MONTHLY BULLETIN

Issued by
ARTHUR C. LUEDER
AUDITOR *of* PUBLIC ACCOUNTS
BANKING DEPARTMENT
State *of* Illinois

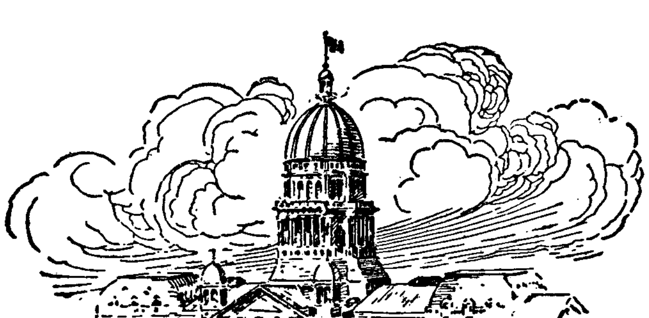
Vol. 17 — SPRINGFIELD, ILLINOIS, JANUARY 1, 1942 — No. 10

ENEMY DOLLARS

On that Sunday afternoon of last December 7th the news of Japan's treachery set off an explosion of anger throughout our nation that will reverberate through the history of the world for many years to come. Doubtless many of us, as our gorge rose, squinted down an imaginary gun barrel with sights covering a phantom, cunning, leering Japanese—hands dripping with the blood of Pearl Harbor—and pulled the imaginary trigger with righteous gusto.

Silly and childish thought, no doubt—utterly lacking philosophy or logic—but a typically American reaction and one that has kept recruiting offices hustling twenty-four hours a day ever since. A very elementary reaction that will translate itself into something mighty big and destructive of the forces that challenge our freedom.

In all probability, there will not be a large number of the readers of this BULLETIN who will, in fact, squint down a real gun barrel with sights covering a real enemy Japanese; but every banker reading this may well remind himself that he is standing guard on one of the most important of our strategic highways—the banking system of the nation. This is the highway that will carry the dollars, credits and transactions that will mobilize and equip our



victorious Army, Navy and Air Force and send them to the places where the business at hand will be settled. The highway is big and broad and in excellent condition and the forces that will move over it will be colossal, and among those forces our enemies will not be without representation. There are enemy dollars—several billion of them—on that highway; most of them have been spotted and immobilized—all of them must be. Every enemy dollar or piece of negotiable or salable property that is allowed to run around loose is a threat to our defense and a handicap to our offense. Every item of enemy property, or property that the enemy may use, must be captured and interned for the duration of the war. Our government is in the process of mobilizing a division of bankers to capture and interne this menace that exists right in our midst; and that job thoroughly done may go down into history as one of the major offensives of the war.

The method employed by our government to financially disarm our enemies is by freezing control of foreign funds. The procedure is founded on Executive Order No. 8389 under the authority conferred by Congress through the Trading with the Enemy Act of 1917. It was originally invoked by our government to protect American business against conflicting claims and demands for the use of funds or property in our custody owned by invaded nations and their citizens. In other words, it created a legal defense for American business against paying any claims that would in all probability be either confiscatory or made by the owner under duress of his conquerer. This move was undoubtedly a great act of justice on the part of our government and it remains for history to record the benefits, incalculable at this time, derived by the owners of this property in not being able to turn over to their conquerors their United States properties as a ransom from the tortures of the concentration camp.

As a counter-move against our freezing of control of foreign funds the Nazi-Fascists intensified their efforts toward economic penetration and sabotage against the defense program of the Western hemisphere in general, and the United States in particular. Our government's counter to this move changed the "freezing" program from a purely defensive to an offensive action. The funds of the Axis countries themselves, the Anti-Axis belligerents and those of unoccupied neutral countries were brought within the freezing control. When the full scope of the freezing movement was reached the value of blocked property was estimated to total 7 billion 437 million dollars. In addition to that the Treasury Department definitely identified approximately two thousand American firms, operating in Central and South America, whose operations were fitted into the Nazi-Fascist scheme of penetration into the Western hemisphere and proclaimed against their further participation in American business.

