

MONTHLY BULLETIN

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

Vol. 15

SPRINGFIELD, ILL., JANUARY 1, 1940

No. 10

CALL REPORT

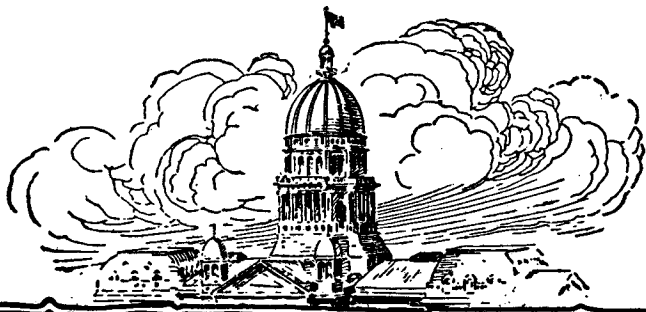
In our Bulletin of November, 1939, we published an arrangement of Call Report figures covering the period of one year and showing the item changes that took place between each call. That arrangement also contained a "break down" of Loans and Discount figures and showed the changes of the several classes of loans between call dates.

That publication aroused so much interest that we have decided to use it again and include the 1939 year end figures for comparison with the closing figures of 1938. We have also decided to publish this arrangement twice a year, at the close of each fiscal period, i. e. January 1st and July 1st.

* * * * *

At the time of our next call for statements we are going to send an extra Form No. 7 (Call Report proper) to each bank to serve as a work sheet in preparing the report. A number of our bankers have expressed a desire for a work sheet; and we can see where it would be very useful in working up the trial balance figures for insertion into our form.

We, therefore, trust that the inclusion of this extra form in our consignment of forms, at the next call, will not confuse any one; and that it will be understood that the same number of forms are to be mailed back to this department as heretofore; and that the extra form is for the banker's own use in working up figures. Inasmuch as this form will undoubtedly contain many computations and some original memoranda, we suggest that it would be well to keep it on file for future reference.



**REVIEW OF CALL REPORTS
COVERING ALL ILLINOIS STATE BANKS**

NUMBER OF BANKS.....	548	Increase or Decrease	540	Increase or Decrease	534	Increase or Decrease	527	Increase or Decrease	525
DATE OF CALL.....	Dec. 31, 1938		Mar. 29, 1939		June 30, 1939		Oct. 2, 1939		Dec. 30, 1939
RESOURCES:									
Cash and Due from Banks.....	\$429,686,298.50	\$-30,674,202.06	\$399,012,096.44	\$+29,726,857.43	\$428,738,953.87	\$+74,848,024.35	\$503,586,978.22	\$+17,094,061.88	\$520,681,040.10
Outside Checks and Other Cash Items.....	14,274,699.80	-3,291,594.24	10,983,105.56	+3,315,189.70	14,299,275.06	-5,295,653.19	9,092,621.37	+4,521,954.36	13,614,576.23
U. S. Governments—Direct and Guaranteed.....	304,731,091.20	-15,937,473.97	288,793,617.23	+11,479,826.68	300,273,443.01	-8,750,643.98	291,522,799.93	-6,789,751.88	284,733,048.05
Other Bonds, Stocks and Securities.....	254,574,269.86	+4,979,556.67	259,553,826.53	+16,659,610.17	276,213,436.70	-19,897,432.59	256,316,004.11	+7,053,317.24	263,369,321.35
Loans and Discounts.....	264,529,631.23	+12,271,732.22	276,801,363.45	+4,587,986.74	281,389,350.19	-2,457,745.33	278,931,604.86	+12,763,656.08	291,695,260.94
Overdrafts.....	52,788.25	+37,919.85	90,708.11	-31,729.20	58,978.91	+33,215.96	92,194.87	-24,423.78	67,771.09
Banking House.....	12,144,252.54	-222,926.40	11,921,326.14	-61,772.40	11,859,553.74	-41,864.04	11,817,689.70	-209,890.23	11,607,799.47
Furniture and Fixtures.....	1,778,285.18	-54,038.01	1,724,247.17	-23,866.94	1,700,380.23	-4,109.97	1,696,270.26	-125,983.07	1,570,287.19
TOTAL—Banking House Furniture and Fixtures	\$13,922,537.72	\$-276,964.41	\$13,645,573.31	\$-85,639.34	\$13,559,933.97	\$-45,974.01	\$13,513,959.96	\$-335,873.30	\$13,178,086.66
Other Real Estate.....	\$7,496,650.96	\$-397,563.76	\$7,099,087.20	\$-758,962.37	\$6,340,124.83	\$-437,461.76	\$5,902,663.07	\$-689,171.46	\$5,213,491.61
Customers' Liability—Letters of Credit.....	550,498.75	+163,804.06	714,302.81	+82,647.60	796,950.41	+45,206.91	842,157.32	-151,931.66	690,225.66
Customers' Liability—Acceptances.....	118,092.56	-15,777.10	102,315.46	+14,497.29	116,812.75	-14,005.84	102,806.91	+51,468.46	154,275.37
Other Resources.....	7,780,823.74	-147,553.27	7,633,270.47	+923,590.95	8,556,861.42	-2,248,098.47	6,308,762.95	+9,455.21	6,318,218.16
GRAND TOTAL RESOURCES.....	\$1,297,717,382.37	\$-33,288,116.00	\$1,264,429,266.37	\$+65,913,855.65	\$1,330,343,122.02	\$+35,869,432.05	\$1,366,212,554.07	\$+33,502,761.15	\$1,399,715,315.22
LIABILITIES:									
Deposits									
Demand Deposits.....	\$676,484,507.04	\$-57,757,414.13	\$618,727,092.91	\$+72,522,023.79	\$691,249,116.70	\$+26,064,087.37	\$717,313,804.07	\$+19,023,448.98	\$736,337,253.05
Time Deposits.....	392,826,827.72	+1,789,798.38	394,296,626.10	+6,758,150.30	401,054,776.40	-4,541,105.05	396,513,671.35	+13,599,631.35	410,113,302.70
Due to Banks.....	101,050,137.03	+20,807,691.41	121,857,828.44	-13,602,620.53	108,255,207.91	+17,537,762.41	125,842,970.32	+19,119.93	125,862,090.25
Deposits Secured by Pledge.....	\$ 38,922,978.39	\$ +8,788,091.19	\$ 47,711,069.58	\$ -8,753,213.01	\$ 38,957,856.57	\$ +2,300,283.55	\$ 41,258,140.12	\$ +2,396,417.14	\$ 43,654,557.26
Deposits not Secured by Pledge.....	1,131,138,403.40	-43,968,015.53	1,087,170,477.87	+74,400,766.57	1,161,601,244.44	+36,811,061.18	1,198,412,305.62	+30,245,783.12	1,228,658,088.74
TOTAL DEPOSITS.....	\$1,170,061,471.79	\$-35,179,924.34	\$1,134,881,547.34	\$+65,913,855.65	\$1,200,559,101.01	\$+39,111,344.73	\$1,239,670,445.74	\$+32,642,200.26	\$1,272,312,646.00
Other Liabilities									
Bills Payable.....	\$ 968,523.07	\$ -52,752.60	\$ 915,770.47	\$ -22,406.16	\$ 893,364.31	\$ -24,327.24	\$ 869,037.07	\$ -60,660.17	\$ 808,376.90
Re-Discounts.....									
Dividends Unpaid.....	385,601.40	-364,815.06	20,786.34	+256,545.35	277,421.69	-135,898.67	141,523.02	+389,384.49	530,907.51
Letters of Credit.....	544,098.75	+173,579.06	717,677.81	+80,577.10	798,254.91	+35,366.04	833,620.95	-143,045.29	690,575.66
Bank Acceptances.....	194,226.88	-35,957.90	158,268.98	+43,728.78	201,994.76	-37,786.80	164,207.96	+72,012.93	236,220.89
Other Liabilities.....	3,792,943.56	+675,349.36	4,468,292.92	+362,206.58	4,830,499.50	-2,054,404.19	2,776,095.31	+272,526.73	3,048,622.04
Capital Structure									
Capital Stock.....	48,491,550.00	-550,000.00	47,941,550.00	-465,000.00	47,476,550.00	-931,000.00	46,545,550.00	-235,000.00	46,310,550.00
Income Debentures.....	4,394,950.00	-326,050.00	4,068,900.00	-9,386.34	4,059,513.66	-165,115.53	3,894,398.13	-44,287.42	3,850,110.71
Surplus.....	28,905,148.65	+8,322.59	28,913,471.24	-7,914.60	28,905,556.64	-635,059.57	28,270,497.07	+1,532,208.21	29,802,705.28
Undivided Profits (Net).....	19,118,777.96	+1,253,552.51	20,372,330.47	-328,226.52	20,044,103.97	+1,403,256.62	21,447,360.59	-1,748,732.63	19,698,627.96
Reserve Accounts.....	20,860,000.31	+1,110,580.38	21,970,580.69	+326,180.88	22,296,761.57	-696,943.34	21,599,818.23	+826,154.04	22,425,972.27
TOTAL CAPITAL STRUCTURE.....	\$121,770,426.92	\$+1,496,405.48	\$123,266,832.40	\$-484,346.56	\$122,782,485.84	\$-1,024,861.82	\$121,757,624.02	\$+330,342.20	\$122,087,966.22
GRAND TOTAL LIABILITIES.....	\$1,297,717,382.37	\$-33,288,116.00	\$1,264,429,266.37	\$+65,913,855.65	\$1,330,343,122.02	\$+35,869,432.05	\$1,366,212,554.07	\$+33,502,761.15	\$1,399,715,315.22
ANALYSIS—LOANS AND DISCOUNTS									
Commercial Paper.....	\$ 20,501,451.54	\$+ 2,836,165.40	\$ 23,337,616.94	\$-2,174,499.19	\$ 21,163,117.75	\$+2,470,643.82	\$ 23,633,761.57	\$ +957,626.59	\$ 24,591,388.16
Collateral Loans.....	58,591,396.85	-509,529.96	58,081,866.89	+1,267,787.32	59,349,654.21	-1,991,468.16	57,358,186.05	-2,139,602.96	55,218,583.09
Other Loans.....	135,683,249.18	+10,133,716.62	145,816,965.80	+2,463,332.63	148,280,298.43	-6,602,223.74	141,678,074.69	+11,626,786.64	153,304,861.33
Farm Loans.....	15,192,660.78	-1,347,604.88	13,845,055.90	-223,942.57	13,621,113.33	-228,355.29	13,392,758.04	-320,790.31	13,071,967.73
Other Real Estate Loans.....	34,560,872.88	+1,158,985.04	35,719,857.92	+3,270,008.55	38,975,166.47	+3,436,947.46	42,412,113.93	+2,639,636.12	45,051,750.05
TOTAL LOANS AND DISCOUNTS.....	\$264,529,631.23	\$+12,271,732.22	\$276,801,363.45	\$+4,587,986.74	\$281,389,350.19	\$-2,457,745.33	\$278,931,604.86	\$+12,763,656.08	\$291,695,260.94

TRUST CERTIFICATE CANCELLED

Chicago.....Cook.....Drexel State Bank of Chicago..... Dec. 15, 1939

DURATION EXTENDED

Rushville.....Schuyler.....Rushville State Bank. Charter extended 50 years from
January 3, 1940..... Dec. 14, 1939

CHANGE OF LOCATION

DuQuoin.....Perry.....DuQuoin State Bank, from 24 West Main Street, DuQuoin,
Illinois, to 15 East Main Street, DuQuoin, Illinois..... Dec. 30, 1939

DISSOLVED

Rockton.....Winnebago.....Rockton State Bank (In receivership February 9, 1933.
Dissolved by order of the Circuit Court of Winnebago
County)..... Nov. 25, 1939
Millington.....Kendall.....First State Bank of Millington, Ill. (In receivership
February 2, 1932. Dissolved by order of the Circuit
Court of Kendall County)..... Nov. 27, 1939
Newark.....Kendall.....Farmers State Bank of Newark (In receivership February
2, 1932. Dissolved by order of the Circuit Court of
Kendall County)..... Nov. 27, 1939
Blue Island.....Cook.....Blue Island Trust & Savings Bank (In receivership
September 29, 1933. Dissolved by order of the Circuit
Court of Cook County)..... Dec. 4, 1939
Winnetka.....Cook.....Hubbard Woods Trust & Savings Bank (In receivership
July 5, 1932. Dissolved by order of the Circuit Court
of Cook County)..... Dec. 4, 1939
Grant Park.....Kankakee.....Home State Bank of Grant Park (In receivership January
29, 1932. Dissolved by order of the Circuit Court of
Kankakee County)..... Dec. 13, 1939
Round Lake.....Lake.....First State Bank of Round Lake..... Dec. 16, 1939
Colfax.....McLean.....Farmers State Bank of Colfax (In receivership February
18, 1932. Dissolved by order of the Circuit Court of
McLean County)..... Dec. 18, 1939
Danvers.....McLean.....Farmers State Bank of Danvers (In receivership February
23, 1932. Dissolved by order of the Circuit Court of
McLean County)..... Dec. 18, 1939
Buckingham.....Kankakee.....Farmers State Bank of Buckingham (In receivership
September 8, 1931. Dissolved by order of the Circuit
Court of Kankakee County)..... Dec. 20, 1939
Reddick.....Kankakee.....Reddick State Bank (In receivership September 9, 1931.
Dissolved by order of the Circuit Court of Kankakee
County)..... Dec. 20, 1939
Serena.....La Salle.....Serena State Bank (In receivership October 28, 1931.
Dissolved by order of the Circuit Court of La Salle
County)..... Dec. 20, 1939
Mt. Auburn.....Christian.....Mt. Auburn State Bank (In liquidation May 10, 1924)..... Dec. 25, 1939
Princeville.....Peoria.....Farmers State Bank of Princeville (In receivership May
18, 1931. Dissolved by order of the Circuit Court of
Peoria County)..... Dec. 26, 1939
Easton.....Mason.....Corn State Bank of Easton (In receivership January 28,
1932. Dissolved by order of the Circuit Court of Mason
County)..... Dec. 30, 1939

RECAPITULATION

State Banks in Chicago.....	26
State Banks in Cook County outside Chicago.....	28
State Banks in Illinois outside Cook County.....	471
Total.....	525

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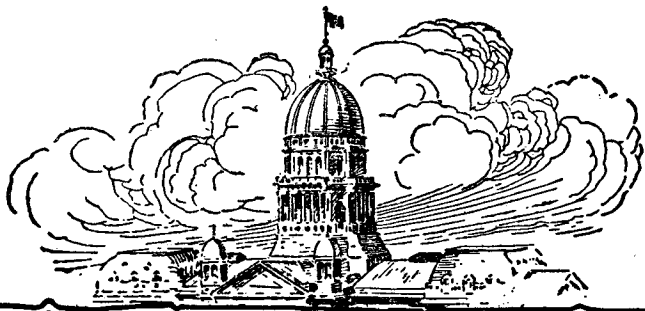
OPERATIONS 1938-1939

On the inside of this Bulletin will be found operating figures comparatively arranged for the years 1938 and 1939. It will be noted that we have broken down the totals into the size groupings based upon total deposits as followed by most statisticians. In assembling these figures we have omitted cents, and shown the totals in dollars only reported by the number of Banks reporting in each group.

