

MONTHLY BULLETIN

Issued by
OSCAR NELSON
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

VOL. 4

SPRINGFIELD, ILL., JANUARY 1, 1928

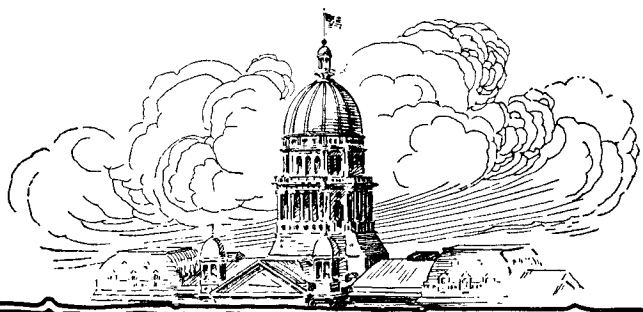
No. 1

MCMXXVIII

The last leaf of the calendar for the year 1927 has been torn off and we are now face to face with a new year; and just what problems it may present no one can forecast, and far better be it so.

If we may be privileged a prediction we would vouchsafe the statement that 1928 will bring about a nearer approach to normalcy in the banking field than for some years past, with a resultant increase in deposits and marked liquidity of loans.

Many hardships have been met and overcome by the Bankers of Illinois in the last half decade, but their efforts have not been in vain and the Department at this time wishes to express its appreciation and to renew its tender of helpful assistance and extend its thanks for past splendid co-operation.



ABIDE BY THE CONTRACT

In many sections of the State, banks are lowering the interest rate from 4% to 3% and inquiries are made of the Department relative to the best method of notifying depositors.

Relative to savings accounts, it is suggested that each bank should follow the rules as provided and printed in the pass book, as this constitutes a contract apparently and where 30, 60 or 90 days are required of the depositor in writing on withdrawals, it is at least good ethics to give the customer a written notice of like period. If no time is specified in the contract for change of relationship between debtor and creditor then a posted notice in the lobby may serve.

In connection with certificates of deposit the agreed date of maturity should govern and holders of certificate notified when same is presented for renewal.

THE RIGHT OF SET-OFF

Upon the failure of a bank a depositor who is also liable to the bank has the "Right of Set-Off." This is acknowledged by all of the Courts. A very interesting decision to bankers is noted in a case handed down by the Supreme Court of North Carolina relative to the matter of "Set-Off" of public funds:

"A defendant who was county treasurer owed a bank two promissory notes—personal obligations; one \$300 and the other \$2,100. He also had on deposit to his own personal credit \$50.23 and as treasurer of the county \$2,801.91. He prayed the court that these funds be used to offset his obligation to the bank. The court held in his favor and allowed the 'Right of Deduction' on the theory that although the deposit of \$2,801.91 was made by the defendant with moneys belonging to the county and stood on the books of the bank in the name of the defendant, as treasurer, yet he was personally liable to the county for the money received by him as treasurer; as he was solvent he must account to the county for the amount of the deposit; as between the bank and the defendant the court held the bank is liable primarily to the defendant and not to the county. The court held that upon the principles of justice and equity as well as upon well-supported authority the decision was rendered."

SURETY BONDS

The co-operation rendered by the banks under the jurisdiction of this Department to the request for the bonding of active officers and employees has been very gratifying. However, there are some instances where opposition still lurks. The experience of the Department justifies the request, and notwithstanding the arguments of some that Stockholders are satisfied with the employees, the fact still remains, that the Depositors are of first consideration and are entitled to this further protection.

The bonds should be placed with a reliable Surety Company and the expense thereof, borne by the Bank. To refute any argument that might be advanced that banks are reducing expenses and that the cost of the bond is an added expense, we recommend reductions on less necessary items.

STATEMENT OF TRUST BUSINESS

The policy of one State Bank in publishing the assets and liabilities of its Trust Department appears to be a good method, both from the point of information and advertising. The report of the bank is first shown, followed by "Blank State and Trust Bank, Trust Department."

ASSETS	
Bonds	\$ 15,000.00
Mortgages and Notes	232,000.00
Real Estate	23,000.00
Miscellaneous	110,000.00
Cash	50,000.00
	\$430,000.00
LIABILITIES	
Trust Investments	\$380,000.00
Trust Deposits	50,000.00
	\$430,000.00

Of course all banks qualified to do a Trust business are compelled by Law to publish an annual statement, but this consists of the assets and liabilities of the bank; whereas, the statement herein referred to, brings out the amount of business done by the Trust Department. The handling of trusts, until a very few years ago, was more or less clothed in legal shroud and the feeling was more or less prevalent that Trust business was only for large corporations; but that has changed now until every Customer practically of a Bank is a prospective Trust Client.

PERMITS ISSUED.

		Capital.	Surplus.	Date.
Findlay.....Shelby.....	First State Bank of Findlay.....	\$ 25,000	\$ 5,000	Dec. 15, 1927
Chicago.....Cook.....	Belmont-Sheffield Trust & Savings Bank.....	200,000	30,000	Dec. 1, 1927

CHARTERS ISSUED.

Elmwood Park.....Cook.....	Westwood State Bank..... Daniel V. Harkin, President. Albert C. Svoboda.	25,000	5,000	Dec. 1, 1927
Chicago.....Cook.....	Belmont-Sheffield Trust & Savings Bank..... J. H. Johnson, President. Earl M. Anderson, Cashier. 1002 Belmont Ave.	200,000	30,000	Dec. 2, 1927
Hillside.....Cook.....	Hillside State Bank..... Anton Vendley, President. Edward W. Heidorn, Cashier.	25,000	15,000	Dec. 27, 1927
Findlay.....Shelby.....	First State Bank of Findlay..... John Cribbet, President. C. A. Askins, Cashier. (To succeed First National Bank of Findlay.)	25,000	5,000	Dec. 29, 1927

CAPITAL STOCK DECREASED.

Chicago.....Cook.....	Chicago Lawn State Bank.....	From \$400,000 to \$300,000	Dec. 5, 1927
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CONSOLIDATED.

Morton.....Tazewell.....	The Morton State Bank and Farmers State Bank of Morton under title "The Morton State Bank".....	Dec. 29, 1927
Chicago.....Cook.....	Keystone State Bank and Humboldt State Bank under title "Humboldt State Bank".....	Dec. 31, 1927

MERGED.

Chicago.....Cook.....	Standard Trust & Savings Bank with The National Bank of the Republic.....	31, Dec. 1, 1927
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LIQUIDATED.

Mansfield.....Piatt.....	The State Bank of Mansfield..... Deposit liability liquidated. Reported closed by Directors Oct. 8, 1927.	Dec. 30, 1927
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RECEIVER APPOINTED.

Benton.....Franklin.....	Mercantile Bank and Trust Company..... Benton State Bank appointed Receiver.	Dec. 15, 1927
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CLOSED.

Walnut Hill.....Marion.....	First State Bank of Walnut Hill.....	Dec. 28, 1927
Champaign.....Champaign.....	Illinois Trust & Savings Bank of Champaign..... (Closed for examination and adjustment on request of Directors.)	Dec. 29, 1927

OTHER CHANGES.

Chicago.....Cook.....	Chicago Trust Company assumed the liabilities of the National Bank of Commerce.....	Dec. 1, 1927
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TRUST CERTIFICATES ISSUED.

		Deposit.	Date.
Chicago.....Cook.....	West Town State Bank.....	\$200,000	Dec. 9, 1927
Libertyville.....Lake.....	Libertyville Trust & Savings Bank.....	50,000	Dec. 9, 1927

RECAPITULATION.

State Banks in Chicago.....	188
State Banks in Cook County, outside Chicago.....	90
State Banks in Illinois outside Cook County.....	1,067
Total.....	1,345

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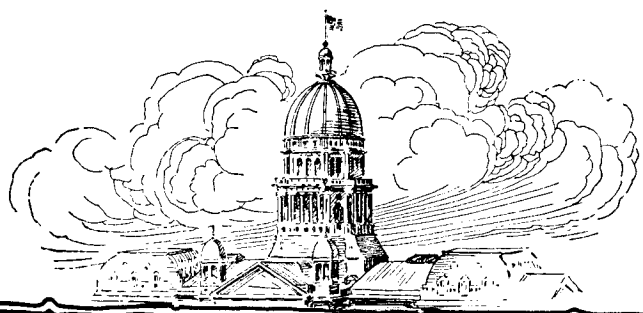
VOL. 4

SPRINGFIELD, ILL., FEBRUARY 1, 1928

No. 11

FINDING AN AVERAGE PRICE

Perhaps, never before in this generation has there occurred a time when a definite value on farm land was so impossible to establish as at this moment. The stabilizing of farm prices would do more to re-establish confidence in the banking world than any other factor. In our opinion there are just two things that can accomplish this; first, the betterment of crop conditions which we believe is apparent for 1928 and the second is the investment by local residents in farm lands rather than in "foreign" securities and enterprises. The sale of one farm in each community in the State of Illinois during 1928 will establish sound and stable prices and we believe that there is a tendency toward this objective.



FROZEN ASSETS—SECONDARY RESERVE

(From a speech of Mr. John W. Black, former director of the Federal Reserve Bank, Minneapolis, Minn.)

Bank examiners closed _____ bank today—"Frozen Assets." The story is told in a few words. And yet a book, a most interesting book, could be written about any closed bank. You of the profession know of the heroic struggles and personal sacrifices made by many bankers to keep liquid those frozen assets, you too have seen the suffering caused by the closing which followed the struggle.

Frozen assets are loans that cannot be liquidated or collected as rapidly as depositors desire to withdraw their funds. It is another demonstration of the irresistible force coming in contact with the immovable body. Something had to give way. In this case it was the bank.

Most of our present ills are due to bad loans made previous to 1920, when values were inflated. Many of the loans were frozen the day they were made. They became more solidly frozen with each maturity. There were no thawing spells, not even mild ones.

Every bank has had some frozen assets during the past seven years. The surviving banks have eliminated this undesirable class of paper through earnings on good paper, through assessments on the bank's capital stock, or both.

So much for frozen assets. Secondary reserve is now more talked about in connection with a bank's statement than ever before. That word "reserve" is impressive. In a bank it means cash—cold, hard cash. It is the cold, hard cash reserve that warms the banker's heart. It keeps the bank solvent. To an army general, reserves, in men and munitions, means the winning of a battle. To an athlete reserve, in strength, means winning the contest. So in every endeavor reserve means strength.

Secondary reserve means—just as good—just like money in the bank, only it pays its keep while actual money in the till or vault doesn't. Secondary reserve is money invested in commercial paper, having short maturity, or in liquid bonds.

Up to the time we entered the World War, many country banks never had a secondary reserve. During winter months when local demand for money was light they carried large balances with their city correspondents. During the planting, growing and harvesting season the city bank supplied the seasonal excess needs. It was a good arrangement and generally satisfactory to city and country banker. With our entrance into the war, country bankers subscribed to the various issues of Liberty Bonds and urged their depositors to do so. The country banker popularized subscriptions to Liberty Bonds to a greater extent than any other class of men in the country, and he did it without pay.

The Liberty Bond was the first real secondary reserve ever owned by many country banks. It might be well to say here that

it was the best secondary reserve any bank could have bought at the time and is today the real genuine "just as good as money in the bank."

The country banker soon grew to like his Liberty Bonds. He set them up in his statement in big letters. Uncle Sam owed his bank money. He advertised his belief in our country's cause and asserted his patriotism. After the war the banker reluctantly exchanged his pet secondary reserve for securities yielding higher returns.

The fondness for a secondary reserve had taken root and stuck. In 1919 and 1920 much short time financing was done by the better railroads, public utilities and industrials at high rates. These bonds have been called for payment far above their original cost or are selling at greatly advanced prices on the market today. This secondary reserve not only paid its keep but earned profits. In addition to that, it could be converted into cash on any business day and leave undisturbed the loans of local customers.

Bond prices have advanced almost steadily for seven years and the end is not in sight—not to the short sighted buyer. There is a top, however.

Every bond salesman uses the term secondary reserve at least once every time he comes within talking distance of a banker. Secondary reserve is a popular term. It has created a demand for good bonds far in excess of the supply. The demand is so great that salesmen are no longer salesmen but order takers. Issues of fifty or one hundred millions of dollars are offered, sold, and subscription books closed within one hour. Bond houses have built up organizations to take care of this great demand. It costs money to maintain these organizations and to do this they must have issues to sell. When big issues are not to be had, smaller ones must be. When good issues are not to be had, other issues not quite so good will be.

Every town in the country, no matter how small, is being called upon by bond salesmen. Banks and individuals are being solicited. An individual may buy any security or speculative insecurity that appears for the moment attractive to him. That is his privilege.

