

# MONTHLY BULLETIN

*Issued by*  
**EDWARD J. BARRETT**  
**AUDITOR of PUBLIC ACCOUNTS**  
BANKING DEPARTMENT  
State of Illinois

VOL. 9

SPRINGFIELD, ILL., JANUARY 1, 1934

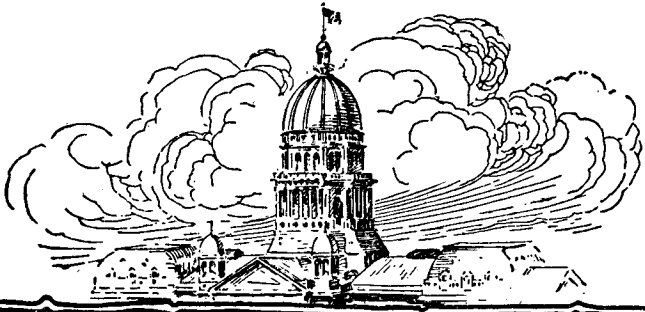
NO. 10

## THE NEW YEAR

The year that has just passed has been unique in the history of banking. The year started with public confidence at the lowest ebb, which lack of confidence finally culminated in the Presidential Moratorium. A colossal achievement is to the credit of the State banks of Illinois, in that, since the Moratorium, the great majority of the banks have made the necessary corrections and reopened, thereby making ninety-eight per cent of the deposits in State banks at the time of the Moratorium available to the depositors.

The second great accomplishment by the State banks of Illinois has been the placing of the institutions in such condition that all the banks which applied for membership in the Federal Deposit Insurance Corporation and which were certified by this office, were accepted by the Corporation and now have their deposits insured. Ninety-five per cent of the banks in the State have been admitted to membership in the Insurance Fund and these banks contain over ninety-nine per cent of the deposits in State banks. The few banks which did not apply are, in most cases, extremely liquid and in such condition that they did not deem it necessary to insure their deposits.

We look forward to the new year with renewed hope for the prosperity of the State banks and trust that with the cooperation of this Department, such difficulties as may remain will be solved during the coming year.



## CHATTEL MORTGAGES

The following suggestions are offered relative to chattel mortgages:

Unless possession of the property is to be delivered and remain with the grantee, the chattel mortgage should provide that possession of the property is to remain with the grantor.

The chattel mortgage should be acknowledged and recorded. It may be acknowledged before any officer authorized by law to take acknowledgment of deeds, such as a Notary Public, Justice of the Peace, etc. It must be filed for record in the office of the Recorder of Deeds within ten days of its execution, in the County in which the mortgagor resides at the time of the execution of the mortgage, or if the mortgagor is not a resident of this State, then, in the County where the property is situated.

The mortgage will be a good and valid lien from the time it is filed for record, until ninety days after the maturity of the entire debt or until ninety days after an extension of the time of payment. The maturity may not exceed three years, but it may be extended for the period of one year by filing for record an affidavit of the mortgagor and mortgagee, stating the interest which the mortgagee has in the property by virtue of such mortgage, the amount remaining unpaid and the time when the same will become due.

The notes should state upon their face that they are secured by a chattel mortgage and the maturity of the indebtedness should be carefully described in the mortgage.

A pre-existing indebtedness is a sufficient consideration for a chattel mortgage.

A chattel mortgage on the necessary household goods, wearing apparel or mechanic's tools of any person or family must be foreclosed in a Court of Record.

A chattel mortgage on household goods must be signed by both the husband and the wife.

The property covered by a chattel mortgage may not be sold under the power of sale in the mortgage unless the mortgage shall be recorded at least five days prior thereto.

If the mortgage contains a clause authorizing the Sheriff to execute the power of sale, the mortgagee may purchase the property at such sale.

## CHANGE OF LOCATION

Deerfield .....Lake .....Deerfield State Bank from 766 Waukegan Road, Deerfield, Illinois, to 809 Waukegan Road, Deerfield, Illinois .....Dec. 19, 1933

## LIQUIDATED

Akin .....Franklin .....Akin State Bank.....Dec. 4, 1933 ✓  
 Manhattan .....Will .....The Manhattan State Bank.....Dec. 28, 1933 ✓  
 Ozark .....Johnson .....The First State Bank of Ozark through The First National Bank of Vienna .....Dec. 29, 1933 ✓

## CLOSED

Windsor .....Shelby .....Commercial State Bank.....Dec. 5, 1933 ✓  
 Ashmore .....Coles .....Ashmore State Bank.....Dec. 5, 1933 ✓  
 \*Chicago .....Cook .....The West Side Trust & Savings Bank of Chicago.....Dec. 19, 1933 ✓  
 Pulaski .....Pulaski .....Citizens State Bank of Pulaski.....Dec. 23, 1933 ✓  
 Deer Creek.....Tazewell .....Deer Creek Bank.....Dec. 27, 1933 ✓  
 \*(Suspended under Moratorium—officially closed as of above date.)

## RECEIVERS APPOINTED

Mill Shoals...White .....✓...Mill Shoals State Bank—William L. O'Connell (R. W. Johnson, Receiver—resigned) .....Dec. 1, 1933  
 Benton .....Franklin .....✓...Benton State Bank—William L. O'Connell (R. P. Blake, Receiver—resigned) .....Dec. 2, 1933  
 Benton .....Franklin .....✓...Illinois Bank and Trust Company of Benton, Illinois—William L. O'Connell (R. P. Blake, Receiver—resigned) .....Dec. 2, 1933  
 Pecatonica ...Winnebago ✓...Farmers State Bank of Pecatonica—William L. O'Connell (Fred Haines, Receiver—resigned).....Dec. 4, 1933  
 Pecatonica ...Winnebago ✓...Pecatonica State Bank—William L. O'Connell (Fred Haines, Receiver—resigned) .....Dec. 4, 1933  
 Barry .....Pike .....✓...Barry State Bank—William L. O'Connell (George Davis, Receiver—resigned) .....Dec. 4, 1933  
 Seward .....Winnebago ✓...Seward State Bank—William L. O'Connell (Christ T. Wilhelm, Receiver—resigned) .....Dec. 5, 1933  
 New Canton ...Pike .....✓...New Canton State Bank—William L. O'Connell (M. S. Barber, Receiver—resigned) .....Dec. 5, 1933  
 Rockport ....Pike .....✓...Peoples State Bank of Rockport—William L. O'Connell (Clark Armentrout, Receiver—resigned) Dec. 5, 1933  
 Chicago Hts...Cook .....✓...Commercial Bank of Chicago Heights—William L. O'Connell (B. J. Schwoeffermann, Receiver—resigned) .....Dec. 5, 1933  
 Steger .....Cook .....✓...First State Bank of Steger—William L. O'Connell (B. J. Schwoeffermann, Receiver—resigned).....Dec. 5, 1933  
 Plano .....Kendall .....✓...First State Bank of Plano—William L. O'Connell (R. C. Hanchette, Receiver—resigned) .....Dec. 6, 1933  
 Newark .....Kendall .....✓...Farmers State Bank of Newark—William L. O'Connell (R. C. Hanchette, Receiver—resigned).....Dec. 7, 1933  
 Millington ...Kendall .....✓...First State Bank of Millington, Ill.—William L. O'Connell (R. C. Hanchette, Receiver—resigned)..Dec. 7, 1933  
 Troy Grove...LaSalle .....✓...Troy Grove State Bank—William L. O'Connell (Vincent J. Ream, Receiver—resigned) .....Dec. 12, 1933

Mendota .....LaSalle ✓...Farmers and Merchants State Bank of Mendota—William L. O'Connell (Vincent J. Ream, Receiver—resigned) .....Dec. 12, 1933

Centralia .....Marion ✓...Merchants State Bank of Centralia, Illinois—William L. O'Connell (Earl D. Amsler, Receiver—resigned) .....Dec. 14, 1933

Irvington .....Washington ✓...Farmers State Bank of Irvington—William L. O'Connell (Earl D. Amsler, Receiver—resigned).....Dec. 14, 1933

Windsor .....Shelby ✓...Commercial State Bank—William L. O'Connell .....Dec. 16, 1933

River Grove...Cook ✓...State Bank of River Grove—William L. O'Connell (Rollin E. Miller, Receiver—resigned) .....Dec. 18, 1933

Chicago .....Cook ✓...Halsted Street State Bank—William L. O'Connell.....Dec. 19, 1933

Melrose Park...Cook ✓...Citizens State Bank of Melrose Park—William L. O'Connell (Louis E. Nelson, Receiver—resigned) .....Dec. 21, 1933

Melrose Park...Cook ✓...Melrose Park State Bank—William L. O'Connell (Louis F. Nelson, Receiver—resigned) .....Dec. 21, 1933

Franklin Park...Cook ✓...State Bank of Franklin Park—William L. O'Connell (Louis E. Nelson, Receiver—resigned).....Dec. 21, 1933

Chicago .....Cook ✓...Central Manufacturing District Bank—William L. O'Connell (W. F. Leimert, Receiver—resigned).....Dec. 22, 1933

Rankin .....Vermillion ✓...Rankin-Whitman State Bank—William L. O'Connell (Ed. S. Baker, Receiver—resigned) .....Dec. 22, 1933

Crystal Lake...McHenry ✓...United State Bank of Crystal Lake—William L. O'Connell (Frank J. Green, Receiver—resigned).....Dec. 27, 1933

Spring Grove...McHenry ✓...Spring Grove State Bank—William L. O'Connell (Frank B. McConnell, Receiver—resigned) .....Dec. 28, 1933

**OTHER CHANGES**

East St. Louis...St. Clair.....Deposit liability of Southern Illinois Trust Company assumed by The Southern Illinois National Bank of East St. Louis.....Dec. 30, 1933

**RECAPITULATION**

	Reopened by Permit	Closed Under Holiday	Total
State Banks in Chicago.....	41	4	45
State Banks in Cook County outside Chicago.....	36	1	37
State Banks in Illinois outside Cook County.....	540	4	544
Total .....	617	9	626

# MONTHLY BULLETIN

*Issued by*  
**EDWARD J. BARRETT**  
**AUDITOR of PUBLIC ACCOUNTS**  
BANKING DEPARTMENT  
State of Illinois

VOL. 9

SPRINGFIELD, ILL., FEBRUARY 1, 1934

NO. 11

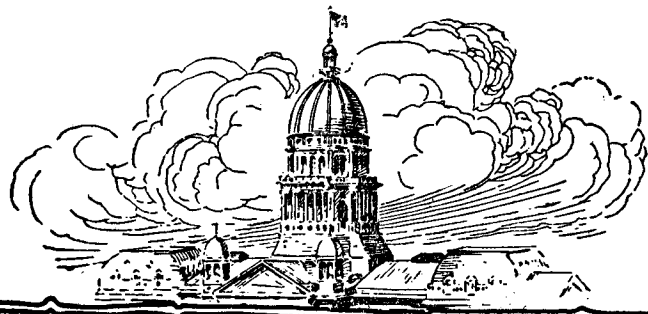
## CONFIDENCE

Experience during the first month of the operation of the Temporary Fund of the Federal Deposit Insurance Corporation would indicate that public confidence in banking institutions has been largely restored. Under present conditions it would seem that the extreme liquidity, which conservatively managed banks have maintained during the past several years, is not now as necessary as it has been heretofore.

The making of loans which are well secured or are based on sound credit and which may be liquidated within a reasonable period or the making of other investments of a similar nature seems to be advisable.

However, no bank should desist from a program of liquidating and strengthening slow and doubtful paper and the improvement of investment accounts. More and more effort should be expended on the collection and strengthening of the above type of asset and particular stress should be placed on items which have been considered losses and charged from the live assets.

Elimination of slow paper and added strength through recoveries will place the banks in an unassailable position.



**BANKS REOPENED UNDER PERMIT SINCE DECEMBER THIRTY-FIRST**

✓ Cuba	.....Fulton	.....State Bank of Cuba	.....Jan. 2, 1934
✓ Beardstown	.....Cass	.....First State Bank of Beardstown, Illinois	.....Jan. 4, 1934
✓ Nauvoo	.....Hancock	.....State Bank of Nauvoo	.....Jan. 9, 1934
✓ Chicago	.....Cook	.....Aetna State Bank	.....Jan. 12, 1934
✓ Lawrenceville	.....Lawrence	.....Farmers State Bank of Lawrenceville, Ill.	.....Jan. 13, 1934
✓ Neponset	.....Bureau	.....The Whaples & Farmers State Bank	.....Jan. 16, 1934
✓ Mendon	.....Adams	.....Mendon State Bank	.....Jan. 20, 1934

**REOPENED**

✓ Beardstown	.....Cass	.....First State Bank of Beardstown, Illinois	.....Jan. 4, 1934
✓ Neponset	.....Bureau	.....The Whaples & Farmers State Bank (C. A. Simington, Receiver—resigned)	.....Jan. 16, 1934
✓ Mendon	.....Adams	.....Mendon State Bank (William L. O'Connell, Receiver—resigned)	.....Jan. 20, 1934

**CAPITAL STOCK INCREASED**

Freeport	.....Stephenson	.....State Bank of Freeport. From \$200,000 to \$300,000	.....Jan. 9, 1934
Bloomington	.....McLean	.....The Peoples Bank of Bloomington. From \$100,000 to \$200,000	.....Jan. 24, 1934

