

#### Marketing Board Created

The keystone of this program will be the Dominion Marketing Board to be appointed by the Governor in Council. The principal function of this Board

will be to supervise and act as the parent organization for such local marketing control agencies as may be set up either by groups of persons engaged in the production and in the marketing of the product in question or by the Governor in Council upon his own initiative.

All plans must be approved by the Board and by the Governor in Council before they can be put into operation. Such plans, whether set up under Provincial initiative or directly by the Federal Government, will be administered by local agencies operating under the direct supervision of the Dominion Marketing Board. The Board may delegate any or all of its powers to such local agencies and it may at any time withdraw the authority to exercise such powers.

Since the individual Provincial Governments have sole control over trade and commerce within their respective borders they are expected to enact supplementary legislation patterned after the Natural Products Marketing Act in order that the powers of the Act may be applied to intra-Provincial marketing. Several of the Provinces have already enacted such legislation.

In the broader field of inter-provincial marketing, however, the new law provides that the Governor in Council may authorize the Dominion Marketing Board to organize and enforce marketing control plans on its own initiative, whenever it is found that the lack of such control plans is injuriously affecting trade and commerce in any product specified in the Act. Before any scheme regulating inter-provincial marketing is

approved by the Governor in Council he must be satisfied that the principal market for the natural product is outside of the province in which it is produced or that some part of the product in question may be exported.

Among the powers delegated to the Dominion Marketing Board are authority to set up and operate local boards or agencies for regulating the marketing of natural products specified in the Act or to supervise the operation of agencies set up for the same purpose by groups of persons engaged in the production and marketing of such products. The Board can regulate the time and place at which, and designate the agency through which, the regulated product shall be marketed. It can decree the manner of distribution, the quantity and quality, grade or class of the regulated product that shall be marketed by any person at any time, and it may entirely prohibit the marketing of any regulated product.

#### Licenses and Reports

The Board can also compel all persons engaged in the production or marketing of a regulated product to register their names, addresses, and occupation and to take out licenses. These licenses are subject to cancellation by the Board for violation of any provision of the Act or of any regulation made under it. It can require full and periodic information in regard to production and marketing from all persons engaged in it as well as access to inspect their books and premises.

The new law goes further than mere regulation of marketing. It recognizes

(Continued on page 13)

# BONDS AND INVESTMENTS

"A rehabilitated mortgage is a lot more satisfactory than a costly piece of real estate"

## Salvaging Real Estate Mortgages

**I**T IS perhaps a truism that investors in real estate mortgages, particularly savings banks and trustees, never expected to have to salvage them. In discussing the subject I shall not touch on making mortgages nor the proper servicing of mortgages after they are made. A mortgage should be properly made, and by that I mean all the word "proper" implies, and it should be adequately and efficiently serviced. I shall confine myself to the subject and discuss the mortgage from the point of view—it needs salvaging.

In connection with this salvaging of real estate mortgages, let me make it clear at the start that I am talking of that mortgage in your portfolio, made by your own company through its investment committee, and which has had your servicing—or that mortgage which you bought guaranteed and which has since come into your possession for your own servicing minus the guarantee. I am not referring to guaranteed mortgage certificates nor real estate bonds. There is a similarity in salvaging, but the situation is not identical.

### Common Sense

That quality of judgment which is most needed in salvaging, as in placing mortgages, is common sense. A panicky, not conducive to sound reasoning nor fearful, condemnatory point of view is good judgment. Keep your mind on an even keel, weigh each contributing angle in the case of each particular mortgage carefully. Here, I have given you the keynote of successful salvaging. Each mortgage in need of salvaging must be handled strictly on its own merits. You can have a few general principles, but you cannot lay down rules and regula-

**AN address by Charles F. Ellery, assistant trust officer, Fidelity Union Trust Company, Newark. Mr. Ellery emphasizes five common-sense principles to use in salvaging mortgages, and several serious points to consider before starting foreclosure proceedings**

tions, from which one may not deviate, to fit all cases.

The first principle, and the one which I emphasize the most and which perhaps after all is not a principle but which I reiterate, is *common sense*. In using this it necessarily follows that you will abide by the others.

2. Handle each case separately.
3. *Co-operation*—and I mean co-operation that works two ways—that is, for the owner and for the mortgagee.
4. *Fairness*—or perhaps I should call it honesty. Of course, I know you will not steal any money, but have the fairness work both ways as well as the co-operation.
5. Efficiency.

### An Illustration

Now, principles of themselves do not solve problems, but their correct application does. To illustrate:

You have in your portfolio a mortgage on a two-family house owned, let's say, by a plumber. With the inertia in building his income has been decreasing for several years. He, thinking the upturn would soon come, which viewpoint was encouraged if not justified, did not seriously curtail his expenditures, and let his

taxes slip, figuring on paying them the next year. You on your part were a little lenient on taxes, reasoning that the municipality did not sell for two years and thus abetted him in his delinquency. Suddenly, the owner, you, and the municipality have realized that taxes are two years delinquent, and the owner in addition finds he cannot pay his interest. The municipal tax sale looms, you visualize the laying out of more cash to pay the arrears thus increasing your mortgage, wonder how much the foreclosure costs are to be, and if you are to add another parcel to "other real estate owned." You condemn yourself for not insisting on taxes having been paid when due. Perhaps you wonder where the investment committee's brains were when it made the loan, and become a little panicky wondering how many more there are.

Now reverse this situation. Realize that the tax situation came about as a matter of common practice of years' standing, that the majority of property owners pay on time, that your investment committee was entirely justified in making the loan at the time the loan was made, and further that the majority of your mortgages are of such calibre they will give you no trouble. Having arrived at this point of view, your *common sense* asserts itself, and you send for the owner, who is, as I said, a plumber. Together you go over his finances, figure the extent to which he can pay monthly, and you start saving the property for him and sweetening your mortgage by applying the monthly payments first to the payment of taxes, or to your reimbursement if you have paid them to avoid a sale, and then to your interest.