To a bank, secondary reserve must mean "just as good as money in the bank" or it isn't secondary reserve.

A bond, to qualify as secondary reserve, must have marketability backed by unquestioned security. Small issues as a rule have not a ready market. The oft made statement of a salesman that his house will make a market for an issue is of very questionable value. A bond may be a perfectly safe investment for an individual on account of its security but unfit for a secondary reserve of a bank on account of its narrow market. How many times have you heard a salesman say—"Here is a bond you can put away and forget." There isn't any such animal. If a bond is worth buying it is worth watching. If it hasn't a broad and active market, a bank is no place for it.

[TO BE CONTINUED]

PERMITS ISSUED.

		Capital.	Surplus.	Date.
Chicago.....Cook.....	Madison & Dearborn State Bank	\$200,000	\$25,000	Jan. 6, 1928
Clayton.....Adams.....	Clayton State Bank	30,000	6,000	Jan. 18, 1928
CHARTERS ISSUED.				
Chicago.....Cook.....	Madison & Dearborn State Bank Harry A. Wheeler, President. John J. Anton, Cashier. 7 Dearborn Street.	200,000	25,000	Jan. 9, 1928
Havana.....Mason.....	Havana State Bank F. H. Gerbing, President. H. V. Bortel, Cashier.	25,000	5,000	Jan. 12, 1928
Rock Island..Rock Island..	Manufacturers Trust and Savings Bank of Rock Island 1731 Second Ave. Carl A. Hallgren, President. Robert P. Gilloley, Cashier.	200,000		Jan. 12, 1928
CAPITAL STOCK INCREASED.				
Chicago.....Cook.....	Chicago Trust Company	From \$2,000,000 to	\$2,400,000	Jan. 10, 1928
Chicago.....Cook.....	Lake Shore Trust & Savings Bk.	From 500,000 to	600,000	Jan. 13, 1928
Chicago.....Cook.....	Austin State Bank	From 300,000 to	500,000	Jan. 17, 1928
Winnetka.....Cook.....	Winnetka Trust and Sav. Bk.	From 50,000 to	75,000	Jan. 21, 1928
Cerro Gordo..Piatt.....	State Bank of Cerro Gordo	From 50,000 to	60,000	Jan. 31, 1928
Chicago.....Cook.....	North Avenue State Bank	From 500,000 to	600,000	Jan. 31, 1928
Chicago.....Cook.....	Ridgeway State Bank	From 100,000 to	200,000	Jan. 31, 1928
Moline.....Rock Island..	Fifth Avenue Trust & Sav. Bk.	From 75,000 to	100,000	Jan. 31, 1928
CAPITAL STOCK DECREASED.				
Moline.....Rock Island..	Fifth Avenue Trust & Sav. Bk.	From \$150,000 to	\$75,000	Jan. 31, 1928
NAME CHANGED.				
Chicago.....Cook.....	Reliance State Bank to Reliance Bank and Trust Company.			Jan. 14, 1928
Serena.....LaSalle.....	Serena Union State Bank to Serena State Bank (Effective April 9, 1928)			Jan. 27, 1928
LOCATION CHANGED.				
Chicago.....Cook.....	Hatterman & Glanz State Bank from 1110 Milwaukee Avenue to 1112 Milwaukee Avenue.			Jan. 26, 1928
Chicago.....Cook.....	Auburn Park Trust and Savings Bank from 7855 South Halsted Street to 734 West 79th Street.			Jan. 30, 1928
DURATION EXTENDED.				
Maple Park..Kane.....	First State Bank of Maple Park			Jan. 7, 1928
Orion.....Henry.....	Farmers State Bank of Orion			Jan. 19, 1928
Forreston...Ogle.....	Forreston State Bank			Jan. 20, 1928
Serena.....LaSalle.....	Serena Union State Bank			Jan. 26, 1928
CONSOLIDATED.				
Chicago.....Cook.....	Union Trust Company and Madison & Dearborn State Bank under title Union Trust Company			Jan. 18, 1928
CLOSED.				
Divide.....Jefferson.....	Divide State Bank (P. O. Texico)			Jan. 3, 1928
Grant Park..Kankakee.....	Home State Bank of Grant Park (Closed on request of Directors)			Jan. 11, 1928
LIQUIDATED.				
Cerro Gordo..Piatt.....	Citizens State Bank of Cerro Gordo Deposit liability assumed by State Bank of Cerro Gordo.			Jan. 3, 1928
Walnut Hill..Marion.....	First State Bank of Walnut Hill (Closed Dec. 28, 1927) Deposit liability assumed by City National Bank of Centralia.			Jan. 9, 1928
Woodson.....Morgan.....	Woodson State Bank Voluntary liquidation through the Ayers National Bank, Jacksonville.			Jan. 9, 1928
Rock Island..Rock Island..	First Trust and Savings Bank of Rock Island (Closed Nov. 18, 1927) Deposit liability assumed by Manufacturers Trust and Savings Bank of Rock Island.			Jan. 12, 1928
Chicago.....Cook.....	North Park Trust & Savings Bank Deposit liability assumed by Albany Park National Bank.			Jan. 12, 1928
Havana.....Mason.....	Farmers State Bank of Havana Purchased by Havana State Bank.			Jan. 17, 1928
Divide.....Jefferson.....	Divide State Bank Deposit liability assumed by Third National Bank of Mt. Vernon.			Jan. 17, 1928
RECEIVERS APPOINTED.				
Champaign..Champaign..	Illinois Trust & Savings Bank of Champaign George R. McComb appointed Receiver.			Jan. 18, 1928
Grant Park..Kankakee.....	Home State Bank of Grant Park Luther O. Bratton appointed Receiver.			Jan. 27, 1928
TRUST CERTIFICATES ISSUED.				
Chicago.....Cook.....	South West Trust and Savings Bank	Deposit.		Jan. 9, 1928
Chicago.....Cook.....	Humboldt State Bank	\$200,000		Jan. 18, 1928
Charleston..Coles.....	First National Bank of Charleston	50,000		Jan. 18, 1928
Chicago.....Cook.....	Continental National Bank and Trust Company of	500,000		Jan. 19, 1928
Galesburg...Knox.....	The Farmers and Mechanics Bank	50,000		Jan. 24, 1928
RECAPITULATION.				
State Banks in Chicago.....				187
State Banks in Cook County, outside Chicago.....				90
State Banks in Illinois outside Cook County.....				1,064
Total.....				1,341

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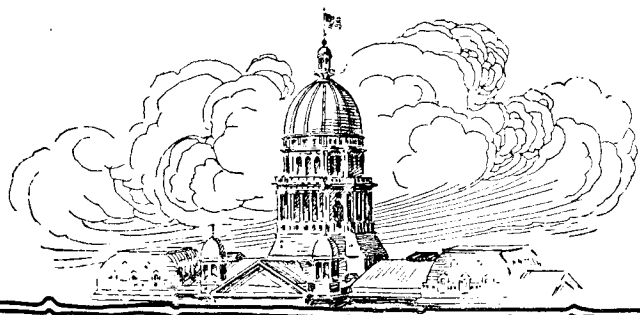
VOL. 4 : SPRINGFIELD, ILL., MARCH 1, 1928 No. 12

WHAT'S THE MATTER WITH ILLINOIS?

NOTHING! Illinois is the greatest State in the Union. Her resources are matchless and unsurpassed. No commonwealth has shown a greater come-back than our splendid State.

Like all other States it suffered its depression at the close of the World War, but by comparing our bank statistics, we find that at the time of the depression in January 1921, the resources of the 1372 State Banks were \$1,959,530,014 which represents the period approximately at the beginning of the slackening of credits and the curtailment of industrial progress. Now, after six years of unusual conditions in many respects, we find the resources of the 1341 State Banks of Illinois to be \$2,769,903,220. This speaks more forcibly than any other manner for the recuperative powers of the "Prairie" State.

As has been intimated before in these editorials, the Department is firmly of the belief that we are on the threshold of a new era which will bring increased prosperity to every section of the State, and while this will not be an over-night proposition, yet it will unfold itself from day to day and month to month. The slow and certain increase in agricultural conditions, especially as represented by inquiries concerning the sale of farm lands, is the first turn of the wheel.



FROZEN ASSETS—SECONDARY RESERVE

(From a speech of Mr. John W. Black, former director of the Federal Reserve Bank, Minneapolis, Minn.)

(Continued from February Bulletin.)

Bond prices cover a wide range. Take your city paper on any business day. Open it, and on the financial page you will see listed hundreds of issues. They are well known to the bond buying public. These issues have appeared in the list daily for weeks; months; and in many instances for years. The changes in quotations from day to day are but a reflection of the judgment of those who know true values. These changes reflect changes in money rates, prosperity or depression in certain industries, or one of many conditions which may have an important bearing on any particular industry. On that financial page is a list of true values as of today. You have before you the combined judgment of the shrewdest investors in the world. They made the prices because they were willing to buy or sell on the quotations before you. No man can tell what figures will be quoted tomorrow or next week.

If this is true, why should you, Mr. Country Banker, be cajoled into buying new unseasoned issues from the mere information contained in a circular prepared by those whose sole desire is to sell them.

It is not my intention to have new issues confused with the financing of companies having a long and favorable record behind them. The best rails, industrials, and public utilities are constantly bringing out issues covering additions to their properties—it is a simple matter to check these issues with previous ones.

When you loan your local John Smith a thousand dollars you have certain information about him. You have known him for a long time. He has a good record for taking care of his obligations. He pays his taxes, he goes to church, he is of good moral character, and he lays something by each year. John Smith has never taken the cure. Therefore he gets the thousand because you know you can collect it when due. Before buying a bond, put it through the same course of sprouts and then some more. How long has this parent company offering a bond been in business? Has it been successful in its field? How many times has it earned its interest charges not for one year but over a period of years? Has the company been in financial straits? Has it defaulted? In other words, does it too go to church? Are the valuations in the statement actual or recently appraised? Also, could you if you bought the bond sell it in time of need and get your money or most of it?

Buy a bond, but use the same yard stick which you apply to John Smith. Remember John is your friend, neighbor, and an asset to your community. He is with you in season and out working as you work to develop your local resources, while the bond usually represents a loan at a lower rate to develop an enterprise in another section. When the bond fails to measure up to the standard you set for John Smith, loan the money to John—it's safer at home.

Good local mortgages look better to your city correspondent than a highly colored unmarketable bond.

Today United States Liberties yield less than three and one-half per cent. Some foreign bonds yield over seven per cent. The difference between the high and low yield is three and one half per cent. The difference in your risk may be one hundred per cent.

Like a railroad train, the bond market is usually going somewhere. It stops, pauses, rests and goes again. For seven years the bond market has been going up the line. Continued cheap money will hold the bonds up. Cheaper money will send them higher, but not much higher. Continued cheap money will bring out poor issues in an endeavor to supply the demand. An advance in money rates in the big centers of population will necessarily bring bond yields into competition with these current changes in rates. With the low yields now obtainable from the best bonds, with the millions and millions of indifferently secured bonds on the market and in the process of being marketed, is it not well that we

STOP LOOK LISTEN

in order that our present highly regarded secondary reserve be not changed into a Frozen Asset?

JOHN W. BLACK,
MINNEAPOLIS, MINNESOTA.

[CONCLUDED]

WE APPRECIATE YOUR CO-OPERATION

The Department fully realizes that a great many letters and form blanks have been mailed out to the banks in the past thirty to sixty days, and the burden thus imposed upon the Banker has not been lost sight of by this Office. We appreciate the promptness with which they have been returned. In some instances, of course, errors crept in and they have been remailed for correction, but in every instance they have been cheerfully returned and no complaint offered. The Bankers, no doubt, realize that it is quite necessary for these blanks to be issued from time to time in accordance with the provision of the Statutes, and while it may seem of little importance to each individual, yet when the statistics are compiled and returned to the Banker through the medium of our Bulletin, they will be appreciated and will serve as a part of a file which will be of special interest particularly, in the future for comparative purposes. Our Earnings and Dividends Report has been compiled and the figures will be ready for publication within a short time. The Call Book showing the condition of State Banks at the close of business December 31, 1927, is now in the hands of the printer and should be issued within a very short time, so it can be readily seen that a great mass of work has been accomplished in connection with the various statistical divisions of this Department.

PERMITS ISSUED.

Chicago....Cook.....	Naborhood State Bank.....	Capital Surplus.	Date.
	3909 West North Avenue.	\$200,000 \$50,000	Feb. 15, 1928

CHARTERS ISSUED.

Kewanee...Henry.....	Peoples State Savings Bank of Kewanee.....	100,000 50,000	Feb. 27, 1928
	200-202 North Tremont Street. Charles D. Terry, President. Charles S. Eastman, Cashier.		