**CAPITAL STOCK DECREASED**

Virden	.....Macoupin	.....The Farmers and Merchants State Bank of Virden, Illinois. From \$75,000 to \$50,000	.....Jan. 8, 1934
Newman	.....Douglas	.....First State Bank of Newman. From \$60,000 to \$50,000	.....Jan. 8, 1934
Freeport	.....Stephenson	.....State Bank of Freeport. From \$400,000 to \$200,000	.....Jan. 9, 1934
Homewood	.....Cook	.....Cook County Trust and Savings Bank of Homewood. From \$75,000 to \$50,000	.....Jan. 15, 1934
Chicago	.....Cook	.....Pioneer Trust & Savings Bank. From \$750,000 to \$375,000	.....Jan. 15, 1934
Wilmette	.....Cook	.....Wilmette State Bank. From \$200,000 to \$100,000	.....Jan. 15, 1934
Bethany	.....Moultrie	.....Scott State Bank. From \$75,000 to \$50,000	.....Jan. 15, 1934
Minier	.....Tazewell	.....The Farmers State Bank of Minier. From \$60,000 to \$50,000	.....Jan. 15, 1934
Oquawka	.....Henderson	.....The First State Bank of Oquawka. From \$75,000 to \$50,000	.....Jan. 19, 1934
Morton	.....Tazewell	.....The Morton State Bank. From \$75,000 to \$50,000	.....Jan. 19, 1934
Onarga	.....Iroquois	.....Onarga State Bank. From \$100,000 to \$50,000	.....Jan. 19, 1934
Quincy	.....Adams	.....Illinois State Bank of Quincy. From \$300,000 to \$200,000	.....Jan. 23, 1934
Holcomb	.....Ogle	.....Holcomb State Bank. From \$100,000 to \$50,000	.....Jan. 23, 1934
Tinley Park	.....Cook	.....Bremen State Bank. From \$75,000 to \$50,000	.....Jan. 24, 1934
Elmwood	.....Peoria	.....First Farmers State Bank. From \$60,000 to \$50,000	.....Jan. 27, 1934
Chicago	.....Cook	.....Chicago City Bank and Trust Company. From \$1,600,000 to \$800,000	.....Jan. 29, 1934

**CHANGE OF PAR VALUE OF CAPITAL STOCK**

Freeport	.....Stephenson	.....State Bank of Freeport. From \$100 to \$50	.....Jan. 9, 1934
Homewood	.....Cook	.....Cook County Trust and Savings Bank of Homewood. From \$100 to \$50	.....Jan. 15, 1934
Chicago	.....Cook	.....Pioneer Trust & Savings Bank. From \$100 to \$50	.....Jan. 15, 1934

Wilmette	.....Cook	.....Wilmette State Bank. From \$100 to \$50	.....Jan. 15, 1934
Onarga	.....Iroquois	.....Onarga State Bank. From \$100 to \$50	.....Jan. 19, 1934
Quincy	.....Adams	.....Illinois State Bank of Quincy. From \$100 to \$66 2/3	.....Jan. 23, 1934
Chicago	.....Cook	.....Chicago City Bank and Trust Company. From \$100 to \$50	.....Jan. 29, 1934

**CONSOLIDATION**

Chicago	.....Cook	.....Lawndale State Bank and The Lawndale National Bank of Chicago under title The Lawndale National Bank of Chicago	.....Dec. 30, 1933
---------	-----------	--	--------------------

**CONVERSION**

Sycamore	.....DeKalb	.....First Trust & Savings Bank of Sycamore into The National Bank & Trust Company of Sycamore	.....Dec. 11, 1933
----------	-------------	--	--------------------

**LIQUIDATED**

Tuscola	.....Douglas	.....Farmers State Bank of Tuscola, through The First National Bank of Tuscola	.....Jan. 6, 1934
Fox River Grove	.....McHenry	.....First State Bank of Fox River Grove	.....Jan. 11, 1934
Prairie City	.....McDonough	.....Bank of Prairie City, through Farmers and Merchants State Bank of Bushnell	.....Jan. 13, 1934
Carlinville	.....Macoupin	.....Farmers & Merchants State Bank of Carlinville, through Farmers & Merchants National Bank of Carlinville	.....Jan. 25, 1934

**CHANGE OF LOCATION**

Chicago	.....Cook	.....Main State Bank, from 2564 W. North Avenue, Chicago, to 1965 Milwaukee Avenue, Chicago	.....Jan. 13, 1934
---------	-----------	---	--------------------

**CLOSED**

Grafton	.....Jersey	.....Grafton State Bank	.....Jan. 18, 1934
---------	-------------	-------------------------	--------------------

**DURATION EXTENDED**

Harvard	.....McHenry	.....First State Bank of Harvard. Charter extended 25 years from May 26, 1934	.....Jan. 10, 1934
LaSalle	.....LaSalle	.....LaSalle State Bank. Charter extended 50 years from August 20, 1934	.....Jan. 18, 1934

**RECEIVERS APPOINTED**

De Kalb	.....DeKalb	.....The First Trust & Savings Bank of DeKalb—William L. O'Connell	.....Sept. 28, 1933
Thompsonville	.....Franklin	.....Thompsonville State Bank—William L. O'Connell (Rama H. Sweet, Receiver—resigned)	.....Jan. 2, 1934
Ottawa	.....LaSalle	.....Peoples Trust & Savings Bank of Ottawa—William L. O'Connell (Robert L. Smith, Receiver—resigned)	.....Jan. 3, 1934
Marion	.....Williamson	.....Marion Trust & Savings Bank—William L. O'Connell (A. O. James, Receiver—resigned)	.....Jan. 3, 1934
Creal Springs	.....Williamson	.....Citizens State Bank of Creal Springs—William L. O'Connell (F. H. Washburn, Receiver—resigned)	.....Jan. 3, 1934
Urbana	.....Champaign	.....The Urbana Banking Company—William L. O'Connell (Roger F. Little, Receiver—resigned)	.....Jan. 8, 1934
Chicago	.....Cook	.....West Central State Bank of Chicago—William L. O'Connell (Bernard Horwich, Receiver—resigned)	.....Jan. 8, 1934
Chicago	.....Cook	.....Binga State Bank—William L. O'Connell (Edward H. Morris, Receiver—resigned)	.....Jan. 8, 1934
Broadlands	.....Champaign	.....First State Bank of Broadlands—William L. O'Connell (August C. Meyer, Receiver—resigned)	.....Jan. 9, 1934

Fisher	Champaign	✓	Fisher State Bank—William L. O'Connell (August C. Meyer, Receiver—resigned)	Jan. 9, 1934
Chicago	Cook	✓	Citizens State Bank of Chicago—William L. O'Connell (William A. Heath, Receiver—resigned)	Jan. 10, 1934
Chicago	Cook	✓	Immel State Bank—William L. O'Connell (R. F. Gentzel, Receiver—resigned)	Jan. 12, 1934
Chicago	Cook	✓	Prudential State Savings Bank—William L. O'Connell (R. F. Gentzel, Receiver—resigned)	Jan. 12, 1934
Chicago	Cook	✓	The West Side Trust & Savings Bank of Chicago—William L. O'Connell	Jan. 12, 1934
Chicago	Cook	✓	Woodlawn Trust and Savings Bank—William L. O'Connell (H. C. Vernon, Receiver—resigned)	Jan. 13, 1934
Chicago	Cook	✓	Chatfield Trust & Savings Bank—William L. O'Connell (H. C. Vernon, Receiver—resigned)	Jan. 13, 1934
Saybrook	McLean	✓	Saybrook Bank—William L. O'Connell (Thomas E. Freed, Receiver—resigned)	Jan. 13, 1934
Chicago	Cook	✓	Millard State Bank—William L. O'Connell (Will H. Wade, Receiver—resigned)	Jan. 15, 1934
Bellflower	McLean	✓	Exchange State Bank of Bellflower—William L. O'Connell (Thomas E. Freed, Receiver—resigned)	Jan. 16, 1934
Hudson	McLean	✓	Hudson State Bank—William L. O'Connell (Thomas E. Freed, Receiver—resigned)	Jan. 16, 1934
Downs	McLean	✓	Farmers State Bank of Downs—William L. O'Connell (Thomas E. Freed, Receiver—resigned)	Jan. 16, 1934
Manteno	Kankakee	✓	Manteno State and Savings Bank—William L. O'Connell (L. B. Rogers, Receiver—resigned)	Jan. 18, 1934
Manteno	Kankakee	✓	Citizens State Bank of Manteno—William L. O'Connell (L. B. Rogers, Receiver—resigned)	Jan. 18, 1934
Reddick	Kankakee	✓	Reddick State Bank—William L. O'Connell (C. D. Cary, Receiver—resigned)	Jan. 18, 1934
Buckingham	Kankakee	✓	Farmers Bank of Buckingham—William L. O'Connell (C. D. Cary, Receiver—resigned)	Jan. 18, 1934
Chicago	Cook	✓	Cheltenham Trust & Savings Bank—William L. O'Connell (Frank M. McKey, Receiver—resigned)	Jan. 20, 1934
Chicago	Cook	✓	Union State Bank of South Chicago—William L. O'Connell (Frank M. McKey, Receiver—resigned)	Jan. 20, 1934
Joliet	Will	✓	Joliet Trust and Savings Bank—William L. O'Connell (J. E. Morrison, Receiver—resigned)	Jan. 23, 1934
Rochelle	Ogle	✓	Peoples Loan & Trust Company—William L. O'Connell (R. W. Lotborn, Receiver—resigned)	Jan. 26, 1934
Sandwich	DeKalb	✓	Farmers Trust and Savings Bank—William L. O'Connell (E. W. Varty, Receiver—resigned)	Jan. 27, 1934
Durand	Winnebago	✓	The Citizens State Bank of Durand—William L. O'Connell (George D. Banning, Receiver—resigned)	Jan. 29, 1934
Fulton	Whiteside	✓	Whiteside County State Bank—William L. O'Connell (John C. Kadyk, Receiver—resigned)	Jan. 30, 1934

**RECAPITULATION**

	Reopened by Permit	Closed Under Holiday	Total
State Banks in Chicago	41	3	44
State Banks in Cook County outside Chicago	36	1	37
State Banks in Illinois outside Cook County	540	1	541
Total	617	5	622

# MONTHLY BULLETIN

*Issued by*  
**EDWARD J. BARRETT**  
**AUDITOR of PUBLIC ACCOUNTS**  
BANKING DEPARTMENT  
State of Illinois

VOL. 9

SPRINGFIELD, ILL., MARCH 1, 1934

NO. 12

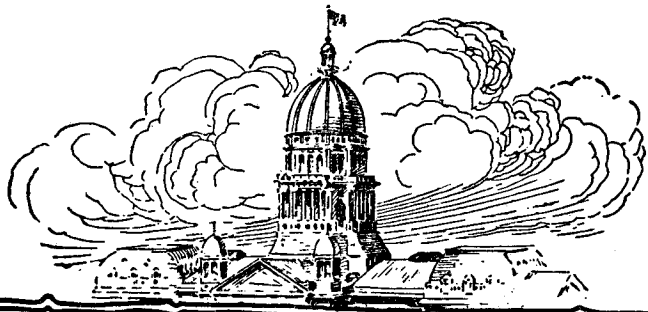
## INVESTMENTS

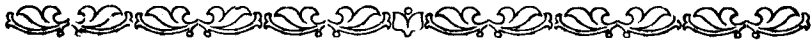
Securities markets have attained a broader and more stable basis than has been the case for several years and most investment accounts show a substantial appreciation.

Advantage should be taken of broader markets to give investment accounts a thorough overhauling. Defaulted and speculative bonds, which analysis indicate have little prospect for appreciation, should be disposed of and the proceeds invested in high grade income producing securities.

The rehabilitation of the bond account is one of the most important problems facing the banks today and will require the most careful analysis and judgment.

While appreciation is to be hoped for resort should not be had to speculation to recoup past losses. A bank's first consideration must be the safety of its investment funds and that feature must be paramount.





### REAL ESTATE LOANS AND MORTGAGES

Recent examinations have disclosed that many banks do not have complete files in connection with their real estate loans.

It is apparent that such loans have been made in the past without taking the necessary steps to ascertain that the borrower had a merchantable title.

No such loans should be made until the abstract has been brought down to date and the opinion of a competent attorney or abstractor obtained that title rests in the prospective borrower.

The Department will require that the real estate loan file contain an abstract brought down to the date of the loan and an opinion as to the title by a competent attorney or abstractor or a title guarantee policy of a recognized Title and Guarantee Company or a Torrens certificate of title.

The Department will also require that an appraisal of the property securing the loan be on file. The appraisal should be made by competent independent appraisers or by a committee of the Board of Directors consisting of at least three members.

One of the most serious problems, which banks have had to solve over the past several years, has been the liquidation of real estate loans. Banks which have had or now have a large percentage of their assets in such loans, even in cases where the loans are intrinsically sound, have been confronted with this difficulty. Agencies of the Federal government are now in operation and are being of great assistance and banks are urged to take full advantage of these facilities.

Real estate loans, as well as all other forms of bank loans, should be kept current, but no advantage should be sacrificed for that purpose. Extensions should be granted only upon payment of interest in full and substantial reduction of principal. Closely margined loans should have the most careful attention and every effort should be made to establish a program of ultimate liquidation.