In setting down the group figures we have used the totals reported by the actual number of Banks operating within the various groups during the period indicated. We have done this to insure accuracy for those computing averages.

However, in the grand total columns at the extreme right, we are using the same number of Banks in each column in order to furnish a more accurate basis for comparison. In other words, 521 going Banks reported for the year 1939, and we have used for comparison the totals reported by the identical Banks for the year 1938. In order to do so we have deducted from the 1938 totals, the totals reported by the twenty-three Banks that discontinued business during 1939.

While it has been our policy to leave all conclusions to the individual tastes of the statisticians, we cannot help but point to several interesting features appearing in the grand total columns at the extreme right. That returns from loans are steadily on the way back is indicated by an increase from local investments of nearly \$1,000,000.00 during 1939; while returns from outside investments are off nearly one-half million. Another striking feature is a one million dollar reduction in losses; all of which resulted in a net gain for the year of nearly \$1,500,000.00 for Undivided Profits.



**OPERATING RESULTS FROM ALL ILLINOIS STATE BANKS
FOR THE YEARS 1938 AND 1939**

	Group 1 Under \$250,000		Group 2 \$250,001 to \$500,000		Group 3 \$500,001 to \$750,000		Group 4 \$750,001 to \$1,000,000		Group 5 \$1,000,001 to \$2,000,000		Group 6 \$2,000,001 to \$5,000,000		Group 7 \$5,000,001 and Over		TOTAL	TOTAL
	1938	1939	1938	1939	1938	1939	1938	1939	1938	1939	1938	1939	1938	1939	1938	1939
Number of Banks.....	174	137	140	146	74	82	45	42	46	49	38	36	26	29	521	521
Current Income																
Loans.....	\$944,684	\$719,029	\$1,368,509	\$1,332,584	\$987,643	\$1,157,760	\$770,965	\$730,580	\$1,141,170	\$1,224,592	\$1,424,551	\$1,338,855	\$ 4,725,573	\$ 5,364,931	\$10,953,998	\$11,868,331
Securities.....	314,286	222,332	585,771	471,003	532,943	504,397	476,632	386,669	858,168	728,067	1,616,221	1,384,137	10,606,666	10,403,080	14,680,435	14,099,685
Bank Balances.....	983	790	1,032	1,032	94,289	106,221	64,766	63,911	76,713	86,390	179,660	128,983	797,186	828,618	1,302,519	1,350,853
Exch. Coll. Com., etc.	68,918	46,120	88,857	90,611	1,339	1,339	92,988	87,060	162,595	168,694	26,693	346	56,065	84,737	87,324	85,617
Foreign Exchange.....	1,213	1	1,085	1,085	103,441	110,493	92,988	87,060	162,595	168,694	512,029	379,437	1,115,110	1,196,092	2,093,742	2,127,277
Service Charges.....	84,446	62,026	129,660	128,475	13,538	4,633	3,656	8,705	23,793	25,251	95,101	73,174	2,096,646	3,121,707	3,038,772	3,255,162
Trust Dept.....	14,590	20,071	5,503	1,530	109,489	149,868	86,245	79,281	159,541	158,577	454,726	387,710	971,731	947,847	1,859,650	1,876,378
Miscellaneous.....	77,837	53,301	100,076	99,792												
TOTAL.....	\$1,506,937	\$1,123,670	\$2,279,461	\$2,125,027	\$1,842,682	\$2,033,372	\$1,495,802	\$1,358,126	\$2,423,856	\$2,388,963	\$4,311,534	\$3,693,302	\$21,179,754	\$21,948,086	\$33,992,251	\$34,670,547
Current Expenses																
Salaries.....	\$459,962	\$368,040	\$636,930	\$631,531	\$496,354	\$549,584	\$402,647	\$378,335	\$664,709	\$666,993	\$1,296,016	\$1,137,475	\$6,749,801	\$6,923,187	\$10,349,107	\$10,655,147
Int. Borrowings.....	3,680	3,762	680	199	29	90	90	90	927	2,502	1,001	1,001	5,928	7,073	12,150	13,631
Int. Bank Dep.....					100	200	8,865	150		150	105	140	3,596	140	12,665	490
Int. Dem. Dep.....	2,235	5	6,167	4,004	50	4	4	800	1,376	5,560	1,079	133	2,052	1,503	12,609	12,432
Int. Time Dep.....	173,598	124,238	331,685	287,476	329,234	318,4	249	221,517	409,960	378,718	672,277	543,499	2,880,739	3,037,354	4,902,239	4,911,286
Int. Cap. Deb.....	1,639	1,052	9,503	8,623	7,600	7,500	2,700	1,562	13,027	10,819	40,097	46,950	57,393	68,145	125,432	144,654
Taxes.....	97,823	71,813	115,167	117,633	94,543	102,730	79,376	79,929	146,432	139,950	209,602	160,688	1,183,586	1,091,097	1,877,538	1,763,839
Miscellaneous.....	312,979	230,049	432,929	392,636	352,120	346,818	282,860	244,106	429,701	425,264	969,865	739,865	3,792,495	3,882,412	6,230,068	6,261,150
TOTAL EXPENSE.....	\$1,051,916	\$798,959	\$1,533,061	\$1,442,102	\$1,280,030	\$1,325,837	\$1,026,294	\$926,249	\$1,666,132	\$1,629,956	\$3,190,042	\$2,628,610	\$14,675,590	\$15,010,916	\$23,521,808	\$23,762,629
OPERATING NET.....	\$455,021	\$324,711	\$746,400	\$682,925	\$562,652	\$707,535	\$469,508	\$431,877	\$757,724	\$759,007	\$1,121,492	\$1,064,692	\$6,504,164	\$6,937,170	\$10,470,443	\$10,907,918
Recoveries and Profits																
Recoveries Loans.....	\$137,024	\$103,108	\$147,968	\$132,137	\$111,422	\$153,028	\$120,071	\$274,775	\$162,967	\$110,397	\$239,442	\$406,587	\$ 893,479	\$ 656,647	\$1,773,341	\$1,836,680
Recoveries Securities.....	37,692	50,589	58,860	80,215	53,305	79,359	28,466	73,763	75,407	94,818	170,945	223,985	192,352	358,341	603,895	661,070
Profits Securities.....	67,188	69,229	132,957	146,781	158,335	171,474	145,811	136,704	191,088	296,380	543,280	358,812	2,539,554	1,952,990	3,667,248	3,132,370
Miscellaneous.....	31,443	25,452	105,547	81,022	53,012	61,357	5,966	27,855	91,537	92,927	227,874	322,941	506,995	578,141	1,004,153	1,190,294
Net—Plus Recoveries and Profits.....	\$728,368	\$573,089	\$1,191,732	\$1,123,680	\$938,816	\$1,172,753	\$769,822	\$944,974	\$1,278,723	\$1,353,529	\$2,303,033	\$2,377,017	\$10,636,544	\$10,483,289	\$17,519,080	\$18,028,332
Losses																
On Loans.....	\$146,542	\$134,693	\$259,563	\$206,190	\$124,452	\$246,277	\$ 93,777	\$164,993	\$199,644	\$348,886	\$246,390	\$210,822	\$1,088,956	\$ 815,622	\$2,125,964	\$2,127,484
On Securities.....	236,252	104,703	358,062	183,965	352,338	209,307	260,038	161,750	486,162	344,582	827,652	768,013	3,090,604	2,563,710	5,526,525	4,336,088
Bkg. Hse.—Fur. and Fix.....	67,154	56,303	85,899	102,305	79,144	82,831	43,152	41,441	68,914	71,748	151,508	118,482	502,377	179,912	979,241	653,022
Miscellaneous.....	55,019	104,548	103,056	140,473	108,437	92,769	66,665	151,382	107,074	195,000	378,757	329,327	567,389	860,618	1,348,471	1,874,118
TOTAL LOSSES.....	\$504,967	\$400,247	\$806,580	\$632,933	\$664,371	\$631,184	\$463,632	\$519,566	\$861,794	\$960,216	\$1,604,307	\$1,426,644	\$5,249,326	\$4,419,922	\$9,980,201	\$8,990,712
NET TO UNDIVIDED PROFITS.....	\$223,401	\$172,842	\$385,152	\$490,747	\$274,445	\$541,569	\$306,190	\$425,408	\$416,929	\$393,313	\$698,726	\$950,373	\$5,387,218	\$6,063,367	\$7,538,879	\$9,037,620
Capital, Surplus, Und. Prof., Reserves.....	\$7,226,888	\$5,616,426	\$8,438,253	\$8,280,405	\$6,221,347	\$6,803,056	\$5,135,410	\$4,708,727	\$8,094,840	\$7,944,869	\$12,843,004	\$11,664,094	\$68,731,065	\$72,854,947	\$112,819,931	\$117,872,528
TIME DEPOSITS.....	\$9,517,963	\$7,223,661	\$19,608,432	\$18,158,855	\$20,441,075	\$21,031,563	\$16,289,675	\$14,596,712	\$28,662,952	\$28,813,667	\$60,572,689	\$54,568,437	\$237,415,157	\$265,701,592	\$381,490,990	\$410,094,489
GROSS DEPOSITS.....	\$28,122,564	\$22,648,640	\$49,579,283	\$51,024,705	\$44,502,697	\$49,654,341	\$38,254,768	\$36,898,098	\$64,699,406	\$67,988,793	\$118,666,234	\$113,540,250	\$826,186,169	\$930,507,736	\$1,136,644,018	\$1,272,262,564

NOTE: Figures used are dollars only. Size groupings are based upon total deposits.

CONVERSION

✓ Chester.....Randolph.....The First State Bank of Chester into First National Bank
in Chester.....Jan. 2, 1940 ✓
Lincoln.....Logan.....The Lincoln State Bank into State National Bank of
Lincoln.....Jan. 31, 1940

PERMIT ISSUED

	<i>Capital Surplus Reserve</i>	
Downers Grove Du Page.....Citizens State Bank of Downers Grove.....	\$50,000. \$10,000. \$5,000.	Feb. 8, 1940

NAME CHANGED

✓ Hillsboro.....Montgomery.....The Montgomery County Loan and Trust Company to
The Montgomery County Bank.....Jan. 10, 1940 ✓

DURATION EXTENDED

✓ Carthage.....Hancock.....Marine Trust Company of Carthage. Charter extended
20 years from February 17, 1940.....Jan. 11, 1940 ✓

DISSOLVED

Elvaston.....Hancock.....Farmers Exchange Bank of Elvaston (In receivership
June 9, 1933. Dissolved by order of the Circuit Court
of Hancock County).....Jan. 3, 1940 •

Sadorus.....Champaign.....Farmers First State Bank of Sadorus (In receivership
April 19, 1932. Dissolved by order of the Circuit Court
of Champaign County).....Jan. 5, 1940 •

St. Joseph.....Champaign.....Exchange Bank of St. Joseph (In receivership June 23,
1931. Dissolved by order of the Circuit Court of
Champaign County).....Jan. 5, 1940 •

Lane.....DeWitt.....State Bank of Lane (In receivership January 12, 1932.
Dissolved by order of the Circuit Court of DeWitt
County).....Jan. 8, 1940 •

Chicago.....Cook.....Boulevard Bridge Bank of Chicago (In liquidation March
28, 1933).....Jan. 18, 1940 ✓

New Canton.....Pike.....New Canton State Bank (In receivership January 27, 1931.
Dissolved by order of the Circuit Court of Pike County) Jan. 23, 1940 •

Rockport.....Pike.....Peoples State Bank of Rockport (In receivership December
19, 1930. Dissolved by order of the Circuit Court of
Pike County).....Jan. 23, 1940 •

Ohio.....Bureau.....First State Bank of Ohio (In receivership February 18,
1932. Dissolved by order of the Circuit Court of Bureau
County).....Jan. 27, 1940 •

RECAPITULATION

State Banks in Chicago.....	26
State Banks in Cook County outside Chicago.....	28
State Banks in Illinois outside Cook County.....	469
Total.....	523

MONTHLY BULLETIN

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

Vol. 15

SPRINGFIELD, ILL., MARCH 1, 1940

No. 12

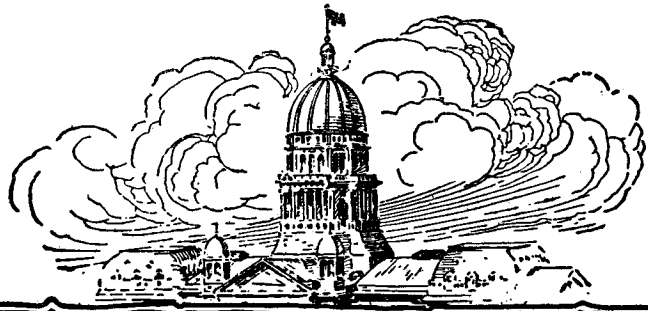
EXECUTIVES

During recent months we have read several discussions of the various impacts of the Wages and Hours' Act upon the banking business; and we consider it timely to discuss one here that may seriously concern a number of banks.

On several occasions during the past few months we have met old acquaintances who are bank executives and noticed unmistakable signs of wear and tear in their physical appearance. This, later conversation brought out, was due to the fact that these men were working from three to five nights a week in order to clean up odds and ends of detail that the operating staffs are unable to complete within the forty-two hour maximum allowed under the Wages and Hours' Act.

They said that nearly every day the required quitting time finds the operating staffs with from a half to an hour's work unfinished. This usually consists of miscellaneous posting, writing up cash letters, locating errors, handling collections, mailing out notices and various other clerical details. In the anxiety of these men to keep bank detail up to date, they go back to the bank nearly every night and work from three to five hours.

None of these men had been asked to do this; neither had any of them been refused the additional help they so plainly needed. When compliance with the Wages and Hours' law meant the hiring of more help (usually one clerk), each of



these executives made a one-man decision that the bank could not afford that expense; and, without consulting the directors, took the entire burden upon his own shoulders.

Now, as we see it, the most that they could hope to gain would be to comply with the letter of the law, keep the work current and save the bank not over a thousand dollars a year. In our opinion, these accomplishments would, in the long run, come pretty high. Right now we regard each of them as a good executive. Their operating records, their training, skill and other abilities are of the highest order; but we don't think that their fine talents will continue unimpaired very long under the pressure of night work four or five times every week. It seems inevitable to us that if this pressure is not removed that several, if not all of these good men, are due to go out of commission.

In times past and all too frequently, it has been one of the painful experiences of this Department to observe good men going down under pressure. In many instances we believe that we became aware of the deteriorating processes before their more intimate associates sensed them. Outsiders frequently become conscious of such developments sooner than close associates.