CAPITAL STOCK INCREASED.

Chicago....Cook.....	Humboldt State Bank.....	From \$300,000 to \$500,000	Feb. 23, 1928
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LOCATION CHANGED.

Chicago....Cook.....	Roosevelt State Bank.....	Feb. 2, 1928
	From 3501 South Parkway to 336 North Michigan Avenue.	

DURATION EXTENDED. ✓

Glencoe....Cook.....	Glencoe State Bank.....	Feb. 17, 1928
	99 years from December 30, 1928.	

LIQUIDATED.

Ottawa....LaSalle.....	Merchants and Farmers Trust & Savings Bank.....	Feb. 14, 1928
	Deposit liability assumed by the Peoples Trust & Savings Bank of Ottawa.	

RECEIVER APPOINTED.

Kewanee...Henry.....	Savings Bank of Kewanee.....	Feb. 23, 1928
	Charles D. Terry, Receiver.	

TRUST CERTIFICATES ISSUED.

Chicago....Cook.....	Albany Park National Bank and Trust Company.....	Deposit.	Feb. 3, 1928
Paris.....Edgar.....	First National Bank of Paris.....	\$200,000	Feb. 7, 1928
Chicago....Cook.....	National Builders Bank of Chicago.....	50,000	Feb. 15, 1928
Chicago....Cook.....	United State Bank of Chicago.....	200,000	Feb. 15, 1928
McLean....McLean.....	McLean State Bank.....	200,000	Feb. 25, 1928
		50,000	

RECAPITULATION. ✓

State Banks in Chicago.....	187
State Banks in Cook County, outside Chicago.....	90
State Banks in Illinois outside Cook County.....	1,064
Total.....	1,341

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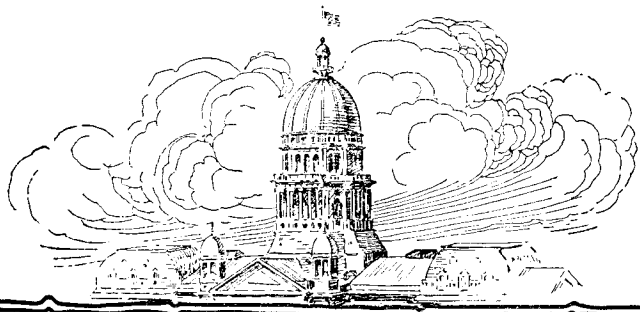
VOL. 5

SPRINGFIELD, ILL., APRIL 1, 1928

No. 1

JUST A BIT MORE LIQUIDITY

For the present at least a number of banks should give particular attention toward the liquidity of assets. This can only be accomplished, of course, by a determined and well defined program, but once the goal is reached it can easily be maintained. A large number of banks have long since adopted the policy of carrying a secondary reserve of readily marketable bonds of at least 25 per cent above the normal cash reserve of 15 per cent. In some of the smaller banks in the strictly agricultural sections, this will be hard to do without a careful program of collections of local paper or resale. We have found a reluctance upon the part of some bankers towards the bond idea for the reason that they do not feel capable of making proper investments. This need not act as a deterrent, as good bonds can be easily chosen. One very simple rule to follow is to select an investment for its marketability rather than its yield, as a secondary reserve should not be considered wholly in the light of profit, but largely from a standpoint of safety. Where bankers feel a hesitancy about selecting investments they may write their correspondents or bond houses for a selected list of securities with information concerning the same and have such advice to guide them in making their purchase.



TRUST DIVISION

The following figures compiled from the annual reports of the Trust Departments of banks and corporations reveal some very interesting and satisfactory results regarding the growth of fiduciary business through regularly qualified banks and corporations, during the year 1927.

INCREASES DURING 1927

Number of Corporations (not banks).....	3
National Banks	10
State Banks	23
Total increase	36

Increase in number of trusts being executed—5,928.

Increase in total Assets and Liabilities—\$481,725,705.59.

Increase in securities deposited with Auditor as a guarantee to Trustors against loss—Approximately \$5,000,000.

While referring to the matter of our Trust Division we wish to emphasize the importance of proper registration of all securities intended for deposit with the Department. In order that all interested may have the proper form constantly before them, we ask that this bulletin be preserved and the following provisions adhered to in the matter of registering bonds and mortgages:

Bonds of the United States must be registered as follows:

“OSCAR NELSON or his Successors in Office as Auditor of Public Accounts, State of Illinois, in trust for (Name of Bank and Location.)”

Municipal Bonds of this State must be registered as follows:

“OSCAR NELSON or his Successors in Office as Auditor of Public Accounts, State of Illinois.”

Notes of Mortgage and Trust Deed loans should be endorsed as follows:

“Pay to the order of OSCAR NELSON or his Successors in office as Auditor of Public Accounts of the State of Illinois, in trust for (Name and location of bank).”

(Name of Bank and Official Signature).

Assignment of mortgage in blank must also accompany the mortgage.

	120 State Banks outside Chicago.	66 State Banks in Chicago.	Total 186 State Banks.	76 National Banks outside Chicago.	10 National Banks in Chicago.	Total 86 National Banks.	13 Trust Companies not banks.	Grand total 285. 186 State Banks, 86 National Banks, 13 Trust Companies.	Total number of accounts.
LIABILITIES.									
Administrator.....	\$ 1,172,942 49	\$ 5,007,864 22	\$ 6,180,806 71	\$ 598,791 17	\$ 347,004 17	\$ 945,795 34	\$ 3,537,653 25	\$ 10,664,255 30	1,162
Agent.....	2,587,772 36	48,722,124 70	51,309,897 06	2,253,658 38	103,029,236 46	105,282,894 84	12,543,598 69	156,592,791 90	4,343
Assignee.....	282,659 84	15,508 62	12,543,698 69				435 69	12,842,202 54	10
Bailee.....		504,522,781 07	504,522,781 07				424,191 00	504,946,972 07	6,653
Conservator.....	1,696,429 72	8,161,900 47	9,858,330 19	634,280 85	412,852 30	1,047,133 15	1,603,230 34	12,508,673 68	1,807
Custodian.....	13,182,384 29	221,506,951 22	234,689,335 51	1,223,640 16	23,868,435 30	25,091,975 46	389,491 58	260,140,802 55	1,789
Depository.....	865,398 50	164,375,575 79	155,240,944 29	71,431 87	87,900,854 36	87,972,286 23	18,516,187 23	261,729,417 75	1,576
Escrow.....	1,553,390 13	90,130,446 51	91,683,836 64	679,324 40	12,441,903 84	13,121,228 24	2,099,685 42	106,904,740 80	7,545
Executor.....	5,008,814 11	50,120,773 79	55,129,587 90	2,645,818 28	12,353,526 52	14,869,344 80	1,587,663 33	71,586,626 03	1,174
Fiscal Agent.....	961,452 66	19,202,597 73	20,164,050 69	3 50	14,312,036 57	14,312,040 07		84,476,090 76	1,620
Guardian.....	1,955,002 87	8,384,659 26	10,339,662 13	658,941 04	746,091 01	1,405,932 95	1,094,200 29	12,839,795 37	2,687
Receiver.....	2,771,081 78	2,422,574 01	5,193,655 79	91,511 02	2,395 69	93,906 71	6,059,409 50	11,346,972 00	483
Trustee under Agreement.....	27,370,750 77	726,200,431 76	753,571,182 53	4,961,020 19	30,622,699 15	35,583,719 34	221,025,025 38	1,010,179,927 25	14,023
Trustee under Decree.....	2,942,170 86	10,333,007 36	13,275,178 22	686,016 47	3,379,248 26	4,066,164 73	103,077 54	17,444,420 49	418
Trustee under Trust Deed.....	3,390,618 57	141,702,655 97	145,093,274 54	515,739 48	405,741,213 06	406,256,952 54	19,354,392 02	570,704,619 10	12,979
Trustee under Will.....	12,320,481 80	322,493,488 00	334,813,969 80	2,396,853 63	15,964,598 75	18,361,452 38	14,806,435 98	368,071,858 16	3,114
Miscellaneous.....									
Total.....	\$78,031,310 75	\$2,313,303,340 48	\$2,391,334,651 23	\$17,317,810 44	\$711,092,996 34	\$728,410,806 78	\$303,234,707 24	\$3,422,980,165 25	61,383
ASSETS.									
Cash Advances.....	\$ 154,720 80	\$ 4,227,946 39	\$ 4,382,667 19	36,989 55	\$ 5,772 67	\$ 42,762 22	\$ 289,386 06	\$ 4,714,815 47	
Cash on Hand.....	4,885,102 89	62,974,696 12	67,859,799 01	1,240,268 37	23,909,138 39	25,149,406 76	11,175,308 21	94,184,513 98	
Real Estate.....	14,718,912 43	135,414,065 89	150,132,978 32	3,870,672 84	6,077,043 46	9,947,716 80	185,789,142 56	345,869,837 18	
Other Personal Property.....	58,272,574 63	2,120,656,932 08	2,178,929,506 71	12,160,379 68	681,101,041 82	683,270,921 50	105,980,870 41	2,978,210,988 62	
Total.....	\$78,031,310 75	\$2,313,303,340 48	\$2,391,334,651 23	\$17,317,810 44	\$711,092,996 34	\$728,410,806 78	\$303,234,707 24	\$3,422,980,165 25	

PERMITS ISSUED.

		Capital.	Surplus.	Date.
Chicago.....Cook.....	Unity Trust and Savings Bank.....	\$200,000	\$50,000	Mar. 2, 1928
	3909 W. North Avenue.			
Hazel Crest.....Cook.....	Hazel Crest Trust & Savings Bank.....	25,000	5,000	Mar. 14, 1928

CHARTERS ISSUED.

Clayton.....Adams.....	Clayton State Bank.....	30,000	6,000	Mar. 2, 1928
	N. W. Cor. Washington and Jefferson Streets.			
	James S. Wallace, President.			
	Walter H. Craig, Cashier.			

CAPITAL STOCK INCREASED.

Chicago.....Cook.....	Garfield State Bank.....	From \$500,000 to \$600,000	Mar. 9, 1928
Brookfield.....Cook.....	Brookfield State Bank.....	From 75,000 to 100,000	Mar. 10, 1928

NAME CHANGED.

Chicago.....Cook.....	Second Citizens State Bank to Commercial State Bank of Chicago.....	Mar. 31, 1928
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RE-OPENED.

Astoria.....Fulton.....	Peoples State Bank of Astoria.....	Mar. 1, 1928
	(Closed for examination and adjustment Nov. 30, 1927)	
Shelbyville.....Shelby.....	Shelby County State Bank.....	Mar. 29, 1928
	(Closed for examination on occasion of sudden death of President March 20, 1928.)	

LIQUIDATED.

Effingham.....Effingham.....	State Bank of Commerce of Effingham.....	Mar. 5, 1928
	Deposit liability assumed by Effingham State Bank.	
Lake Forest.....Lake.....	State Bank of Lake Forest.....	Mar. 6, 1928
	Voluntary Consolidated with First National Bank of Lake Forest.	
Knoxville.....Knox.....	Knox County State Bank.....	Mar. 12, 1928
	Deposit liability assumed by Farmers National Bank, Knoxville.	
Enfield.....White.....	Citizens State Bank of Enfield.....	Mar. 14, 1928
	Deposit liability assumed by First National Bank, Enfield.	
Paris.....Edgar.....	Paris State Bank.....	Mar. 20, 1928
	Deposit liability assumed by First National Bank, Paris.	
Joliet.....Will.....	Stern State Bank.....	Mar. 24, 1928
	Deposit liability assumed by First National Bank, Joliet.	
Springfield.....Sangamon.....	Springfield Security Savings Bank.....	Feb. 4, 1928
	Deposit liability assumed by First State Trust and Savings Bank, Springfield.	

TRUST CERTIFICATES ISSUED.

		Deposit.	
Rock Island.....Rock Island.....	State Bank of Rock Island.....	\$50,000	Mar. 1, 1928
Lake Forest.....Lake.....	The First National Bank of Lake Forest.....	50,000	Mar. 6, 1928
Eureka.....Woodford.....	The Farmers State Bank of Eureka.....	50,000	Mar. 14, 1928
St. Louis, Mo.....	LaFayette-South Side Bank & Trust Co.....	50,000	Mar. 14, 1928

RECAPITULATION.

State Banks in Chicago.....	187
State Banks in Cook County, outside Chicago.....	90
State Banks in Illinois outside Cook County.....	1,059
Total.....	1,336

MONTHLY BULLETIN

Issued by
OSCAR NELSON
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

VOL. 5

SPRINGFIELD, ILL., MAY 1, 1928

No. 2

ANNOUNCEMENT

In order that we may be in a position to render better and more prompt service to the State Banks of Illinois it has been deemed advisable to reduce the number of banks examined from the Springfield office.