A year has passed, you find the arrears of taxes have been paid, and you are starting on your interest. Your owner is encouraged and so are you, for your mortgage is well on the road to recovery.

#### Another Case

This time you have a larger mortgage on a business property, let's say stores and a moving picture theatre. The mortgage called for amortizations which were for a time made, but with changing times the pinch becomes felt and foreclosure imminent. In the case I have in mind foreclosure is actually started, for in this type of property delays are dangerous, and you move quickly. Investigation proves the theatre is well patronized and will carry your mortgage, pay taxes, and amortize to a degree. Investigation of the bondsmen has meanwhile satisfied you that you can expect no relief there if there is a deficiency, so when the tenant of the theatre comes to you to buy the property, you call all subsequent mortgagees, and interested parties together, lay the facts before them, tell them that on receipt of all delinquencies as to interest, taxes, amortizations, and foreclosure costs, the foreclosure may be stopped and the mortgage put in good standing.

In the case I have in mind this brought no results, so at a stated time a contract to sell if and when the property was acquired was entered into. This contract, which has been carried out, provided for the releasing of the bondsmen in consideration of the assignment of rents, the payment by the purchaser in cash of all arrears of taxes, interest, and the costs, and the taking of a purchase money mortgage for the balance for a period of years with interest, and a given amortization payable monthly, as well as a provision for the payment of taxes monthly. Two years have elapsed in this case, payments have all been made, and by the time the mortgage matures it will have been reduced to the point where it should be safe under any conditions, and with a reasonable turn in affairs the owner may re-finance if necessary.

#### Business Property

Now, let us consider a strictly business property—a mortgage well over \$100,000 where interest becomes delinquent. You analyze the situation—find that the property has been sold twice since you made your mortgage, once for \$400,000 and once a wash sale for convenience with no consideration named. You find a mortgage of \$90,000

second to yours. You find the property in fair condition, but not all occupied. Two years' taxes are in arrears. It looks like foreclosure. On consultation the second mortgagee takes an assignment of rents and goes into possession, remitting monthly with detailed statements to you. You check his disbursements, watch his management, and pay first the arrears of taxes, and then your interest. In one year the buildings have been filled, two years' taxes have been paid, and six months interest—all this with reduced rents. In another year the mortgage will be in good standing.

In these few word pictures, and I could go on with a great many more, I have tried to give you the application of the rules emanating from the principles enumerated as I have found them in my personal experience. To summarize, you will agree that in no case has any great brilliancy of judgment been displayed, but plain common sense has been used.

Rota has not been followed, but each case handled individually according to its own merits.

Contrary motives have not been used, but co-operation has been much in evidence.

The methods followed have been fair, alike to owner and mortgagee.

As for efficiency, the results speak. A rehabilitated mortgage is a lot more satisfactory than a costly piece of real estate.

#### Recommendations

True, each case does not work out. There are numerous cases where foreclosure is by far the best procedure, but before foreclosing consider carefully whether or not the operation of any or all of the following is better, and I give the items to you in this manner, not as any miraculous formula, but as a recommendation:

- a. Inspect the property mortgaged.
- b. Re-value it.
- c. Consider the condition of the buildings and the cost of re-habilitating.
- d. Consider foreclosure costs.
- e. Consider arrears of taxes and municipal charges, all in relation to the amount of your mortgage.

If the result is not to your liking, then give consideration to the following:

1. Reduce the interest rate.
2. Take payments monthly of interest and arrears.
3. Take payments monthly in stated

amounts, applying them first to taxes, and wait for your interest.

4. Take an assignment of rents and apply them in your discretion, including the making of repairs (of course, protecting yourself by proper legal agreements).
5. Wait for your interest, as long as taxes are paid.
6. Postpone amortizations of principal, so long as interest and municipal charges are paid.
7. In the extreme case, take your loss, and re-write your mortgage in a reduced amount.

Since a boy of fourteen, I have been involved in and with real estate. I have seen it in times of need and times of plenty. I have praised it and damned it, but after all is said and done, it is there when all else is gone. The real estate mortgage has stood up well way past the time of the stoppage of income on other securities, and in spite of the many pressing problems and all the vicissitudes I maintain and believe that, saving a national calamity, the majority of real estate mortgages are good and will be paid, and that they will long be what they have been in the past—a prime investment for conservative investors.

### THE PUBLIC ATTITUDE TOWARD BANKS AND BANKERS

(Continued from page 9)

this view we give a few scattered illustrations.

"The New York *Times* is a notable example of a newspaper which has earned the respect and confidence of financial interests. Our present rating of the editorial attitude of the New York *Times* toward banking institutions is 87.6.

"In contrast, the New York *Evening Post*, once regarded as conservative, has a current rating of 17.2.

"The Philadelphia *Record* has a rating of 21.0, the St. Louis *Post-Dispatch* 8.3, and the Los Angeles *Herald and Express* 12.5.

"The total circulation of newspapers represents in our ratings is approximately 25,600,000, or more than fifty-five per cent of the total circulation of all daily newspapers published in Continental United States.

#### Metropolitan Rating Lower

"The weighted rating for the country as a whole is 63.6.

"The five largest metropolitan areas (New York, Chicago, Los Angeles, Philadelphia and Detroit) have a combined weighted rating of 52.7. A similar combined weighted rating for Continental United States outside of these five areas is 66.4.

"In New England, Connecticut is the only state having a rating lower than the national rating of 63.6, the figure for that state being 63.3.

"In the West North Central area, a high rating is shown for all states other than Iowa and Missouri, both of which have 57.7.

"Arkansas and Louisiana compare favorably with New England, whereas Texas is slightly under the national rating, and Oklahoma, with 52.2, pulls down the district rating.