### BANKS REOPENED UNDER PERMIT SINCE JANUARY THIRTY-FIRST

✓ Chicago	.....Cook	.....East Side Trust & Savings Bank	Feb. 10, 1934
Quincy	.....Adams	.....Broadway State Savings Bank of Quincy	.....Feb. 19, 1934
✓ Medora	.....Macoupin	.....Farmers State Bank of Medora	.....Feb. 21, 1934

### REOPENED

✓ Chicago	.....Cook	.....East Side Trust & Savings Bank (William L. O'Connell, Receiver—resigned)	.....Feb. 10, 1934
✓ Medora	.....Macoupin	.....Farmers State Bank of Medora (William L. O'Connell, Receiver—resigned)	.....Feb. 21, 1934

### CAPITAL STOCK DECREASED

Bloomington	..McLean	.....McLean County Bank—From \$200,000 to \$100,000	.....Feb. 3, 1934
-------------	----------	---	-------------------

### LIQUIDATED

✓ Batchtown	...Calhoun	.....Bank of Richwoods through Bank of Calhoun County, Hardin	....Feb. 1, 1934
-------------	------------	---	------------------

### RECEIVERS APPOINTED

✓ Lombard	✓✓.DuPage	.....Lombard State Bank—William L. O'Connell (Robert G. Earley, Receiver—resigned)	.....Feb. 1, 1934
✓ Lombard	✓.DuPage	.....South Lombard Trust and Savings Bank—William L. O'Connell (Robert G. Earley, Receiver—resigned)	.....Feb. 2, 1934
✓ Colfax	✓.McLean	.....Farmers State Bank of Colfax—William L. O'Connell (C. E. Irvin, Receiver—resigned)	.....Feb. 5, 1934
✓ Lexington	✓.McLean	.....State Bank of Lexington—William L. O'Connell (C. E. Irvin, Receiver—resigned)	.....Feb. 5, 1934
✓ Villa Park	✓.DuPage	.....State Bank of Villa Park—William L. O'Connell (James H. Richmond, Receiver—resigned)	.....Feb. 8, 1934
✓ Cloverdale	✓.DuPage	.....Cloverdale State Bank—William L. O'Connell (James H. Richmond, Receiver—resigned)	.....Feb. 8, 1934
✓ Benson	✓.Woodford	.....First State Bank of Benson—William L. O'Connell (M. L. Harper, Receiver—resigned)	.....Feb. 9, 1934
✓ Highwood	✓.Lake	.....Highwood State Bank—William L. O'Connell (H. A. Smith, Receiver—resigned)	.....Feb. 9, 1934
✓ Perry	✓.Pike	.....Perry State Bank—William L. O'Connell (H. S. Miller, Receiver—resigned)	.....Feb. 9, 1934
✓ Griggsville	✓.Pike	.....Griggsville State Bank—William L. O'Connell (H. S. Miller, Receiver—resigned)	.....Feb. 9, 1934
✓ Lowpoint	✓.Woodford	.....Banta Bros. Bank—William L. O'Connell (C. T. Ireland, Receiver—resigned)	.....Feb. 10, 1934
✓ Highland Pk.	✓.Lake	.....North Shore Trust Company—William L. O'Connell (H. A. Smith, Receiver—resigned)	.....Feb. 10, 1934
✓ St. Anne	✓.Kankakee	.....Farmers' State Bank of St. Anne—William L. O'Connell (Edwin Dumais, Receiver—resigned)	.....Feb. 14, 1934
✓ Herscher	✓.Kankakee	.....Citizens State Bank of Herscher—William L. O'Connell (A. E. Inglesh, Receiver—resigned)	.....Feb. 14, 1934



Kankakee ....Kankakee ✓...American Trust and Savings Bank  
 of Kankakee—William L.  
 O'Connell (Fred G. Snow, Re-  
 ceiver—resigned) .....Feb. 14, 1934  
 Monee .....Will .....✓...Eastern Will County State Bank  
 —William L. O'Connell (Charles  
 H. Blim, Receiver—resigned)...Feb. 15, 1934  
 Monee .....Will .....✓...Monee State Bank—William L.  
 O'Connell (P. M. Collins, Re-  
 ceiver—resigned) .....Feb. 16, 1934  
 Crete .....Will .....✓...Farmers State Bank of Crete—  
 William L. O'Connell (P. M.  
 Collins, Receiver—resigned) ..Feb. 16, 1934  
 Champaign ...Champaign ✓...University State Bank of Cham-  
 paign—William L. O'Connell  
 (August C. Meyer, Receiver—  
 resigned) .....Feb. 17, 1934  
 Deer Creek...Tazewell ✓...Deer Creek Bank—William L.  
 O'Connell .....Feb. 17, 1934  
 Pulaski .....Pulaski ✓...Citizens State Bank of Pulaski—  
 William L. O'Connell.....Feb. 17, 1934  
 Forest Park...Cook .....✓...Forest Park Trust & Savings  
 Bank—William L. O'Connell  
 (Arthur D. Rehm, Receiver—  
 resigned) .....Feb. 20, 1934  
 Mineral .....Bureau ✓...First State Bank of Mineral—  
 William L. O'Connell (C. A.  
 Simington, Receiver—resigned).Feb. 20, 1934  
 Manlius .....Bureau ✓...First State Bank of Manlius—  
 William L. O'Connell (C. A.  
 Simington, Receiver—resigned).Feb. 20, 1934  
 Reynolds .....Rock Island ✓...Farmers State Bank of Reynolds  
 —William L. O'Connell (Harry  
 Thompson, Receiver—resigned).Feb. 22, 1934  
 Preemption ...Mercer ✓...Preemption State Bank—William  
 L. O'Connell (A. D. Simpson,  
 Receiver—resigned) .....Feb. 23, 1934  
 Washington ..Tazewell ✓...Henry Denhart & Co.—William L.  
 O'Connell (Rae C. Heiple, Re-  
 ceiver—resigned) .....Feb. 23, 1934  
 New Windsor..Mercer ✓...Farmers State Bank of Windsor  
 —William L. O'Connell (E. R.  
 Petrie, Receiver—resigned)...Feb. 24, 1934  
 Palmyra .....Macoupin ✓...First State Bank of Palmyra—  
 William L. O'Connell (J. G.  
 Waters, Receiver—resigned) ..Feb. 26, 1934

**TRUST CERTIFICATE ISSUED**

Sycamore ....DeKalb .....The National Bank & Trust Com-  
 pany of Sycamore—Deposit,  
 \$50,000 .....Jan. 12, 1934

**TRUST CERTIFICATES CANCELED**

Sycamore ....DeKalb .....First Trust & Savings Bank of  
 Sycamore .....Dec. 11, 1933  
 Chicago .....Cook .....Lawndale State Bank.....Dec. 30, 1933

**RECAPITULATION**

	Reopened by Permit	Closed Under Holiday	Total
State Banks in Chicago .....	42	3	45
State Banks in Cook County outside Chicago.....	36	1	37
State Banks in Illinois outside Cook County.....	541	0	541
<b>Total .....</b>	<b>619</b>	<b>4</b>	<b>623</b>

# MONTHLY BULLETIN

*Issued by*  
**EDWARD J. BARRETT**  
**AUDITOR of PUBLIC ACCOUNTS**  
BANKING DEPARTMENT  
State of Illinois

VOL. 10

SPRINGFIELD, ILL., APRIL 1, 1934

NO. 1

## DEPOSITS AND INTEREST

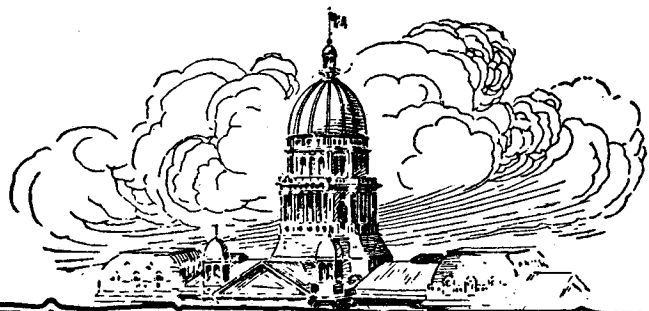
On August 29, 1933, the Federal Reserve Board issued Regulation Q, Series 1933, based on Section 19 of the Federal Reserve Act, concerning the payment of deposits and interest thereon. In January, 1934, the Federal Deposit Insurance Corporation issued Regulations B and C, which contained practically all of the restrictions which were set forth in Regulation Q of the Federal Reserve Board.

State banks which are members of the Federal Reserve System are bound by their membership agreement to observe the Regulations of the Federal Reserve Board, and State banks which are members of the Federal Deposit Insurance Fund are, by the terms of their membership, bound to observe the Regulations of the Federal Deposit Insurance Corporation. Therefore, all State banks which are members of the Federal Reserve System, or of the Federal Deposit Insurance Fund must observe these Regulations and are subject to the penalties provided in said Regulations.

The restrictions imposed in the Regulations are primarily for the purpose of providing greater protection for banks during periods of local disturbance, or national emergency, and it is, therefore, incumbent on all State banks to familiarize themselves with the Regulations in question and to observe both the letter and the spirit of same.

Questions relative to the interpretation of the Regulations may be referred to the Federal Reserve Bank in your District, or to the Federal Deposit Insurance Corporation at Washington, D. C.

The Banking Department, through its Examiners, will cooperate with the Federal Reserve Banks and with the Federal Deposit Insurance Corporation to ascertain that the above Regulations are being strictly complied with.



**TAX ANTICIPATION WARRANTS**

Tax anticipation warrants are a form of security which, if properly handled, constitute a safe and remunerative investment for banks and the purchase of such warrants is a distinct service to the community.

However, it is essential in purchasing tax anticipation warrants that the utmost care be used. Opinion as to their validity by competent counsel should be obtained and held in the banks' files.

The law provides that the public body issuing the warrants may issue same for not more than seventy-five per cent of the tax levied for the particular fund against which the warrants are drawn.

The past history of tax collection, by the body politic involved, should be studied and a careful survey of prospective collections should be made. The conservative practice is to reach an agreement with the issuing body definitely limiting the total amount of warrants which will be issued and such amount should be set at a ratio which will insure their certain and early retirement.

Some banks have purchased orders or warrants drawn against funds not in the treasury, particularly school district orders. This is an extremely dangerous practice and it is found that these banks are now holding such orders which are several years old. It is impossible or extremely difficult to limit the amount of orders drawn and it is sometimes found that orders in excess of the taxes received have been issued and, therefore, the orders became a very doubtful asset in the hands of the bank.

No financing of this character should be undertaken by banks except through legally issued tax anticipation warrants.

**BANKS REOPENED UNDER PERMIT SINCE FEBRUARY TWENTY-EIGHTH**

✓ Port Byron...Rock Island...Port Byron State Bank.....Mar. 22, 1934

**REOPENED**

Port Byron...Rock Island...Port Byron State Bank.....Mar. 22, 1934

**CONSOLIDATED**

✓ Elgin .....Kane .....The Elgin City Banking Company and The First National Bank of Elgin, under title "The First National Bank of Elgin".....Mar. 29, 1934

**CAPITAL STOCK DECREASED**

Oak Park.....Cook .....Avenue State Bank from \$500,000 to \$200,000 .....Mar. 3, 1934

Niles Center...Cook .....Niles Center State Bank from \$200,000 to \$100,000 .....Mar. 3, 1934

Toulon .....Stark .....Charles P. Dewey & Sons, Bankers, from \$100,000 to \$50,000.....Mar. 3, 1934

Highland .....Madison .....Farmers and Merchants Bank of Highland from \$85,000 to \$60,350.....Mar. 5, 1934

Port Byron...Rock Island...Port Byron State Bank from \$75,000 to \$50,000 .....Mar. 22, 1934

Effingham ...Effingham ...Effingham State Bank from \$110,000 to \$55,000 .....Mar. 26, 1934

Winchester ...Scott .....Neat, Condit & Grout, Bankers, from \$110,000 to \$55,000.....Mar. 31, 1934

**CHANGE OF PAR VALUE OF CAPITAL STOCK**

Oak Park.....Cook .....Avenue State Bank from \$100 to \$40.....Mar. 3, 1934

Niles Center...Cook .....Niles Center State Bank from \$100 to \$10.....Mar. 3, 1934

Highland .....Madison .....Farmers and Merchants Bank of Highland from \$100 to \$71.....Mar. 5, 1934

Effingham ...Effingham ...Effingham State Bank from \$100 to \$50...Mar. 26, 1934

Winchester ...Scott .....Neat, Condit & Grout, Bankers, from \$100 to \$50 .....Mar. 31, 1934

**LIQUIDATED**

✓ Jamaica .....Vermillion ...Jamaica State Bank.....Feb. 5, 1934

**RECEIVERS APPOINTED**

Princeville ....Peoria ✓.....Farmers State Bank of Princeville—William L. O'Connell (Charles E. Berry, Receiver—resigned) .....Mar. 1, 1934

Chana .....Ogle ✓.....Chana Banking Company—William L. O'Connell (P. L. McDonald, Receiver—resigned) .....Mar. 3, 1934

Oregon .....Ogle ✓.....Ogle County State Bank—William L. O'Connell (P. L. McDonald, Receiver—resigned) .....Mar. 3, 1934

Chicago .....Cook ✓.....Armitage State Bank—William L. O'Connell (Irwin T. Gilruth, Receiver—resigned) .....Mar. 3, 1934

Chicago .....Cook ✓.....Auburn Park Trust & Savings Bank—William L. O'Connell (Irwin T. Gilruth, Receiver—resigned) .....Mar. 3, 1934

Chicago .....Cook ✓.....Brainerd State Bank—William L. O'Connell (Irwin T. Gilruth, Receiver—resigned) .....Mar. 3, 1934

Chicago .....Cook ✓.....Bryn Mawr State Bank—William L. O'Connell (Irwin T. Gilruth, Receiver—resigned) .....Mar. 3, 1934

Chicago .....Cook ✓.....Chatham State Bank—William L. O'Connell (Irwin T. Gilruth, Receiver—resigned) .....Mar. 3, 1934

Chicago .....Cook ✓.....Chicago Lawn State Bank—William L. O'Connell (Irwin T. Gilruth, Receiver—resigned) .....Mar. 3, 1934

Chicago .....Cook ✓.....Elston State Bank—William L. O'Connell (Irwin T. Gilruth, Receiver—resigned) .....Mar. 3, 1934

Chicago .....Cook ✓.....Ridge State Bank—William L. O'Connell (Irwin T. Gilruth, Receiver—resigned) .....Mar. 3, 1934

Chicago .....Cook ✓.....Stony Island State Savings Bank—William L. O'Connell (Irwin T. Gilruth, Receiver—resigned) .....Mar. 3, 1934

Chicago .....Cook ✓.....West Englewood Trust & Savings Bank—William L. O'Connell (Irwin T. Gilruth, Receiver—resigned) .....Mar. 3, 1934

Chicago .....Cook ✓.....West Highland State Bank—William L. O'Connell (Irwin T. Gilruth, Receiver—resigned) .....Mar. 3, 1934

Chicago .....Cook ✓.....West Lawn Trust and Savings Bank—William L. O'Connell (Irwin T. Gilruth, Receiver—resigned) .....Mar. 3, 1934

Hanover .....JoDavless ✓.....Hanover State Bank—William L. O'Connell (John C. McKenzie, Receiver—resigned) .....Mar. 6, 1934

Stockton .....JoDavless ✓.....State Bank of Stockton—William L. O'Connell (W. S. Eaton, Receiver—resigned) .....Mar. 6, 1934

Armington ...Tazewell ✓.....Farmers State Bank of Armington—William L. O'Connell (E. R. Rhoades, Receiver—resigned) .....Mar. 6, 1934

Minier .....Tazewell ✓.....Minier State Bank—William L. O'Connell (E. R. Rhoades, Receiver—resigned) .....Mar. 6, 1934

Ohio .....Bureau ✓.....First State Bank of Ohio—William L. O'Connell (G. P. Seibel, Receiver—resigned) .....Mar. 9, 1934

LaMoille .....Bureau ✓.....LaMoille State Bank—William L. O'Connell (Dorsey S. Dayton, Receiver—resigned) .....Mar. 9, 1934

Madison .....Madison ..✓...Tri-City State Bank—William L. O'Connell (M. H. Ward, Receiver—resigned). Mar. 9, 1934

Rockford .....Winnebago ✓...Peoples Bank and Trust Company—William L. O'Connell (Eugene Abegg, Receiver—resigned) ..... Mar. 10, 1934