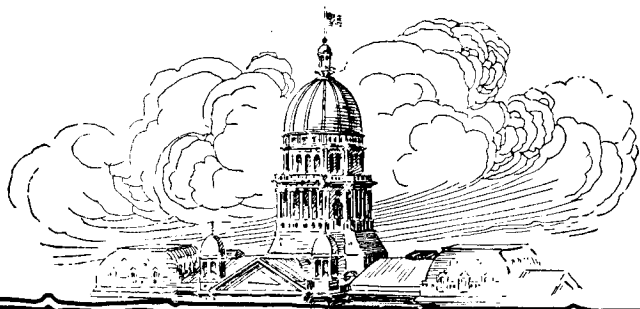
As a beginning an office has been established in Geneva to serve the banks of the Northern Illinois Division, comprising the Counties of—

Boone	Kane	Ogle
Bureau	Kankakee	Putnam
Carroll	Kendall	Rock Island
DeKalb	Lake	Stephenson
DuPage	LaSalle	Whiteside
Grundy	Lee	Will
Henry	McHenry	Winnebago
JoDaviess	Mercer	

Mr. Justin J. Jaeger has been appointed Examiner in Charge and all Field Examiners employed in this territory will report to that office.

Complete files and information will be maintained there and we trust that the banks affected by this change will address all correspondence to that office.

OSCAR NELSON,
AUDITOR OF PUBLIC ACCOUNTS.



SUMMARY OF EARNINGS AND DIVIDENDS REPORTS

Reports of Earnings and Dividends rendered by 1,347 State Banks covering the six months period ending December 31, 1927, show a total net undivided profits retained on hand on the above date of \$41,567,670.43.

The number of banks showing a deficit in undivided profits on December 31, 1927, was 33.

Gross earnings for the period were \$80,401,234.82; this amount being made up of Interest Received \$57,586,267.84, Exchange \$864,114.30, Rents Received \$2,386,369.38, Commissions, Profits and Fees \$17,907,603.24 and Earnings from Other Sources \$1,656,880.06.

Recoveries aggregated \$634,483.88, while the sum of \$1,942,495.27 was transferred from Contingent Funds and Reserve Accounts.

Surplus Accounts have been increased in the amount of \$4,218,824.23 since the last report; \$5,065,685.90 has been added to Contingent Funds and Reserve Accounts, and Dividends totaling \$9,661,396.99 have been distributed.

Losses charged off for the period aggregate \$4,988,736.32, while fixed assets have been depreciated in the sum of \$1,734,310.75.

Interest Paid since the last reports amounts to \$23,170,101.79, and Expenses and Taxes paid total \$34,792,454.08.

The following statistics in regard to Time Deposits compiled from the reports will be of interest:

Total amount of Savings Deposits.....	\$804,623,191.94
Number of Savings Depositors.....	3,740,454
Total amount of Postal Savings.....	\$ 1,777,424.29
Total amount of Time Certificates.....	\$178,533,598.22
Number of Time Certificate Holders.....	180,297

THE FOLLOWING TABULATION SHOWS VARIOUS RATIOS FOR THE 1,347 STATE BANKS REPORTING FOR THIS PERIOD, ARRANGED IN GROUPS ACCORDING TO EARNING ASSETS:

Group.....	I	II	III	IV	V	VI	VII	VIII
Number of banks.....	545	300	142	126	74	92	38	30
Classification (earning assets).....	Under \$250,000.	\$250,000 to \$500,000.	\$500,000 to \$750,000.	\$750,000 to \$1,250,000.	\$1,250,000 to \$2,000,000.	\$2,000,000 to \$5,000,000.	\$5,000,000 to \$10,000,000.	Over \$10,000,000.
	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>	<i>Per cent.</i>
Gross earnings to earning assets.....	3.68	3.49	3.57	3.58	3.83	3.75	3.78	3.62
Interest paid to gross earnings.....	26.84	30.48	30.81	30.57	28.49	29.03	26.87	28.97
Expenses to gross earnings.....	44.33	41.06	43.94	43.96	45.91	43.80	45.07	42.47
Losses on loans and investments to gross earnings.....	9.69	11.52	10.96	6.38	6.44	7.50	3.79	4.59
Net profit after losses and depreciation to gross earnings.....	16.08	14.69	10.83	16.57	13.39	16.58	18.67	22.67
Dividends paid to capital, surplus and undivided profits.....	1.49	1.77	1.74	1.91	1.85	2.54	3.37	2.91
Net profit after losses and depreciation to capital, surplus and undivided profits.....	2.15	2.28	1.83	3.18	2.81	3.94	4.49	5.22
Interest paid to average gross deposits.....	1.06	1.06	1.07	1.04	1.03	1.03	.97	.97
Time deposits to gross deposits.....	42.89	51.40	52.34	54.96	55.71	58.05	55.22	39.69
Capital, surplus and undivided profits to gross deposits.....	29.57	21.86	20.70	18.13	17.11	15.00	15.06	14.59

PERMITS ISSUED.

Flossmoor..Cook.....	Flossmoor State Bank.....	Capital.	Surplus.	Date.
		\$ 25,000	\$ 10,000	Apr. 17, 1928

CHARTERS ISSUED.

LaGrange..Cook.....	LaGrange State Trust and Savings Bank... 22 South 5th Avenue. A. N. Sanquist, President. B. J. Hubbard, Cashier.	400,000	200,000	Apr. 1, 1928
Chicago...Cook.....	Empire Trust & Savings Bank... 3256 North Crawford Avenue. Ralph F. Kopperschmidt, President. Wm. H. Coy, Cashier.	200,000	20,000	Apr. 2, 1928
Chicago...Cook.....	Unity Trust & Savings Bank... 3909 West North Avenue. H. M. Ellinwood, President.	200,000	50,000	Apr. 14, 1928

CONSOLIDATED.

LaGrange..Cook.....	The LaGrange State Bank and LaGrange Trust and Savings Bank under title "LaGrange State Trust and Savings Bank"	Apr. 1, 1928
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CAPITAL STOCK INCREASED.

Melrose Park..Cook.....	Citizens State Bank of Melrose Park...From \$100,000 to \$200,000	Apr. 23, 1928
Chicago...Cook.....	Lake View State Bank...From 500,000 to 700,000	Apr. 27, 1928

LIQUIDATED.

Toledo.....Cumberland..	Toledo State Bank.....	Apr. 12, 1928
	Placed in voluntary liquidation by Directors.	

TRUST CERTIFICATES ISSUED.

LaGrange..Cook.....	LaGrange State Trust and Savings Bank.....	Deposit.	
Berwyn...Cook.....	American State Bank of Berwyn.....	\$50,000	Apr. 1, 1928
		50,000	Apr. 11, 1928

RECAPITULATION.

State Banks in Chicago.....	189
State Banks in Cook County, outside Chicago.....	89
State Banks in Illinois outside Cook County.....	1,058
Total.....	1,336

MONTHLY BULLETIN

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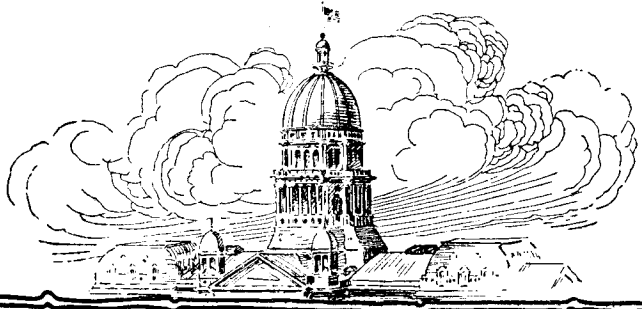
VOL. 5

SPRINGFIELD, ILL., JUNE 1, 1928

No. 3

BE LIBERAL

This is the month when Earnings are cast up and semi-annual charge-offs are made. In some instances the surplus remaining will not be large after the running expenses have been met and the taxes paid. A thorough analysis of the assets should be made and what appears to be a probable loss should be written off. In this respect we recommend that the bankers be liberal although it necessitates the waiving of a dividend. Let this be the final clean-up year. Do not have the fear that perhaps some note, apparently hopeless, may be eventually collected. The recovery, if obtained, can always be credited. If the loss cannot be fully determined at this time, then carry to the reserve account a sufficient amount to provide for the anticipated or potential loss.



PERTINENT SUGGESTIONS FOR PROPER OPERATION OF TRUST DEPARTMENTS

Accounting System:

The accounting system should be simple, yet clear enough and complete enough to enable one to follow any transaction from beginning to end, or to determine the status of the trust readily.

All records of the Trust Department must be kept separately from the general accounts and records of the bank or corporation. Accounts for each trust must be maintained as a separate unit.

There must be a title page or record sheet for each trust, setting forth briefly the history, duties and authority under the trust instrument.

There must be a detailed record of all cash receipts and disbursements for each trust, also a detailed record of all securities received or disposed of.

Controlling accounts should be maintained to show the total property held in trust as a whole, and the liability under such class of trust. It should always be possible to take a trial balance from the books at intervals such as circumstances make desirable.

Files:

Securities held in trust must be filed apart from securities of other trusts and from securities owned by the bank or corporation.

The miscellaneous file of each trust should also be separated from other trusts and should contain in the order suggested, the following documents:

1. The original instrument creating the trust or a certified copy thereof;
2. Properly receipted vouchers evidencing either payment or delivery of securities under each trust.
3. Properly evidenced reports to court or others accounting for trusts;
4. Orders of court or other proper authority, authorizing investment of trust funds, or evidence of approval;
5. Miscellaneous papers and correspondence relative to the trust arranged in a methodical manner.

In General:

Trust securities must be held in the custody of at least two bonded officers or employees designated by the directors.

Funds awaiting investment or distribution must be deposited in a separate and distinct account from other funds and may not be used by the bank or corporation for its own pecuniary profit.

Funds held in trust may not be loaned to any officer, director or employee, nor to any concern in which they are interested, and should not be invested in the assets of the bank or corporation without proper authority.

Trust funds held in court trusts must be invested under order or approval of court; those in private trusts, in strict accordance with the instrument creating the trust. Where discretion is vested in the fiduciary, it must observe the law of this State regarding such investments, unless otherwise specified in the trust instrument.

HAVE BEEN SUCCESSFUL

The group meetings of the Illinois Bankers' Association have been held for this year and from all reports a very good attendance and much interest was recorded at each meeting. The group plan has been repeated from year to year until it is no experiment, but an assured success.

Untold benefits are to be derived by all who attend. In each group there is much of interest to discuss, and it is the ideal time for the Banks' Officers to lock up their doors for the day and take the Directors with them and all enjoy a meeting of profit.

The completion of the yearly I. B. A. program appears this month at Rock Island when the annual State Convention will be held on June 20-22nd. This will be a rendezvous for all Bankers and those attending will be well repaid. The hand-clasp and a quiet word in exchange will be well worth the trip.

THE GREAT FINANCIAL POWER

A recent compilation of banking statistics by the California Bank of Los Angeles shows that ninety American Banking Institutions have more than nineteen billion dollars (\$19,000,000,000) in deposits; a huge amount which forcibly illustrates the financial power of the Banks of this country.

Some sixty banks in the British Possessions have eighteen and one-half billion dollars (\$18,500,000,000) in deposits. Five of these Banks (the largest) are located in London. Among the ten largest Banks in America and Britain is quoted the Federal Reserve Bank of New York. Out of one hundred sixty Banks in both countries the thirteenth largest is in San Francisco, and the twenty-sixth largest is in Chicago.

These institutions represent a power in themselves, but add to this thirty or forty thousand smaller Banks with several more billion dollars in deposits and the great power that can be exercised in the Banking field stands preeminent.

ITEMS TAKEN FOR COLLECTION

In our October, 1927, Bulletin we called attention to the crediting of uncollected funds and suggested that Banks be careful to instruct the Depositors relative to charging back to their individual accounts such items as were not collected.

In support of this, we call attention to the Supreme Court decision from South Carolina handed down recently in the case of *Ryan v. Columbia National Bank*. The defendant claims that the information printed on the bottom of the deposit slips was sufficient notice to the customers. This read "Items payable out of town, whether credited on receipt or not, are received and collected only at Depositors' risk. The Bank acts only as the Depositor's agent, the Depositors taking all risks until final actual payment is remitted to the Bank."

The Court held that this does not bind the Depositors, nor can the Bank avoid its collection liability by reason of the Depositors using such slips unless it is proved that the Depositor had his attention called to the printed matter and either expressly stipulated to it or by continued use of the slip from their settlements with the Bank, impliedly assented.