"The only dark areas in the East North Central district are Wisconsin and the Chicago metropolitan area, which have ratings of 57.6 and 47.6 respectively.

"In the Rocky Mountain area, Montana, Colorado, New Mexico and Nevada are well under the average, whereas Wyoming, Arizona, Utah and Idaho are well over.

"This study has now been under way approximately six months. Each month gives us added confidence in the soundness of the principles employed and the reliability of the inferences that may be drawn.

"The public attitude toward banking institutions is still subnormal, notwithstanding the marked improvement reported in June. This improvement is apparently continuing."

**CANADA HAS A PLAN FOR AGRICULTURE**

(Continued from page 10)

the principle of compensation for losses sustained as a result of the operation of marketing control schemes. Any person who sustains a loss by withholding from the market or forwarding to a specified market any regulated product in accordance with an order of the Dominion Marketing Board may be compensated for such loss. Compensation covering losses due to depreciation of currencies is also included.

The Dominion Marketing Board is also authorized to establish a separate fund in connection with any scheme of regulation by levying charges or tolls on the marketing of the regulated product,

**1934  
CONVENTION  
—  
Nebraska Bankers  
Association  
—  
Lincoln,  
November 8-9**

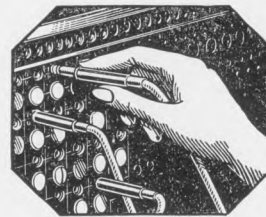
and to authorize the local boards to act as its agent in the collection and disbursement of the charges. This fund may be utilized by the Federal Board or by the local boards upon authorization by the General Board for the administration of their respective schemes and for the creating of reserves. The Board is also empowered to assist by grant or loan the construction or operation of facilities for preserving, processing, storing, or conditioning the regulated products and to assist research work relating to the marketing of such products.

**Price Control Features**

One of the features of the new measure is the authority which it gives the Minister designated by the Governor in Council to administer the Act to conduct investigations into all operations connected with marketing, adaptation for sale, processing, or conversion of any natural product, whether regulated or not, for the purpose of ascertaining the spread received by any person in the course of such marketing, adaptation, processing, or conversion. The law provides that any person who, to the detriment or against the interest of the public, charges, receives or attempts to receive any spread which is excessive or results in undue enhancement of prices or otherwise restrains or injures trade in a natural product, is liable to a penalty not exceeding \$5,000 or if a corporation, to a penalty not exceeding \$10,000. The effect of this provision is that it gives the Board a certain measure of control over natural products for which no marketing control schemes have been put into operation.

**Foreign Trade**

Another outstanding feature of the new law is the authority which it gives



A Crisis a Minute. "I want a policeman," "Thirty day's extension — please," "The hot water pipe is leaking," "Baby broke her doll." Crises big and little are being continually reported by telephone. At trifling cost in relation to the values at stake, it helps you to get action when action is all important.

**Bell Telephone System**



the Governor in Council to regulate imports and exports of natural products. Under this provision of the Act the Governor in Council may regulate or restrict the importation into Canada of any natural product which enters Canada in competition with a regulated product. He may also regulate or restrict the exportation from Canada of any natural product specified in the Act. Control over imports and exports is to be accomplished by a licensing system under which no one except holders of licenses can import or export.

The Governor in Council may also from time to time authorize payment to the Dominion Marketing Board out of moneys to be appropriated by Parliament of such sums as may be necessary to defray the operating expenses of the Board or of any local marketing control agencies set up by the Board.

## Five Million Jobs

The importance of home building and repairing in the fight for recovery was well summarized recently by Bernard L. Johnson, editor of the *American Builder*, when he said:

"The tremendous decline in expenditures for home building from an average of \$3,000,000,000 a year to less than \$200,000,000 in 1931 and 1932 was a major cause of depression and unemployment. Stimulation of home building and repairs . . . will eventually give employ-

ment to 5,000,000 men directly or indirectly dependent on building for their livelihood. Home building is a local industry. . . . It will put men to work in their own home towns at their own jobs, and will give business to local contractors, lumber dealers, hardware stores, electrical and supply shops and other local businesses."

Every type of business and worker is benefited when a wave of building and modernizing sweeps through a community. Every dollar spent starts a great financial circle—the money goes to workmen who pay their bills and are able to buy more products; it goes to stores which in turn are enabled to meet their obligations and restock; it goes to farmers and to doctors and, in the form of taxes, to government. Eventually it comes back, with interest in the coin of better business, to the original spender.

## The Ground Floor

Most observers believe that recovery will come slowly, and that there is little fear that any severe set-backs to the progress already made will occur.

If that is true, there is one investment the far-sighted citizen can make that will bring him "dividends"—a modern home. It will give his family something that cannot be adequately measured in dollars and cents—a higher standard of living. And, through the act of building it, he will stimulate recovery. No dollar

we spend does more to provide employment and to stimulate industry than the construction dollar.

Prices are rising, and strong forces, backed by government itself, are attempting to accelerate their rate of climb. Build now, repair now—and "get in on the ground floor."

## Put Up or Shut Up!

"Put up or shut up was the idea tactfully expressed by one utility getting hot under the collar by a spasm of local municipal ownership agitation," says the *Electrical Journal*. "The power company inserted the following ad in the newspaper:

"To any person who can show us figures that will prove that any municipal plant has paid for itself entirely out of earnings, without resorting to taxation, on rates as low as those in ——— we will pay in cash \$500."

"No one came forward."

The point of this little story can be applied to a thousand municipal plants in towns boasting exceptionally low electric rates. It is perfectly possible to provide electric service absolutely free—if the public treasury pays the bill. To get a step further, it would be possible, on the same principle, to pay customers of municipal plants for using the service, if the taxpayers could be made to fork up the necessary money, or give them free newspapers or free food.