All of these were indeed staggering blows against the Axis plans in this hemisphere; yet withal of their deadly effect upon the Axis objectives they were delivered in a manner that minimized the effect on the personal well being of individuals involved. Through the general and special licensing provisions of Executive Order No. 8389 any blocked national can use a sufficient amount of his funds to well care for himself and his dependents. All business operations of blocked nationals are, of course, carefully scrutinized and not licensed until clearly established as entirely compatible with the best interests of our nation.

At first glance it may seem remarkable that so little sabotage of a serious nature has been committed against our defense activities and yet when one considers that serious acts of sabotage call for serious money in large quantities, and realizes that that kind of money has been taken out of circulation for the duration of the war, one of the most wholesome effects of freezing control of foreign funds will be understood.

As stated above, nearly 7½ billion dollars of enemy and potential enemy property has been identified in this country. How much more there is that has not been spotted by the intelligence departments of the government remains for those departments and the bankers of the nation to find out. It seems reasonable to believe that from here on that the bankers will have to uncover most of it for what remains unblocked at this date is in all probability pretty well covered up.

The Bankers of the Nation are closest to the answer. They have the accounts on their books. They are in a position to study and learn the identity of the accounts of Foreign Nationals or accounts in which Foreign Nationals have an interest. They are in a position to learn which of their safe deposit vaults are rented by or for Foreign Nationals, what securities they hold in safekeeping for Foreign Nationals, and what Trust accounts have Foreign Nationals among their beneficiaries.

The Treasury Department has already made the approach in a final drive to freeze control of all foreign funds by requiring each member bank of the Federal Reserve System to designate a senior officer to study accounts and block every one either owned by a foreign national or in which a foreign national has an interest. Every non-member bank should do likewise. Every loophole must be covered to the end that not a single dollar will be available to enemy agents to carry on espionage or sabotage against the war program of this nation.

No banker should hesitate to undertake this work thinking that he is spying on his customers through his confidential relations with them. It is only the accounts that he has reasonable grounds to believe may come within the provisions of Executive Order No. 8389. Nor should a banker hesitate to cooperate on account of potential liability for damages. The Treasury Department has given assurance that it will stand squarely behind any banker who blocks an account where he has reasonable grounds to believe that it either belongs to a foreign national or a foreign national has an interest in it.

At least one officer in every bank should, without further delay, become fully conversant with the aims, purposes and provisions of "Foreign Funds Control" and obtain a copy of "Documents Pertaining to Foreign Funds Control" published by the Treasury Department which may be obtained immediately either from the Treasury Department at Washington, or the Federal Reserve Banks of the 7th and 8th districts.

No banker should assume, that because he is living far from a metropolitan area that there are no enemy dollars in his bank. The skillful enemy agent will operate almost entirely from remote places and through individuals who will screen his identity. Many of his aids will be innocent people and good citizens. We would mention in passing a young professional man in the East who had been in this country for many years and whose loyalty was beyond question. An alert banker, noting a sudden rise in this young man's savings balance from a normal level of around $2,000.00 to $50,000.00 over a short period, made an investigation and found that the young man had been forced to allow his account to be used by the agent of an enemy nation under threat of great bodily harm to members of his family who still lived in the land of his birth. It was a great relief to him when his account was blocked.

So this is one more job that calls all bankers into front line duty. It will require some extra work and constant vigilance and there will be a great deal of satisfaction in doing it when we—

REMEMBER PEARL HARBOR.