We again call attention to this matter for the sake of emphasis.

PERMITS ISSUED.

		Capital.	Surplus.	Date.
Chicago.....Cook.....	Ridge State Bank.....	\$200,000	\$100,000	May 3, 1928
	7048-50 South Western Avenue.			
Oak Park.....Cook.....	Fair Oaks State Bank.....	100,000	10,000	May 10, 1928
	855-57 North Avenue.			

CHARTERS ISSUED.

Warrenville...DuPage.....	Warrenville State Bank.....	25,000	10,000	May 7, 1928
	Alfred C. Hoy, President.			
	H. B. Evans, Cashier.			

CAPITAL STOCK INCREASED.

Villa Park...DuPage.....	Villa Park Trust & Savings Bank...From \$ 25,000 to \$ 50,000	May 16, 1928
Chicago.....Cook.....	Congress Trust & Savings Bank...From 300,000 to 400,000	May 17, 1928

LOCATION CHANGED.

Chicago.....Cook.....	Industrial State Bank from 4649-51 South State Street to 4700-02 South State Street.....	May 2, 1928
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CLOSED.

Davis.....Stephenson...	Farmers Bank of Davis.....	May 4, 1928
Viola.....Mercer.....	Viola State Bank.....	May 21, 1928

TRUST CERTIFICATES ISSUED.

		Deposit.	
Springfield...Sangamon....	Commercial Investment Trust, Incorporated.....	\$50,000	May 3, 1928
Rock Island...Rock Island..	Manufacturers Trust and Savings Bank of.....	50,000	May 24, 1928

RECAPITULATION.

State Banks in Chicago.....	189
State Banks in Cook County, outside Chicago.....	89
State Banks in Illinois outside Cook County.....	1,057
Total.....	1,335

MONTHLY BULLETIN

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OSCAR NELSON
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BANKING DEPARTMENT
State of Illinois

No. 4

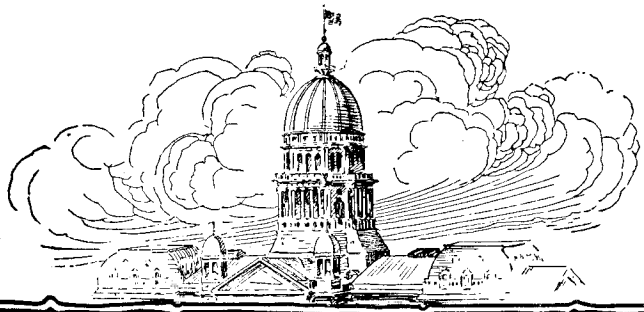
SPRINGFIELD, ILL., JULY 1, 1928

VOL. 5

"ADD"

To use a mathematical term, it is suggested that the Banker do a little adding from time to time to his bond account. The secondary reserve of any bank is a very important feature, and we predict that the time is coming when it may be said, "That by their bond accounts shall ye know them." We have noted a decided improvement in this item since our series of suggestions have been run in the Bulletin and we are quite sure that much good has resulted from the action taken.

Just at this time we might offer the thought as expressed by the old saying, "Take time by the forelock" and when the conditions are favorable make sound investments of a liquid nature, with safety of principal in view rather than yield, against those leaner months when the secondary reserve will serve the Banker and prove to be just what its term implies—a Reserve.



PAYING BY BANK CHECK

There is a popular notion that a canceled bank check is a valid receipt. This is only true when the check is made payable to the real creditor. Recent experiences have taught this simple lesson. One should be very careful to make a check payable to the person, firm or corporation to whom the money is due. If one is giving his check in part payment on an automobile, it must be made payable to the corporation which owns the automobile, and which has the authority to make a bill of sale; and if the automobile is purchased on time payments, the title to the machine is in the finance company that carried the paper. The check in payment of installments should be made out to that finance corporation. When this is done, the endorsed check becomes a valid receipt for that payment. When making checks in payment of insurance premiums, they should invariably be made payable to the _____ Insurance Company. To whom shall I make this check payable? Ask yourself this question, "To whom do I owe this money?" Make your check payable to the order of that person, firm or corporation, and your check will be your receipt in discharge of that obligation.

"THE VALUE OF FARM LAND TODAY"

A very interesting booklet has been published by Homer G. Rockwood & Company of Springfield, Illinois, which has been reviewed and favorably commented upon by Roger W. Babson in his weekly business and industrial survey.

The purpose of the booklet is to stimulate interest in both farm lands and farm land mortgages. In order to arrive at the value of farm land today in central Illinois, the Author sent out questionnaires to 217 banks and a like number of grain dealers in the counties of Champaign, DeWitt, Ford, Iroquois, Livingston, Logan, Macon, McLean, Piatt and Tazewell. The population of this territory is approximately 395,000; one of the richest belts in the entire agricultural area of the United States; easily within reach of all the best markets in the larger towns in the State; has splendid shipping facilities and is an ideal section.

Approximately 90 per cent of the questionnaires were answered and the average price for the best grade of farm land with improvements was found to be \$227.14 per acre; while the average value for the best grade of farm land without improvements proved to be \$195.79 per acre. The questionnaires revealed that the lowest average price actually paid for land during the past year was \$123.38 including improvements. The Bankers placed a valuation of \$98.63 per acre on the poorest grade of land without improvements.

The estimates made by the grain dealers were a trifle lower than those furnished by the banking fraternity, but the explanation is offered to the effect that the grain dealers, or a large portion of them, making replies were located in small towns or hamlets where there was little, if any, business; and, therefore, the farm land surrounding was not quite as valuable as that surrounding the larger towns or cities where most of the banks are located.

The question has been continually asked for some time past, "What is the value of farm land today?" This book very conclusively sets forth the opinions of the men most interested in farm conditions in a very highly developed portion of Illinois, which is one of the richest States in the Union. The result of the questionnaires should establish a reasonably safe basis for the average investor in farm mortgages or the prospective purchaser in farm land.

LARGE FOREIGN ACCOUNTS

The Banker in a small community is often too easily flattered. By that we mean he is elated when some outside corporation or firm bestows on his Bank a large deposit. If he is not entirely familiar with the "whys" and "wherefores" of this deposit he should become so at once.

There is not much reason for a "foreign" depositor to leave funds with a small institution where service of a larger nature is expected—as the saying goes "It is not in the cards." But should circumstances be such that it appears feasible to accept an unusual deposit from outside sources, then watch the account. When the account becomes active—BEWARE!

Check kiting can wreck a perfectly good institution in a short time. A recent affair involving over \$42,000 and, at different times, at least thirty Banks is fresh evidence of the wisdom of this admonition. The bag finally falls in somebody's lap and be watchful that it is not yours.

"INVESTMENT TRUSTS"

A great many inquiries have been made of this Department regarding the function of Investment Trusts. These do not come under the jurisdiction of this Department, although the word "Trust" is somewhat misleading to the public as partnerships, individuals or corporations cannot properly use the word "Trusts" unless so designated by the Court or qualified under the Trust Law operating under the supervision of this Department.

However, from information obtained we can make this general reply to our inquirers that Investment Trusts came into being for the purpose of selling participation certificates or debentures sharing in stocks, bonds or other securities which have been set aside for the investors. Investment Trusts are either of the fixed type or what are known as movable or discretionary trusts. Under the former plan a list of securities purchased must remain in the portfolio of the company indefinitely; while under a movable or discretionary plan the securities may be changed at the option of the management. If it be a fixed trust then the same is, as a rule, operated by Trustees. Discretionary Trusts are often and preferably organized as corporations. Usually the stocks selected are listed on the New York Stock Exchange as very few States will qualify Investment Trusts unless this be the case. A certain percentage of the funds only can be invested in a certain stock, and a certain percentage of the stocks only can be of one industry. Usually the By-Laws provide that no security may be hypothecated by the Trustees or management, nor may they borrow money from the Trusts nor sell the stocks short.

The plan is rather new in this country, but has been in operation in England for many years. One authority states that the advantage is with England as most of the Investment Trusts have been organized and operated there for many, many years.

For the very reason that this is a new experiment in this country, considerable interest is being aroused in connection with this financial plan and the arguments are about evenly distributed pro and con. It is, however, to be emphasized that the protection of Trust Laws of this and other States does not extend to what are commonly known as "Investment Trusts."

PERMITS ISSUED. ✓
NONE.

CHARTERS ISSUED. ✓
NONE.

CAPITAL STOCK INCREASED.

Chicago.....Cook.....	Milwaukee-Western State Bank.....	From \$200,000 to \$300,000	June 14, 1928
Wheaton.....DuPage.....	Gary-Wheaton Bank.....	From 75,000 to 100,000	June 14, 1928
Abingdon.....Knox.....	First State and Savings Bank.....	From 60,000 to 120,000	June 19, 1928

NAME CHANGED.

Chicago.....Cook.....	Milwaukee-Western State Bank to American Bank and Trust Company of Chicago.....	June 14, 1928
Chicago.....Cook.....	Calumet Trust & Savings Bank to Morgan Park Trust & Savings Bank.....	June 18, 1928

DURATION EXTENDED.

Port Byron...Rock Island...Port Byron State Bank	99 years from Nov. 24, 1928.....	June 30, 1928
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LIQUIDATED.

Tower Hill...Shelby.....	Tower Hill State Bank.....	June 4, 1928
	Deposit liability assumed by Shelby County State Bank.	
Blue Island...Cook.....	Blue Island State Bank.....	June 16, 1928
	Deposit liability assumed by Blue Island Trust & Savings Bank.	
Sheffield.....Bureau.....	Community State Bank.....	June 23, 1928
	Deposit liability assumed by Farmers State Bank of Sheffield.	

TRUST CERTIFICATES ISSUED.

Galesburg...Knox.....	First Galesburg National Bank and Trust Com-pany.....	Deposit. \$ 50,000	June 7, 1928
St. Louis, Mo.....	Franklin-American Trust Company.....	50,000	June 19, 1928
Chicago.....Cook.....	Straus National Bank and Trust Company of Chi-ago.....	500,000	June 27, 1928

RECAPITULATION.

State Banks in Chicago.....	189
State Banks in Cook County, outside Chicago.....	88
State Banks in Illinois outside Cook County.....	1,055
Total.....	1,332

MONTHLY BULLETIN

Issued by
OSCAR NELSON
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

No. 5

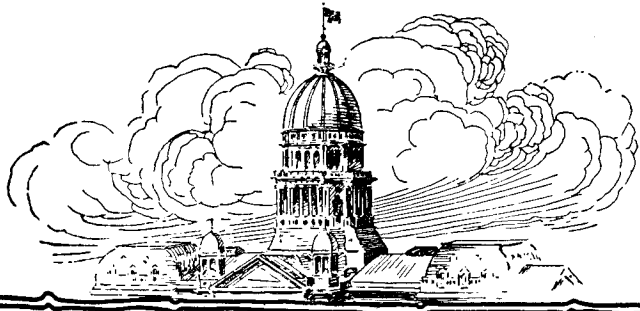
SPRINGFIELD, ILL., AUGUST 1, 1928

VOL. 5

"MULTIPLY"

Following our suggestion of a month ago relative to applying a mathematical term, we offer yet another one—"MULTIPLY" and we believe that this can be very profitably applied to the matter of financial statements.

A large percentage of State Banks have files of financial statements but these can be multiplied. There is some work attached to it, no question about that, but the effort will be justified by the result. The most effective statements are obtained where the Banker aids the customer in executing the blank. It is a matter of education in each community and the returns obtained depend largely upon the methods adopted. National Banks are bringing their files up-to-date so that there is a co-operation which will naturally make the task ultimately easier, but it is a case of keeping everlastingly at it. This Department appreciates the work already accomplished along this line, but hopes for a decided improvement in the future.



YOUR CO-OPERATION APPRECIATED

This Department appreciates the promptness of the majority of Bankers in forwarding the blanks in response to the Call Statements of June 30th. By thus co-operating, it has enabled our statistical department to compile the necessary figures for the printer and the work of publishing the Statements of State Banks in book form has already been commenced.

We wish to urge the few dilatory Bankers to catch up with the procession on the next Call. We are not unmindful of the unusual amount of clerical work entailed at the close of business June 30th, and with this thought in view we are grateful for the hearty response.

A TWO-YEARS' RECORD

An excerpt of our report at the annual Convention of the National Association of Supervisors of State Banks made during the month at its meeting in New York City, may be of interest to the readers of this Bulletin.

During the two-year period from June 30, 1926, to June 30, 1928, the Department closed the doors of 39 Banks; 24 from June 30, 1926, to June 30, 1927, and 15 from June 30, 1927, to June 30, 1928. Of this number 17 were reorganized or sold to neighboring banks without any loss to Depositors; leaving 22 which were placed in the hands of Receivers.