Unprejudiced experts have made many surveys of municipal and private electric rates—and practically everyone has come to the conclusion, backed by statistics, that when all costs, including taxation, are taken into account, the private utilities, on the average, give cheaper and better service than do public systems. To use as an example of successful municipal operation a plant which sells power at a loss, and must be subsidized by all the taxpayers in the interest of the power-user, is to distort the true picture beyond recognition.

## Money in the Air

One hundred years ago, Daniel Webster, speaking in the Senate, said: "Gold and silver is the money of the constitution; the constitutional standard of value which is established and cannot be overturned; to overturn it would shake the whole system."

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## GMAC SHORT TERM NOTES

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# INSURANCE

*Its Application to the Banking Fraternity*

## ■ FIDELITY COVERAGE ■

### Make Your Business Men Safe from Dishonesty Losses

**N**O BUSINESS is safe from dishonesty losses unless its employees are bonded. This fact is fully demonstrated every business day, and experience shows that no business organization, however well managed, can be absolutely confident that it will be continually safe from the dishonesty of trusted employees.

In seeking means of economy in times of depression, employers sometimes eliminate entirely, or drastically reduce their fidelity coverage. This is a false economy, as the temptation to steal, or rather to "borrow," the employer's money is increased in hard times, and the undiscovered loss factor ought never to be overlooked.

Now that we have every indication of improvement, and in view of the many illustrations before us proving the need for adequate fidelity coverage at all times, this is an opportune time for agents to sell new or additional fidelity coverage to all classes of business organizations.

#### No Yardstick for Honesty

There is no yardstick by which the honesty of an employee can be measured. It is practically impossible to determine the proper amount of coverage for a given official or employee. Because of this, surety companies offer several forms of bonds simplifying the task. If every employer can be made to realize that fidelity losses arise where and when least expected, and that some emergency may arise which will lead the most faithful and trusted officer or employee to the improper use of his employer's funds; that adequate coverage may prevent serious financial difficulties for the concern

**"If you are not selling Fidelity today, you are overlooking an available medium through which your commission income may be increased"**

By W. H. BENNEM

*Manager, Fidelity Department  
American Surety Company, New York*

in the event of a substantial loss, and that fidelity suretyship is just as important, and of the same type of proven investment as fire, casualty or other forms of insurance, etc., then the sale of the fidelity schedule, or blanket bond, is simple.

Some years ago certain employers held to the opinion that it was unnecessary to bond old and tried employees and that it bordered on an insult to ask such people to complete a surety company application. Events have shown the fallacy of such reasoning.

Prudent business men of today appreciate that fidelity coverage is an investment, and employees are educated to the point where an honest man or woman is glad to fill out the fidelity application, knowing that approval by the surety is a badge of merit.

If the employer carries individual or schedule bonds, the employer should decide on the amount of coverage for each

man, or position, by the scope of the responsibility attached thereto, giving due consideration to the possible shortage that might be created in such a position.

#### All Losses Covered

The primary commercial blanket bond and the blanket position bond cover all officers and employees of the named insured, and indemnity against loss sustained through proven dishonesty on the part of any one or more of the employees acting directly or in collusion with others. The primary commercial blanket bond is written in the minimum penalties of either \$10,000, \$15,000, \$20,000 or \$25,000 covering twenty class A and B employees or less, or in the penalty of \$25,000 and multiples thereof covering twenty-five employees or more.

The blanket position bond is written in the minimum penalty of \$2,500 and multiples thereof, not exceeding \$20,000 as a maximum, exclusive of specific excess indemnity which may be granted by rider on designated positions.

The excess commercial blanket bond provides indemnity to the employer against that part of direct loss he may sustain in excess of the primary fidelity suretyship carried on such employee.

Under the primary commercial blanket bond and blanket position bond increases and decreases in the bonded personnel are automatically cared for by the provisions of the bond without the necessity of the employer notifying the surety; except in the event of a merger or consolidation with another organization. Such bonds provide for full salvage to the employer in the event of an excess

(Continued on page 22)

## 4<sup>th</sup> RAILROAD CENTER

### THROUGH THE GATE CITY OF THE WEST

. . . are despatched daily — via ten major trunk lines — some 200 passenger and mail trains . . . countless box cars, flat cars, tank cars. The “gate” began to swing open in 1860 when President Lincoln chose Omaha for the eastern starting point of the western half of the first transcontinental railroad — Union Pacific. Since then, only three other cities in the United States have woven about them a greater web of rails.

### 16 YEARS BEFORE THE FIRST IRON HORSE

. . . puffed into Omaha from the East (across the Union Pacific Bridge), Barrows, Millard & Company came to town. That was in 1856, a year before the incorporation of Omaha itself. A few years later this company was rechristened the United States National Bank. Today the United States National is one of the strongest and is *the* oldest bank in all Nebraska.

# UNITED STATES NATIONAL BANK

OMAHA'S OLDEST BANK

*Affiliated with* NORTHWEST BANCORPORATION







**E. E. PLACEK, President  
Nebraska Bankers Association**

# Nebraska News



**WILLIAM B. HUGHES, Secretary  
Nebraska Bankers Association**

## Just to Be Safe

R. J. Stromberg, vice president and general manager of the F. E. Davenport Safe & Lock Company is spending a few weeks' vacation fishing up in the north woods of Canada.

A story is told that Mr. Stromberg carried along an ample stock of canned salmon and other varieties of fish just in case fishing would not be good. As he exclaims, it would be foolish to wait nineteen years to go fishing and then not have enough fish to eat.

We trust that he won't have to depend upon his canned stock to satisfy his hunger.

## Bank Opens

The newly organized Clarkson Bank is open for unrestricted business. The new bank will assume all trust accounts of the Clarkson State Bank which terminates its existence as a going concern. Another 15 per cent on all restricted deposits has been declared and is now payable at the Clarkson State Bank. This is the bank's fifth dividend and brings the total amount so released to 45 per cent.