Dowell .....Jackson ..✓...Union State Bank of Dowell—William L. O'Connell (W. O. Druke, Receiver—resigned) ..... Mar. 10, 1934

Oglesby .....LaSalle ..✓...Oglesby State Bank—William L. O'Connell (Fred W. Sauer, Receiver—resigned)..... Mar. 13, 1934

Wauconda ....Lake .....✓...Wauconda Trust and Savings Bank—William L. O'Connell (Elmer Clavey, Receiver—resigned) ..... Mar. 14, 1934

Carthage .....Hancock ..✓...The Dime Savings Bank—William L. O'Connell (Harry Cuerden, Receiver—resigned) ..... Mar. 15, 1934

Moline .....Rock Island ✓...Fifth Avenue Trust and Savings Bank—William L. O'Connell (Robert A. Cole, Receiver—resigned) ..... Mar. 16, 1934

Sadorus .....Champaign ✓...Farmers First State Bank of Sadorus—William L. O'Connell (R. E. Milligan, Receiver—resigned) ..... Mar. 16, 1934

St. Joseph.....Champaign ✓...Exchange Bank of St. Joseph—William L. O'Connell (J. F. Rankin, Receiver—resigned) ..... Mar. 17, 1934

Taylorville ...Christian ..✓...John B. Colegrove and Co. State Bank—William L. O'Connell (R. Digby Large, Receiver—deceased) ..... Mar. 20, 1934

Stonington ...Christian ..✓...The First State Bank of Stonington—William L. O'Connell (Leefern N. Sullivan, Receiver—resigned) ..... Mar. 22, 1934

Seneca .....LaSalle .....✓...State Bank of Seneca—William L. O'Connell (M. J. Hogan, Receiver—resigned). Mar. 23, 1934

Serena .....LaSalle .....✓...Serena State Bank—William L. O'Connell (J. G. Schumacher, Receiver—resigned). Mar. 23, 1934

Tiskilwa .....Bureau .....✓...The First State Bank of Tiskilwa—William L. O'Connell (E. C. Coppins, Receiver—resigned) ..... Mar. 28, 1934

**TRUST CERTIFICATE ISSUED**

Elgin .....Kane .....The First National Bank of Elgin—Deposit, \$125,000 ..... Mar. 29, 1934

**RECAPITULATION**

	Reopened by Permit	Closed Under Holiday	Total
State Banks in Chicago.....	42	3	45
State Banks in Cook County outside Chicago.....	36	1	37
State Banks in Illinois outside Cook County.....	541	0	541
Total .....	619	4	623

# MONTHLY BULLETIN

Issued by  
**EDWARD J. BARRETT**  
AUDITOR of PUBLIC ACCOUNTS  
BANKING DEPARTMENT  
State of Illinois

VOL. 10

SPRINGFIELD, ILL., MAY 1, 1934

NO. 2

## CREDITS

The Federal Reserve Bank, Federal Deposit Insurance Corporation and this Department have repeatedly requested that banks obtain and have on hand financial statements of their borrowing customers and appraisals of properties owned or securing real estate loans.

Examinations recently made disclose that many banks still do not have the proper credit files. This office has instructed its examiners that, in cases where financial statements are inadequate and cannot be obtained during the examination without delaying same, the examiner complete the detail of the examination and return within a week or so to classify the assets after adequate credit information has been obtained and to continue to do so until such information is complete.

In the event that it is necessary for an examiner to return to the bank, or that the examination is unduly prolonged because of lack of credit information or because the records are not properly kept, an additional charge will be made.

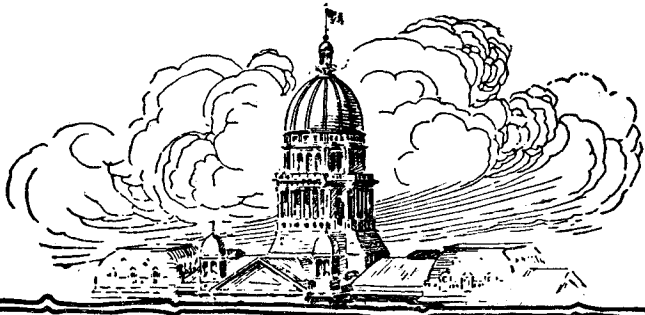
Financial statements should be complete, in balance, and should be made out and signed by the borrower. Statements should also be obtained from co-signers and endorsers. A schedule should be included in the statement or attached, detailing all assets.

Credit files should be kept current and, therefore, the Department requests that statements be obtained when new loans are made and at every renewal.

The insistence upon obtaining proper credit information is not made solely for the convenience of supervising authorities but primarily because such information is absolutely necessary for the bank officers and directors in the conduct of the business. The lack of such information is a serious reflection on the ability of the management of any bank.

Experience shows that in a majority of cases in which banks do not have proper credit files, neither the officers nor directors know the exact financial status of many of their borrowers.

Such a condition cannot and will not be tolerated.



**COLLATERAL**

One of the lessons which banks have learned during the period of depression is the necessity of insuring themselves against loss by obtaining security when loans are made, or by obtaining collateral on loans which they now have in their portfolios.

Many banks, particularly the smaller banks, have, in the past, failed to obtain collateral even in cases where the borrower's statement did not warrant an unsecured line and it is noted that in many cases the bank is not properly protected when collateral is taken.

The January bulletin contained an article on Chattel Mortgages and we are offering the following suggestions as to other forms of collateral:

A collateral form of note should be taken, the collateral securing the loan listed thereon and the note should contain an agreement, providing, among other things, for the sale of the collateral by the bank upon default by the maker of the note and a waiver of notice of non-payment, etc., by the borrower. It should also provide that the bank may sell the collateral at private or public sale on a broker's board or otherwise. Provision should also be made that, in case of depreciation of the value of the collateral, the bank may demand additional security and it should be given the right of action in case such demand is not met.

Care should be taken that the collateral is properly endorsed or assigned so that if it becomes necessary the bank will be in a position to immediately dispose of it.

Registered Government bonds owned by the borrower should be assigned in ink in blank. If such bonds are owned by a third party they should be transferred to the borrower and by him assigned in blank or should be assigned and a consent to pledge obtained from the owner of the bonds. If they are the property of a corporation, a resolution by the Board of Directors of the corporation authorizing its officers to assign should be on file with the Federal Reserve Bank.

Stock accepted as collateral should be accompanied by power of attorney or endorsed in ink.

In case a third party is the owner of stock offered as collateral, a consent to pledge should be obtained from the owner and the certificate should be endorsed in ink or a power of attorney also obtained.

In all cases where property owned by a third party is offered as collateral, a consent to pledge should be obtained.

The bank should obtain from a corporation a resolution by its Board of Directors authorizing its officers to borrow and to sign

its notes. If property of a corporation is offered as collateral, a resolution of its Board, authorizing its officers to pledge same, should be obtained.

In addition to obtaining the pledge of various forms of property, banks should, wherever possible, secure themselves by obtaining other good names on their paper as co-signers, endorsers or guarantors both on personal loans and loans to corporations.

We again call attention to the advisability of obtaining the signature of both man and wife in cases where the borrower is married.

<b>BANK REOPENED UNDER PERMIT SINCE MARCH THIRTY-FIRST</b>	
✓ Vienna .....	Johnson .....Drovers State Bank.....Apr. 16, 1934
<b>REOPENED</b>	
Vienna .....	Johnson .....Drovers State Bank (William L. O'Connell, Receiver—resigned) Apr. 16, 1934
<b>CAPITAL STOCK DECREASED</b>	
Chicago .....	Cook .....Drexel State Bank of Chicago, from \$500,000 to \$200,000.....Apr. 20, 1934
<b>CHANGE OF PAR VALUE OF CAPITAL STOCK</b>	
Chicago .....	Cook .....Drexel State Bank of Chicago, from \$100 to \$40.....Apr. 20, 1934
<b>NAME CHANGED</b>	
Quincy .....	Adams .....Broadway State Savings Bank of Quincy to The Peoples Bank of Quincy .....Apr. 16, 1934
<b>RECEIVERS APPOINTED</b>	
Loda .....	✓ Iroquois .....State Bank of Loda—William L. O'Connell (G. B. Egley, Receiver—deceased) .....Apr. 14, 1934
Cissna Park...	✓ Iroquois .....Iroquois County State Bank—William L. O'Connell (G. B. Egley, Receiver—deceased).....Apr. 14, 1934
Cissna Park...	✓ Iroquois .....Peoples State Bank of Cissna Park—William L. O'Connell (G. B. Egley, Receiver—deceased).....Apr. 14, 1934
Pawnee .....	✓ Sangamon .....Pawnee State Bank—William L. O'Connell (F. A. Stutsman, Receiver—resigned) .....Apr. 14, 1934
Riverton .....	✓ Sangamon .....Riverton State Bank—William L. O'Connell (F. A. Stutsman, Receiver—resigned) .....Apr. 14, 1934
Downers Gr...	✓ DuPage .....Downers Grove State Bank—William L. O'Connell (P. H. Boecker, Receiver—resigned).....Apr. 16, 1934
Glen Ellyn...	✓ DuPage .....Glen Ellyn State Bank—William L. O'Connell (Frank J. Bogan, Receiver—resigned) .....Apr. 16, 1934
Maywood .....	✓ Cook .....Proviso State Bank—William L. O'Connell (Charles Heller, Receiver—appointment revoked).....Apr. 17, 1934
Aurora .....	✓ Kane .....Broadway Trust & Savings Bank of Aurora—William L. O'Connell (J. C. Weiland, Receiver—resigned) .....Apr. 17, 1934

Elgin .....Kane ✓.....Home Trust and Savings Bank—  
William L. O'Connell (George  
H. Andresen, Receiver—re-  
signed) .....Apr. 17, 1934

Dundee .....Kane ✓.....Dundee State Bank—William L.  
O'Connell (H. D. Hemmens,  
Receiver—resigned) .....Apr. 17, 1934

Avon .....Fulton ✓.....The Avon State Bank—William  
L. O'Connell (E. B. Sowers,  
Receiver—resigned) .....Apr. 20, 1934

West Union...Clark ✓.....First State Bank of West Union  
—William L. O'Connell (John  
T. Smith, Receiver—resigned) Apr. 24, 1934

Hutsonville ...Crawford ✓.....Newlin State Bank—William L.  
O'Connell (John T. Smith, Re-  
ceiver—resigned) .....Apr. 24, 1934

Moline .....Rock Island ✓.....Commercial Savings Bank—Wil-  
liam L. O'Connell (Charles J.  
Smith, Receiver—resigned).... Apr. 26, 1934

Bishop Hill...Henry ✓.....Bank of Bishop Hill—William L.  
O'Connell (M. A. Adams, Re-  
ceiver—resigned) .....Apr. 27, 1934

Hamilton .....Hancock ✓.....Peoples State Bank of Hamilton  
—William L. O'Connell (Earl  
Turner, Receiver—resigned).... Apr. 27, 1934

Elvaston .....Hancock ✓.....Farmers Exchange Bank of El-  
vaston—William L. O'Connell  
(Earl Turner, Receiver—re-  
signed) .....Apr. 27, 1934

Lomax .....Henderson ✓.....Commercial Trust & Savings  
Bank of Lomax—William L.  
O'Connell (Roy K. Adair, Re-  
ceiver—resigned) .....Apr. 27, 1934

Dallas City...Hancock ✓.....The Farmers State Bank of Dal-  
las City—William L. O'Connell  
(Roy K. Adair, Receiver—re-  
signed) .....Apr. 27, 1934

Swan Creek...Warren ✓.....Swan Creek State Bank—William  
L. O'Connell (Roscoe Arthur,  
Receiver—resigned) .....Apr. 27, 1934

Cameron .....Warren ✓.....State Bank of Cameron—William  
L. O'Connell (Roscoe Arthur,  
Receiver—resigned) .....Apr. 27, 1934

Kewanee .....Henry ✓.....Union State Savings Bank &  
Trust Company—William L.  
O'Connell (Robert M. Campbell,  
Receiver—resigned) .....Apr. 28, 1934

Donovan .....Iroquois ✓.....Farmers State Bank of Donovan  
—William L. O'Connell (H. C.  
Geiger, Receiver—resigned).... Apr. 28, 1934

**TRUST CERTIFICATES CANCELLED**

Wilmette .....Cook .....Wilmette State Bank .....Apr. 16, 1934

Elgin .....Kane .....The Elgin City Banking Com-  
pany .....Apr. 19, 1934

**RECAPITULATION**

	Reopened by Permit	Closed Under Holiday	Total
State Banks in Chicago.....	42	3	45
State Banks in Cook County outside Chicago..	36	1	37
State Banks in Illinois outside Cook County..	541	0	541
Total .....	619	4	623

# MONTHLY BULLETIN

Issued by  
**EDWARD J. BARRETT**  
AUDITOR of PUBLIC ACCOUNTS  
BANKING DEPARTMENT  
State of Illinois

VOL. 10

SPRINGFIELD, ILL., JUNE 1, 1934

NO. 3

## DIVIDENDS ON DEFERRED CERTIFICATES OF DEPOSIT

Numerous requests for the Department's approval of the payment of dividends on Deferred Certificates of Deposit have been received recently.

Such payments would be of inestimable value to the community and to the bank particularly where it was necessary to take waivers of deposit. They would go far to promote good feeling and to reestablish the bank in the estimation of its customers.

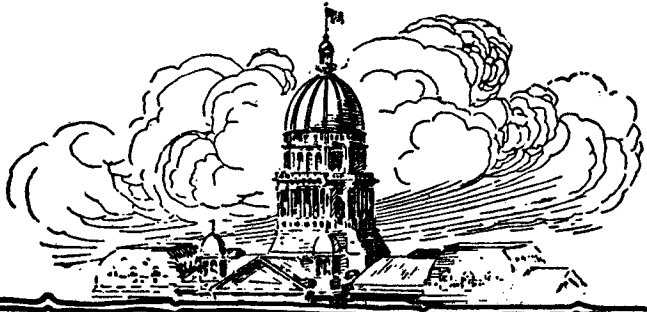
The Department will be very pleased to give its approval in every case where it can consistently do so. However, the purpose of obtaining waivers or contributions was to place the bank in a strong and unassailable condition and that condition must be maintained.

Deferred Certificates are payable out of future net profits which are defined as operating profits, plus recoveries less charge-offs and proper provision for reserves. Reserves must be adequate to protect the bank from losses which may be incurred from slow and doubtful assets.