It is particularly unfortunate that the pressure of work and responsibility makes its greatest inroads into the ranks of the best and most conscientious of executives. It is they, of course, who take their jobs most seriously and attempt to cover too much territory. Their interest in their work and zeal for their jobs seems to make them utterly oblivious of all the danger signals and they forge ahead persistently, as a general rule, until they are overtaken by a collapse of one kind or another. We stated above that they are usually oblivious of the danger signals, and not only that, but almost without exception, they will scoff at any friendly suggestion that they may be riding for a fall.

An easy and near-range view of such developments is the attitude expressed by "What of it" or "If he wants to do it, that is his business—or perhaps, his funeral"; and mentally calculating the money that the bank is saving by their executive's energy.

A long-range view, however, reveals a much less favorable result to the bank. When a bank loses a good executive, it suffers a much greater injury than most people realize. We do not think that it is an exaggeration to say that most of the community's good will toward the bank centers around the chief executive officer. Many people lean heavily upon his judgment and consult him frequently and with implicit confidence in managing their affairs. It is therefore easy to understand that when anything happens to such an executive officer, the most valuable of the bank's clientele will be considerably disturbed; and in replacing such an executive, it will take a considerable length of time to re-settle good will and confidence to the former level. This is particularly true in smaller communities where a high percentage of the business done in that community revolves around the bank's chief executive officer.

This long-range view is the one that should receive the most serious consideration of the Board of Directors when they see an executive officer, who is exempt from the requirement of the Wages and Hours' Act, taking on a lot of clerical detail that will bring him back to the bank four or five nights every week. They should realize that when the executive abilities of this man begin to deteriorate and break down that the bank will suffer and that they will suffer. Viewed from a purely selfish stand-

point of the individual directors, a good executive officer makes their job easy and immeasurably lightens their responsibilities. Considered in this light, we do not believe that a savings of \$1,000.00 or \$1,500.00 a year will weigh very heavily with any Board of Directors, in view of the more serious aspects of such an arrangement.

While we are busy-bodying around this topic, we are going to go the whole route and enlarge its scope to consider the effect of a large amount of routine detail upon the work of a bank executive. One of the most common critical disclosures that now appear in our Examiners' reports is to learn that a chief executive officer has excellent qualities but that his effectiveness is materially handicapped by routine duties of a largely clerical nature. In other words, the bank is being deprived of the full measure of this man's ability by reason of the fact that he is compelled to devote several hours of his time every day to the performance of duties that might be just as efficiently carried on by a junior officer or clerk. This is frequently the fault of the executive officer himself who, while well versed and thoroughly experienced in all phases of bank operation himself, may not have the ability to train subordinates; and again, one or more of the subordinates may lack the ambition to learn more than the bare duties necessary to remain on the pay roll. For example, in a large number of banks the preparation of all reports to supervisory authorities falls upon the chief executive officer. While these reports are exacting and perhaps a bit complex in make-up, they are easily within the ability of an accountant of ordinary training who devoting a little careful thought, can understand and prepare them. Such a report might take several hours of an executive's time in assembling and setting down the required information. This tedious preparatory work could just as easily be done by a subordinate and rechecked and verified in a fraction of the time by the executive officer signing it.

The ideal arrangement is to have the chief executive officer entirely free at all times to deal with the bank's most important problems. He should have time to study his bank in its broadest aspects and in detail. He should also have opportunities to familiarize himself with the numerous outside factors that affect either the bank's operation or its assets. He should also be at liberty to meet customers' demands upon his time which provides the shortest avenue the bank has to customers' good will. Such activities and a multitude of others not mentioned make up the real duties of a bank executive; and are activities that will pay dividends to the bank in various forms. If an executive devotes his time, energy and ingenuity to these important duties, he will put in a full day every day and in so doing, all of his activities will be constructive and beneficial to the bank and every hour that he is required to devote to routine detail must be considered as taken away from more valuable activities.

It is of vital interest to bank directorates that their operating staffs be efficiently organized. A bank is fortunate indeed when it is under the guidance of an able executive and staffed by junior officers and clerks who are capable of expanding their activities and steadily moving up into positions of greater responsibility. If an executive officer is a good one he will foster this development on down the line through his subordinates and the directors should give him every reasonable encouragement. By the same token, when a Board of Directors learns that night work is being done in the bank three, four or five nights a week, they should lose no time in correcting that situation; for somebody may get hurt.

DISSOLVED

Morrison.....Whiteside.....Morrison State Bank (In receivership December 30, 1931.
Dissolved by order of the Circuit Court of Whiteside
County).....Jan. 30, 1940
Edinburg.....Christian.....Edinburg State Bank (In receivership March 25, 1933.
Dissolved by order of the Circuit Court of Christian
County).....Feb. 28, 1940

RECAPITULATION

State Banks in Chicago.....	26
State Banks in Cook County outside Chicago.....	28
State Banks in Illinois outside Cook County.....	469
Total.....	523

MONTHLY BULLETIN

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

Vol. 16

SPRINGFIELD, ILL., APRIL 1, 1940

No. 1

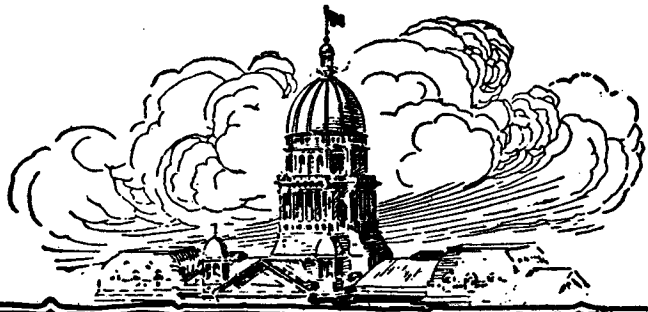
TRUST BUSINESS

The greater part of the activities of this Department are concerned with bank operation so quite naturally most of the discussions in this Bulletin have to do with purely banking problems and experiences.

Of almost equal importance, however, with our banking responsibilities are our statutory obligations concerning all corporate trustees of which there are, at the present time, one hundred and forty in Illinois in control of trust property valued at nearly Four Billion Dollars. These one hundred and forty corporate trusteeships consist of one hundred and thirty-five State and National Banks and five Trust Companies.

Under Illinois law corporations may be given Charter powers to accept and execute trusts and all banks have such powers inherent in their Charters. However, before any corporation may exercise these powers, it is required to qualify under the law of Illinois concerning trust companies and receive from the Auditor of Public Accounts a Certificate of Authority to do a trust business.

On the next page will be found a comparative analysis of trust business in Illinois laying volume and number of accounts as of December 31, 1939, side by side with those of December 31, 1927. During that twelve-year period a great deal has happened to our economic structure and the



TRUST BUSINESS (Continued)

number of corporate trusteeships has been reduced by almost exactly one-half, yet the volume of business and number of accounts remain surprisingly constant.

It will be noted that we have sought to improve the perspective by showing separately down-state and Chicago figures. We shall hold to our rule of drawing no deduction from the results herein disclosed although there are shifts and trends discernible that will doubtless prove quite interesting to individuals interested in corporate trusteeships.

We would, however, like to add this general observation based upon our experience with corporate trusteeships particularly during the period covered by the analysis submitted herewith. A well managed corporate trustee is a very valuable asset to any community but if it is

not properly organized and in soundly experienced hands, it might well be termed a community risk. There is probably no business specializing in public service where so many "tricky angles" are encountered or where such a high degree of administrative skill and sound business judgment are required.

No bank should consider undertaking trust operations until it can be assured a sufficient volume of profitable trust business to insure proper organization and management of the Trust Department. First of all, they should be able to retain the services of a Trust Officer especially trained and experienced in the handling of trust business and who could devote practically all of his time to the bank's trust matters. Secondly, at least one and preferably more of the directors should have sufficient understanding of the trust business to enable them to watch and properly supervise trust operations.

COMPARATIVE ANALYSIS
ILLINOIS CORPORATE TRUSTEESHIPS—1927-1939.

Number Trust Permits Outstanding—	BANKS OUTSIDE CHICAGO		BANKS IN CHICAGO		TRUST COMPANIES—NOT BANKS		TOTALS		TOTALS	
	196 Dec. 31, 1927	110 Dec. 31, 1939	76 Dec. 31, 1927	25 Dec. 31, 1939	13 Dec. 31, 1927	5 Dec. 31, 1939	272 Banks 13 Trust Companies Dec. 31, 1927	Total Number of Accounts Dec. 31, 1927	135 Banks 5 Trust Companies Dec. 31, 1939	Total Number of Accounts Dec. 31, 1939
LIABILITIES:										
Administrator.....	\$ 1,771,734	\$ 1,653,972	\$ 5,354,868	\$ 4,154,522	\$ 3,537,653	\$ 435,038	\$ 10,664,255	1,162	\$ 6,243,532	727
Agent.....	4,841,431	9,466,675	151,751,361	263,316,187	12,543,509	5,494,265	156,592,792	4,343	278,277,126	5,779
Assignee.....	282,659	464	15,509	3,283	436		12,842,203	10	3,747	9
Bailee.....		7,024	504,322,781	51,224,589	424,191		504,946,972	6,653	51,231,593	188
Conservator.....	2,330,690	4,164,727	8,574,753	41,969,788	1,603,230	2,550,880	12,508,674	1,807	48,685,394	2,304
Custodian.....	14,375,924	23,983,816	245,375,936	437,303,838	339,492	10,584	260,140,302	1,789	511,303,288	4,327
Depository.....	936,800	5,285,172	242,276,430	636,904,183	18,516,187	46,662,627	261,729,418	1,576	688,851,961	2,216
Escrow.....	2,232,705	2,356,376	102,572,350	123,290,856	2,099,686	8,060,188	106,604,740	7,545	133,707,420	4,430
Executor.....	7,554,632	4,537,426	62,444,300	44,009,078	1,587,693	3,216,359	71,586,626	1,174	51,782,864	2,162
Fiscal Agent.....	961,456	53,719	33,514,634	238,401,612		48,034	34,476,091	1,620	238,503,365	3,552
Registrar & Transfer Agent.....		13,125		43,075,739		3,000			43,091,865	1,331
Guardian.....	2,613,944	1,495,683	9,131,651	7,405,019	1,094,200	532,509	12,839,795	2,687	9,433,211	1,410
Receiver.....	2,362,593	197,919	2,424,970	117,623	6,059,410	108,667	11,346,972	483	424,409	569
Trustee Under Agreement.....	32,331,771	45,256,219	756,323,131	635,060,993	221,025,025	41,085,353	1,010,179,927	14,023	721,402,565	16,081
Trustee Under Decree.....	3,629,087	3,674,876	13,712,256	23,707,500	103,077	2,034	17,444,420	418	27,384,410	1,360
Trustee Under Trust Deed.....	3,906,358	708,751	547,443,869	514,101,241	19,354,392	10,555,995	570,704,519	12,379	525,365,987	8,560
Trustee Under Will.....	14,717,337	27,997,312	338,458,088	513,734,864	14,896,436	17,799,250	368,071,859	3,114	559,531,426	4,956
Miscellaneous.....		171,134		12,690,665		12,745			12,874,545	618
TOTAL.....	\$95,349,121	\$131,029,390	\$3,024,396,337	\$3,640,471,810	\$303,234,707	\$136,577,528	\$3,422,980,165	61,383	\$3,908,078,728	60,559
ASSETS:										
Cash on Hand.....	\$ 6,317,082	\$ 9,355,356	\$ 81,117,554	\$ 149,714,720	\$ 11,464,694	\$ 15,453,206	\$ 98,899,329		\$ 174,523,282	
Real Estate.....	18,589,585	8,530,435	141,491,109	139,508,670	185,789,143	18,126	345,869,837		148,057,231	
Other Personal Property.....	70,442,454	113,143,599	2,801,787,674	3,351,248,420	105,980,870	121,106,196	2,978,210,999		3,585,498,215	
TOTAL.....	\$95,349,121	\$131,029,390	\$3,024,396,337	\$3,640,471,810	\$303,234,707	\$136,577,528	\$3,422,980,165		\$3,908,078,728	

CAPITAL STOCK INCREASED

Chicago.....Cook.....Sears-Community State Bank from \$200,000 to \$400,000.....Mar. 15, 1940 ✓

IN LIQUIDATION

Marissa.....St. Clair.....State Bank of Marissa.....Jan. 19, 1940 ✓
 Towanda.....McLean.....Towanda State Bank.....Mar. 25, 1940 ✓

DISSOLVED

Camden.....Schuyler.....Peoples Bank of Camden (In liquidation December 27, 1920. Dissolved by order of the Circuit Court of Schuyler County).....Nov. 28, 1939 ✓
 Cobden.....Union.....First State Bank of Cobden (In liquidation November 24, 1937).....Jan. 19, 1940 ✓
 Oak Park.....Cook.....Central Oak Park State Bank (In receivership August 4, 1930. Dissolved by order of the Circuit Court of Cook County).....Feb. 21, 1940 ✓
 Wauconda.....Lake.....Wauconda Trust and Savings Bank (In receivership November 20, 1931. Dissolved by order of the Circuit Court of Lake County).....Mar. 4, 1940 ✓
 St. Joseph.....Champaign.....St. Joseph State Bank (In liquidation October 4, 1926. Dissolved by order of the Circuit Court of Champaign County).....Mar. 5, 1940 ✓
 McConnell.....Stephenson.....McConnell State Bank (In receivership February 28, 1931. Dissolved by order of the Circuit Court of Stephenson County).....Mar. 6, 1940 ✓
 Northbrook.....Cook.....Northbrook State Bank (In receivership June 29, 1932. Dissolved by order of the Circuit Court of Cook County).....Mar. 7, 1940 ✓
 Highwood.....Lake.....Highwood State Bank (In receivership August 1, 1932. Dissolved by order of the Circuit Court of Lake County).....Mar. 11, 1940 ✓
 Sheridan.....La Salle.....Farmers' and Merchants' State Bank (In liquidation June 22, 1931. Dissolved by order of the Circuit Court of La Salle County).....Mar. 20, 1940 ✓

RECAPITULATION

State Banks in Chicago.....	26
State Banks in Cook County outside Chicago.....	28
State Banks in Illinois outside Cook County.....	467
Total.....	521

NOTE:

National Builders Bank of Chicago

Effective May 1, 1940---name changed to

LaSalle National Bank

(Getz: This bank has a trust department---change not to be shown on Bulletin.)

MONTHLY BULLETIN

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

Vol. 16

SPRINGFIELD, ILL., MAY 1, 1940

No. 2

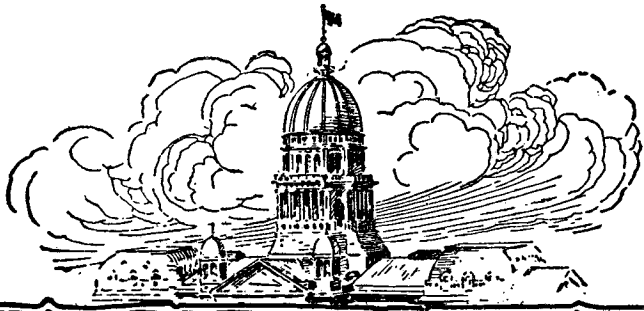
TIME — COOPERATION — RESULTS

The first two words of the above title describe two sturdy factors that have combined to produce some very gratifying results among the State banks of Illinois.