Fifteen stockholders compose the new corporation. The directors of the new bank are: Messrs. Emil Petr, Dr. F. B. Schultz, Joseph R. Vitek, Joseph F. Jirovec, George C. Novotny and J. A. Kucera. Mr. Petr heads the new bank as its president. J. A. Kucera is the cashier, Frank Vidlak, assistant cashier, and Leon Petr, bookkeeper. The bank has a capital structure of \$45,000.

## To Merge

According to reports, a merger between the banks at Sunol and Lodge Pole is being considered in the near future. It is understood that the merger will be completed as soon as governmental terms are met. Depositors in the Su-

nol bank have been notified that the merger probably will be consummated soon and headquarters will be at Lodge Pole, it is reported.

## Protective Device

A. G. Howard of Lincoln invented a "Dillinger proof" protective device for banks, before the gangster met his death at Chicago. Now that Dillinger is dead, Howard believes that it will be sure to keep out ordinary bank robbers.

He has shown the device to sheriffs, police department officials, bankers and other business men, all of whom said they believed the system practicable.

The device provides for instantaneous locking and sealing of vaults and money drawers, with a burglar alarm sounded at the same time. Anyone employed in the bank may trip the mechanism by pulling a cord, if he remembers to do so in the flurry that follows the visit of bandits to a bank.

## Rules Too Strict

Dissatisfied with the state banking department's rigid restrictions on the lending power of banks, L. P. Wirth of the Falls City State and W. A. Schock, Jr., of the Richardson County Bank went to Lincoln to lay a plea from the Fourth Regional Clearing House association before the banking department.

The two were authorized as representatives of the association at a special meeting held in Humboldt.

Bankers explained that the requirements of the banking department in the last two or three examinations have been particularly harsh and that as a result, the banks are handicapped and that the restrictions have made it impossible for the banks to lend money on ordinarily good risks and that they have most of their funds in government bonds or cash.

## RACC Helps

How the Regional Agricultural Credit Corporation program for drouth relief has helped Fremont as well as stock raisers and feeders in the drouth regions was explained by J. M. Sorensen, vice-president of the Stephens National bank and a director of the RACC, to members of the Fremont Rotary club at the weekly luncheon at Hotel Pathfinder recently.

Mr. Sorensen explained that 4,500 cattle are being fed at the Fremont Stockyards.

Feeding operations such as those at the stockyards mean much to a community. In this particular instance a total of 1,200 bushels of corn, 10 tons of prairie hay and straw, 10 tons of molasses feed, and two tons of cotton cake are used daily. The expense for feed alone runs more than \$1,000 per day.

"This feeding operation has created an additional market for all feeds, including 1,000 tons of straw which was bought by the stock yards company due to the shortage of hay to be fed with hay as roughage," Sorensen said. "All of this feed was bought locally when available."

Mr. Sorensen was a member of the original loan committee of the RACC. For the last year he has been on the board of directors and also has served on the loan committee.

## New Malmo Bank

The Security Home bank of Malmo, a new institution, opened August 11, with capital stock of \$25,000. Emil Barry will be its president, and J. C. Urlander, cashier.

## Brule Bank Opens

An announcement is made of the opening of the Bank of Brule, which had been moved there from Lemoyne and

was known as the Lemoyne State Bank. G. D. Adams, a former Big Springs resident, is president and cashier.

### Buys Warrants

Registered warrants against the Fremont school district, totaling about \$68,410.82, and now drawing 5 per cent interest will be taken up and re-sold to the Stephens National Bank at an interest rate of 3½ per cent, according to action taken by the board of education.

A communication from the loan committee of the Stephens National Bank stated that the bank would be willing to purchase half or all of the warrants at the 3½ per cent interest rate. Steps will be taken to begin taking up the warrants now outstanding at once, and to issue new warrants at the lower rate of interest to the bank.

### New Money

Bankers expect to receive their first supply of the new silver currency very shortly. This will be accomplished by distribution through the federal reserve banks as production of the certificates increases. Already engraved is \$24,440,000 of one dollar and five dollar bills to be followed by tens, twenties and hundreds, all of which are backed by bullion. Approximately 47 million dollars worth of the certificates will be printed.

### Promoted

Charles A. Swanson, connected with

the First National Bank of Santa Ana, Cal., for the past ten years, has been promoted to assistant cashier. The bank is capitalized at \$1,200,000 with deposits of \$7,500,000. Mr. Swanson was formerly in the Farmers and Merchants Bank and furniture business in Wahoo.

### Department Lenient

State banks in Nebraska will not be subjected to "hard-boiled" examinations and requirements during the next year, and they in turn will be able to deal more leniently with their farm borrowers, State Bank Superintendent E. H. Luikart announced recently.

Because of the destruction of crops by drouth and the forced sale of livestock on which farmers ordinarily depend in large part for their income, thousands of them will be unable to meet notes due for payment in the fall. Ordinarily they would have money coming in at that season to take up their obligations. In the existing situation they must have an extension of credit until they can raise something to sell next year.

### Banker Dies

A. L. Bishop, prominent Wheeler county banker, lawyer and land owner, passed away recently at the St. Francis hospital in Grand Island. He had made his home in Bartlett for forty-three years, and had always been identified with the business life of the community.

He was president of the Bartlett State Bank at the time of his death.

### Resigns

Harry Dickson, field man for the Omaha Federal Land Bank, has resigned to become branch office manager of the farm loan department of the Connecticut Mutual Life Insurance company. He will have charge of 19 counties in northwestern Iowa, with headquarters at Storm Lake.

### Co-operative Bank

The Litchfield Co-operative Credit Association, Litchfield's new banking institution was officially opened for business recently. The new institution is under the management of H. I. Lang as cashier together with a board of directors composed of five stockholders.