In addition to this 25 banks were voluntarily liquidated the first period, and 26 during the second period, besides 4 consolidations in each year.

There were 21 Charters issued during the year from June 30, 1926, to June 30, 1927, and 21 Charters from June 30, 1927, to June 30, 1928; most of which were in Chicago and Cook County.

Frozen assets were not responsible for the closing of all 39 institutions, as defalcations are directly traceable in 10 instances.

"REAL ESTATE MORTGAGES"

Unless real estate mortgages are designated as to priority of lien, it is utterly impossible for the Examiners from this Department to determine the classification of the obligation except through the statement of the employee or officer in charge of the real estate loans; and in the event that there are no records on file to substantiate his recollection of the loan, circumstances might arise whereby the Department would be at a disadvantage in analyzing the security back of the real estate note.

Under the Securities Act where certain real estate mortgages are offered for sale there is a provision that all junior mortgages be so stamped. While this would not apply to mortgages made and held by Banks, yet in order to facilitate our examinations, we not only suggest but request, that all mortgages which are not first liens indicate their particular classification in the future. There are a great many reasons for this; many so apparent that repetition of them is unnecessary.

Where mortgages have been made and later sold to other parties, assignment should be executed in connection with the transfer so

that the liability may be definitely fixed for this loan. Further, the assignment should be recorded as this is one of the factors that makes the security a real security.

There is much to be said in connection with the handling of real estate mortgages by Banks and one point upon which Bankers should be careful is the execution of the same in proper form. By that we mean, if a mortgage is given by husband and wife it should say "John Jones and Mary Jones, his Wife." If given by John Jones, single, it should be "John Jones, Bachelor;" or if John Jones and Wife execute a mortgage and the wife later dies, in transferring the record the deed should then show "John Jones, Widower." In case the husband dies and the wife later marries it should be "Mrs. Anna Brown, formerly Mrs. Anna Jones." This prevents a great deal of confusion in following title and abstracting the same.

Care should also be taken with the signatures for if John Jones has a middle initial and signs as "John A. Jones" this should appear all the way through the instrument and not "John A. Jones" in one place and "J. A. Jones" in another.

We call attention at this time to these matters as many mistakes have occurred in conveyancing which have caused no little inconvenience to the Banks as well as the Department.

This also applies to "Trust Deed" form of mortgage.

APPROVAL OF LOANS BY DIRECTORS

The approval of loans by the Directors is a very important function and should be given due consideration and attention. The State Banking Act holds Directors responsible for the management of the Bank and one of the important features is to see that the loans which enter the note portfolio are satisfactory investments for the Bank's funds.

In order that a satisfactory plan may be followed, we suggest that a list of the borrowers in each institution be compiled by the Cashier showing the present amount of indebtedness, together with collateral, if any. The Directors should then carefully analyze this list and place opposite the name of each borrower the line of credit to be extended. If the amount already granted is too large, then efforts should be made promptly to reduce the same. If additional credit is to be granted, then the Cashier will have the information to base his credit extensions in the future.

In the consideration of the list of borrowers much information will be brought out concerning the purpose for which the money is borrowed, and substantiating this should be a review of the financial statements on hand. This list, after being thoroughly discussed and approved, should become a part of the corporate records of the Bank. In going over the names of the borrowers in the Bank the Directors can readily ascertain whether there are any loans that are in excess of the legal loan limit and can prevent the extension of credit beyond the loan limit through this plan.

This need not eliminate the approval of loans at the Directors' Meetings but it will correct the present method of approving loans after they have already been granted.

The plan suggested herein may be easily modified for adaptation to the needs of either larger or smaller banks.

PERMITS ISSUED.

	Capital.	Surplus.	Date.
Davis.....Stephenson...State Bank of Davis.....	\$ 25,000	\$ 5,000	July 12, 1928
Divernon.....Sangamon.....Divernon State Bank.....	50,000		July 14, 1928
Chicago.....Cook.....South Central State Bank of Chicago.....	200,000	25,000	July 20, 1928
9 East 79th Street.			
Chicago.....Cook.....I. C. Bank and Trust Company.....	300,000	100,000	July 25, 1928
1538-48 East 53rd Street.			

CHARTERS ISSUED.

✓ Divernon.....Sangamon.....Divernon State Bank.....	50,000		July 14, 1928
Geo. R. Brown, President.			
F. A. Stutsman, Cashier.			
✓ Davis.....Stephenson...State Bank of Davis.....	25,000	5,000	July 14, 1928
K. O. Knudson, President.			
Ransom L. Bradley, Cashier.			

CAPITAL STOCK INCREASED.

Chicago.....Cook.....Chatham State Bank.....	From \$200,000 to \$300,000	July 7, 1928
Niles Center...Cook.....Niles Center State Bank.....	From 100,000 to 200,000	July 19, 1928
Chicago.....Cook.....First Italian State Bank.....	From 100,000 to 200,000	July 23, 1928
Vienna.....Johnson.....Drovers State Bank.....	From 25,000 to 50,000	July 23, 1928

NAME CHANGED.

McHenry.....McHenry...Fox River Valley State Bank to Citizens State Bank of McHenry.....	July 31, 1928
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CLOSED.

✓ New Haven...Gallatin.....Peoples State Bank of New Haven.....	July 16, 1928
✓ LaPlace.....Piatt.....The State Bank of LaPlace.....	July 20, 1928

CLOSED AND RE-OPENED.

✓ Oswego.....Kendall.....The Oswego State Bank, closed July 7, 1928, re-opened July 24, 1928.	
✓ Stonington...Christian.....The Farmers State Bank of Stonington, closed July 11, 1928, re-opened July 24, 1928.	

LIQUIDATED.

Viola.....Mercer.....Viola State Bank.....	June 7, 1928
Deposit liability assumed by Farmers National Bank of Viola.	
✓ Divernon.....Sangamon.....First State Bank of Divernon.....	July 16, 1928
Deposit liability assumed by Divernon State Bank.	
✓ Davis.....Stephenson...Farmers Bank of Davis.....	July 18, 1928
Liquidated through State Bank of Davis and Trustee.	
✓ Waukegan...Lake.....The Peoples State Bank, Waukegan, Illinois.....	July 18, 1928
Deposit liability assumed by Waukegan State Bank.	
✓ Opdyke.....Jefferson...Opdyke State Bank.....	July 19, 1928
Placed in voluntary liquidation by directors.	

TRUST CERTIFICATES ISSUED.

Chicago.....Cook.....The Bills Trust Company. Deposit \$200,000.....	July 19, 1928
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RECAPITULATION.

State Banks in Chicago.....	189
State Banks in Cook County, outside Chicago.....	86
State Banks in Illinois outside Cook County.....	1,052
Total.....	1,327

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State of Illinois

Vol. 4

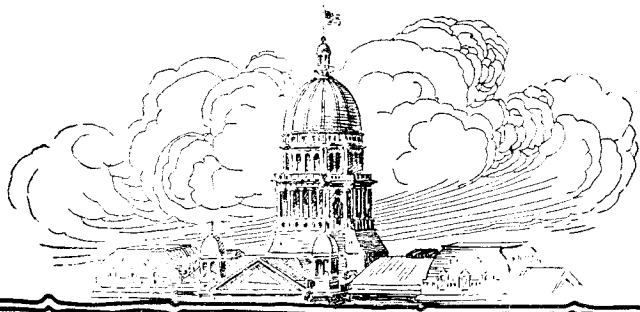
SPRINGFIELD, ILL., September 1, 1928

No. 6

"DIVIDE"

To divide or separate the assets into proper proportions is one of the important duties of the modern Banker.

The practices obtaining in the banking field have changed as the years have changed, and today it is quite necessary that the funds intrusted to the Banker should be so invested that they may be readily available when occasion demands certain withdrawals by depositing customers. There, perhaps, is no set rule as localities differ, but a fifty-fifty division is considered not far amiss; that is, fifty percent of loanable funds in the hands of local borrowers, with the remaining fifty percent divided between bonds, commercial paper and cash. This gives approximately the required amount of liquidity. The term "frozen assets" has been much used and, perhaps, somewhat abused in the past five years and Bankers everywhere are striving to free their institutions from any semblance of congealed assets. The public has been educated either consciously or unconsciously in the reading of a bank statement and liquidity is easily reflected in the published statement and vice versa.



EARNINGS AND DIVIDENDS.

Below we present the semi-annual comparisons of Earnings by groups of the 1,332 State banks of Illinois, compiled from the Earnings and Dividends reports forwarded to this Department at the close of business June 30, 1928, and covering the previous six months' period.

Group.....	I	II	III	IV	V	VI	VII	VIII
Number of banks.....	516	312	143	116	85	99	31	30
Classification (earning assets).....	Under \$250,000	\$250,000 to \$500,000	\$500,000 to \$750,000	\$750,000 to \$1,250,000	\$1,250,000 to \$2,000,000	\$2,000,000 to \$5,000,000	\$5,000,000 to \$10,000,000	Over \$10,000,000
AVERAGES—								
1. Earning Assets.....	\$139,992	\$353,528	\$618,389	\$974,376	\$1,532,857	\$3,162,600	\$7,363,150	\$41,108,934
2. Capital, Surplus and Undivided Profits.....	37,772	72,980	121,777	184,756	237,514	492,048	1,154,753	6,384,198
3. Time Deposits.....	60,527	176,938	310,980	521,148	882,884	1,789,178	4,339,886	17,538,180
4. Gross Deposits.....	143,754	393,762	639,422	1,001,785	1,607,537	3,256,845	7,458,054	41,704,988
INCOME.								
5. Gross Earnings.....	5,244	12,398	21,914	39,906	54,465	116,871	265,616	1,472,021
DEDUCTIONS.								
6. Interest Paid.....			6,604	11,514	14,582	32,000	74,905	420,586
7. Expenses.....			10,355	19,569	27,359	57,536	124,133	647,364
8. Total deductions.....	4,283	9,843	17,049	31,083	41,941	89,536	199,038	1,067,950
9. Net Profit (before Losses).....	961	2,555	4,865	8,823	12,524	27,335	66,578	404,071
10. Losses on Loans, Investments, etc.....	523	1,034	2,135	1,980	2,532	4,860	11,357	32,970
11. Other Losses.....	38	75	63	378	322	487	1,813	3,874
12. Depreciation.....	48	111	288	372	627	954	11,536	12,933
13. Total Losses.....	609	1,220	2,486	2,730	3,481	6,301	24,706	49,777
14. Net Profit from Operation.....	352	1,335	2,379	6,003	9,043	21,034	41,872	354,294
15. Less Dividends Paid.....	583	1,275	1,761	3,456	5,083	11,130	28,016	175,475
16. Carried to Undivided Profits.....	*231	60	618	2,637	3,960	9,904	13,856	178,819
RATIOS—								
17. Gross Earnings to Earning Assets.....	3.74%	3.51%	3.54%	4.09%	3.55%	3.69%	3.61%	3.58%
18. Interest paid to Gross Earnings.....	30.76%	32.66%	30.55%	28.85%	26.77%	27.38%	28.20%	28.57%
19. Expenses to Gross Earnings.....	50.91%	46.73%	47.25%	49.04%	50.23%	49.23%	46.73%	43.98%
20. Losses on Loans and Investments to Gross Earnings.....	9.97%	8.34%	9.74%	4.96%	4.65%	4.18%	4.27%	2.24%
21. Net Profit after Losses and Depreciation to Gross Earnings.....	6.71%	10.77%	10.85%	15.20%	11.18%	18.00%	15.76%	24.07%
22. Dividends paid to Capital, Surplus and Undivided Profits.....	1.54%	1.75%	1.44%	1.87%	1.97%	2.26%	2.42%	2.76%
23. Net Profit after Losses and Depreciation to Capital, Surplus and Undivided Profits.....	.93%	1.83%	1.95%	3.30%	2.36%	4.27%	3.62%	5.57%
24. Interest Paid to Average Gross Deposits.....	1.12%	1.11%	1.04%	1.15%	.91%	.98%	1.00%	1.01%
25. Time Deposits to Gross Deposits.....	42.10%	48.64%	48.63%	52.02%	54.92%	54.93%	58.19%	42.05%
26. Capital, Surplus and Undivided Profits to Gross Deposits.....	26.27%	20.06%	19.04%	18.44%	16.02%	15.11%	15.48%	15.26%

* Deficit.

PERMITS ISSUED.
NONE.

CHARTERS ISSUED.