We recently had occasion to look back through some of our BULLETIN files and found that fifteen years ago we were advocating and urging certain policy changes, opposing abuses and omissions that loomed as formidable and unhealthy factors of condition in a large number of Illinois State banks.

At that time some of these conditions appeared firmly enough entrenched in our banking system to be considered irremovable fixtures; in fact, it was contended by many that if they were to be considered as evils they would have to be regarded as indispensable to the banking business. For a time it appeared that the most that could be hoped for was to hold them in check. As time went on, we urged, emphasized, pleaded and prodded through all of our contacts toward our objectives. Cooperation came slowly and almost grudgingly at first, however, results began to be noticeable as time went on, until today they have been almost completely eliminated from our Illinois State banks.

In BULLETIN No. 3 issued on June 1, 1925, we went to work on overdrafts with an article prophetically entitled, "Continual dropping wears away a stone". Overdrafts were denounced in the opening sentence as, "A bane of the banker



and the detestation of the Department —". Apparently the Department had had its sleeves rolled up on this subject for some time prior to the inauguration of this BULLETIN, for the article expressed appreciation for the efforts made by the majority of bankers to eradicate this abuse. That was merely the opening gun, and throughout the life of this BULLETIN editorial blows at the practice appeared at regular intervals. The results are plainly written in the ensuing Call Reports. On June 30, 1920, 1,018 Illinois State banks had overdrawn accounts aggregating \$1,732,548.00, or an average of \$1,702.00 for each bank. Five years later, with the number of banks increased to 1,399, overdrafts had been cut to \$1,147,727.00, or an average of \$820.00. The next five years ended with 1,221 banks having overdrawn accounts of \$913,875.00, or an average of \$747.00. By 1935 overdrafts were definitely on the way out, with a total of \$77,044.00 for 599 banks, or an average of \$130.00 per bank. This excellent showing was still further improved in our 1939 year-end figures, with 525 banks showing a total of \$67,771.00, or an average of \$129.00. Not a bad showing at all in a group of banks with deposits aggregating over \$1,200,000,000.00.

Along about that time, to-wit June 1, 1926, we viewed with alarm the lack of Fidelity insurance coverage for active officers and employees, and we opened up on that subject through the BULLETIN of that date. We continued to hammer away upon that subject until today every State bank in Illinois has the protection of at least a reasonable amount of Fidelity insurance. That was our hardest job, but the one in which we have achieved the fullest accomplishment. The difficulties in this campaign lay in the fact that we first had to convince a large number of bank managements of the need for Fidelity insurance, and at the same time avoid the use of personal surety.

A steady diet of Bills Payable and Rediscounts is not generally considered as conducive to a strong and durable bank. A bank constantly borrowing and rediscounting is as a rule overloaned, weak in liquidity, and pretty well in 'hock' to one or two creditors. At the end of 1920, Illinois State banks owed on Bills Payable and Rediscounts \$75,482,263.00.

BULLETIN No. 7 of October 1, 1925, reviews the work done in this direction in an article captioned, "Conditions are better". In commenting on this accomplishment, the article summarizes, "Each year shows a very substantial reduction, with the exception of 1923 when the trend was in the other direction". "The figures for December, 1925, should be even more encouraging as the anticipated return from the splendid corn crop should be manifest by that time". They were: For the year-end figures of 1925 showed Bills Payable and Rediscounts reduced to \$20,214,909.00; by the end of 1930, they had been reduced

to \$14,837,199.00; while 1935 brought the total down to \$4,594,701.00. By December 31, 1939, bank borrowings were reduced to \$808,376.00, but we hasten to add that the bulk of this figure was owing by banks in the process of liquidation and without deposit liabilities; for all of the operating State banks of Illinois only owed \$27,576.00 for money borrowed. So it looks as if we can just about check Bills Payable and Rediscounts off of the list of things for the Illinois State Banking Department to get cross about.

The building up of Surplus and Undivided Profits and Capital Reserve Accounts was another of our early advocacies. A tabulation of figures in our fourth issue of July 1, 1925, calls attention to our ambitions along this line, with the following comments: "Comparative statement of Surplus, Undivided Profits, Reserves, etc., covering the period from the time the Department initiated the policy of urging state banks to increase Surplus Fund and Undivided Profits, and building up Reserves. The showing is very gratifying as during the past two years considerable drain occurred in removing known losses. Especially flattering is the gain shown in Surplus, Undivided Profits and Contingent Funds, all of which has strengthened the position of state institutions."

The results of this program are best shown in averages and tell quite an interesting story.

At the end of 1920, the average substructure (Surplus, Undivided Profits and Reserves) for each of the 1,372 banks was \$87,156.00; by the end of 1925 the average for each of 1,395 banks rose to \$130,026.00; by the end of 1930 each of 1,145 banks had an average substructure of \$223,636.00. The house cleaning that took place between then and the end of 1935 reduced the average to \$96,272.00 for each of 595 banks. The replenishment that has been accomplished since then has been almost phenomenal, for by the end of 1939 the average substructure had been increased to \$154,147.00 for each of 525 banks.

While the results brought out by the comparisons shown are in themselves an eloquent tribute to the aggressiveness and progressiveness of the state bankers of Illinois, they are greatly enhanced by considering the fact that during the twenty-year period reviewed the State Banking System of Illinois practically took over private banking in its entirety when it was abolished by law in 1919, and carried on through a major economic crisis.

This review might well be summarized by converting the title of this article into an equation:—

TIME + COOPERATION = RESULTS.

CONVERSION

Chicago.....Cook.....Uptown State Bank into Uptown National Bank of Chicago.....Mar. 30, 1940 ✓

CONSOLIDATED

Kankakee.....Kankakee.....City Trust and Savings Bank and The City National Bank of Kankakee under title "City National Bank of Kankakee".....Apr. 20, 1940 ✓

CAPITAL STOCK INCREASED

Chicago.....Cook.....State Bank of Clearing from \$120,000 to \$150,000.....Apr. 16, 1940 ✓

TRUST CERTIFICATE ISSUED

Kankakee.....Kankakee.....City National Bank of Kankakee.....Apr. 22, 1940 ✓

TRUST CERTIFICATE CANCELLED

Kankakee.....Kankakee.....City Trust and Savings Bank.....Apr. 22, 1940 ✓

DISSOLVED

Donovan.....Iroquois.....Farmers State Bank of Donovan (In receivership April 18, 1933. Dissolved by order of the Circuit Court of Iroquois County).....Mar. 26, 1940 •

West Liberty.....Jasper.....State Bank of West Liberty (In receivership August 18, 1933. Dissolved by order of the Circuit Court of Jasper County).....Mar. 28, 1940 ✓

Towanda.....McLean.....Towanda State Bank (In liquidation March 25, 1940).....Mar. 29, 1940 ✓

Thebes.....Alexander.....The First State Bank of Thebes (In receivership May 20, 1933. Dissolved by order of the Circuit Court of Alexander County).....Apr. 1, 1940 •

Tiskilwa.....Bureau.....The First State Bank of Tiskilwa (In receivership January 23, 1932. Dissolved by order of the Circuit Court of Bureau County).....Apr. 15, 1940 •

Cameron.....Warren.....State Bank of Cameron (In receivership January 8, 1932. Dissolved by order of the Circuit Court of Warren County).....Apr. 19, 1940 •

Swan Creek.....Warren.....Swan Creek State Bank (In receivership April 3, 1933. Dissolved by order of the Circuit Court of Warren County).....Apr. 19, 1940 •

LaPrairie.....Adams.....State Bank of LaPrairie (In liquidation February 6, 1926. Dissolved by order of the Circuit Court of Adams County).....Apr. 20, 1940 •

Rose Hill.....Jasper.....State Bank of Rose Hill (In receivership November 14, 1932. Dissolved by order of the Circuit Court of Jasper County).....Apr. 25, 1940 ✓

RECAPITULATION

State Banks in Chicago.....	25
State Banks in Cook County outside Chicago.....	28
State Banks in Illinois outside Cook County.....	465
Total.....	519

MONTHLY BULLETIN

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

Vol. 16

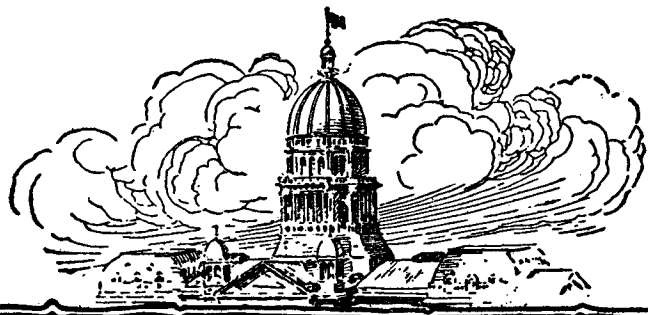
SPRINGFIELD, ILL., JUNE 1, 1940

No. 3

SMALL LOANS

A subject that frequently arises in our discussions with bankers involves the various new types of loans into which a large number of banks have gone during the past six years. This subject is usually introduced by the question as to the attitude of this Department toward automobile loans or small personal loans or domestic appliance loans. Our stock answer to these questions contains neither comfort nor information being to the general effect that as long as they are good, we pass them over without comment and when they become bad, we ask that they be charged off. One banker facetiously characterized our attitude as "armed neutrality".

In general, the experience of banks with these new types of loans has, to date, been very satisfactory. The returns are good and the losses negligible. From the discussions we have had with bankers on this subject, we know that quite a few have devoted considerable study and thought to these types of investment. Most bankers are keenly aware of the fact that small loans for the purchase of automobiles, domestic appliances, home improvements, etc., have not been thoroughly seasoned by time and that there are some question marks in the picture from a commercial banking standpoint. They have, therefore, proceeded within cautious limits, carefully studying their ground.



The main question with the individual banker is, of course, how far the bank should commit itself to small loans as a whole and how far it should go into each of the different varieties of small loans. And there are also such additional problems of detail as form of note, form of lien, special handling, etc., that eventually bring the banker to believe that he has entered an entirely new and highly involved field of financing. There are several who appear to have done sufficient research work in this field to qualify as specialists.

Our discussions on this subject and observations made from examinations have led us to wonder if the problem is really as complicated as all that and if a sound general loaning policy would not automatically provide the answers for all of the questions that are perplexing a number of bankers exploring this field.

We have always taken the position that a community bank should strictly confine its loaning activities within the limits of the territory that it serves and within those limits there is a certain amount of good, safe and profitable loaning business. If a bank can acquire all of this business, we believe that in nearly every instance, both volume and diversification will be fairly satisfactory, and this will automatically envelop the cream of all varieties of the small loan business. We are confident that any bank, given a sound management and well developed customer relationship, can get every good loan in its own community and do so in the face of any competition. It has been demonstrated to our satisfaction on countless occasions that the people of any community would prefer to transact their financial business with their own local bank rather than any other financial agency. All the banker has to do is to convert that preference into a habit.

The banker, obviously, is in a better position than anyone else to know the potential borrowers who are entitled to bank credit to the end that when an individual is in need of credit for the purchase of a car, home equipment or repairs, he can go to his bank and make his own financing arrangements. He will naturally prefer to do this because he will enjoy the independence and advantage of a cash purchaser. Such an arrangement, it seems to us, is not only advantageous to the banker and the borrower but to the local dealer as well who will be considerably relieved of the burden of carrying or discounting large amounts of customers' paper.

There are a number of banks that have, by preference, entered the small loan field through the medium of discounting customers' notes for dealers and we have not been thoroughly impressed by what we have seen of it. While one of the primary charter powers and purposes of a bank is discount, there is quite a marked difference between commercial

discounts and the discounting of small notes of customers. It must be borne in mind that dealers are in business to sell merchandise and it can be fairly assumed that a note resulting from the sale of merchandise has not been negotiated on the same basis as one resulting from the lending of money and yet, when the bank takes over such paper from dealers, it undertakes to collect that note without knowing all of the circumstances that entered into or surrounded the original deal. It is true, of course, that the bank as an innocent holder in due course has all the presumption of law on its side but if there is any "grief" in the deal, the bank will have to bear the brunt of it.

As evidence of the strong preference that citizens of a community have for the local bank, we recall the needless worries of a good Illinois banker back in 1934. In order to clean house in 1933, this bank had gone through a major operation performed entirely by the stockholders. There had been a marked shift in the control of the bank which, coupled with the uncertainty of the times, led the Board to adopt a policy of maintaining a high degree of liquidity until the community's reaction to the new set-up was more accurately known.

There were a large number of cattle feeders in the community and for many years the bank had taken care of all of their needs. With the Board demanding almost complete liquidity of deposits, the bank could not meet the current needs of the cattle feeders. The chief managing officer told us that another agency had very promptly come forward to meet all of the cattle feeders' requirements and at a rate slightly reduced from that currently obtained by the bank. He was, quite naturally, apprehensive that he had permanently lost one of the bank's most valuable outlets for its loanable funds. As it turned out, however, his fears were groundless.

By the time the feeders were ready to again start stocking their feed lots, the local tension had eased and the Board again felt free to resume their cattle feeding commitments. Some months later the chief executive officer told us that every one of his cattle feeders were back on his books and at the old rate. This was simply the result of years of strong customer relationship built up by the bank which these cattle feeders preferred to any other arrangement that could be offered to them.

It is therefore our conclusion that every community bank is situated in the midst of a certain amount of good loaning business. They are closer to it, have a better knowledge of it and are in a better position to handle it than any other money lending agency. If the banks therefore will make the most of their natural advantages, the small loan business in all of its varieties will lose the complications and problems that arise when they are dealt with as a specialty and fit in with the general money lending activities of the bank.

DISSOLVED

Oswego.....Kendall.....	The Oswego State Bank (In receivership August 16, 1933. Dissolved by order of the Circuit Court of Kendall County).....	Mar. 27, 1940
Plano.....Kendall.....	First State Bank of Plano (In receivership September 3, 1931. Dissolved by order of the Circuit Court of Kendall County).....	Mar. 27, 1940
Marissa.....St. Clair.....	State Bank of Marissa (In liquidation January 19, 1940).....	Apr. 26, 1940
Blandinsville.....McDonough.....	Huston Banking Company (In receivership December 26, 1930. Dissolved by order of the Circuit Court of McDonough County).....	May 7, 1940
Seneca.....La Salle.....	State Bank of Seneca (In receivership February 18, 1932. Dissolved by order of the Circuit Court of La Salle County).....	May 13, 1940
Mendon.....Adams.....	The Farmers State Bank of Mendon (In receivership June 20, 1930. Dissolved by order of the Circuit Court of Adams County).....	May 29, 1940
Windsor.....Shelby.....	Commercial State Bank (In receivership December 16, 1933. Dissolved by order of the Circuit Court of Shelby County).....	May 29, 1940

RECAPITULATION

State Banks in Chicago.....	25
State Banks in Cook County outside Chicago.....	28
State Banks in Illinois outside Cook County.....	466
Total.....	519

*Reuter in
June 30, 1940
Bank
↓*

Foreign Exchange License No. 25 issued to Alexander Weiss, 644 W. North Avenue, Chicago, Illinois. License dated February 27, 1940.