Cash position must be strong and adequate liquidity must be maintained. It is, therefore, incumbent upon bankers to do their utmost to collect or reduce assets which might be classified as slow or doubtful. When immediate collection cannot be made every effort should be put forth to obtain security which will make certain the ultimate collection of assets of this character. The above applies even more strongly to assets which have been charged off as it is largely through recovery on such items that funds will be provided for the retirement of the certificates.

The recent earning history of the bank will have serious consideration and expenses should be reduced to a minimum consistent with the proper safeguarding of the bank's affairs.

When the banks have attained the condition outlined above, the Department will be more than pleased to cooperate but it cannot be expected and should not be requested to approve of the payment of dividends on Deferred Certificates of Deposit if such payment would in any way be to the prejudice of creditors.





## CALL REPORTS

A number of changes have been made in the forms prescribed by this Department, to be used by banks in exhibiting their resources and liabilities in connection with Call Reports. Instructions regarding these changes will accompany the forms when the next Call is made by the Auditor for a report of the condition of Illinois State Banks, and all bankers are urged to study these instructions carefully so as to avoid the inconvenience to banks and to this Department of executing and filing corrected forms which will be necessary if errors are made in the original report.

Investments guaranteed by the U. S. Government are to be shown as a resource item and are to be listed separately from U. S. Government investments and other bonds.

An additional space has been provided under Liabilities for income debentures and/or capital notes. This space is to be used by all banks which have sold debentures or capital notes to the Reconstruction Finance Corporation and these must be included in the published report in the newspaper and on any other statements made public.

Deposits secured by pledge of loans and/or investments of the bank and deposits not so secured will be listed in a schedule provided under Liabilities.

In addition a memorandum will be included regarding loans and investments pledged to secure liabilities and if any assets are so pledged this memorandum must be shown on all statements required by this office, including the published report in the newspaper.

As has been the custom in the past, every blank space and schedule on the forms must be filled in and where there are no figures to report the word "None" must be written or stamped. The published report in the newspaper must include all items and the word "None" where there are no figures to be inserted. However, with reference to memorandum regarding loans and investments pledged to secure liabilities, if no assets are so pledged the memorandum must be filled in on Forms 7 and 8, using the word "None," but in such case the said memorandum need not be filled in on Form 9 and need not be included in the published report in the newspaper.

The published report in the newspaper must agree with the report submitted to this Department in every particular except the above mentioned memorandum in case no assets are pledged to secure liabilities, and it is recommended that in all instances the bank require that the publisher furnish proof to the bank and that this proof be checked as to items and amounts with the other report forms before publication, as the publishing of an incorrect or incomplete report will necessitate republishing and refileing.

If deferred certificates have been issued these must be shown on all Call Report forms, including the published report in the newspaper and any other statements made public, in a footnote

using the wording as previously prescribed and as included in the instructions which accompany the forms.

Report Forms 7 and 8 must be transmitted to the Auditor within five days after receiving call for the same, as required by the Banking Act and the Department requests that bankers cooperate by executing and forwarding these forms by return mail.

## REPORTS OF EARNINGS, EXPENSES AND DIVIDENDS

Blank forms for Report of Earnings, Expenses and Dividends for the period of six months ending with the close of business June 30, 1934 will be forwarded to all Illinois State banks within a short time.

The instructions printed on the back of the forms and contained in the letter of transmittal accompanying the forms should be studied carefully and the report prepared following the prescribed form in every particular.

The report must be in balance as to each of its three sections; the questions at the bottom of the form must be answered; the report must be subscribed and sworn to by an officer of the bank before a Notary Public and the Notary's seal affixed.

These reports must show the information called for on a cash basis instead of an accrual basis and must contain a complete report of all transactions affecting earnings, expenses, profits, losses, dividends, etc., during the preceding six months period.

Special attention is directed to an additional item which has been inserted in Section 3 of the Report and which is entitled "Deferred and/or Beneficial Certificates Retired." If future net profits are pledged to repay waiving depositors or contributors, such pledge should be evidenced by deferred or beneficial certificates in a form approved by this Department. No payments are to be made on such deferred or beneficial certificates without the approval of this Department and when, and if, such approval has been obtained the amount paid should be entered on the form as deferred and/or beneficial certificates retired.

These Reports should be mailed to the Auditor of Public Accounts, Springfield, Illinois, within five days after June 30th.

Any deviation from the instructions, resulting in an incorrect or incomplete report will necessitate executing and filing a corrected report.

## DIVIDENDS TO STOCKHOLDERS

If any dividends are declared and paid to stockholders the provisions of Section 11½ of the Banking Act must be followed out and Form 55 evidencing the legality of the dividend, in accordance with this Section of the Law, must be executed and filed with this Department. These forms may be obtained from this office and should be requested by all banks which declare a dividend to stockholders or contemplate the payment of such dividend.

**BANKS REOPENED UNDER PERMIT SINCE APRIL THIRTIETH**

Chapin .....Morgan .....Chapin State Bank.....May 17, 1934  
 Ashmore .....Coles .....Ashmore State Bank.....May 22, 1934

**REOPENED**

Chapin .....Morgan .....Chapin State Bank (E. E. Crabtree,  
 Receiver—resigned).....May 17, 1934  
 Ashmore .....Coles .....Ashmore State Bank.....May 22, 1934

**LIQUIDATED**

Royal .....Champaign .....Royal State Bank.....Apr. 28, 1934  
 Loami .....Sangamon .....Loami State Bank .....Apr. 30, 1934  
 Rockbridge ..Greene .....Rockbridge State Bank through  
 Farmers State Bk. of Greenfield..May 29, 1934

**CONVERSION**

Winchester ..Scott .....Neat, Condit & Grout, Bankers into  
 The Neat, Condit and Grout Na-  
 tional Bank of Winchester.....May 9, 1934

**CLOSED**

East Peoria ...Tazewell .....Fon du Lac State Bank.....May 26, 1934

**RECEIVERS APPOINTED**

Astoria .....Fulton .....Astoria State Bank—William L.  
 O'Connell (Dayne K. Farr, Re-  
 ceiver—resigned) .....May 1, 1934  
 Farmington ...Fulton .....Alfred C. Steenburg & Co.—William  
 L. O'Connell (W. H. Carver,  
 Receiver—resigned) .....May 2, 1934  
 Golconda .....Pope .....Pope County State Bank—William  
 L. O'Connell (E. B. Jackson,  
 Receiver—resigned) .....May 3, 1934  
 Brownfield ...Pope .....Union State Bank of Brownfield—  
 William L. O'Connell (E. B. Jack-  
 son, Receiver—resigned) .....May 3, 1934  
 Herrin .....Williamson .....Herrin State Savings Bank—  
 William L. O'Connell (E. B. Jack-  
 son, Receiver—resigned) .....May 3, 1934  
 Princeville ...Peoria .....First State Bank of Princeville—  
 William L. O'Connell (C. H. C.  
 Hogaboom, Receiver—resigned).....May 4, 1934  
 Odell .....Livingston .....State Bank of Odell—William L.  
 O'Connell (E. M. Hoffman,  
 Receiver—resigned) .....May 7, 1934  
 Flanagan .....Livingston .....Farmers State Bank of Flanagan—  
 William L. O'Connell (Paul C.  
 Hahn, Receiver—resigned).....May 8, 1934  
 Havana .....Mason .....Mason County Bank—William L.  
 O'Connell (Fred Trimpe, Re-  
 ceiver—resigned) .....May 10, 1934  
 Morrisonville ..Christian .....Morrisonville State Bank—William  
 L. O'Connell (R. F. Wahl,  
 Receiver—resigned) .....May 14, 1934  
 Genoa .....DeKalb .....Farmers State Bank of Genoa—  
 William L. O'Connell (George A.  
 Fox, Receiver—resigned) .....May 18, 1934  
 Genoa .....DeKalb .....Exchange State Bank of Genoa—  
 William L. O'Connell (George A.  
 Fox, Receiver—resigned) .....May 18, 1934

**TRUST CERTIFICATE CANCELLED**

Amboy .....Lee .....First National Bank.....May 21, 1934

**RECAPITULATION**

	Reopened by Permit	Closed Under Holiday	Total
State Banks in Chicago.....	42	3	45
State Banks in Cook County outside Chicago.....	36	1	37
State Banks in Illinois outside Cook County.....	539	0	539
Total .....	617	4	621

# MONTHLY BULLETIN

*Issued by*  
**EDWARD J. BARRETT**  
**AUDITOR of PUBLIC ACCOUNTS**  
BANKING DEPARTMENT  
State of Illinois

VOL. 10

SPRINGFIELD, ILL., JULY 1, 1934

NO. 4

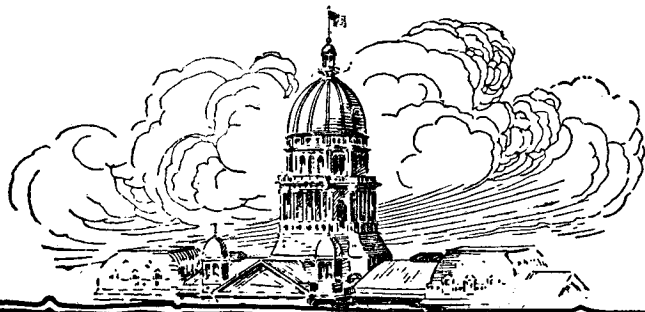
## TO THE DIRECTORS

The directors are the managers of the bank and while the details of operation are in the hands of the officers elected and appointed by them, the final responsibility for its success or failure rests on the directors. It is incumbent on each director that he attend all meetings and familiarize himself with the bank's operations. His most important duty is to shape the loaning policy of the bank and to approve all loans and investments.

An active Discount Committee is vitally necessary. A recommended procedure is that the designated officers accept applications for loans and renewals which are approved and authorized by the Discount Committee before the loans are granted. A similar procedure is adopted with regard to investments. At each monthly meeting the report of the Discount Committee is reviewed, in detail, and thoroughly discussed by the entire Board.

Banks in general have found that their earning power has diminished, necessitating the utmost economy, while in many instances their assets require more attention than ever before. So-called "slow" and "doubtful" loans must be collected or reduced and further strengthened. The directors should advise with and assist the active officers in this work.

A bank director who fully discharges his responsibilities must exercise to the fullest extent his ability and judgment and above all he must not permit himself to be dominated by any group of officers or directors. He must see to it that the affairs of the bank are properly conducted; that its loans and investments are made on a conservative basis; that they receive the necessary attention and that the statutes are complied with in every detail.



## LOANS TO DIRECTORS AND OFFICERS

A director or officer of a bank who uses his position to obtain accommodation which his credit standing would not enable him to obtain elsewhere is faithless to the trust reposed in him.

A director's or officer's loan from his own institution should be made on the strictest credit standards and should be readily discountable in case of need.

Numerous instances are found in which directors' or officers' loans have become "slow" and "frozen". The liquidation of such loans is of the utmost importance and the first duty of the officers and directors involved.

Attention is called to the following provision of the statute with regard to such loans:

"It shall not be lawful for any bank to loan to its president, or to any of its vice-presidents or its salaried officers or employees, or to corporations or firms controlled by them, or in the management of which any of them are actively engaged, until an application for such loan shall have been first approved, both as to security and amount, by the Board of Directors."

## EXCESS LOANS

Excess loans to persons, corporations or partnerships have been a source of danger to banks in the past and directors and officers are reminded of their personal liability, as provided by statute, if such loans are permitted.

Evasions of this provision of the Banking Act by so-called accommodation loans have been far too common in the past and should not be permitted, both from the standpoint of the safety of the bank and that of the directors' and officers' personal responsibility.

## EXAMINING COMMITTEE

The by-laws of most banking institutions provide that the directors shall appoint an Examining Committee. This is a provision which is too often neglected. The Committee should, at least once a year, make or cause to be made a thorough examination and audit of the bank's affairs. If the Committee undertakes this work themselves, every care should be taken that such examination is, as far as is possible, independent of the active officers.

They should appraise the assets, determine the losses, if any, and provide for their elimination.

The report of the Committee should be spread upon the minute book of the bank and a copy forwarded to this office.

## SURETY BONDS AND INSURANCE

Officers and employees should be properly bonded. Surety bonds have become increasingly expensive but the fact that the cost of such bonds has increased is the best indication of their necessity.

The Department has ruled that surety bonds should be obtained on all active officers and employees and regards their cost as a necessary expense in the proper operation of a bank.

Burglary and robbery insurance is also a vital necessity and should cover all of the cash and negotiable securities which are kept on the bank's premises.

Banking House and Furniture and Fixtures should be adequately covered by fire and tornado insurance.

## BOOKS AND RECORDS

The statute provides that:

"\* \* \* The directors shall cause to be kept suitable books of record of all the transactions of the bank \* \* \*"

Therefore, it is the duty of the directors to ascertain that the books and records are properly kept in such a manner that the information required by the Auditor, in his calls for reports of condition and earnings, expenses and dividends, will be readily available. They should provide all of the information which is necessary for the examiner and for the examining committee. This includes complete credit files containing current statements of all borrowing customers, also appraisals of properties owned or securing real estate loans, abstracts brought down to date or opinions of title, insurance policies properly assigned, a properly kept liability ledger and a collateral register. Customers' securities left for safe-keeping should be properly receipted for and recorded.

## EARNINGS, EXPENSES AND DIVIDENDS

The Auditor of Public Accounts calls for a report of earnings, expenses and dividends semi-annually on June 30 and December 31 of each year. Blanks are furnished, in duplicate, so that a copy may be retained by the bank and it is recommended that these reports be analyzed carefully by the directors. Many of the reports received in this office indicate that earnings are considerably diminished and in some cases show an operating loss for the period.

Every effort, consistent with the safety of the bank, must be made to overcome this condition. Expenses should be reduced to a minimum but never to the extent that the bank is not properly conducted and its assets do not receive the proper attention.

The income of the bank should be increased in every possible way consistent with the safety of the funds invested. Safety should, of course, be paramount. The liquidation of non-productive assets should be stressed and the directors should require that the bank be compensated for all services rendered.

## REPORTS OF EXAMINATION

Reports of examination by this office are addressed to the officers and directors. Accompanying the report is a form to be signed by each director stating that he has read and familiarized himself with the report. The Department desires that every director be familiar with the condition of the bank, as shown by the report and, therefore, makes this request. Every director should thoroughly familiarize himself with the report before signing the above mentioned form.