			Capital.	Surplus.	Date.
✓ Flossmoor.....Cook.....	Flossmoor State Bank.....	D. J. Brumley, President.	\$ 25,000	\$ 10,000	Aug. 3, 1928
		Albert W. Tatge, Cashier.			
✓ Chicago.....Cook.....	Ridge State Bank.....	7048-7050 South Western Ave.	200,000	100,000	Aug. 7, 1928
		William H. Fisher, President.			
		John H. Bain, Cashier.			

CAPITAL STOCK INCREASED.

Chicago.....Cook.....Hyde Park State Bank.....From \$300,000 to \$500,000 Aug. 8, 1928

CLOSED.

✓ West Salem.....Edwards.....	West Salem State Bank.....	Aug. 11, 1928
✓ Downers Grove.....DuPage.....	State Bank & Trust Company of Downers Grove.....	Aug. 18, 1928
✓ Winnebago.....Winnebago.....	The Winnebago State Bank.....	Aug. 28, 1928

LIQUIDATED.

✓ Chicago.....Cook.....Hyde Park State Bank.....Aug. 29, 1928
To become National.

RECEIVERS APPOINTED.

✓ LaPlace.....Piatt.....	The State Bank of LaPlace.....	Aug. 6, 1928
	J. A. Vent, Champaign, Receiver.	
✓ New Haven.....Gallatin.....	Peoples State Bank of New Haven.....	Aug. 10, 1928
	John M. Crebs, Carmi, Receiver.	

RECAPITULATION.

State Banks in Chicago.....	189
State Banks in Cook County.....	89
State Banks in Illinois outside Cook County.....	1,049
Total.....	1,327

MONTHLY BULLETIN

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Vol. 4

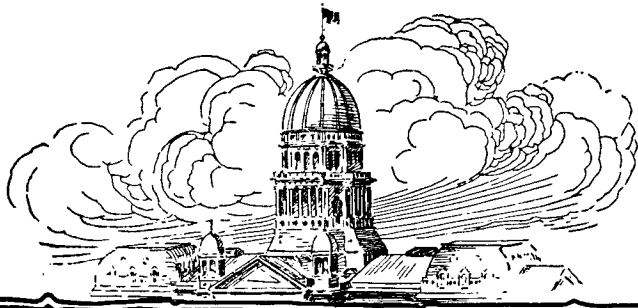
SPRINGFIELD, ILL., October 1, 1928

No. 7

"SUBTRACT"

Our final suggestion in the series of mathematical terms as applied to the banking business, is the use of subtraction. If this might be adapted in connection with excess loans we know that the "results" would be most satisfactory. Perhaps, no other phase of banking has caused more grief than excess loans made and carried for an indefinite period, and all are carried for an indefinite period; carried in fact until some loss occurs and then grief comes along with settlement day. We urge more care in the keeping of the liability ledger so that the borrowers' liability may be shown at all times and thus avoidance of excess obligations may be accomplished.

It is gratifying to state that in the past three years excess loans have been reduced from a total of approximately fifteen million dollars to a trifle over three and one-half million dollars, but let us continue the good work until they are all eliminated.



TRUST DIVISION
Trustee Under Bond Issues

The duties and responsibilities of a trustee under a bond issue, vary greatly. Although appointed and paid by the debtor parties, the trustee is primarily the representative of the bondholders, whose interests he is to protect. Before accepting any trusteeship, the trustee should see that its powers and responsibilities are very clearly defined.

The main functions of a trustee under a Collateral Trust, Trust Deed or Mortgage Indenture securing an issue of bonds or notes, are to hold title to the property securing the issue, to authenticate the bonds or notes issued, in case of default under the indenture to enforce the lien thereon in behalf of the bond or note holders and upon payment of the debt and performance of all obligations to release the collateral, trust deed or mortgage.

A bank or trust company considering the acceptance of such a trusteeship should satisfy itself that the proposition is legitimate and undertaken in good faith, that those interested in establishing the trust are reputable men, that the value of the property bears a reasonable relation to the amount of the proposed bond or note issue and that the financial standing of the parties is such as to justify a reasonable expectation that they will care for their obligations.

It is true the trustee does not guarantee the value of the bonds or notes, that it is not legally liable for losses which purchasers of the bonds or notes may suffer, that it has no responsibilities other than to faithfully perform the duties specified in the trust indenture, nevertheless, it is true that the public holds it to a certain moral responsibility in addition to its legal responsibility.

Promoters know well enough, and if unprincipled, take advantage of the fact that if the name of a reputable bank or trust company is shown as trustee in a bond issue, the use of such name helps to sell the bonds to the average investor. In recognition of this fact, banks and trust companies should take great care and caution to see that they accept no bond trusteeships from other than reputable parties, representing bona fide propositions, having reasonable prospect of success.

Record must be made on the trustee's books of the indenture creating the trust, with full description of collateral or other property held in trust and of the bonds or notes issued. The records and files must be maintained in such a manner that one in authority may obtain a proof or balance on each bond or note issue at any time. That is, the record must show the amount of uncertified bonds held, certified bonds held, cancelled bonds held or delivered and amount outstanding, the sum total of which must equal the total issue. If cancelled bonds or notes have been delivered or cremated, receipts or certification of cremation must be in file for verification.

OVER 26,000 BANKS

It may be interesting to the readers of this Bulletin to know that there are 26,699 banks in the United States; 18,965 State institutions and 7,734 National, according to the annual report of R. N. Sims, Secretary-Treasurer of the National Association of Supervision of State Banks. This is a decrease of 4,149 banks from the high-water mark of 1921 when there were 30,848.

Illinois has more State Banks than any other Commonwealth—having 1,332; Missouri is second with 1,254 and Iowa third with 1,065. Rhode Island has the least—24. Illinois ranks well in the matter of Capital, Surplus and Undivided Profits, Bonds and Total Resources. New York, Massachusetts and Pennsylvania exceed but this is due to the fact that these States have Savings Banks and Trust Companies, and in the case of New York, Branch Banking. The Trust Companies are incorporated and many millions of assets are thus included which are not reflected by reports of Illinois Banks. In round figures the State and National institutions had at the Call on February 28, 1928, \$8,165,000,000 in Capital, Surplus and Undivided Profits; Deposits of \$56,714,000,000 and Total Resources of \$69,439,000,000. The Deposits show an increase over the previous year of \$1,140,000,000. The State of New Mexico shows Resources of all State Banks of but \$12,955,000, or an amount equal to the Deposits of some of the out-lying banks of Chicago.

It is interesting also to note from the report that much of the Capital structure strength of Illinois Banks is in its Invested Capital, while in many of the other States the Surplus and Undivided Profits Accounts far exceed the Capital. The State Banks of Illinois compare very favorably on investments for Secondary Reserve and show an increase in this respect.

ACCOUNTING

Accounting is a feature of bank operation that should receive more than passing attention from bank managements. It should deeply concern the officers and directors as to whether or not the transactions of their bank are being properly recorded down to the minutest detail.

Bankers should bear well in mind that they are conducting quasi-public institutions and that they are legally and morally bound to keep suitable books of record of all transactions with the public.

This Department holds no brief for any particular accounting system or method. Any banker giving this matter serious consideration can easily design a system suitable to his needs. We feel, however, that bank records should be sufficiently broad and comprehensive to permit any person to gain therefrom a complete history of each transaction, weeks, months and years after taking place without having to go beyond that record or rely on the memory of anyone.

An incomplete or carelessly made record of a transaction is a source of lurking danger to a bank, and there are circumstances where a partial record can be more dangerous than none at all.

If the banker reading this desires further proof of our contention, let him go to any one of his books of record and select at random a transaction and trace its complete course through the bank. If his accounting is adequate he should be able to reconstruct from the record itself the entire transaction. If he is not able to do this his accounting system needs attention.

In our opinion a bank is not properly conducted unless its books of record show completeness of all transactions.

PERMITS ISSUED.

	Capital.	Surplus.	Date.
Downers Grove_DuPage.....Downers Grove State Bank..... 5132-34 Main St.	\$100,000	\$100,000	Sept. 1, 1928
Winnebago.....Winnebago Peoples State Bank of Winnebago.....	25,000	5,000	Sept. 12, 1928
Chicago.....Cook.....Main State Bank..... 2652-54 West North Avenue.	200,000	50,000	Sept. 27, 1928

CHARTERS ISSUED.

✓ Chicago.....Cook.....I-C Bank and Trust Company..... 1538-48 East 53rd St. Cecil A. Evans, President. Sam J. Aurelius, Cashier.	300,000	100,000	Sept. 25, 1928
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CAPITAL STOCK INCREASED.

Chicago.....Cook.....Brighton Park State Bank of Chi- cago.....	From \$100,000 to \$200,000	Sept. 8, 1928
Chicago.....Cook.....Central Trust Company of Illi- nois.....	From \$6,000,000 to \$8,000,000	Sept. 11, 1928

NAME CHANGED.

McLean.....McLean.....McLean State Bank to McLean State Bank & Trust Co.....	Sept. 6, 1928
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CLOSED.

✓ Stockton.....JoDavies...State Bank of Stockton.....	Sept. 6, 1928
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LIQUIDATED.

✓ Isabel.....Edgar.....Isabel State Bank..... Liquidated through First National Bank and Trust Co., Paris.	Sept. 10, 1928
✓ Loogootee.....Fayette.....Farmers and Merchants Bank of Loogootee..... Liquidated through Farmers and Merchants State Bank of St. Peter.	Sept. 26, 1928

RECEIVERS APPOINTED.

West Salem.....Edwards.....West Salem State Bank, Stuart L. Walsen.....	Sept. 5, 1928
LaPlace.....Piatt.....The State Bank of LaPlace, James Helfrich, Hammond, vice J. A. Vent, resigned.....	Sept. 12, 1928
New Haven.....Gallatin.....Peoples State Bank of New Haven, Bernard E. Bieker, vice J. M. Crebs, resigned.....	Sept. 12, 1928
Stockton.....JoDavies...State Bank of Stockton, W. S. Eaton.....	Sept. 28, 1928

TRUST CERTIFICATES ISSUED.

	Deposit.	Date.
Chicago, Ill.....Hyde Park National Bank of Chicago.....	\$200,000	Sept. 15, 1928
Milwaukee, Wis.....First Wisconsin Trust Company.....	50,000	Sept. 15, 1928

RECAPITULATION

State Banks in Chicago.....	190
State Banks in Cook County.....	89
State Banks in Illinois outside Cook County.....	1,046
Total.....	1,325

MONTHLY BULLETIN

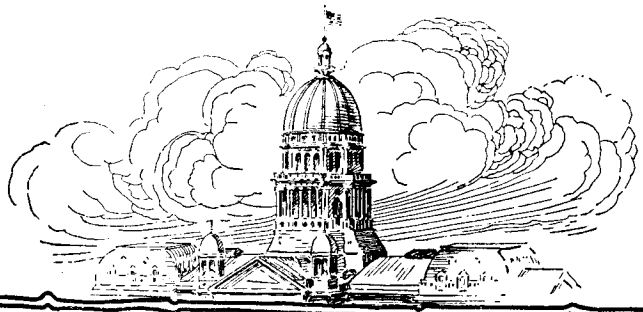
Issued by
OSCAR NELSON
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

Vol. 4 SPRINGFIELD, ILL., November 1, 1928 No. 8

RESUMÉ

For the past four issues we have published a series of editorials as applied by mathematics.

The first was "Add"; referring to an increase of secondary reserves—a very important item. The second was captioned "Multiply" and suggested the increasing of Bankers' files of financial statements. For the third topic we took the term "Divide" and referred therein to the matter of liquidity of assets. Under the title of "Subtract" the fourth article was published; dealing with the matter of excess loans which is one of the very vital matters of interest to all Bankers. While these are old topics, yet they are worth continuous consideration. Each of these articles is well worth remembering and we trust our method of presenting them through the Bulletin will have a salutary effect. In other words, we have dressed up old suggestions with new clothes. The Department's idea at all times is to make suggestions and then co-operate with the Banker in accomplishing the same.



"CHECK KITING"

One of the most dangerous practices imposed upon bankers, is that of "check-kiting". The following illustration, based upon fact, should in itself prove a warning to all bankers and for that reason it is published.

A customer of Bank "A" having on deposit an inconsequential sum—say \$10.00 or \$12.00—proceeds to a town some fifty miles distant and presents his personal check on Bank "A" to the Cashier in Bank "B" for \$1,300.00 and requests a Chicago draft which is issued to him. He then returns to his home town and deposits the draft of Bank "B" in his account at Bank "A" which we will say then gave him a balance of \$1,310.00. In the meantime, his \$1,300.00 check has been sent to Chicago for collection and credit by Bank "B".