Foreign Exchange License No. 26 issued to Berthold Mueller, 2360 Lincoln Avenue, Chicago, Illinois. License dated February 27, 1940.

Foreign Exchange License No. 27 issued to Ernest A. Held, 1940 W. Irving Park Road, Chicago, Illinois. License dated 3/25/40.

Foreign Exchange License No. 28 issued to K. W. Kempf Travel Bureau, a Co-partnership, 180 W. Washington Street, Chicago. License dated 4-27-40.

MONTHLY BULLETIN

Issued by
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AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

Vol. 16

SPRINGFIELD, ILL., JULY 1, 1940

No. 4

REVIEW OF CALL FIGURES

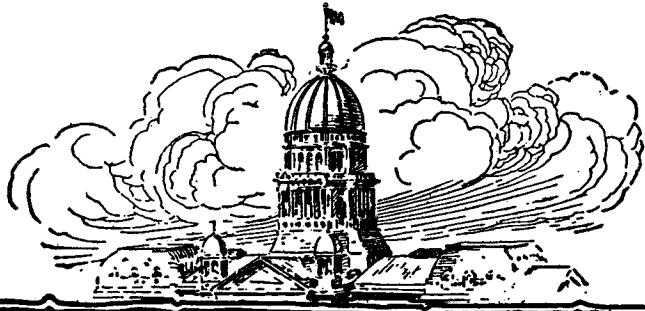
The inside pages of this issue contain our semi-annual review of Call Report figures.

During the twelve months preceding June 29, 1940, the number of going banks was reduced by seventeen; nine of which went into voluntary liquidation paying depositors in full, one bank was closed and placed in receivership, one consolidated with a National bank to continue under National Charter, while six converted into National Banking Associations.

In order to gauge the effect of the withdrawal of these banks from our State Banking System upon the comparative figures herein exhibited, we submit herewith the proprietorship, deposit and fixed asset totals of the seventeen banks. Capital—\$1,926,000.00, Surplus—\$1,041,600.00, Undivided Profits—\$408,060.29, Reserves—\$494,732.69, Deposits—\$37,914,187.28, Banking House, Furniture and Fixtures—\$320,124.69.

After discounting the effects of these withdrawals, it will be seen that our 517 operating banks have registered substantial gains in practically every phase of their activity.

The analysis of loans appearing just below the balance sheet figures discloses some very interesting trends. Commercial paper and collateral loans appear to have leveled off, fluctuating within narrow limits during the past year. Farm mortgage financing also has shown but slight fluctuation. Plain promissory notes, however, have shown a steady advance since the October call of 1939. Other Real Estate loans have been increasing steadily for over two years.



**REVIEW OF CALL REPORTS
COVERING ALL ILLINOIS STATE BANKS**

NUMBER OF BANKS.....	534	Increase or Decrease	527	Increase or Decrease	525	Increase or Decrease	521	Increase or Decrease	517
DATE OF CALL.....	June 30, 1939		Oct. 2, 1939		Dec. 30, 1939		March 26, 1940		June 29, 1940
RESOURCES:									
Cash and Due from Banks.....	\$428,738,953.87	\$+74,848,024.35	\$503,586,978.22	\$+17,094,061.88	\$520,681,040.10	\$-53,166,177.25	\$467,514,862.85	\$+67,710,088.10	\$535,224,950.95
Outside Checks and Other Cash Items.....	14,293,275.06	-5,205,653.19	9,087,621.87	+4,521,954.36	13,614,576.23	-3,178,279.72	10,436,296.51	+2,333,198.73	12,769,495.24
U. S. Governments—Direct and Guaranteed.....	300,273,443.91	-3,750,943.98	291,522,799.93	+6,789,751.85	284,733,048.05	+13,082,139.24	297,815,187.29	-16,318,188.69	281,496,998.60
Other Bonds, Stocks and Securities.....	276,213,436.70	-19,897,432.59	256,316,004.11	+7,053,317.24	263,399,321.55	+3,394,534.07	266,763,355.42	-1,059,358.11	265,707,467.31
Loans and Discounts.....	281,389,350.19	-2,457,745.33	278,931,604.86	+12,763,656.08	291,695,260.94	+12,650,433.08	304,345,694.02	+4,622,129.10	308,967,823.12
Overdrafts.....	58,978.91	+33,215.96	92,194.87	-24,423.78	67,771.09	+5,043.44	72,814.53	-6,972.98	65,841.55
Banking House.....	11,859,553.74	-41,864.04	11,817,689.70	-209,890.23	11,607,799.47	-111,060.99	11,496,738.48	-151,100.38	11,345,638.10
Furniture and Fixtures.....	1,700,380.23	-4,109.97	1,696,270.26	-125,983.07	1,570,287.19	-6,436.03	1,563,851.16	-4,261.15	1,559,590.01
TOTAL—Bkg. House and Furniture and Fixtures	\$13,559,933.97	\$-45,974.01	\$13,513,959.96	\$-335,873.30	\$13,178,086.06	\$-117,497.02	\$13,060,589.64	\$-155,361.53	\$12,905,228.11
Other Real Estate.....	\$6,340,124.83	\$-437,461.76	\$5,902,663.07	\$-689,171.46	\$5,213,491.61	\$-420,097.72	\$4,793,393.89	\$-387,102.26	\$4,406,291.63
Customers' Liability—Letters of Credit.....	796,950.41	+45,206.91	842,157.32	-151,931.66	690,225.66	-6,707.19	683,518.47	-23,841.34	659,677.13
Customers' Liability—Acceptances.....	116,812.75	+14,005.84	102,806.91	+51,468.46	154,275.37	+40,628.62	194,903.99	-53,062.09	141,841.90
Other Resources.....	8,556,861.42	-2,248,098.47	6,308,762.95	+9,455.21	6,318,218.16	-595,336.01	5,722,882.15	-31,638.10	5,691,244.05
GRAND TOTAL RESOURCES	\$1,330,343,122.02	\$+35,869,432.05	\$1,366,212,554.07	\$+33,502,761.15	\$1,399,715,315.22	\$-28,311,316.46	\$1,371,403,998.76	\$+56,632,860.83	\$1,428,036,859.59
LIABILITIES:									
Deposits									
Demand Deposits.....	\$691,249,116.70	\$+26,064,687.37	\$717,313,804.07	\$+19,023,448.98	\$736,337,253.05	\$-38,232,246.52	\$698,105,006.53	\$+57,322,733.08	\$755,427,739.61
Time Deposits.....	401,054,776.40	-4,541,105.05	396,513,671.35	+13,599,631.35	410,113,302.70	+1,239,012.12	411,352,314.82	-2,189,442.39	409,162,872.43
Due to Banks.....	108,255,207.91	+17,587,762.41	125,842,970.32	+19,119.93	125,862,090.25	+7,440,416.63	133,302,506.88	+2,244,358.25	135,546,865.13
Deposits Secured by Pledge.....	\$ 38,957,856.57	\$+2,300,283.55	\$ 41,258,140.12	\$+2,396,417.14	\$ 43,654,557.26	\$+590,094.41	\$ 44,234,651.67	\$-6,335,791.67	\$ 37,898,860.00
Deposits not Secured by Pledge.....	1,161,601,244.44	+36,811,061.18	1,198,412,305.24	+30,945,783.12	1,228,658,088.74	-20,132,912.18	1,198,528,176.56	+63,719,440.51	1,262,238,617.17
TOTAL DEPOSITS	\$1,200,559,101.01	\$+39,111,344.73	\$1,239,070,440.74	\$+32,800,206.26	\$1,272,312,646.00	\$-29,552,817.77	\$1,242,759,828.23	\$+57,377,648.94	\$1,300,137,477.17
Other Liabilities									
Bills Payable.....	\$ 893,364.31	\$-24,327.24	\$ 869,037.07	\$-60,660.17	\$ 808,376.90	\$-12,186.80	\$ 796,190.10	\$-29,655.29	\$ 766,534.81
Re-Discounts.....	277,421.69	-135,898.67	141,523.02	+389,384.49	530,907.51	-506,839.11	24,068.40	+276,484.54	300,552.94
Dividends Unpaid.....	793,254.91	+35,366.04	833,620.95	-143,045.29	690,575.66	-6,707.19	683,868.47	-23,841.34	660,027.13
Letters of Credit.....	201,994.76	-37,786.80	164,207.96	+72,012.93	236,220.89	-24,268.91	211,951.98	+10,833.06	222,788.04
Bank Acceptances.....	4,830,499.50	-2,054,404.19	2,776,095.31	+272,526.73	3,048,622.04	+125,731.43	3,174,353.47	-412,400.29	2,761,953.18
Other Liabilities.....									
TOTAL OTHER LIABILITIES	\$ 893,364.31	\$-24,327.24	\$ 869,037.07	\$-60,660.17	\$ 808,376.90	\$-12,186.80	\$ 796,190.10	\$-29,655.29	\$ 766,534.81
Capital Structure									
Capital Stock.....	47,476,550.00	-931,000.00	46,545,550.00	-235,000.00	46,310,550.00	-215,000.00	46,095,550.00	-300,000.00	45,795,550.00
Income Debentures.....	4,059,513.66	-163,115.53	3,894,398.13	-44,287.42	3,850,110.71	-309,139.25	3,540,971.46	-164,800.00	3,376,171.46
Surplus.....	28,905,556.64	-635,059.57	28,270,497.07	+1,532,208.21	29,802,705.28	+153,393.77	29,956,099.05	+74,456.23	30,030,555.25
Undivided Profits (Net).....	20,044,103.97	+1,403,256.62	21,447,360.59	-1,748,732.63	19,698,627.96	+694,776.01	20,393,403.97	+74,822.66	20,759,226.63
Reserve Accounts.....	22,296,761.57	-696,943.34	21,599,818.23	+826,154.04	22,425,972.27	+1,051,741.36	23,477,713.63	-250,687.88	23,227,025.75
TOTAL CAPITAL STRUCTURE	\$122,782,485.84	\$-1,024,861.82	\$121,757,624.02	\$+330,342.20	\$122,087,966.22	\$+1,665,771.89	\$123,753,738.11	\$-566,298.79	\$123,187,529.32
GRAND TOTAL LIABILITIES	\$1,330,343,122.02	\$+35,869,432.05	\$1,366,212,554.07	\$+33,502,761.15	\$1,399,715,315.22	\$-28,311,316.46	\$1,371,403,998.76	\$+56,632,860.83	\$1,428,036,859.59
ANALYSIS—LOANS AND DISCOUNTS									
Commercial Paper.....	\$ 21,163,117.75	\$+2,470,643.82	\$ 23,633,761.57	\$+957,626.59	\$ 24,591,388.16	\$+885,933.94	\$ 25,477,322.10	\$-418,607.16	\$ 25,058,714.94
Collateral Loans.....	59,349,654.21	-1,991,468.16	57,358,186.05	-2,139,602.06	55,218,583.09	-944,262.24	54,274,320.85	-3,725,630.13	50,548,690.72
Other Loans.....	148,280,298.43	-6,602,223.74	141,678,074.69	+11,626,786.64	153,304,861.33	+12,196,203.87	165,501,065.20	+6,223,809.18	171,724,874.38
Farm Loans.....	13,021,113.33	+228,355.29	13,849,468.62	-320,790.31	13,528,678.31	-151,270.19	13,377,408.12	-227,073.58	13,150,334.54
Other Real Estate Loans.....	38,975,196.47	+3,436,947.46	42,412,143.93	+2,639,836.12	45,051,750.05	+663,827.70	45,715,577.75	+2,769,630.79	48,485,208.54
TOTAL LOANS AND DISCOUNTS	\$281,389,350.19	\$-2,457,745.33	\$278,931,604.86	\$+12,763,656.08	\$291,695,260.94	\$+12,650,433.08	\$304,345,694.02	\$+4,622,129.10	\$308,967,823.12

IN LIQUIDATION

Ellsworth.....McLean.....	Bank of Ellsworth.....	June 17, 1940
Cherry Valley...Winnebago.....	Cherry Valley State Bank through The Farmers National Bank of Belvidere.....	June 29, 1940

CAPITAL STOCK INCREASED

Steeleville.....Randolph.....	State Bank of Steeleville from \$25,000 to \$50,000.....	June 3, 1940
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DURATION EXTENDED

Lovington.....Moultrie.....	Hardware State Bank. Charter extended 50 years from November 1, 1940.....	June 24, 1940
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TRUST CERTIFICATE CANCELLED

Chicago.....Cook.....	The Pullman Trust and Savings Bank.....	June 25, 1940
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DISSOLVED

Burgess.....Mercer.....	Farmers State Bank of Burgess (In receivership December 14, 1931. Dissolved by order of the Circuit Court of Mercer County).....	June 3, 1940
Girard.....Macoupin.....	Peoples Bank of Girard (In receivership October 14, 1930. Dissolved by order of the Circuit Court of Macoupin County).....	June 3, 1940
New Windsor...Mercer.....	Bank of New Windsor (In receivership October 10, 1931. Dissolved by order of the Circuit Court of Mercer County).....	June 3, 1940
Lansing.....Cook.....	Lansing State Bank (In receivership April 8, 1931. Dissolved by order of the Circuit Court of Cook County).....	June 4, 1940
Woodlawn.....Jefferson.....	Farmers State Bank of Woodlawn (In liquidation October 4, 1930. Dissolved by order of the Circuit Court of Jefferson County).....	June 7, 1940
Carthage.....Hancock.....	The Dime Savings Bank (In receivership May 29, 1930. Dissolved by order of the Circuit Court of Hancock County).....	June 14, 1940
Leaf River.....Ogle.....	Leaf River State Bank (In receivership April 2, 1932. Dissolved by order of the Circuit Court of Ogle County).....	June 15, 1940
Victoria.....Knox.....	State Bank of Victoria (In receivership November 12, 1931. Dissolved by order of the Circuit Court of Knox County).....	June 18, 1940
Wataga.....Knox.....	Wataga State Bank (In receivership September 21, 1933. Dissolved by order of the Circuit Court of Knox County).....	June 18, 1940
Auburn.....Sangamon.....	Peoples State Bank of Auburn (In receivership January 27, 1933. Dissolved by order of the Circuit Court of Sangamon County).....	June 20, 1940

RECAPITULATION

State Banks in Chicago.....	25
State Banks in Cook County outside Chicago.....	28
State Banks in Illinois outside Cook County.....	464
Total.....	517

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Vol. 16

SPRINGFIELD, ILL., AUGUST 1, 1940

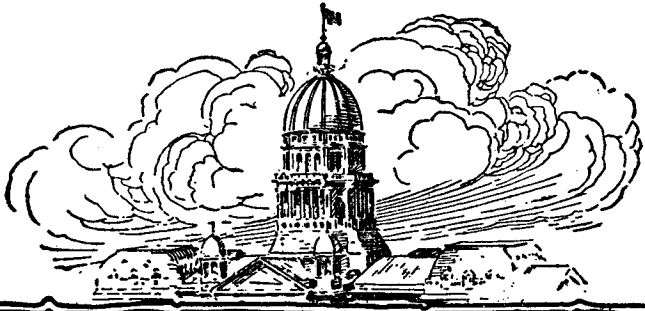
No. 5

USING CREDIT

Several years ago we talked with a banker who in 1925 had quite an involved situation on his hands in the way of slow, heavy and over-extended loans; yet in 1932 when the big test came, most of his difficulties had been cleaned up and his cash position was such as to enable him to weather the period of trouble without faltering. We asked him what prophetic vision he had of the troublesome period that led him to begin preparing for it way back in 1925. His answer was "None."