Arrangements have been made with George Polski, receiver of the First National Bank, to use the building for the new bank. Mr. Lang states that the first day's business was very satisfactory and that as soon as the public in general was notified that the new bank was open for business the deposits would grow.

### Visits Omaha

F. W. Peck of Washington, FCA co-operative bank commissioner, was in Omaha for two days recently to inspect the local bank, of which Jerry Mason is president.

While the drouth emergency is being handled by other branches of FCA, Mr. Peck said, the banks for co-operatives are attempting to work out a long-range program. Since January loans have been granted to 450 co-operative associations, compared with 150 by the old farm board. Of a total of 28 million dollars in loans, the Omaha bank has closed 25 for a total of 234 thousand dollars.

### Largest Day

The Omaha federal land bank had the biggest single day's business in its history July 31, closing 520 loans for a total of \$1,912,000.

F. A. O'Connor, general counsel of the farm credit administration, attributed the showing of the bank to more efficient handling of loans since all of its activities have become concentrated under one roof, the farm credit building and its new addition.

The previous high total for one day's closing was \$1,500,000, established last March.

The Omaha land bank continues to



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**OMAHA**

lead all other land banks in the United States with a total of 188 million dollars in loans closed since the emergency farm refinancing act went into effect June 1, 1933. There are about 1,000 employees in all departments of the bank.

### Another Co-operative

Greenwood is the first town in Cass county to organize a Co-operative association. Officers are: N. D. Talcott, president; John S. Gribble, vice president; Norman Peters, treasurer; Ernest Smith and C. W. Newkirk, directors; E. L. McDonald, Rex Peters and E. H. Armstrong, special committee to investigate and pass on loan applications; Mabel Boucher, H. G. Wilkins and Leo D. Peters, advisory committee.

### Clearings Increase

Bank clearings in Lincoln showed a million dollar increase in July, 1934, as compared to the corresponding months a year ago and a half million increase over June, 1934, according to figures released by B. G. Clark, secretary of the Lincoln Clearing House association.

Clearings reported for July, 1934, total \$9,212,183.78 while the total for the month in 1933 was \$8,205,012.34. June's clearings were \$8,731,243.44.

### Organize

A meeting of Antelope county bankers was held in Neligh for the purpose of forming a county bankers' association. After the organization was completed service rates were discussed details of which will be published later.

Out of town bankers present were H. D. Miller and J. A. Van Kirk of the Citizens State Bank of Clearwater, Leonard Hales of the Brunswick State Bank, D. L. Shenefelt, W. L. Morris, and George Hunter of the First National Bank of Oakdale, and W. M. Costello of the Farmers State Bank of Ewing.

### Drop Insurance

Two Nebraska state banks were listed recently as having withdrawn from the federal deposit insurance corporation.

They are the Farmers State Bank of Emerson and St. Libory State Bank.

### Organize Co-operative

After being without a bank for five years, Belvidere citizens have organized a co-operative bank in conjunction with the Union Credit Service Association of Lincoln, and are now open for business.

The plan on which this bank is built permits fifteen persons with capital of \$10 each to start a credit association. Every depositor is required to invest ten per cent of his deposit in capital stock. If he later increases his deposits he must also acquire more stock. Thus the capital stock is constantly kept at one-tenth of the deposits.

H. L. Leslie is manager of the Belvidere Cooperative Association which is located in the old bank building.

## Kansas News

### Ready to Open

The last detail has been completed and the new financial institution in Linn, the Linn State Bank, is ready to open the doors. Just as soon as the directors are assured that the new institution will be in position to guarantee the deposits of its depositors up to \$5,000, they will order the bank opened.

One important act of the new director was to elect officers. C. A. Johnson was chosen president, Ernest Helms was chosen vice-president, and R. D. Oltjen was chosen secretary of the board and cashier of the bank. The directors unofficially elected at a recent stockholders' meeting, and appointed on resignation of the temporary board, include: C. A. Johnson, Ernest Helms, Carroll Conklin, F. R. Lobaugh, and R. D. Oltjen. These men will guide the destinies of the bank during the coming year.

### New Officers

At a special meeting of the stockholders of the Bank of Fall River, held recently, the following directors were elected for the balance of the year: B. M. Brown, F. G. Brown, A. L. Brodrick, John C. Burns, A. F. Defever, T. Clyde West, and W. Q. Wickersham.

The following officers were elected by the board: B. M. Brown, president; A. L. Brodrick, vice president; W. Q. Wickersham, cashier.

### To St. Paul

The South Mound State Bank is to move to St. Paul.

The former St. Paul State Bank building has been purchased for the location of the new bank and will be remodeled soon to suit the convenience of the new institution.

### Banker Dies

Henry Ford Harbaugh died recently in Wellington.

At the time of his death he was president of the National Bank of Commerce, Wellington; president of the McPherson Hail Insurance company, president of the Farmers Mutual Telephone company, director in the Wellington Terminal Elevator company, and director in the Southern Kansas Mutual Insurance company. He was among the organizers of each of these corporations and retained an active interest in them until the time of his death.

## Offering to Banks of Nebraska

### "The Kind of Service you'll Like"

**CONTINENTAL NATIONAL BANK**  
LINCOLN, NEBRASKA



### Assistant Cashier

Election of Lawrence S. Blum as assistant cashier of the Security National Bank, Kansas City, Kansas, was announced recently. Blum has been affiliated with the People's National Bank since 1927 and when it was taken over and changed to the Security National October 13, 1933, he remained in the reorganized institution.

This makes three officers for the bank. M. L. Breidenthal is president and Claude Wilson, cashier.

### Consolidated

The First State Bank, Argentine's oldest bank from the standpoint of continuous service, was dissolved recently, and its assets consolidated with those of the Kansas-Merchants Bank in Armourdale.

Several months ago Clayton Bodley, owner of the controlling interest in the First State Bank, purchased a controlling interest in the Kansas-Merchants Bank in Armourdale. At that time the announcement was made that the First State would be continued as in the past.