BANKS REOPENED UNDER PERMIT SINCE MAY THIRTY-FIRST

Ohlman.....Montgomery.....Ohlman State Bank.....June 30, 1934

REOPENED

Ohlman.....Montgomery.....Ohlman State Bank.....June 30, 1934

CAPITAL STOCK DECREASED

Evanston.....Cook.....State Bank and Trust Company. From \$500,000 to \$300,000.....June 18, 1934  
Greenville.....Bond.....State Bank of Hoiles & Sons. From \$120,000 to \$100,000.....June 21, 1934

CHANGE OF PAR VALUE OF CAPITAL STOCK

Evanston.....Cook.....State Bank and Trust Company. From \$100 to \$60.....June 18, 1934  
Greenville.....Bond.....State Bank of Hoiles & Sons. From \$100 to \$33.33 1/2.....June 21, 1934

CAPITAL STOCK INCREASED

Evanston.....Cook.....State Bank and Trust Company. From \$300,000 to \$500,000.....June 18, 1934  
Orland Park.....Cook.....Orland State Bank. From \$25,000 to \$35,000.....June 21, 1934  
Ashmore.....Coles.....Ashmore State Bank. From \$15,000 to \$25,000.....June 30, 1934

LIQUIDATED

Schaumburg (P. O. Roselle).....Cook.....Farmers State Bank of Schaumburg.....March 31, 1934  
Redmon.....Edgar.....Redmon State Bank.....May 29, 1934  
Forest City.....Mason.....Forest City State Bank through Peoples State Bank of Manito.....June 30, 1934

RECEIVERS APPOINTED

Grafton.....Jersey.....Grafton State Bank—William L. O'Connell June 1, 1934  
Olive Branch.....Alexander.....Olive Branch State Bank—William L. O'Connell (Carl Theis, Receiver—resigned) June 6, 1934  
Thebes.....Alexander.....The First State Bank of Thebes—William L. O'Connell (Harry Brown, Receiver—resigned) June 6, 1934  
Harvey.....Cook.....Bank of Harvey—William L. O'Connell (R. A. Pascoe, Receiver—resigned) June 6, 1934  
Chicago.....Cook.....Hegewisch State Bank—William L. O'Connell (Morgan L. Fitch, Receiver—resigned) June 6, 1934  
Joppa.....Massac.....Joppa State Bank—William L. O'Connell (John H. Kottler, Receiver—resigned) June 7, 1934  
Chicago.....Cook.....West Town State Bank—William L. O'Connell (Thomas B. Roberts, Receiver—resigned) June 11, 1934  
Chicago.....Cook.....Equitable Trust Company of Chicago—William L. O'Connell (William J. Marech, Receiver—resigned) June 11, 1934  
East Peoria.....Tazewell.....Fon du Lac State Bank—William L. O'Connell June 13, 1934  
Hanna City.....Peoria.....Hanna City State Bank—William L. O'Connell (Rae C. Heiple, Receiver—resigned) June 13, 1934  
Chicago.....Cook.....Reliance Bank and Trust Company—William L. O'Connell (Wm. H. Whalen, Receiver—resigned) June 26, 1934  
San Jose.....Mason.....San Jose State Bank—William L. O'Connell (B. F. Chestnut, Receiver—resigned) June 27, 1934  
Bingham.....Fayette.....Bingham State Bank—Thomas C. Seaton (Don Connor, Receiver—resigned) June 29, 1934

RECAPITULATION

	Reopened by Permit	Closed under Holiday	Total
State Banks in Chicago.....	42	3	45
State Banks in Cook County outside Chicago.....	35	1	36
State Banks in Illinois outside Cook County.....	538	—	538
	615	4	619

# MONTHLY BULLETIN

*Issued by*  
**EDWARD J. BARRETT**  
**AUDITOR of PUBLIC ACCOUNTS**  
BANKING DEPARTMENT  
State of Illinois

VOL. 10

SPRINGFIELD, ILL., AUGUST 1, 1934

NO. 5

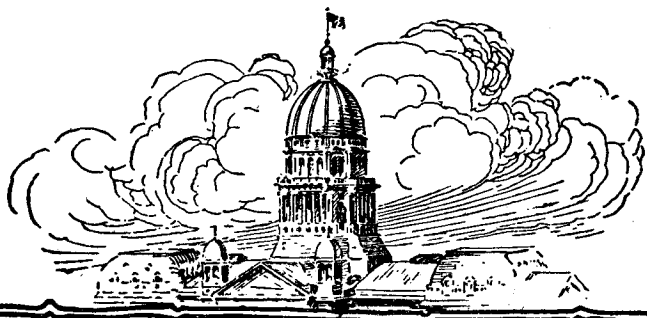
## EARNINGS

Reports for the semi-annual period ending June 30, 1934, indicate that bank earnings continue unfavorable.

This condition would be considerably more acute were it not for the fact that the majority of banks have reduced their general expenses, have reduced interest on time deposits and have introduced systems whereby they are compensated for services rendered to customers. Institutions which have not, as yet, availed themselves of these methods of improving their earnings will find that it is increasingly necessary that they do so.

Cash reserves have increased whereas Loans and Discounts have contracted. The demand for credit in the form of loans in which a bank may properly employ its funds is at present negligible.

A bank, subject at all times to the demands of its depositors, cannot safely invest its funds in other than readily marketable securities nor can it safely make equity loans. Loans must be based upon sound readily marketable collateral or upon sound credit principles. The banker who realizes his responsibility to his depositors will demand full information as to the resources and liabilities of the borrower, the purpose of the loan, and the method of repayment and will care-



fully check all items shown in the financial statement. The past history of the individual or business, their present income and their future possibilities should have every consideration.

The maturity should depend upon the nature of the borrower's business and should be set with the point in view that the loan will be liquidated upon the completion of the normal turnover period.

The shrinkage in property values and of income during recent years has resulted in a high percentage of "slow" and "frozen" loans. Before the banking situation can be in a healthy condition, such loans must be liquidated.

The point is frequently made that, if the banks proceed with the liquidation of slow loans, such action will add to already abnormally high reserves and will further reduce earning power. However, experience has shown that, unless such loans are adequately secured and a definite program of liquidation established, an excessive amount of losses develop, that a bank cannot meet the normal and proper demand for credit, resulting in the loss of desirable business, that the bank cannot collect interest when due and that it accumulates undesirable and unprofitable assets. Paper of this kind should be renewed for short periods so that frequent contact with the borrower may be made, interest collected and reductions insisted upon.

It is realized that liquidation may be a slow process but that fact merely intensifies its necessity and also the need to obtain every possible safeguard through additional security while liquidation is in process.

Banks can be kept on a profitable and safe basis by the liquidation of undesirable loans, the reduction of expenses, the reduction of interest paid to a rate in accordance with present conditions, by requiring proper compensation for services rendered and by the employment of available funds in accordance with sound credit principles.

### ELECTION OF DIRECTORS

Attention is called to the fact that vacancies on Boards of Directors of Illinois State banks may be filled by election only at a regular meeting of stockholders or at a special meeting of stockholders called for that purpose and that they may not be filled in any other manner.

It is noted that, in some instances, when a vacancy occurs an attempt is made to fill the vacancy by vote of the remaining directors and the by-laws of some banks contain a provision to the effect that this may be done.

Confusion in the matter is, no doubt, due to the fact that the Banking Act of this State previously provided that vacancies could be filled by two-thirds vote of the remaining directors and this provision was, at that time, included in the by-laws of many banks. However, the present

Banking Act does not so provide and contains no provision for the election of directors except by vote of stockholders.

The Banking Law gives the directors the right to make by-laws which are not inconsistent with the Banking Act and where the by-laws contain a provision to the effect that vacancies may be filled by vote of the remaining directors, they should be amended to read that vacancies on the Board of Directors caused by death, resignation or otherwise, may be filled by election at a regular or special meeting of the stockholders called in the manner outlined in the by-laws and shall not be filled in any other manner.

The by-laws should provide, also, that special meetings of the shareholders may be called by an officer of the bank by mailing to each stockholder, or personally serving him with a written or printed notice of such meeting and the time, place and purpose thereof, at least ten days before the date fixed for such meeting, except for such purposes as provided for in Section 12 of the Banking Act, upon order of a majority of the directors, or upon a request in writing of stockholders representing at least one-third of the bank's capital stock. The latter provision is necessary as it is possible that, due to vacancies, a majority of the legal number of directors would not be available to call a special meeting of stockholders.

As soon as a vacancy has been legally filled by election at a stockholders' meeting, the newly elected director should subscribe to the oath of fealty as prescribed by the Auditor and such oath, properly certified, should be immediately transmitted to this office.

If vacancies occur and it is desired to decrease the legal number of directors, or if at any time the Board of Directors may desire to increase the number of directors, such change must be approved in accordance with the provisions of Section 12 of the Banking Law, by vote of at least two-thirds of the whole stock of the bank, at a regular meeting of stockholders or at a special meeting of stockholders called for that purpose.

If the action is to be taken at a special meeting of stockholders, Section 12 provides that the meeting must be called by delivering personally, or by depositing in the post office at least thirty days before the time fixed for such meeting, a notice addressed to each stockholder at his residence as shown by the books of the bank, signed by a majority of the directors, stating the time, place and object of such meeting and a general notice of the time, place and object of such meeting must, also, be published once each week for three successive weeks.

When such a change is contemplated, the Department should be notified so that the necessary forms and instructions can be furnished for obtaining the approval of the Auditor which is necessary and for completion of all of the requirements of Section 12 in order to make the change effective.

**IN LIQUIDATION**

Niles .....Cook .....State Bank of Niles—(H. E. Robertson, Receiver—resigned).....May 19, 1933

**RECEIVERS APPOINTED**

✓ Arenzville.....Cass .....Farmers & Merchants State Bank of Arenzville—William L. O'Connell (E. T. Hunter, Receiver—resigned) .....July 3, 1934

✓ Fillmore .....Montgomery ✓The Fillmore Bank—William L. O'Connell (E. A. Murray, Receiver—resigned) .....July 5, 1934

✓ Panama .....Montgomery ✓State Bank of Panama—William L. O'Connell (T. W. Kinzer, Receiver—resigned) .....July 5, 1934

✓ Chicago .....Cook .....Builders and Merchants Bank and Trust Company—William L. O'Connell (Will H. Wade, Receiver—resigned) .....July 9, 1934

✓ Rushville .....Schuyler.....Bank of Rushville—William L. O'Connell, (H. H. Gardner, Receiver—resigned) .....July 12, 1934

✓ Nokomis .....Montgomery ✓Nokomis State Bank—William L. O'Connell (T. W. Stehlin, Receiver—resigned) .....July 18, 1934

✓ Findlay .....Shelby .....First State Bank of Findlay—William L. O'Connell (L. C. Westervelt, Receiver—resigned).....July 24, 1934

✓ Murdock .....Douglas .....Murdock State Bank—William L. O'Connell (George Roller, Receiver—resigned) .....July 25, 1934

✓ Brocton .....Edgar .....The Brocton Bank—William L. O'Connell (Raymond R. English, Receiver—resigned) .....July 25, 1934

✓ Chicago .....Cook .....Cragin State Bank—William L. O'Connell (Logan L. Mullins, Receiver—resigned) .....July 30, 1934

*See Chicago  
later*

**TRUST CERTIFICATES CANCELLED**

✓ Libertyville ....Lake .....Lake County National Bank.....July 6, 1934

Pontiac .....Livingston .....The National Bank of Pontiac.....July 31, 1934

**RECAPITULATION**

	Reopened by Permit	Closed Under Holiday	Total
State Banks in Chicago.....	42	3	45
State Banks in Cook County outside Chicago.....	35	1	36
State Banks in Illinois outside Cook County.....	538	—	538
<b>Total</b> .....	<b>615</b>	<b>4</b>	<b>619</b>



# MONTHLY BULLETIN

Issued by  
**EDWARD J. BARRETT**  
AUDITOR of PUBLIC ACCOUNTS  
BANKING DEPARTMENT  
State of Illinois

VOL. 10

SPRINGFIELD, ILL., SEPTEMBER 1, 1934

NO. 6

## THE BOND ACCOUNT

The bond account may be a protection and element of strength or it may be a source of danger. The average local bank entered the investment field to employ surplus funds, to diversify assets and to set up a reserve of readily marketable securities.

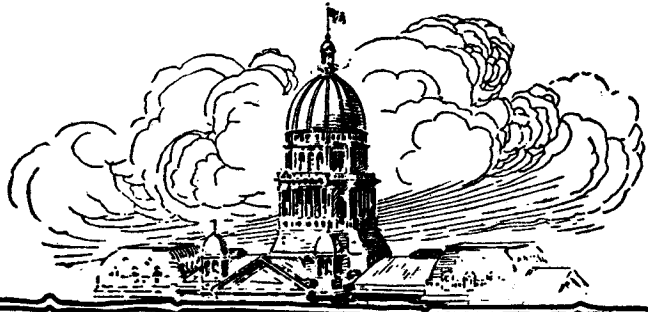
However, in many instances bankers who could justly pride themselves on their knowledge of local credits and whose local loans were based upon sound credit principles looked upon bond investments as something mysterious and relied almost entirely on outside advice. Frequently, too, safety and marketability were sacrificed for high return. It is of course, necessary to obtain all possible information regarding the operations, resources and liabilities of the issuer and the market record of its securities. Such information, when obtained, should be carefully analyzed by the officers and directors and commitments made with the same care and conservatism devoted to the loans.

Bond values, during the past few years, have, in many instances, suffered heavy depreciation and the stress of those chaotic times revealed that many issues, which were once well rated, were highly speculative. The decline in quoted values defeated the purpose for which bond accounts were established, inasmuch as while in most cases a market was still available the resultant loss would have ruined many institutions had they disposed of their security holdings.

After the banking holiday of March, 1933, the banks were required to charge their bonds down to the market value and since there has been a rather general rise in bond quotations, most banks now have a substantial appreciation in their bond accounts. However, this condition was achieved, in many cases, only at a heavy sacrifice by directors, stockholders, and in some instances depositors.

As a rule, banks have continued to carry depreciated issues in the hope that price recoveries would enable them to reimburse stockholders and depositors for contributions which have been made toward their rehabilitation. Such practice is fraught with danger and it is urged that present holdings be most carefully analyzed and that if analysis reveals that there is little hope for appreciation, speculative and defaulted bonds should be disposed of and the proceeds used to strengthen stability and earning power.