"It wasn't any foresight on my part," he continued, "that placed our bank in a condition to meet trouble. That came as the result of some very frank questions that I began asking myself as far back as 1924. By that time I had accumulated some pretty heavy loans. In fact quite a lot of them. I don't remember what, if anything, prompted the question: When and how are these loans going to be paid? But I do recall that it did occur and persisted. That question continued to nag me until I finally came down to the bank one night, got out the liability ledger and applied it to each individual loan and I was pretty much disturbed to find how few were the cases where I could furnish a definite answer."

"I knew that demand for full payment upon the borrowers would be a waste of time for most of them in the great build-up of credit that was going on at the time were ex-



tended to a point where they were operating almost entirely upon equities. I could see that in the majority of instances their annual interest bill added to their living expenses would absorb nearly, if not all, of their annual incomes. I discussed my findings and worries with the Board of Directors and found them all rather apathetic with the exception of one. He was a very sensible and successful old farmer. In the few remarks he made in support of my program for retrenchment, he made one statement that I will never forget. 'It looks to me,' he said, 'like a lot of people are using their credit to get themselves into trouble and I have been thinking for some time that we would be doing our neighbors a good turn if we could back them up a little bit.' This old farmer and I eventually carried our point and through wheedling, whittling and wriggling, we got in the clear before the trouble came."

"Since then I have examined and re-examined that old director's statement about the use of credit until it has become so now when I examine a loan application, the first question that comes to mind is: Will this loan operate to the advantage or injury of this applicant? How few people there are who really know how to use credit properly and advantageously. Sometimes I almost think the knowledge of the proper use of credit is a gift for I have seen it displayed and lacking in strange and unlooked for places. I have seen well educated and trained business men, good merchandisers and top salesmen fail as a result of their inability to properly manage their obligations. On the other hand, I have seen individuals of very little education build successful business careers largely on borrowed capital. The people who use bank credit well seem to have a knack of using borrowed money and at the time separating it away from their own so that when the time comes to return it, payment is almost automatic. Sometimes that process of separation becomes very hard and frequently means sacrifice and sometimes downright hardship but to the man of fixed purpose, these are mere incidents that must be endured in order to carry out the main objective. He considers these sacrifices and hardships as a part of the price that he must pay for the profit he makes on the transaction or the goods that he obtains with the borrowed money."

"People unskilled in the use of credit are inclined in that respect, at least, to be mental drifters. Almost as soon as the money has been obtained from the bank and spent or mingled with their own, they forget about the debt and continue to forget about it until reminded by a maturity notice from the bank. Of course, the note will have to be renewed and again forgotten. This process will be repeated until the bank gives some kind of convincing evidence that it really wants the money back. At that point some individuals really buckle down and take serious steps to pay the debt. Others get panicky and having long forgotten the benefits of the borrowed money, they begin to consider how they can get out of paying it, and this is where dishonesty and collection troubles enter the picture."

"The people who react properly at that time and get down to the serious business of paying the debt usually learn a valuable lesson by the experience. They realize that their credit is in jeopardy and that by a

little thoughtfulness and good management the debt could have been paid long before. Many of these people benefit from such an experience and from it learn the proper use of credit."

"My pet Exhibit 'A' as a skillful user of credit is a little tailor who came to our town about fifteen years ago. He came from a foreign country and without relatives or friends and with a few tools of his trade and a scant amount of money, he rented a single room up a side street from the business district in our town. At first he could only do a little repair work but his skill, reliability and personality developed a good business and it was not long before he had a \$500.00 balance on the savings ledgers of our bank."

"Next he began to take orders for suits and because he was a good fitter and skillful tailor, this business also grew. One day he came to the bank to borrow \$500.00, explaining that he had an opportunity to make a good buy in ready to wear suits. He told me that he wanted the money for six months. Just for the purpose of studying his reaction, I told him that we could only make the loan for ninety days. He walked over to the customers' desk and out of the tail of my eye, I saw him making many calculations on the back of a check form and doing a lot of serious thinking. In about fifteen minutes he came back to my desk and said that he would repay the loan in ninety days."

"Ninety days later he did pay the loan in full and as I handed him his cancelled note, I reminded him of his first request for a six months loan. He told me that he could have used the loan with considerable more profit for a six months period but that by cutting his price and working a little harder, he had been able to work off a sufficient number of suits to pay off the loan."

"Since then he has been almost constantly in our debt and sometimes for substantial amounts but each loan had a well defined purpose which he somehow seemed to be able to carry out before maturity of the loan. All this time he has taken profits out of his business, sometimes to buy securities, sometimes to buy real estate. He owns his own building, has acquired a family, lived well and will undoubtedly, in a few years be able to retire. During his entire business career in our town he has been constantly expanding on borrowed money, consolidating his position with each expansion and immediately launching into another one. I have since learned that he came to this country with virtually no schooling but he has developed into a business man of the highest order."

"I have often thought that if this little tailor could describe in writing the business instincts that prompted him in making his various moves that it would be very interesting and undoubtedly highly instructive reading, particularly his calculations in bringing borrowed money into his schemes and paying it back. It is likely that his attitude toward his debts was comparable to that of the distinguished Vermonter who in his native vernacular referred to financial obligations as 'hired money.' Wise indeed is the man who in using his possessions keeps constantly in mind the amount represented by 'hired money.'"

CHARTER ISSUED

		Capital.	Surplus.	Reserve.	Date.
✓ Mendota.....	La Salle.....	First State Bank, 706 Wash- ington St., C. O. Harris, M. D., President, E. J. Welsch, Cashier.....	\$50,000	\$5,000	\$5,000 July 2, 1940

TRUST CERTIFICATE ISSUED

		Deposit.
✓ Elgin.....	Kane.....	Union National Bank and Trust Company of Elgin.....

\$50,000 July 6, 1940

CAPITAL STOCK DECREASED

✓ Tuscola.....	Douglas.....	Tuscola State Bank from \$70,000 to \$50,000.....	July 16, 1940
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DISSOLVED

✓ Wyoming.....	Stark.....	Scott, Walters & Rakestraw, Bankers, of Wyoming (In receivership March 18, 1931. Dissolved by order of the Circuit Court of Stark County).....	July 8, 1940 ✓
✓ Ellsworth.....	McLean.....	Bank of Ellsworth (In liquidation June 17, 1940).....	July 11, 1940 ✓
✓ Murphysboro.....	Jackson.....	State Bank of Murphysboro (In receivership May 29, 1933. Dissolved by order of the Circuit Court of Jackson County).....	July 20, 1940 ✓

RECAPITULATION

State Banks in Chicago.....	25
State Banks in Cook County outside Chicago.....	28
State Banks in Illinois outside Cook County.....	465
Total.....	518

MONTHLY BULLETIN

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

Vol. 16

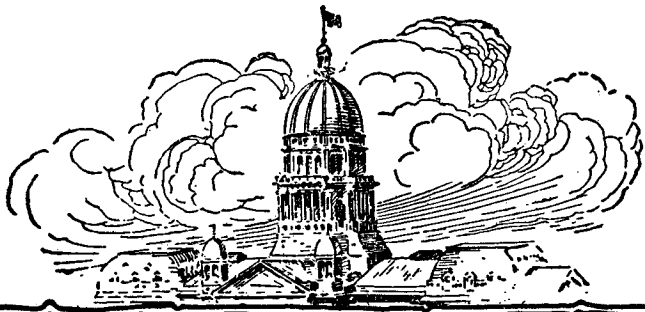
SPRINGFIELD, ILL., SEPTEMBER 1, 1940

No. 6

DEFERRED CERTIFICATES AND DEBENTURES

Prior to the panic of the early 1930's outside aid for banks was a thing unheard of in Illinois. Up to that time when a bank got into difficulty, the stockholders and directors furnished the required aid or the bank went into liquidation. As far back as 1926, depositors' waivers were used on a few occasions to enable banks in trouble to be taken over by other banks but depositors' aid to enable banks to correct their difficulties and continue in operation was not resorted to, to any material extent, until late in 1932. By that time the amount of aid needed in the majority of banks was far beyond the means of most managements. Up to that time, correction would require either making good a defalcation or the elimination of worthless assets which was a simple operation compared with the problems that had to be dealt with immediately prior to and during the bank moratorium. That crisis demanded not only extremely heavy asset eliminations but a high degree of liquidity as well. And it had the further effect of upsetting values to an extent that required the elimination of a large number and amount of assets as wholly doubtful or worthless that have since proved to be sound.

By 1932 the demand pressing upon our banks every time they opened their doors called for large amounts of cash and readily convertible assets, in addition to strong capital reserves to absorb the losses that were bound to result from



converting assets into cash. That these demands were the result of fear rather than actual need seems to be clearly shown by the fact that depositors' waivers were quickly obtained when they were shown first, that all depositors would be treated alike and, secondly, that their bank would be restored to a sound condition. They realized too, that the only alternative was the liquidation of their bank through receivership which would not only add expense but further depreciation to the assets from which they would have to be paid. It is really surprising what a clear understanding the vast majority of bank depositors had of the conditions that their banks had to contend with and the readiness with which they came forward with their aid.

In looking back over our record, we find that the maximum number of banks using aid from this source was 333, which was approximately 54 per cent of the 619 banks reopened subsequent to the moratorium. These 333 banks issued a total of \$35,865,747.00 in Deferred Certificates.

The establishment of deposit insurance in 1934 developed the need for further outside aid to rehabilitate capital structures that had been depleted by moratorium corrections. The Reconstruction Finance Corporation supplied practically all of this and our record discloses that 91 banks used it to the extent of \$7,426,000.00. 424 Illinois State banks or 68 per cent therefore used outside aid totaling approximately \$43,000,000.00.

While these adjustments were being made, speculation was rife among bankers, this Department and other interests as to how long it would take to carry out these Deferred Certificate and Debenture undertakings. Estimates ranged all the way from five to twenty years and the Reconstruction Finance Corporation purchased Debentures on a twenty year retirement basis. As we recall it, the average guess was that it would take about 10 years for the average bank to eliminate Deferred Certificates recognizing the fact that in some banks there were elements present that would hasten retirement and in others retard it. We thought it would be interesting at this time to publish accomplishments up to date.

Up to June 29, 1940, 88 banks who had issued Deferred Certificates in lieu of waived deposits had retired them in full to the extent of \$4,203,288.83. While this represents 27 per cent of the original 333 banks issuing Deferred Certificates and 11 per cent of the original issue, the actual accomplishment has gone considerably beyond that for we find that complete and partial retirements up to June 29, 1940, were \$15,771,915.31 or nearly 44 per cent of the total waiver repaid. By the time this Bulletin reaches its readers, an additional bank will have made a complete retirement of Deferred Certificates to the extent of \$450,000.00.

Of the 333 banks that issued Deferred Certificates, 32 with Deferred Certificates outstanding in the amount of \$1,379,037.40 have suspended operations and gone into liquidation with the Deferred Certificates occupying a preferred position over stockholders. This total must necessarily be separated from the results of the going banks. To avoid confusion, we shall recapitulate Deferred Certificate results to June 29, 1940:

Amount repaid	\$15,771,915.31
Outstanding from banks in liquidation.....	1,379,037.40
Balance outstanding as of June 29, 1940.....	18,714,794.29

Total original issue..... \$35,865,747.00

Debenture retirement is progressing a little more rapidly as far as complete retirement is concerned. Of the original 91 banks that sold Capital Debentures totaling \$7,426,000.00, 44, or 48 per cent, have retired \$4,049,828.54, or approximately 55 per cent of the original issue.

The above figures disclose that after seven years, the task of reimbursing for all outside aid in Illinois State banks is just about half done. By this time, most of the value recoverable from charged-off assets has been obtained which means that from here on in, most of the job will have to be done by bank earnings. That being true, the balance of retirement is very likely to be much slower than liquidation up to this point.

Practically all bank managements whose banks have issued Deferred Certificates in lieu of depositors' waivers have gone about the job of reimbursement with commendable zeal. From the moment these Deferred Certificates were placed upon their books, they have lived close to this problem, not missing an opportunity to salvage whatever and whenever they could from charged off assets and cutting and curtailing expenses wherever possible in order to accumulate funds for Certificate retirement.

BANK RECORDS

In spite of the fact that we have written much in this Bulletin and said more in private conversation on the subject of bank records, we have not made a great deal of progress in getting our State banks to provide sufficient explanatory detail particularly in their general books.

At the present time the majority of the banks under our examination do not carry in either their General Journal or Ledger any information beyond the mere dates and figures posted therein. We know that bank officers responsible for these records will be quick to assure us that all of the entries in their general books are traceable and explainable through the medium of posting tickets that the bank stores away and preserves for many years. That is not sufficient. The general books of a bank are required and provided to record all transactions affecting the general accounts of the bank and to enter merely a date and an amount does not record a transaction but only a small part of it.

Banks, as we have stated more than once, are quasi public institutions with a well settled obligation to record all of their dealings with the public. These records are subject to subpoena by the Courts and to reasonable inquiry from persons whose affairs may be involved in their contents. It seems to us that the integrity of a bank would be seriously affected if they could not explain from a book of original entry every transaction passing through their hands. We have a number of banks where one can turn to the General Journal, General Ledger, or both and read a concise but complete story of any transaction in which he might be interested; so naturally we wonder, if these banks can do it, why can't all of them?

We urge that bank directorates interest themselves in this phase of their operation and insist that their records be maintained in a complete and proper manner.