### Dies in Pittsburg

John Hughes Stephens, 62, former assistant cashier of the First National Bank, Pittsburg, died at his home recently. Mr. Stephens fell and broke his hip and complications, believed to have arisen from ill health prior to that time, set in.

Mr. Stephens was born March 21, 1872, in Mt. Sterling, Ky. He had lived in this district 35 years and for 28 years he had been a resident of Pittsburg. He was employed at the First National Bank for about twenty years.

## Colorado News

### Not Foreclosure

Federal land bank officials will not foreclose on loans except as a last resort, and will extend every facility to farmers to work themselves out of debt, declared L. E. Call, president of the Federal Land Bank of Wichita, at Pueblo recently.

Call, with J. B. Marcellus, engineer-appraiser, and E. Lynn Guy of Montrose, regional supervisor and appraiser, came to the San Luis valley to inspect the region and to visit farms on which the bank has made loans. Loans by the bank in the San Luis valley total three and one-half million dollars, the bank president declared.

### Check Figures Increase

The six months report on bank check totals and building permits for the tenth federal reserve district, which includes the Rocky mountain area, show big increases in checks but declines in building. The July building permit record for Colorado Springs, however, will show a mammoth increase, due to the civic arts center figure. The total for July is \$415,479, compared to \$10,885 in July, 1933.

Debits to individual accounts, as reported by banks in twenty-nine leading cities of the district, for the five weeks ended July 4, aggregated \$1,096,669,000, or 11 per cent above the total reported for the preceding five weeks and 13 per cent above that for the corresponding five weeks of 1933.

Check payments during the first twenty-six weeks of 1934 aggregated \$5,195,032,000, an increase of \$940,512,000,

or 22.1 per cent over the like period last year.

### Denver Clearings

Bank clearings for Denver in July were \$93,127,902.78, the largest amount of money cleared in more than two years.

In July, 1933, clearings totaled \$77,529,611.79.

A survey of railroads revealed that officials believe shipments of merchandise and commodities will continue to show gains over last year for the remainder of 1934.

Without exception the major railroads have shown gains month after month during 1934, with the July increase ranging from 12 to 20 per cent in freight car loadings.

Tourist travel for the month of August will, it is believed, set a record. Officials of tourist bureaus predict that Colorado this year will do a \$50,000,000 tourist business.

### New Currency

Fifty thousand new dollars—in unsoiled paper currency—has been placed in circulation in Grand Junction and vicinity. It is the first to bear the name of the First National Bank in Grand Junction.

The \$50,000 issue of national currency was obtained by the First National Bank in the customary manner, by deposit with the U. S. treasury of government bonds for that amount. The privilege of securing such national currency by bond deposits is limited to national banks.

The new currency is in denominations of \$50, \$20, \$10, and \$5. It is being placed in circulation through ordinary banking channels, Cashier E. R. Thomas said. Under the federal reserve act, only government bonds earning interest of 3½ per cent or less can be deposited in exchange for such currency.

### Named Cashier

At the regular monthly meeting of the board of directors of the Fremont County National Bank, Canon City, Mrs. H. Morgan Reynolds was elected cashier of the bank. She had heretofore been assistant cashier.

Mrs. Reynolds has been connected with the bank for the past twelve years or longer and has occupied all positions from collection clerk up to the position she has now attained of cashier.

## Are You Sending Out Invitations For A Holdup Visit?

• Bank bandits never plan a party unless they are given an invitation. They want money and want it mighty quick — delay means trouble in their getaway. Choose your visitors. . . . Don't invite them to come. Invite them to stay away by displaying the Yale Banktrol Sign.

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OMAHA, NEBRASKA

**Banker Dies**

Thomas A. Rendle, 62, retired banker and mining man who was widely known in Colorado and Wyoming, died recently at his home in Denver.

Mr. Rendle was the brother of the late J. A. Rendle, prominent Colorado and Wyoming cattleman, who died last February.

He was born in Campbellford, Ontario, in 1872. Twenty years later he established himself in business at Rawlins, Wyo., where he lived for a number of years, and also was associated with J. W. Hugus & Co., which held extensive banking interests in the west.

Mr. Rendle also was interested in mining ventures in Cripple Creek and Arizona before 1900.

**Wyoming News**

**More Business**

Over 2,000,000 more dollars tinkled through business channels last month than during July, 1933, an analysis of the monthly report of the Cheyenne Clearing House association showed.

The report was issued by Morton Nisbet, secretary of the association.

It showed that checks totaling \$6,483,310 were written in July as compared with \$4,469,689 during July, 1933. This is an increase of \$2,013,621.

The increase over the month of June, 1934, was \$899,878.

The figures are for both local banks. They indicate that business generally has shown a gain of over 25 per cent over last year.

Bank clearings, which show the velocity of business, increased nearly \$1,000,000 over July, 1933.

**State Convention**

The annual convention of the Wyoming Bankers' Association is scheduled to be held in Lander on August 31 and September 1. A large representation of bankers and their wives throughout the state is expected, and plans are being made by the Lander bankers for their entertainment. Headquarters will be at the Noble Hotel.

This convention of state bankers will be one of the most important sessions of the association in recent years as the program will include discussions of some of the most perplexing problems to confront the financial interests of the country in recent years. It is expected that several prominent leaders in the banking

world will be in attendance at the sessions.

In addition to the business sessions of the organization several entertainment features will be arranged by the local committee, including parties for the ladies, a banquet and dance and some interesting sightseeing tours.

Officers of the state association include Harry R. Weston, of Jackson, president; Kathleen Snyder, of Cheyenne, secretary, and R. W. Allen, of Cody, treasurer.