The Depositor then seeks out another Bank some forty or fifty miles distant from his base of operation, which we will call Bank "C". He presents his personal check on "A" and receives Chicago Exchange which he deposits with "A". The latter is in a pretty safe position, but the other banks—"B", "C" and "D"—for he eventually extends his operations, are facing a loss continuously.

This "kiting" continues for some time, but like all such practices, is finally broken up and two Banks are holding uncollected checks for \$1,300 each. There are one or two outstanding features that should have proved as warnings. First, the home bank should have become suspicious of the regularity of deposits of drafts on neighboring Banks and communicated with the management. Second, the Officer or Officers handling the checks and issuing drafts therefor should have taken the trouble to communicate with the "A" Bank and verify the collectibility of the checks.

SAFEKEEPING

As a matter of accommodation many banks carry in their vaults personal property belonging to customers for safekeeping. As a general rule the banker issues a receipt for the property, but we find in many instances that he is not always particular about getting a good release when he returns the property to its owner.

These transactions are by their nature trusts and must be carefully handled.

The banker receiving property for safekeeping should first know what he is accepting and should fully describe the article or articles in his receipt. It naturally follows that he should, upon returning the property and discharging his liability, obtain a good release.

If a banker desires to extend this service he should realize the obligation entailed and protect himself.

As a general rule we find adequate forms in use but often carelessly kept. Such records are dangerous.

CALL REPORT FIGURES

According to the figures compiled from the Call Statements of State Banks at the close of business October 3rd, the total resources of the 1325 banks have declined some fifty-one millions as compared with the total resources of the 1332 banks at the close of business June 30th. One-third of the decrease is due to the sale of Third Liberties; Other Bonds have been disposed of since the last Call to an amount equaling approximately one-half of the reduction, and the balance is reflected in fixed assets and other resources.

While this shows a large decline in the secondary reserve account of the banks, yet the answer is to be found largely in the reduction of Bills Payable and Rediscounts of over fifteen millions. Deposits show a loss of the difference which is to be expected at this season, as the downstate institutions are waiting patiently for the returns from the corn crop and the deposits in the Chicago banks fluctuate from statement to statement anywhere from twenty to thirty millions; hence the figures after careful analysis are quite satisfactory.

UNDETERMINED LIABILITY

One of the most difficult problems that the Examiners of this Department have to cope with is ascertaining the exact liability of a bank.

Frequently it is discovered that an officer or officers have presumably sold a portion of the assets "without recourse" to the correspondent or mayhap to some of the bank's customers and then have given a written guarantee or an order, as the case may be, which constitutes a repurchase agreement. In matters of this kind, a sale should not be made unless it is strictly "without recourse", otherwise, the bank must set such notes upon its statement under the head of "Rediscounts". In handling a sale of notes or rediscounting the same, the transaction should be on authority of the Board of Directors, and the purchaser or accommodating party should be furnished with a copy of the resolution. It entirely changes the aspect of a bank's statement when it is discovered that a large sum of notes represented as having been sold outright, have a string attached in the nature of a signed letter by the President or Cashier, or possibly both, to charge them to the selling bank's account. This might, with all truthfulness, be termed "sharp practice".

In this connection the attention of the bankers is called to the plan now used by many of rediscounting a certain sum of notes and securing this with additional notes. If the lender demands collateral in addition to the amount for which credit is to be given, then the borrowing bank must execute a note and carry the same as Bills Payable. First, however, the Board must pass the necessary resolution and accompany the note with a copy of said resolution.

We hope every banker will give this serious consideration and if the liability for money borrowed has not been properly handled either as shown on the bank's statement or by lack of necessary resolutions, have these matters promptly adjusted in accordance with the recommendations set forth herein; and particularly if there are any guarantees or orders on paper that has been sold, have the proper entry made and set them up as rediscounts and thus show the true condition of the bank.

PERMITS ISSUED.

	Capital.	Surplus.	Date.
Chicago.....Cook.....Brainerd State Bank..... 8646-48 S. Ashland Ave.	\$200,000	\$100,000	Oct. 17, 1928 ✓

CHARTERS ISSUED.

✓ Winnebago...Winnebago...Peoples State Bank of Winnebago..... A. M. Smith, President. D. E. Branstetter, Cashier.	25,000	5,000	Oct. 9, 1928 ✓
✓ Chicago.....Cook.....Brainerd State Bank..... 8646-48 S. Ashland Ave. John Bain, President. Arthur C. Utesch, Cashier.	200,000	100,000	Oct. 29, 1928 ✓

CAPITAL STOCK INCREASED.

Granite City.Madison.....Granite City Trust and Savings Bank.....	From \$ 100,000 to \$ 150,000	Oct. 18, 1928 ✓
Chicago.....Cook.....Union Trust Company.....	From 3,000,000 to 4,000,000	Oct. 22, 1928 ✓
Waukegan...Lake.....Waukegan State Bank.....	From 100,000 to 200,000	Oct. 27, 1928 ✓

CAPITAL STOCK DECREASED.

Waynesville...DeWitt.....Waynesville State Bank.....	From 40,000 to 25,000	Oct. 10, 1928 ✓
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CLOSED.

✓ Griggsville...Pike.....Illinois Valley Bank.....	Oct. 22, 1928 ✓
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LIQUIDATED.

✓ Winnebago...Winnebago...The Winnebago State Bank Liquidated through Peoples State Bank of Winnebago and Trustee.....	Oct. 9, 1928 ✓
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TRUST CERTIFICATE CANCELLED.

Milwaukee, Wis.....First Wisconsin Trust Company..... Retired from business in Illinois.	Oct. 26, 1928 ✓
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OTHER CHANGES.

Village of Westmore (DuPage County) annexed to the Village of Lombard.

RECAPITULATION.

State Banks in Chicago.....	191
State Banks in Cook County.....	89
State Banks in Illinois outside Cook County.....	1,046
Total.....	1,326

MONTHLY BULLETIN

Issued by
OSCAR NELSON
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

Vol. 4

SPRINGFIELD, ILL., December 1, 1928

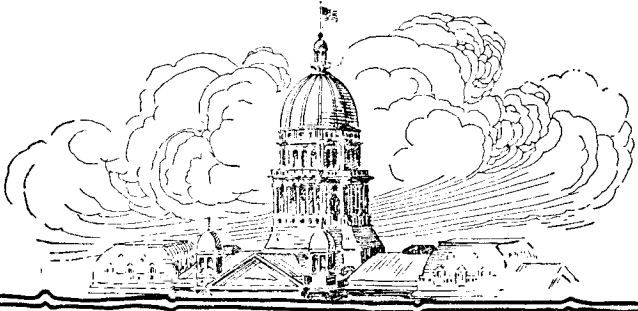
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AVAILABLE RESERVE

The matter of reserve, both primary and secondary is of the greatest importance to a bank and the percentage of the same as related to total deposits, oft stands between liquidation and non-liquidation; and after all, the true condition of a bank can best be analyzed when liquidation is used as the yard stick.

Occasionally some banker complains that the 15% requirement of this Department relative to cash reserve is too high. If the bank has no other quick liquid assets, 15% would be far too low and should in reality be nearer 50%. A secondary reserve of good readily marketable bonds, however, changes the complexion of the situation and is taken into account by the Department when analyzing a bank's cash position; resulting in no criticism if only 10% cash reserve is maintained.

As has been advised before, we take a 50% liquidity as a standard basis for a bank and it matters not so much as to the particular division of the component parts of the reserve as to the sum total of cash, bonds, call and commercial paper.



"REMOVE THE LOSSES"

From those few bankers whose recollection runs back as far as the decade immediately following the Civil War, we learn by comparison with the conditions which prevailed then and since the World War.

The same fever of inflation and the same era of depreciation obtained then as has been experienced by present day bankers since the signing of the Armistice in 1918. After the re-adjustment period at the close of the Civil War the bankers were faced with losses which had to be removed before their return to normalcy, and this is what the bankers today must face. They have been prevented from accomplishing this for some time past owing to the unusual weather conditions which have resulted in the loss of crops, but with the return of an abundant harvest and the adjustment of business to a normal plane they should now be in a position to reduce over-extension. The management of every bank should summarize the assets and determine the actual losses. Every banker who has not already removed the unacceptable assets from his institution should set about seriously to accomplish this object by conserving all earnings, even to the exclusion of dividends so that January 1, 1929, may see a "house cleaning."

Many bankers were able to rid the assets of losses at the June 30th closing-out period, while others were unable to do so owing to the heavy expenses of taxes and other items which come up for payment during the first half of every year. Hence, with these out of the way the Department feels that all banks under its jurisdiction will be able to meet the requirement of charging out all known losses at the close of business on December 31, 1928.

If it is necessary to use a part of the surplus for this purpose, take the matter up first with the Department. In some few instances it may require an assessment of Capital and, if so, prepare a clear, concise statement of the bank's true condition for submission to the stockholders at their annual meeting and when this is properly set before them they will approve the action necessary.

SAFETY BOX KEYS

Customers should not offer, nor Bank Officers accept, safety box keys for custody. Some courts have held banks responsible for robbery of customers' safety deposit boxes where duplicate keys have been in the possession of the Bank's Officers at the time. The Department's experiences have been sufficient to emphasize the fact that it is dangerous practice for the officers to retain duplicate keys.

AUDITS ARE IMPORTANT

As the close of the year approaches the matter of auditing a bank's affairs should come up for consideration by the Boards of Directors in State Banks where the earnings will justify the expense of a satisfactory audit. If the By-Laws of State Banks are drawn in accordance with the recommendation of this Department they should provide for the auditing of a bank's books by a committee of Stockholders or a Certified Public Accountant at least once each year.

Audits made by Stockholders have never proven satisfactory for the reason that the members of such committee are not familiar with accounting, and in order to have a proper audit it should be conducted by those who have been well grounded in accounting. As has been stated before in these columns, the Department does not attempt to audit banks; it could not under the law either by authority or by reason of expense. Therefore, it is necessary for the bank to provide for such thorough checking of accounts by a recognized accountant.

FINANCIAL STATEMENTS

It is unnecessary for the Department to again stress the importance of banks obtaining financial statements from the larger borrowing customers.

From a summary of the reports we find that there is still a hesitancy on the part of some of the officers concerning this request for financial data. Many banks have offered as an excuse that National Banks are not required to follow this procedure. This is an error as we know that the Comptroller of the Currency has issued a letter requesting National Bank Officers to obtain financial statements from the larger borrowing customers.

The value of the information derived from these statements has been proven time and time again, and it is not only for the benefit of the bank itself but also as an aid to the Examiners that this request is insisted upon. Financial statements when obtained should be thoroughly checked and gone over personally with the subscribers so that their accuracy may be attested by the bank's officers.

Since the inauguration of this recommendation by the Department a very satisfactory response has been made to the same. In cases where a bank's files are now practically complete it should be the rule of the bank that these financial statements be renewed at least once each year or oftener, if possible or necessary. As the first of the year is approaching, it would be a good idea for the banks that have not fully adopted this recommendation to establish the rule for future observation.

PERMITS ISSUED.

	Capital.	Surplus.	Date.
Moweaqua.....Shelby.....State Bank of Moweaqua.....	\$ 25,000	\$ 10,000	Nov. 16, 1928
Griggsville.....Pike.....Griggsville State Bank.....	25,000	25,000	Nov. 21, 1928

CHARTERS ISSUED.

✓ Downers Grove...DuPage.....Downers Grove State Bank.....	100,000	100,000	Nov. 1, 1928
5132-34 Main Street. Irving G. Heartt, President. E. H. Kailer, Cashier.			

INCREASE IN CAPITAL.

Chicago.....Cook.....Armitage State Bank.....	From \$100,000 to \$200,000	Nov. 13, 1928
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CHANGE OF LOCATION.

Chicago.....Cook.....Armitage State Bank from 3213 Armitage Avenue to 3400 Armitage Avenue.....	Nov. 13, 1928
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LIQUIDATED.

✓ Downers Grove...DuPage.....State Bank and Trust Company of Downers Grove through Downers Grove State Bank.....	Nov. 1, 1928
✓ Onarga.....Iroquois.....Farmers State Bank of Onarga through the Onarga State Bank.....	Nov. 17, 1928
✓ Clinton.....DeWitt.....The Farm Loan and Trust Company through Farmers Loan Company, Inc.....	Nov. 30, 1928
✓ Ophiem.....Mercer.....Ophiem State Bank through Farmers State Bank of Windsor (P. O. New Windsor).....	Nov. 30, 1928

TRUST CERTIFICATES ISSUED.

Wilmette.....Cook.....Wilmette State Bank.....	Deposit. \$50,000	Nov. 8, 1928
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RECAPITULATION.

State Banks in Chicago.....	191
State Banks in Cook County.....	89
State Banks in Illinois outside Cook County.....	1,044
Total.....	1,324