CONVERSION

✓ Tuscola.....Douglas.....Tuscola State Bank into Tuscola National Bank..... July 31, 1940

CAPITAL STOCK DECREASED

✓ Chicago.....Cook.....South Chicago Savings Bank from \$300,000 to \$500,000..... Aug. 22, 1940

CHANGE OF PAR VALUE OF CAPITAL STOCK

✓ Chicago.....Cook.....South Chicago Savings Bank from \$100 to \$62.50..... Aug. 22, 1940

DISSOLVED

✓ Chicago.....Cook.....Parkway State Bank (In receivership November 14, 1932. Dissolved by order of the Superior Court of Cook County)..... May 22, 1940 ✓
 East Moline.....Rock Island.....First Trust and Savings Bank of East Moline (In liquidation July 15, 1925. Dissolved by order of the Circuit Court of Rock Island County)..... June 26, 1940 ✓
 Monee.....Will.....Monee State Bank (In receivership January 16, 1932. Dissolved by order of the Circuit Court of Will County)..... July 13, 1940 ✓
 Melvin.....Ford.....Melvin State Bank (In receivership June 22, 1931. Dissolved by order of the Circuit Court of Ford County)..... July 16, 1940 ✓
 Dundee.....Kane.....Dundee State Bank (In receivership July 20, 1931. Dissolved by order of the Circuit Court of Kane County)..... July 18, 1940 ✓
 Brookfield.....Cook.....Congress Park State Bank (In receivership November 18, 1931. Dissolved by order of the Circuit Court of Cook County)..... Aug. 2, 1940 ✓
 Morton Grove.....Cook.....Morton Grove Trust and Savings Bank (In receivership October 5, 1931. Dissolved by order of the Circuit Court of Cook County)..... Aug. 6, 1940 ✓
 Cicero.....Cook.....Baker State Bank (In receivership February 26, 1932. Dissolved by order of the Circuit Court of Cook County) Aug. 8, 1940 ✓
 ✓ Barry.....Pike.....Barry State Bank (In receivership February 19, 1931. Dissolved by order of the Circuit Court of Pike County) Aug. 29, 1940 ✓

RECAPITULATION

State Banks in Chicago.....	25
State Banks in Cook County outside Chicago.....	28
State Banks in Illinois outside Cook County.....	404
Total.....	517

MONTHLY BULLETIN

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AUDITOR of PUBLIC ACCOUNTS
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State of Illinois

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SPRINGFIELD, ILL., OCTOBER 1, 1940

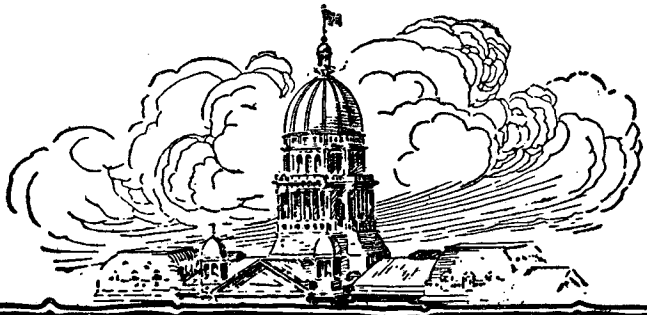
No. 7

MUTUAL UNDERSTANDING

During the past several years a number of bankers have commented to us upon the speed and facility of examinations today as compared with—say fifteen years ago. They point particularly to the fact that the impact of our present day examinations is scarcely felt by their operating personnels as compared with the examinations of the 1920's. They also comment with obvious satisfaction upon the fact that friction between the operating staff and examiners has diminished almost to the vanishing point. The gratification resulting from these developments is indeed mutual.

Time and patience are, of course, great healers and rectifiers but there are more specific factors to which these pleasing developments may be traced. In the first place, complicated asset conditions have been almost entirely eliminated and what little there remains of that sort of thing is in the process of elimination and beyond the field of argument. In addition, during the intervening years, bankers have learned a great deal about the banking business, we have learned a great deal about examining banks and each of us has acquired a much better understanding of the other fellow and his problems.

We believe that of all the reasons mentioned above for the improved examination results of today, the element of better understanding between the banks, the examiners and



this Department is the most important. This mutual understanding between the banker and the examiner of the other fellow's duty and objectives cannot fail to produce cooperation and frankness which, in turn, must necessarily produce accurate results. The work becomes easier and the absence of friction speeds up the examination.

In those earlier days an examiner rarely entered a bank under circumstances conducive to a good examination. In many banks he would enter an atmosphere of awe and fear and his contacts would produce considerable nervousness and confusion which in themselves frequently lead to misleading results. At other times, his entry would be confronted with hostility, with interference and resistance meeting his every move. Then again he would meet with utter indifference and reticence and be left to grope around among books, records and assets as best he could. In a few instances an examiner would encounter courteous cooperation and these were notable exceptions. One examiner had a quaint way of classifying the institutions in this small group as "Banks that could be examined from the front door".

We cannot help but recall here one banker who was privately classified as a "fiend" by every examiner who ever entered his bank. He seemed to have his campaign against the examiners planned well in advance for no individual on the spur of the moment could do and say the things he did to heckle and harass the unfortunate examiner who attempted to examine his bank. He would actually neglect his work and customers to "work on" the examiner as long as he remained in the bank.

The most common complaints heard against the examiners in those days were that they were arbitrary, self-opinionated and vindictive. They were often accused of being harsh and ruthless in their methods and biased and unfair in their conclusions. Whether the characteristics attributed to the examiners of that day were the result of the atmosphere in which they were generally forced to work or whether these characteristics created the atmosphere is at this late date on a parallel with the argument as to the precedence of the hen or the egg and it is probably just as well to let it lie there.

We, as bank examiners, have learned from experience that arbitrary conclusions as to asset values are rarely necessary and seldom accurate and should be studiously avoided. We have learned that a little time and patience spent in searching for and assembling facts surrounding assets will reach more accurate conclusions. Bankers and examiners will almost invariably find themselves in agreement on conclusions thus reached. Vindictiveness is the natural result of arbitrary judgments and is, to put it in plainer English, a face-saving attitude. Any experienced examiner of good training will not take a position in respect to asset valuations until his conclusion has been established by facts. He knows from experience that conclusions so established vindicate themselves and eliminate the embarrassment of face-saving.

A notion rather commonly held among bankers in other years and now happily dispelled was that the bank examiners were constantly looking for trouble, that their main objective in examination was to get somebody into trouble. Some bankers had the feeling that everyone in their organization was guilty in the eyes of the examiner until proved innocent. That was not and is not true in the objective sense. Objectively, we examine a bank to learn as accurately as possible its true condition. If trouble, even of a minor nature, exists either in assets or operations, we don't want to miss it and we will dig pretty deeply into any situation that has even the slightest off-color scent with the sole idea of finding it if it is there but certainly not with the hope of finding trouble.

One of the points over which bankers and examiners both frequently clash involves records or systems. If an examiner finds a lack of good, clear record at some point in the bank's routine, it is his duty to point it out to the banker and request its correction. In doing so the examiner may describe a record or practice in general use in other banks of comparable circumstances covering that particular point. At times such discussions may develop into arguments of more or less heat and this is regrettable. The examiner is perfectly right in pointing out deficiencies of record and it is the banker's duty to correct them but the examiner would be wrong in dictating a specific record or method of accomplishing such corrections as that would be up to the bank's management or Board of Directors to determine.

Another and perhaps the most gratifying result of such mutual understanding and cooperation is the elimination of the necessity for numerous rules and regulations governing bank operations. The State banks of Illinois stand today on a parity with any in the nation and this has been accomplished without a single legislative enactment affecting going banks since 1929 and without any codified set of rules and regulations. Students and critics have, from time to time, expressed surprise at the comparative brevity of the Illinois Banking Act and criticism of its lack of elaboration. In the absence of statutory elaboration, they naturally expect to find a departmental code of rules and regulations governing the various details of bank operations and are again surprised to learn that nothing of the sort exists. The State bankers of today fully understand that we approach their problems with an attitude and spirit of helpful cooperation, that our objective is to correct rather than penalize. These understandings enable us to deal with each other frankly knowing that we are seeking only one answer and that is the best interests of the bank.

Under such circumstances we have never felt the need for such things as elaborate statutes, rules or regulations in the exercise of our supervisory duties and we hope and feel that such things will not be necessary as long as the present standards of banking practices and policies, together with existing understanding and cooperation between the State banks and this Department continue to prevail.

CHARTER ISSUED

✓ Downers Grove. Du Page..... Citizens State Bank of
Downers Grove..... Capital. Surplus. Reserve. Date.
5110 Main Street \$50,000 \$10,000 \$5,000 Sept. 5, 1940
Edward A. Volberding, President
R. C. Brogmus, Cashier

IN LIQUIDATION

✓ Concord..... Morgan..... Concord State Bank..... Aug. 26, 1940
Goldengate..... Wayne..... First State Bank of Goldengate..... Sept. 24, 1940
✓ Alsey..... Scott..... Alsey State Bank..... Sept. 25, 1940

DISSOLVED

✓ Chicago..... Cook..... Roosevelt-Bankers State Bank (In receivership August 16,
1930. Dissolved by order of the Superior Court of Cook
County)..... July 17, 1940 ✓
Lenzburg..... St. Clair..... State Bank of Lenzburg..... Aug. 16, 1940 ✓
Chicago..... Cook..... Citizens Trust and Savings Bank (In receivership August
16, 1930. Dissolved by order of the Superior Court of
Cook County)..... Aug. 23, 1940 ✓
✓ Brookfield..... Cook..... Brookfield State Bank (In receivership November 10, 1931.
Dissolved by order of the Circuit Court of Cook County)..... Aug. 29, 1940 ✓
✓ Lyons..... Cook..... Lyons State Bank (In receivership July 28, 1931. Dis-
solved by order of the Circuit Court of Cook County)..... Aug. 29, 1940 ✓
Fillmore..... Montgomery..... The Fillmore Bank (In receivership March 1, 1932. Dis-
solved by order of the Circuit Court of Montgomery
County)..... Aug. 30, 1940 ✓
✓ Panama..... Montgomery..... State Bank of Panama (In receivership January 19, 1932.
Dissolved by order of the Circuit Court of Montgomery
County)..... Aug. 30, 1940 ✓
✓ Carrier Mills..... Saline..... Citizens Savings Bank of Carrier Mills (In liquidation
December 9, 1932)..... Sept. 7, 1940 ✓
✓ Bulpitt..... Christian..... Farmers State Bank of Bulpitt (In receivership April 15,
1930. Dissolved by order of the Circuit Court of Chris-
tian County)..... Sept. 11, 1940 ✓
✓ Crete..... Will..... Farmers State Bank of Crete (In receivership January 27,
1932. Dissolved by order of the Circuit Court of Will
County)..... Sept. 11, 1940 ✓
Elgin..... Kane..... Home Trust and Savings Bank (In receivership February
1, 1932. Dissolved by order of the Circuit Court of
Kane County)..... Sept. 12, 1940 ✓
✓ Warsaw..... Hancock..... The Farmers' State Bank of Warsaw (In receivership
July 11, 1930. Dissolved by order of the Circuit Court
of Hancock County)..... Sept. 18, 1940 ✓
Noble..... Richland..... The Bank of Noble (In receivership March 10, 1931. Dis-
solved by order of the Circuit Court of Richland County)..... Sept. 19, 1940 ✓
✓ Vermont..... Fulton..... Peoples State Bank of Vermont, Illinois (In receivership
April 25, 1933. Dissolved by order of the Circuit Court
of Fulton County)..... Sept. 25, 1940 ✓

RECAPITULATION

State Banks in Chicago.....	25
State Banks in Cook County outside Chicago.....	23
State Banks in Illinois outside Cook County.....	461
Total.....	514

MONTHLY BULLETIN

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SPRINGFIELD, ILL., NOVEMBER 1, 1940

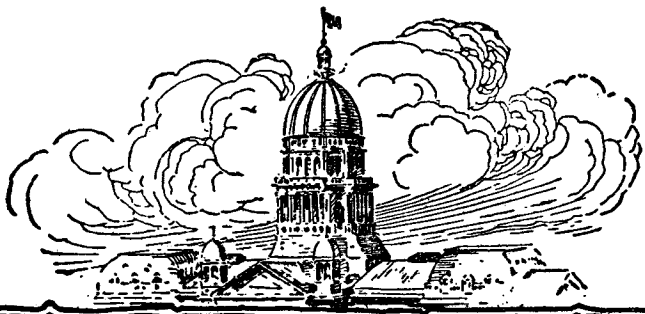
No. 8

In thumbing back through some of the very early issues of this Bulletin, we find the pioneer editor relaxing now and then into a bit of verse. While it wasn't particularly good verse and would probably be rated about CC by any of the recognized verse rating agencies, the idea itself has a selfish appeal. Editors staying too long in the cosmos have been led stumbling away from their desks and into cubicles with soft walls. That is a rather disquieting thought and we are going to do something about it in this issue and descend from the loftier spheres of thought about banks and banking into some very barbarous doggerel; which we hope you will like.

TONIQUE

Said Banker Easton West,
"Think I'll take a little rest
Give the arteries a chance to soften down.
I'll go deep into the forest
And let the birds' symphonic chorus
Drown out the cacophonies of the town.

"On the bosom of a lake
I will cast and troll and take
My share of bass and other finny prizes.
Though inaccuracy's a fallacy
And honesty's my policy,
I'll lie likell about their bloomin' sizes.



"As I stroll among the pines,
I'll forget about the lines
Of credit, that have made my temples throb.
Let them pay or let them not,
Overdue or on the dot,
That's the headache of the guy whose on the job.

"Hark—the yodel of the loon,
As I gaze up to the moon
Through a tracery of spruce and tamarack.
Let the bond list slip and slide
And the margins shrink and hide,
I'll think about all that when I get back.

"In the cool and crispy dawn
Of a glorious northern morn,
While I watch my bacon sizzle on the coals.
I will chuckle and guffaw,
While the short-boys overdraw
And examiners find the detail full of holes.

"There will be no secretary
Way up there to cause me worry
With appointments, dates and duties like a slave.
Life will be absurdly simple
And extremely fundamental,
By golly—I don't think I'll even shave."

With his duffle in a bundle
Stowed behind him in the rumble,
Our Easton filled his tank and headed north.
For the best of fishing places
In the woodlands bosky spaces
He hadn't been so happy since his birth.

"Oh"—said he, "I've been a sucker
And a poor benighted mucker,
To let this banking business pull my cork.
I'll enjoy my independence
In the northlands gay resplendence,
And completely turn my back upon my work."

But

The lake on which he counted,
Made him think that he was mounted
On a bronco as it pitched him to and fro.
For it turned out rough and snaggy
Made him wobbly and gaggy,
While the finny prizes scorned him from below.

Though deep in piney timber,
He couldn't help remember
That today old man McGozzle's notes is due.
"Will the boys give him a battle
And get that needed chattel,
Or for six more months the pesky thing renew?"

He heard the loon's chopinic yodel
Croon a mournful Yankee Doodle
With his thoughts far from the beauty of the night.
"Wonder what the market's brewing
Wish I knew what rails are doing
Is my theory on short terms wrong or right?"