**Service Charges**

Like other institutions throughout the West, banks of Wyoming find it necessary to install service charges to offset the loss of income from loans, and the increased cost of doing business. Two Laramie banks, the First National and the Albany National, last month placed uniform charges in effect. Last month also, the First National Bank of Riverton instituted such charges.

**New Mexico News**

**Organize Association**

The Grant County Federal Savings & Loan association was formerly organized in Silver City at a meeting at the Chamber of Commerce and the charter presented by Sam Strauss, field organizer for the federal home loan bank in Washington, D. C.

It was voted by the members to limit the board of directors to five. A nominating committee composed of Melvin H. Porterfield, Sam H. Phoenix and Vernon Glenn selected Frank Light, Leo Schiff, Ira L. Wright, E. W. Ward and R. P. Noble, who were unanimously elected. The length of service was determined by drawing numbers. Frank Light was thus elected for three years;

Leo F. Schiff and Ira L. Wright each for two years, and E. W. Ward and R. P. Noble each for one year.

The officers elected at the meeting of the board were Frank Light, president; Leo F. Schiff, first vice president; and R. P. Noble, second vice-president. Mrs. Elizabeth Skelly will be the secretary-treasurer and H. O. Robertson attorney for the association.

**Deposits Gain**

New Mexico's 19 state banks showed a considerable gain in deposits, according to figures made public by John Bingham, state bank examiner, for the period ending June 30 this year.

A noticeable increase was shown in demand deposits and time deposits, and this was due, Bingham said, to the federal deposit insurance corporation guarantee by the government.

June 30 this year, the banks showed resources and liabilities each of \$6,446,539.57, as compared with \$6,242,713.10 on March 5 of this year and \$5,478,785.74 December 30, 1933.

The increase from 1933 to 1934 in demand deposits was from \$3,136,172.53 to \$3,913,139.96.

**Moves Location**

The Merchants Bank, Gallup, will move to the Morris building, Second street and Coal avenue, as soon as alterations and installation of fixtures in the building can be completed, Spencer Bellmaine, cashier, announced.

Directors of the bank approved plans for the move and okehed Bellmaine as head of the bank with title of cashier. Frank Burke was made assistant cashier.

Bellmaine was unable to say how soon the bank could move to its new location, but said it would probably be September 1.

The Merchants Bank has occupied its present location since 1925.

**Central Typewriter Exchange, Inc.**

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**FIDELITY COVERAGE**

(Continued from page 15)

loss. Premium for such bonds is computed annually on submission to the surety of a complete list of the names, positions and locations of all officers and employees in the service of the insured on the effective date and/or renewal date of the bond.

**Some Advantages**

Some of the advantages of the primary commercial blanket bond or blanket position bond are:

The danger of underinsurance is minimized since all employees are covered up to the full penalty of the bond. There can be no failure to bond individual employees.

The employer's task of determining the amount in which to bond a particular employee is eliminated. This is always a matter of guesswork.

New employees are automatically covered, without notice to the surety, beginning with the day of the employment.

The detail work of handling the notices which are required under fidelity schedule bonds when making changes in the bonded personnel is eliminated.

Employees may be changed and their duties enlarged or extended without the employer having to make corresponding changes in the amount of coverage—as would be the case under individual or schedule fidelity bonds. It is not necessary that the surety shall be notified of such changes.

Full recovery may be made under the primary commercial blanket or blanket position bond even though the employer is unable to identify the dishonest employee, provided reasonable evidence is established that the loss was due to an act or acts coming within the items of the bond. Under most forms of fidelity bonds, the employer is compelled to iden-

tify the dishonest employee to effect recovery.

**Other Services**

In addition to the indemnity granted by fidelity bonds, there are other important features of the service rendered in connection with fidelity suretyship, not the least of which is that the employer is relieved of embarrassment in dealing with an employee or member of his family in the event of defalcation. The loss prevention service of the surety company gives the employer confidence that the employees bonded, so far as the surety can determine, have a clean record and qualified for the positions in which they are bonded; labor turnover is reduced through eliminating floaters, and the type of applicant for employment is improved.

Because fidelity bonds as issued by surety companies are continuous in form, they are steady producers of commission income and require the minimum amount of the broker's or agent's time in servicing or handling a risk of such character. If you are not selling fidelity today, you are overlooking an available medium through which your commission income may be increased.

**Whose Ox is Being Gored?**

"A group of Washington editors were singing the praises of government ownership of public utilities, railroads, oil and gas distribution, steamships, mines and what-not," says an editorial in Skamania County *Pioneer*, Stevenson, Washington. "The writer asked them why not include the country weeklies—and then what a howl of disapproval went up.

"Not a single one of them wanted to have his business included because it

'would soon revert to complete annihilation of personal rights.' 'We should become serfs under such a regime.' 'It has been the independence and fearlessness of the press that has maintained the freedom of the American people through all the years of its manifold political changes.' 'Without a free and privately owned press America would soon be under the mailed fist of a military dictator.'

"So it all depends on one's point of view.

"Government owned businesses are all right for the other fellows, but it's all wrong when it comes to the business of the man who advocates it."

**The Farm Home**

One of the greatest potential fields for stimulated construction lies in the farm home.

About 50 per cent of the farm houses in the country need extensive repairs. Twenty per cent need new roofs. Fifteen per cent need new foundations. It is estimated that if all the repairs were made the total cost would come to \$3,500,000,000—an average of \$575 per house.

Further, a great majority of rural residences are without interior plumbing. Fewer still have modern labor and time saving devices. It is said that the farm home, as compared with a good urban home, is 25 years behind the times.

Here, then, is a vast opportunity—for builders, equipment manufacturers and other industries. It is likewise an opportunity to eliminate much of existing unemployment, and to bolster lagging purchasing power—when construction is on a normal basis, every business feels the good effects. An increasing percentage of farmers are becoming able to build, repair and modernize their dwellings.

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RESERVE LIABILITY OF PROPRIETORS . . . . .	8,780,000
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