Security and marketability are by far the most important factors in bank investment and neither should be sacrificed to obtain higher yields.



### EXCESS LOANS

Section 10 of the Banking Act provides in part:

"The total liabilities to any association, of any person, or of any corporation or partnership for money borrowed, including in the liabilities of a partnership the liabilities of the several members thereof, shall at no time exceed fifteen per cent of the amount of the capital stock of such association actually paid in and unimpaired, and fifteen per cent of its unimpaired surplus fund."

The statute further provides as follows:

" \* \* \* Every director, or officer, of any such association, who shall violate, or participate in, or assent to such violation, or who shall permit any of the officers, agents or servants of the association to violate the provisions hereof, shall be held liable in his personal and individual capacity for all damages which the association, its shareholders or any other person shall have sustained in consequence of such violation."

It is the evident intention of the Legislature that loans and investments shall be diversified so that the possibility of loss on any one risk may be minimized. The Department has constantly stressed the excess loan feature of the Banking Act, both from the standpoint of the safety of the bank and the personal liability of the officers and directors. Reports of examination indicate that the bankers have this restriction in mind as regards direct loans but it is apparent that it has frequently been overlooked in making open market purchases of bonds or other evidences of debt of municipal subdivisions and private corporations.

The Attorney General of the State of Illinois has held that the obligations of any corporation, either municipal or private, are subject to the provisions of the above quoted section. The only exceptions other than those provided by the statute itself are the obligations of a sovereign state, territory or nation.

### OTHER REAL ESTATE

This is a problem which confronts many bankers and is, in some instances, becoming extremely serious. Banks are permitted by statute to own their banking quarters and no other real estate except that which it becomes necessary to take in the collection of debts. The statute prohibits the carrying of real estate, other than the banking house, for a period of more than five years.

Real estate is generally a non-liquid and non-income producing asset and usually requires considerable outlay. The tendency has been to carry such properties indefinitely in the hope of better prices, thus causing an accumulation of undesirable assets. Often, too, the properties are carried for years—opportunities to dispose of same having been overlooked or neglected during that time and it is then necessary to sell the property at forced sale or to eliminate it from the

bank's assets. It is, therefore, strongly urged that every effort be made to dispose of such properties as soon as title is acquired.

It is noted that there is a tendency toward lax collection policies and to the use of various subterfuges to avoid showing other real estate in the bank's statement and bankers are urged to consider the danger of certifying to a false Call Report and the penalties thereof. If it is at all possible, every effort should be made to keep the borrower in possession of his property but when it becomes evident that the only recourse is to take title to the property, the bank should do so and immediately endeavor to dispose of it.

### CALL REPORT FORMS

Call Report forms, as prescribed by the Auditor of Public Accounts, were revised recently in order to more clearly reflect the condition of Illinois State banks. The Department appreciates the cooperation of the bankers who have carefully studied the new forms and the instructions regarding the same and who, at the time of the last Call, promptly filed correct reports for their banks. However, in some instances errors were made in preparing the reports which necessitated the inconvenience and expense of executing and filing amended report. We believe that confusion in the matter can be avoided if all bankers will thoroughly familiarize themselves with the instructions as printed on the forms and as published in our Monthly Bulletin. In order to avoid any further misunderstandings regarding the new forms we again direct attention to the following:

The **Inner Schedule** showing secured, unsecured and total deposits is printed directly below the deposit items on all report forms. The total amount of deposits against which assets are specifically pledged should be listed after Item No. 1 and the amount of deposits not so secured after Item No. 2. Item No. 3 is the total of Items Nos. 1 and 2 of this inner schedule and must agree with the total of the items—Demand Deposits, Time Deposits and Due To Banks, as shown on the report forms. Deposits of funds of the Trust Department are not considered to be specifically secured by the assets deposited with the Auditor of Public Accounts under the Trust Act and such deposits should not be included in the total of Item No. 1. The inner schedule must be executed on all forms and must be published in the printed report in the newspaper.

The **Memorandum** shows the loans and investments pledged to secure liabilities. Such assets pledged are listed according to their nature under Item No. 25 on Call Report Form No. 7 and under Item No. 28 on Call Report Forms Nos. 8 and 9 and they are listed according to the nature of the liabilities they secure under Item No. 26 on Call Report Form No. 7 and under Item No. 29 on Call Report Forms Nos. 8 and 9.

**Form No. 7** should be carefully executed and should be thoroughly checked for correctness and to determine that it is in balance.

**Forms Nos. 8 and 9** should be executed from figures taken from Form No. 7 and should agree, items and amounts, with this form. Newspaper proof of "Official Publication" should be requested and carefully compared, items and amounts, with the other report forms before publication so that when published the report will be correct in every detail.

**BANK REOPENED UNDER PERMIT SINCE JULY THIRTY-FIRST**  
 ✓ Olney .....Richland .....Olney Trust and Banking Com-  
 pany .....Aug. 7, 1934 ✓

**REOPENED**  
 ✓ Olney .....Richland .....Olney Trust and Banking Com-  
 pany — (William L. O'Connell,  
 Receiver—resigned) .....Aug. 7, 1934 ✓

**CAPITAL STOCK INCREASED**  
 ✓ Evansville ...Randolph .....Bank of Evansville from \$25,000  
 to \$35,000 .....Aug. 17, 1934 ✓

**CHANGE OF LOCATION**  
 Chicago .....Cook .....Personal Loan & Savings Bank,  
 from 105 West Madison Street,  
 Chicago, Illinois, to 81 West  
 Monroe Street, Chicago, Illi-  
 nois .....Aug. 31, 1934 ✓

**IN LIQUIDATION**  
 ✓ Chicago .....Cook .....Edison Park State Savings Bank July 30, 1934 ✓  
 ✓ Simpson .....Johnson .....First State Bank of Simpson  
 through First National Bank  
 in Golconda .....Aug. 27, 1934 ✓

**DISSOLVED**  
 ✓ Rockbridge ...Greene .....Rockbridge State Bank.....Aug. 23, 1934  
*(Liquidated 5-27-34)*

**RECEIVER APPOINTED**  
 ✓ Chicago .....Cook .....Chicago Bank of Commerce —  
 William L. O'Connell (Alfred  
 K. Foreman, Receiver — re-  
 signed) .....Aug. 31, 1934

**TRUST CERTIFICATE ISSUED**  
 ✓ Monticello ....Piatt .....National Bank of Monticello —  
 Deposit, \$50,000 .....Aug. 7, 1934

**TRUST CERTIFICATE CANCELLED**  
 ✓ Moline .....Rock Island ..Realty Trust Company .....Aug. 7, 1934

**RECAPITULATION**

	Reopened by Permit	Closed Under Holiday	Total
State Banks in Chicago .....	41	3	44
State Banks in Cook County outside Chicago.....	35	1	36
State Banks in Illinois outside Cook County.....	538	—	538
Total.....	614	4	618

# MONTHLY BULLETIN

*Issued by*  
**EDWARD J. BARRETT**  
**AUDITOR of PUBLIC ACCOUNTS**  
**BANKING DEPARTMENT**  
**State of Illinois**

VOL. 10

SPRINGFIELD, ILL., OCTOBER 1, 1934

NO. 7

## "SLOW"

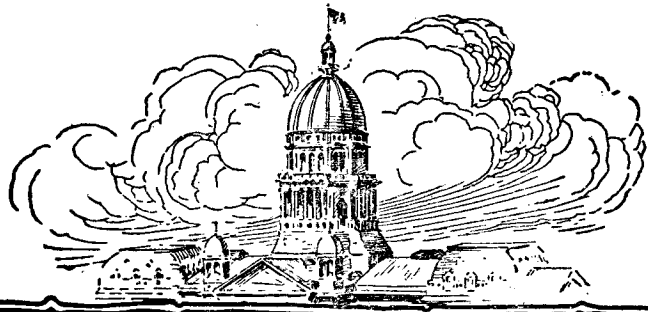
Classification of loans is, at present, a much discussed subject.

Controversy has largely centered on the slow classification and it is apparent that there is a wide divergence of opinion as to what constitutes a slow loan and as to the proper policy to be adopted regarding them.

The slow classification is extremely broad and may, and usually does, contain loans ranging from those which are subject to little, if any, criticism, to those which border very closely on the "doubtful."

A generally accepted definition of a slow loan is that it is a capital or equity loan. Such loans, which are well secured, current, and which will be paid or materially reduced at maturity, but which are slow because of their nature or terms, would not be subject to criticism in a reasonably liquid, well-managed bank. They might be criticized, or at least the request made that they be collected in a bank with inadequate cash and secondary reserves and with a portfolio largely made up of similar or even less desirable paper.

Loans even though well secured may justly be criticized if they are of long standing with a poor reduction record and it is apparent that the borrower's income does not warrant the assumption that they will be paid or materially reduced



at maturity. Such loans have no place in a commercial bank and refinancing or sale of the collateral should be recommended.

However, loans in the slow classification grade down from the type mentioned above to the point where the value of the collateral or security leaves no margin of safety whatever. Loans of this type must be strengthened by additional collateral and by additional good names and every endeavor must be made to collect them. It is extremely probable that the collection of such loans can only be made over a long period of time and it is, therefore, necessary that programs of systematic reduction be established.

Another type of slow loan, and the most dangerous type, is the unsecured capital loan, either to individuals or business houses, based on a financial statement which indicates that payment can only be expected after a long "work-out" or through the sale of property. Here again the loans grade down from a borrower with clear property and no other indebtedness, to an involved debtor whose net worth is largely in equities and who has little or no quick assets. Such loans are, indeed, the danger point of the bank and the banker frequently finds that he has lost control and that the borrowers dictates. The banker, if he is to succeed, must control the situation. Neglect and timidity have caused infinitely more losses than ever developed through a firm collection policy, even after loans were permitted to become desperate. He *must* demand security and *must* insist upon systematic and frequent reduction. The Department requires elimination of "estimated losses" and makes the same requirement with regard to "doubtful" unless such assets are acceptable within a reasonable time. Subsequent examinations often reveal that insistence on security and reduction has greatly strengthened slow assets, has salvaged "doubtful" and in some cases "estimated losses" and has resulted in recoveries on assets previously charged off. On the other hand, if the assets are neglected, the examiner almost invariably finds it necessary to list for charge-off, the assets which he formerly classified as doubtful and to set up doubtful loans from among those which he considered slow.

In the case of business loans the banker should have definite knowledge as to age and collectability of the receivables, the fresh-

ness and marketability of the inventory, the comparative turnover, the profit trend, and if necessary, he must take steps to correct unfavorable conditions.

An often neglected loan is one that is considered good because of the worth of a co-signer or endorser. Such loans usually cause difficulty because the endorser feels that it is not his obligation. Such loans should not be permitted to run on indefinitely. If collection cannot be made within a reasonable time from the maker, payment should be demanded from the co-signer or endorser.

The death of the maker or endorser frequently involves the collection of a note in the settlement of an estate. The bank should see to it that such settlements are made in due course and are not prolonged indefinitely.

The Department has in the "Remarks" accompanying the copy of the report of examination sent to the bank, referred to the exhibit of slow loans and requested that reduction be obtained and that security be obtained where necessary. We have requested that a detailed report of the action taken, regarding each loan, be made to the Department and have particularly requested that special efforts be made with regard to the more severely criticized loans.

A tendency has been noticed upon the part of many of the banks to take the "easiest way" by concentrating upon the collection of the better grade of loan. The Department feels that there may have been some misinterpretation of the "requests" and, therefore, has decided upon the following policy:

The examiner in his discussion of the loans with the officers and directors will endeavor to agree with them as to the proper procedure to be followed in regard to each loan and his recommendation will be made a part of his comments on the individual loan. The bank will be requested to report in detail, to the Department, the action taken on such recommendations. We find in many instances that all possible collateral has been obtained and that loans have been put on a proper reduction basis and while the loan must still be classified as "slow" that every effort toward its eventual liquidation has been made. In that event the examiner will so report without further criticism.

**IN LIQUIDATION**

✓ Niota ..... Hancock ..... Niota State Bank through State  
Bank of Nauvoo.....Sept. 10, 1934 ✓

**CONVERSION**

✓ Chicago ..... Cook ..... Liberty Bank of Chicago into  
Liberty National Bank of Chi-  
cago.....Aug. 10, 1934 ✓

**DISSOLVED**

✓ Arcola ..... Douglas ..... Arcola State Bank.....Sept. 22, 1934  
(Receiver appointed March 7, 1927)  
✓ Dahlgren ..... Hamilton ..... Dahlgren State Bank.....Sept. 29, 1934  
(Receiver appointed Sept. 5, 1930)

**TRUST CERTIFICATE ISSUED**

✓ Mascoutah .... St. Clair ..... First National Bank in Mas-  
couth—Deposit \$50,000. ....Sept. 14, 1934

**TRUST CERTIFICATE CANCELLED**

✓ Springfield .... Sangamon .... Commercial Investment Trust,  
Incorporated .....Sept. 15, 1934

**RECAPITULATION**

	Reopened by Permit	Closed Under Holiday	Total
State Bank in Chicago.....	40	3	43
State Banks in Cook County outside Chicago.....	35	1	36
State Banks in Illinois outside Cook County.....	537	...	537
Total.....	612	4	616

# MONTHLY BULLETIN

*Issued by*  
**EDWARD J. BARRETT**  
**AUDITOR of PUBLIC ACCOUNTS**  
BANKING DEPARTMENT  
State of Illinois

VOL. 10

SPRINGFIELD, ILL., NOVEMBER 1, 1934

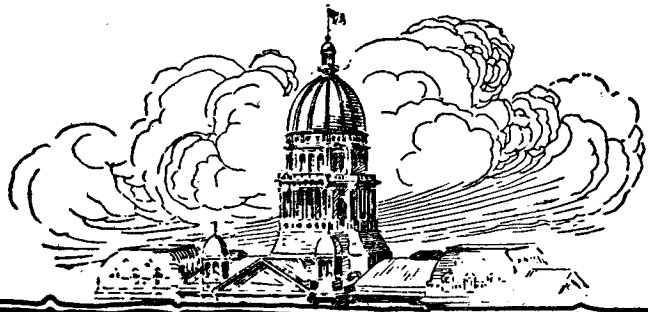
NO. 8

## "WHAT SHALL WE DO WITH THE MONEY?"

—The question most frequently raised with examiners and the subject uppermost in the minds of bankers.