He watched his bacon sizzle
In a dreary northern drizzle
And neither chuckles nor guffaws were in his soul.
For his thoughts lit on an estimate
Of the charge-off on his real estate
When the five-year limitation bell would toll.

But the thing that got his goat
And put a lump into his throat,
Was the everlasting silence of the woods.
He had to answer his own questions
And taboo his own suggestions,
How he missed his tyrant secretary's moods.

He became the great unshered
As a greyish, reddish beard
His countenance encircled like a wreath.
But it ruined his digestion
Handicapped his mastication,
As the darned thing wound its way into his teeth.

What with 'skeeters, flies and ticks
And a bed roll hard as bricks,
His days and nights were filled with aches and pains.
Days—the sun his features fried,
Nights—the 'skeeters pinked his hide,
All accompanied by the drum beat of the rains.

Anon—said he, "I've had enough
For I haven't got the stuff
It takes to make a sturdy pioneer.
You can have life wild and rank,
I'll take my grief in the bank,
Tilting warm and dry and easy in my chair."

Oh the sweetness of that vision,
Snapped him into quick decision,
And he muttered, "Guess I know where I belong.
Not up here where life is hard,
I'll rough it in my own backyard."
And with his motor roaring, headed home.

L'Envoy

Said the office boy named Jerry,
To the boss' secretary,
"Pipe the skipper and his million dollar smile.
Boy! That trip up to the lake
'S got de ol' man feelin' jake,
He's got Poncy DeLeon beat a mile."

PERMIT ISSUED

Capital Surplus Reserve
 West Frankfort..Franklin.....The Bank of West Frankfort \$100,000 \$10,000 \$5,000 Oct. 18, 1940

CONVERSION

✓ Steeleville.....Randolph.....State Bank of Steeleville into First National Bank of Steeleville.....Oct. 1, 1940

OTHER CHANGES

✓ Niles Center.....Cook.....Name of Village of Niles Center changed to "Skokie".....Oct. 9, 1940

DISSOLVED

✓ Poplar Grove...Boone.....Poplar Grove Bank (In liquidation November 10, 1934).....Sept. 5, 1940 ✓
 Chicago.....Cook.....Commerce Trust & Savings Bank (In receivership June 18, 1931. Dissolved by order of the Circuit Court of Cook County).....Sept. 12, 1940 ✓
 ✓ Chicago.....Cook.....Norwood Park Trust and Savings Bank (In receivership January 5, 1933. Dissolved by order of the Superior Court of Cook County).....Sept. 19, 1940 ✓
 Beckemeyer....Clinton.....State Bank of Beckemeyer (In receivership August 17, 1933. Dissolved by order of the Circuit Court of Clinton County).....Sept. 23, 1940 ✓
 ✓ Altona.....Knox.....Bank of Altona (In receivership November 12, 1931. Dissolved by order of the Circuit Court of Knox County).....Oct. 1, 1940 ✓
 Concord.....Morgan.....Concord State Bank (In liquidation August 26, 1940).....Oct. 3, 1940 ✓
 ✓ Rockford.....Winnebago.....Rockford Trust Company (In receivership March 26, 1935. Dissolved by order of the Circuit Court of Winnebago County).....Oct. 5, 1940 ✓
 ✓ Park Ridge.....Cook.....Park Ridge State Bank (In receivership January 9, 1932. Dissolved by order of the Circuit Court of Cook County).....Oct. 10, 1940 ✓
 Robinson.....Crawford.....The Robinson State Bank (In liquidation March 19, 1932).....Oct. 17, 1940 ✓
 ✓ Peoria.....Peoria.....State Trust & Savings Bank of Peoria (In liquidation October 28, 1931. Dissolved by order of the Circuit Court of Peoria County).....Oct. 22, 1940 ✓

RECAPITULATION

State Banks in Chicago.....	25
State Banks in Cook County outside Chicago.....	28
State Banks in Illinois outside Cook County.....	460
Total.....	513

MONTHLY BULLETIN

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State of Illinois

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SPRINGFIELD, ILL., DECEMBER 1, 1940

No. 9

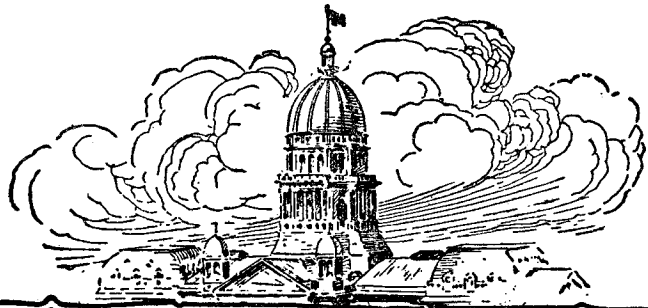
CAPITAL

We have recently read a very excellent thesis written by an Illinois banker-student who took for his subject the liquidation of deposits in his own community during the period from December 31, 1929, to March 3, 1933.

His research covered fourteen banks, including his own, and brings out, in a general way, the effect of the pressure of the panic years upon the particular group of banks studied.

He then moves into a very detailed analysis of the experience of his own institution with the various types of assets and the effect of their forced liquidation on his bank which was called upon to pay out ninety-one per cent of its deposits prior to March 3, 1933. This bank reopened immediately after the moratorium in a strong position and without any outside aid whatever.

One phase of this thesis deals with the "relationship of capital structure to deposits" and was most interesting to this Department. He prefaces his research into this subject as follows: "Much has been said and is being said from time to time as to the amount of capital that should be employed in relation to deposit liability apparently on the theory that a larger capital in relation to deposits better fortifies the bank and affords the depositor greater safety. A study of the banks in (community studied) gives some evidence of the extent to which this may be true".



He then tabulates the ratio of dollars of total capital structure to dollars of deposits in each of the fourteen banks surveyed, the lowest of which was 1 to 7.2 and the highest 1 to 2.4. When the moratorium occurred on March 3, of 1933, his own bank had a ratio of 1 to 6. Of the fourteen banks originally in that community, three reopened after the moratorium, all of which were among the lowest ratios of capital to deposits, and so he concludes: "Thus it can hardly be concluded from the foregoing record that larger ratio of capital to deposits is a stabilizing factor or that it affords greater protection to the depositor. On the contrary, it would appear that stability and protection depend principally on good management and quality of investments".

It seems to us that his conclusion falls short of the proposition he started out to explore. In the preface to this phase of his research, he cites the theory "that a larger capital in relation to deposits better fortifies the bank and affords the depositor greater safety". That, in our opinion, states the theory completely. We would, however, state it a little differently and propose to protect the depositor and fortify the bank.

In his conclusion, he is apparently satisfied when he demonstrates that the depositor has been protected. But what about the bank? We submit that a corporation to succeed must survive. If it doesn't survive, it fails its purpose. We admit that a bank with a negligible amount of capital can be so maintained as to pay its creditors in full but in doing so, may wipe out its capital and cannot continue.

A number of banks in receivership paid creditors in full but are still considered as failures. In some instances the assets were sufficient to pay creditors in full and in others, the job was finished by stockholders' assessments. The thesis bank went the whole route. It protected its depositors, its stockholders and survived.

This bank succeeded because it had a good management and the management was good because in normal times it fortified the bank with just what it needed to insure survival, namely strong liquidity, high grade assets and a strong capital structure. That the management of this bank was alert to its capital needs is clearly shown by the records of this Department. It was organized in 1913 with a capital of \$100,000.00. In 1920 the Capital account was doubled to \$200,000.00. Four years later \$50,000.00 more was added. In January of 1926, an additional \$50,000.00 was brought into the Capital account and six months later the capital was increased from \$300,000.00 to \$350,000.00.

The writer of the thesis explains the last mentioned increase and in doing so, brings out additional evidence of the management's concern over capital position. Larger quarters were needed and the cost was to be \$285,000.00. Before making this move, five hundred new shares of stock were added to the capital and brought \$150,000.00 additional money into the business. Fifty-two per cent of that expansion was provided by outside money.

As a result of good management and constant marshaling of capital strength, the bank stood on the threshold of the pressure period, beginning January 2, 1930, fortified with a capital of \$350,000.00, a surplus of \$150,000.00, Undivided Profits of \$116,000.00, and Contingent Reserves of \$20,000.00. Through investment and earnings they had accumulated a capital structure of \$636,000.00 against deposits of \$3,900,000.00. One Dollar of capital for every Six Dollars of deposits; and notwithstanding this strength of position, the management promptly suspended dividends

to conserve the \$80,000.00 that it earned net from operations during the ensuing three years.

During that three years the bank faced and paid a demand for ninety-one per cent of its deposits. Assets had to be sold and sold quickly under conditions that heavily depreciated their values. Heavy losses were inevitable and by the time they reopened the bank with the lifting of the moratorium of March, 1933, they had written off in losses and depreciation, a total of \$416,000.00. This bank took about as hard a beating as any we know of and yet when it was all over it was still a strong bank.

Now if the management of that bank had been satisfied with the one to ten ratio commonly advocated, they would have gone into the panic years with a capital structure of \$390,000.00. Add to that the \$80,000.00 earned during the period and they would have had a total of capital funds of \$470,000.00 to absorb write-offs of \$416,000.00. It is therefore obvious that during that period the stockholders would have been called upon to pay at least a one hundred per cent assessment to keep the legal amount of required capital (\$200,000.00) intact or they would have had to dig up at least \$250,000.00 to place it in the condition in which it reopened with the lifting of the moratorium. A quarter of a million dollars of new money was extremely hard to find during those years.

Our conclusion is that a strong capital structure is an indispensable necessity to a successful bank. We do not think that it is safe to rely upon good management, strong liquidity and sound investments alone if a bank is to attain its complete objective under all conditions and circumstances. In our opinion, a strong capital structure is a factor as vitally necessary to the successful bank as any other.

The importance of capital in addition to capable management and other vital factors seems to us to be well illustrated by the advice that a famous football coach gave to a group of candidates aspiring to positions on the varsity. Knowing that one of the chief ambitions in the lives of his young charges was to win the football monogram, he conceded the satisfaction and social value that the university's football monogram would mean to them later in life. "This monogram", said he, "and a nickel will always get you a cup of coffee—but" he solemnly admonished, "be sure that you have that nickel".

CHARTER ISSUED

		Capital	Surplus	Reserve	Date
West Frankfort Franklin.....	The Bank of West Frankfort, 112 East Main Street, C. B. Barnett, President, G. R. Lockard, Cashier.	\$100,000	\$10,000	\$5,000	Nov. 16, 1940

CONVERSION

Cicero.....Cook.....	Western State Bank of Cicero into Western National Bank of Cicero.....	Oct. 1, 1940
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IN LIQUIDATION

Tolono.....Champaign.....	The Bank of Tolono.....	Nov. 12, 1940
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CAPITAL STOCK INCREASED

Olmsted.....Pulaski.....	First State Bank of Olmsted from \$20,000 to \$25,000.....	Nov. 18, 1940
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NAME CHANGED

Olmsted.....Pulaski.....	First State Bank of Olmsted to First State Bank of Olmsted.....	Nov. 18, 1940
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DISSOLVED

Calumet City..Cook.....	First Trust and Savings Bank of Calumet City (In liquidation January 3, 1931).....	Sept. 5, 1940
Arenzville.....Cass.....	Farmers & Merchants State Bank of Arenzville (In receivership December 14, 1932. Dissolved by order of the Circuit Court of Cass County).....	Oct. 21, 1940
Peotone.....Will.....	Citizens State Bank of Peotone (In liquidation January 2, 1932).....	Oct. 24, 1940
Delavan.....Tazewell.....	Baldwin State Bank of Delavan (In receivership January 25, 1932. Dissolved by order of the Circuit Court of Tazewell County).....	Oct. 26, 1940
Elliott.....Ford.....	State Bank of Elliott (In receivership November 14, 1932. Dissolved by order of the Circuit Court of Ford County).....	Oct. 29, 1940
Sibley.....Ford.....	Sibley State Bank (In receivership November 14, 1932. Dissolved by order of the Circuit Court of Ford County).....	Oct. 29, 1940
Annawan.....Henry.....	Farmers State Bank of Annawan (In receivership August 20, 1927. Dissolved by order of the Circuit Court of Henry County).....	Nov. 7, 1940
Griggsville.....Pike.....	Griggsville State Bank (In receivership January 26, 1932. Dissolved by order of the Circuit Court of Pike County).....	Nov. 11, 1940
LaSalle.....LaSalle.....	LaSalle Savings Bank and Trust Company (In receivership November 6, 1931. Dissolved by order of the Circuit Court of LaSalle County).....	Nov. 12, 1940
Leland.....LaSalle.....	Farmers and Merchants State Bank of Leland (In receivership February 18, 1932. Dissolved by order of the Circuit Court of LaSalle County).....	Nov. 12, 1940
Utica.....LaSalle.....	Utica State Bank (In receivership October 29, 1931. Dissolved by order of the Circuit Court of LaSalle County).....	Nov. 12, 1940
Macomb.....McDonough.....	First Trust and Savings Bank of Macomb (In receivership February 14, 1933. Dissolved by order of the Circuit Court of McDonough County).....	Nov. 14, 1940
Nokomis.....Montgomery.....	Nokomis State Bank (In receivership January 30, 1932. Dissolved by order of the Circuit Court of Montgomery County).....	Nov. 15, 1940
Adrian.....Hancock.....	State Bank of Adrian (In receivership January 15, 1932. Dissolved by order of the Circuit Court of Hancock County).....	Nov. 19, 1940
Flat Rock.....Crawford.....	The Flat Rock Bank (In receivership November 6, 1933. Dissolved by order of the Circuit Court of Crawford County).....	Nov. 19, 1940
Goldengate.....Wayne.....	First State Bank of Goldengate (In liquidation September 24, 1940).....	Nov. 20, 1940
Chicago.....Cook.....	Transportation Bank of Chicago (In liquidation May 17, 1930).....	Nov. 22, 1940
Lomax.....Henderson.....	Commercial Trust & Savings Bank of Lomax (In receivership June 3, 1933. Dissolved by order of the Circuit Court of Henderson County).....	Nov. 22, 1940
Pearl City.....Stephenson.....	Pearl City State Bank (In receivership December 23, 1932. Dissolved by order of the Circuit Court of Stephenson County).....	Nov. 22, 1940
Rankin.....Vermilion.....	Rankin-Whitham State Bank (In receivership November 23, 1932. Dissolved by order of the Circuit Court of Vermilion County).....	Nov. 23, 1940
Benson.....Woodford.....	First State Bank of Benson (In receivership January 30, 1932. Dissolved by order of the Circuit Court of Woodford County).....	Nov. 25, 1940
Astoria.....Fulton.....	Astoria State Bank (In receivership November 15, 1932. Dissolved by order of the Circuit Court of Fulton County).....	Nov. 29, 1940

RECAPITULATION

State Banks in Chicago.....	25
State Banks in Cook County outside Chicago.....	27
State Banks in Illinois outside Cook County.....	460
Total.....	512