The Department does not and cannot advise the banks in the making of specific loans or investments. However, the basic theory of banking is that the bank accepts deposits and loans and invests such funds. The bank must, of course, hold itself in readiness, at all times, to repay its depositors on demand or in accordance with the terms of the deposit. While the interest of the depositor must be paramount, a bank to be successful needs a prosperous community and to that end should supply the legitimate credit requirements of the community.

It has well been said that, "The time to make a loan good is when it is made." Loans should be based on sound readily marketable collateral and upon sound credit principles. They should be made with full information as to the resources and liabilities of the borrower and the purpose of the loan. The method of repayment should be a primary factor and the past history of the individual or business should be carefully investigated, together with present income and future possibilities. Maturity should depend upon the nature of the borrower's business and should be set with the point in view that the loan



will be liquidated on the completion of the normal turn-over period.

Diversification is an important safety and liquidity factor and as experience indicates that under normal conditions the savings of the community will accumulate more rapidly than its need for bank credit will expand, the average bank will not have sufficient demand for acceptable local loans to enable it to safely employ all of its funds in the community. Therefore, it becomes necessary, if its funds are to be kept employed, to seek investments in a larger field.

The requirements of depositors and borrowers will fluctuate considerably and, therefore, a certain portion of the bank's assets should be invested in high-grade, short-term securities or in the highest grade of commercial paper which can be immediately converted into cash at need. A further percentage of the assets should consist of high-grade, readily-marketable securities and paper possibly of a longer maturity constituting a secondary reserve of liquid assets. Safety and marketability should be the prime consideration and no sacrifice of these factors should be made for increased yield. This principle applies equally in the making of loans and no bank should carry or make loans or investments which are not of the highest character because "We must have some income" or "What shall we do with the money?"

A bank must operate at a profit but must not sacrifice safety and liquidity in an endeavor to obtain higher yields. The bank which demands and receives proper compensation for all services rendered and which pays a rate of interest commensurate with present conditions should be able to operate on a profitable basis.

#### **REAL ESTATE LOANS TO GUARDIANS AND CONSERVATORS**

Sections 24, 25 and 26 of Chapter 64 of the Illinois Statutes (Smith-Hurd) deal with the power of a guardian to mortgage the real estate of a ward and the foreclosure of such mortgage. The guardian may, by leave of the County Court, mortgage the real estate of his ward for a term of years not exceeding the minority of the ward. He is required to file an application to mortgage the property with the County or Probate Court and give notice of the application at least 10 days before the hearing is had thereon.

Concerning the vesting of a good title in the mortgagee, Section 25 requires: "It shall be the duty of the guardian, after making or joining in such mortgage, as soon as may be, to make a report of his action to the court granting the order which, if approved, shall be recorded and vest in the mortgagee a good and valid lien on the minor's interest in the mortgaged premises for the full amount of

such mortgage. The word 'mortgage' as used in this Act shall include a trust deed and any instrument in the nature of a mortgage." It is incumbent upon the mortgagee to ascertain that all the procedure required of the guardian in mortgaging real estate as outlined in Sections 24 and 25 has been complied with and therefore, on all such loans the bank should obtain and retain in its files either a recorded copy of the approved report of the guardian or a certified copy of the approved report of the guardian with the certificate of recordation thereon.

Section 26 recites that the foreclosure of such mortgages shall only be made by petition to the County Court where letters of guardianship were granted, or in case of non-resident minors, in the County in which the premises, or some part thereof are situated. The guardian and ward must be made defendants to such a proceeding.

Sections 20 and 21 of Chapter 86 (Smith-Hurd) deal with the power of a conservator to mortgage the real estate of a ward and contain practically the same provisions as the Act relative to the guardian. Banks, in making real estate loans to a conservator, should make certain that the procedure outlined in the two sections has been completed by the conservator and should obtain and retain in its files either a recorded copy of the approved report of the conservator or a certified copy of the approved report with the certificate of recordation thereon.

#### **CHARGED OFF ASSETS**

Examinations disclose, in some instances, a tendency to neglect assets which have been "charged off." Such assets, unless the loss is absolutely determined, should receive the closest attention of directors and officers. It is largely through recoveries on such items that contributions by directors, stockholders and depositors may be repaid. The directors should, at frequent intervals, carefully analyze such items and establish methods by which recovery may be made.

The Department has required that charged off assets be set up in a special ledger, each item being given a separate page and that the history of the particular asset be shown thereon in detail.

Examiners have been instructed to analyze the charged off account at each examination and to thoroughly discuss the items with the Board. This is a matter which should have your unremitting attention.



**BANK REOPENED UNDER PERMIT SINCE SEPTEMBER 30, 1934**

✓ Bradford..... Stark..... Phenix Banking Company..... Oct. 8, 1934 ✓

**REOPENED**

✓ Bradford..... Stark..... Phenix Banking Company  
(E. L. Clark, Receiver—  
resigned) ..... Oct. 8, 1934 ✓

**DURATION EXTENDED**

✓ Timewell..... Brown..... Timewell State Bank. Charter ex-  
tended 25 years from January  
30, 1935 ..... Oct. 10, 1934 ✓

**RECEIVER APPOINTED**

✓ Chicago..... Cook..... North-Western Trust and Savings  
Bank—William L. O'Connell  
(David E. Shanahan, Receiver—  
resigned) ..... Oct. 15, 1934

**DISSOLVED**

✓ Fieldon..... Jersey..... State Bank of Fieldon..... Oct. 16, 1934  
(Liquidated April 14, 1933)

**TRUST CERTIFICATES ISSUED**

✓ East St. Louis..St. Clair..... The Southern Illinois Na-  
tional Bank of East St.  
Louis ..... \$50,000 Oct. 8, 1934

✓ New York City..New York..... The Public National Bank  
and Trust Company of  
New York City..... 50,000 Oct. 20, 1934

✓ Chicago..... Cook..... Liberty National Bank of  
Chicago ..... 200,000 Oct. 30, 1934

**TRUST CERTIFICATES CANCELLED**

✓ Cook..... Chicago..... Liberty Bank of Chicago..... Oct. 30, 1934  
Sterling..... Whiteside..... Central Trust and Savings Bank..Feb. 8, 1934

**RECAPITULATION**

	Reopened by Permit	Closed under Holiday	Total
State Banks in Chicago .....	40	3	43
State Banks in Cook County outside Chicago.....	35	1	36
State Banks in Illinois outside Cook County.....	538	..	538
<b>Total .....</b>	<b>613</b>	<b>4</b>	<b>617</b>

# MONTHLY BULLETIN

*Issued by*  
**EDWARD J. BARRETT**  
AUDITOR of PUBLIC ACCOUNTS  
BANKING DEPARTMENT  
State of Illinois

VOL. 10

SPRINGFIELD, ILL., DECEMBER 1, 1934

NO. 9

## "PAST DUE"

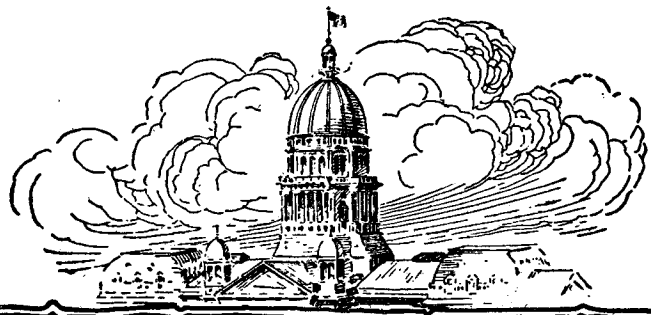
Default on any asset is a matter which should have the immediate careful attention of the management.

Maturities of the loans of a commercial bank should be set in conformity with the normal turnover periods of the borrowers, thus enabling them to meet their obligations at maturity.

A prime indication of bank management is the condition of its notecase and the attitude of its customers toward their obligations. A competent banker will have imbued his borrowers with the necessity of meeting maturities promptly or of having made satisfactory arrangement for extension before maturity.

Failure to meet an obligation promptly should be treated as a danger signal and should call for a thorough investigation of the obligor's affairs.

When the loan was made, it is to be presumed that the bank was satisfied that under normal conditions and through normal operations, the obligation would be met at maturity. Therefore, a default would indicate that some unfavorable



contingency has arisen.

Such a trend may be of a temporary nature, in which event an extension would be warranted. Investigation may reveal weakness in management, in production or in marketing or collection policies, which if taken in time, may be corrected or it may reveal conditions and trends of such a nature as to cause the banker to decide to curtail or cancel the line. It may be ascertained that additional capital is needed. Of course, the banker's every effort must be expended to prevent the bank from becoming an involuntary partner with its customers and if it becomes evident that a loan has reached the "slow" stage, immediate steps should be taken to obtain proper security and to liquidate the line.

Neglect and weakness in bank management, together with unusual conditions, have resulted in some instances in heavy accumulations of past due paper. In many cases, this condition even reaches the point where interest is not collected. A borrower's psychology has developed which is extremely detrimental to proper bank operation. In such cases, the banker's first and perhaps most difficult task is to change the attitude of his customers to bring into being a realization of obligation. This can only be accomplished by unremitting attention to this class of loan.

Bonds and other investments are generally of longer maturity and this fact frequently leads to neglect as is evidenced by the defaulted and badly depreciated issues still to be found in investment accounts.

Bondholdings should be analyzed at frequent intervals and credit files maintained on each issue. Such analysis may reveal detrimental changes in management, operations and trends which will lead the bank to dispose of certain issues before default or depreciation has actually occurred.

A bank's funds should not be "tied up" indefinitely in non-productive assets. Therefore, defaulted issues should be carefully analyzed, and unless such analysis reveals prospects of early recovery, such bonds should be disposed of and the funds profitably invested.

Investments made or maintained in highly speculative issues are a source of danger and analysis and decision regarding such issues is necessary.

Real estate loans, while usually long-term obligations, should be made with the same care, from the standpoint of ability to pay interest promptly and to meet the obligation at maturity, as is exercised in the making of short-term loans. The amortization or prepayment methods enable the mortgagee to maintain closer contact with his investment.

In the past, it is apparent that, due to the feeling that real estate loans were adequately secured, very little attention has been paid to such loans until maturity and that little apprehension has been felt toward defaults. Extensions without reductions have been granted far too freely.

The successful banker will give constant attention to his real estate loans and to conditions which may affect prompt payment, such as death of the borrower, incapacity or retirement of the principal operator, loss of productivity by improper methods of rotation

or by erosion, obsolescence or depreciation in value, changing conditions in particular localities and declines in population.

When such changes occur, he will immediately formulate his policies despite the fact that maturity may still be far in the future. Methods of this kind should enable him to avoid heavy accumulations of other real estate and to avoid harsh collection methods after default occurs.

#### A SAVING

The Auditor of Public Accounts is pleased to announce a ruling which will result in a saving to the Banks.

The regulation has been that all items on the Call Report Form be published, the word "None" being inserted where no figures appeared. The number of items in recent Call Report Forms has been considerably increased due to the necessity of obtaining additional information under changing conditions and to bring the Forms into conformity with those of other supervising agencies.

He obtained an opinion from the Attorney General that while the word "None" must be shown on all lines on which no figures appear in the report to the Auditor, it was not necessary that blank lines be published.

The Call Report Forms for the Fourth Quarter will be in the hands of the Banks shortly. It will be noted that a considerable change has been made in the Forms and Banks are urged to carefully read the letter of instruction which will accompany the Forms.

On Forms No. 7 and No. 8, every blank space and schedule must be filled in. Where there are no figures to report the word "None" must be written or stamped on these two forms. Printed items on these blanks must not be scratched or amended in any manner. Any amounts which cannot properly be included in the printed items must be entered under "Other Resources" and "Other Liabilities."

Form No. 9 (Publisher's Certificate) must be a true copy of the report transmitted to the Auditor. It must be published in the same form and the same order of items, including the words (official publication), the full title and location of the bank, the affidavit of President or Cashier, the attestation of the two directors and the Notary's certificate including the word (seal). Items on Form No. 9 should be copied from completed Form No. 7 and submitted to your local publisher for his affidavit and printed clipping. Attestation of directors and both affidavits on this form must be original. On this form only all items after which there are no figures to be inserted may be left blank. Blank items need not be published in the official publication.

Form No. 7 "Report" in triplicate, two copies to be forwarded promptly (the other retained for your files) must be sworn to by either the President or Cashier and attested by two Directors of the bank, other than the Officer signing. Special attention is directed to the several amendments which have been made on this form, particularly, to the changes in schedules which directly affect corresponding items of the balance sheet. It is recommended that these schedules be compiled carefully before entering any amounts in the report of condition on the face of this form.

**BANK REOPENED UNDER PERMIT SINCE OCTOBER THIRTY-FIRST**  
 Quincy.....Adams..... State Street Bank and Trust Com-  
 pany .....Nov. 8, 1934 ✓

**REOPENED**  
 Quincy.....Adams..... State Street Bank and Trust Com-  
 pany .....Nov. 8, 1934 ✓

**CAPITAL STOCK DECREASED**  
 Quincy.....Adams..... State Street Bank and Trust Com-  
 pany. From \$300,000 to \$200,000. Nov. 8, 1934 ✓

**IN LIQUIDATION**  
 Poplar Grove..Boone..... Poplar Grove Bank through  
 Farmers' State Bank of Belvi-  
 dere, Illinois .....Nov. 10, 1934 ✓

**CLOSED**  
 Chicago.....Cook..... Central Republic Trust Company. Nov. 20, 1934

**RECEIVER APPOINTED**  
 Chicago...✓...Cook..... Central Republic Trust Com-  
 pany—William L. O'Connell.....Nov. 21, 1934 ✓

**TRUST CERTIFICATE ISSUED**  
 Charleston....Coles..... Charleston National Bank—De-  
 posit, \$50,000 .....Nov. 1, 1934

**TRUST CERTIFICATE CANCELLED**  
 Lake Forest...Lake..... Lake Forest Trust and Savings  
 Bank .....Feb. 6, 1934

**RECAPITULATION**

	Reopened by Permit	Closed under Holiday	Total
State Banks in Chicago.....	39	3	42
State Banks in Cook County outside Chicago..	35	1	36
State Banks in Illinois outside Cook County..	538	—	538
Total .....	612	4	616