CHARTER ISSUED

			Capital	Surplus	Reserve	
Milledgeville	Carroll	Milledgeville State Bank Southwest Corner Fourth Street & Main Avenue A. H. Wagner, President Albert R. Anderson, Cashier	$25,000	$5,000	$2,500	Dec. 8, 1941
			Capital	Surplus	Reserve	
Pecatonica	Winnebago	Bank of Pecatonica 233 Main Street J. H. Kampen, President Otto A. Bartels, Cashier	$25,000	$2,500	$2,500	Dec. 29, 1941

IN LIQUIDATION

Goodwine	Iroquois	Farmers State Bank of Goodwine	Dec. 9, 1941

TRUST CERTIFICATE CANCELLED

Chicago	Cook	Banco di Napoli Trust Company of Chicago	Dec. 19, 1941

DISSOLVED

Johnsonville	Wayne	Johnsonville State Bank (In liquidation September 22, 1941)	Oct. 16, 1941
Piasa	Macoupin	Bank of Piasa (In liquidation September 22, 1941)	Nov. 20, 1941
Bismarck	Vermilion	Farmers & Merchants State Bank of Bismarck (In liquidation January 3, 1933)	Dec. 4, 1941
Bingham	Fayette	Bingham State Bank. (In receivership March 20, 1931. Dissolved by order of the Circuit Court of Fayette County)	Dec. 13, 1941
Carlinville	Macoupin	Banking House of C. H. C. Anderson. (In receivership October 25, 1933. Dissolved by order of the Circuit Court of Macoupin County)	Dec. 13, 1941
New Boston	Mercer	Peoples State Bank of New Boston. (In liquidation April 25, 1931. Dissolved by order of the Circuit Court of Mercer County)	Dec. 22, 1941

RECAPITULATION

State Banks in Chicago	23
State Banks in Cook County outside Chicago	26
State Banks in Illinois outside Cook County	451
Total	500

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BANKING DEPARTMENT

State *of* Illinois

Vol. 17 SPRINGFIELD, ILLINOIS, FEBRUARY 1, 1942 No. 11

YEAR-END CALL

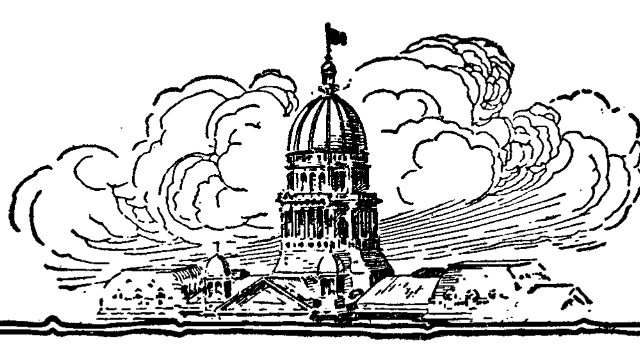
While the resume of the 1941 Call figures which is contained on the inside pages of this BULLETIN reflects the rising tempo of our war program, the trends prevailing throughout the past two years have not been sufficiently broken to indicate as yet any drastic change that might have resulted from the events of the last month in the year.

The upward trend of deposits continues, credit balances increasing slightly over 100 million dollars during the year. The usual dip resulting from the tax movement occurred in the first quarter, causing a net reduction of 67 million. This reduction, plus an added 40 million, came back in the second quarter and the upswing continued throughout the balance of the year.

In analyzing this increase from a geographical viewpoint it is rather interesting to note that the large bulk of the increase in deposits is shown in the downstate banks. For instance, in the third quarter, the Chicago increase was 5½ million, and downstate 14 million. In the last quarter, the Chicago increase was 9 million, downstate 25 million. The downstate increase seems to be pretty evenly spread over the entire 101 counties and is probably due in a large measure to year-end marketing of farm produce. The metropolitan lag may be due to the fact that Chicago is one of the principal spending points in the Defense program.

A difficult change to completely explain is the general reduction in all loans outside of the urban real estate group. The 9 million reduction in commercial paper may have been due to a general "run-off" of maturities during the last quarter; for the demands for credit from prime commercial names for working capital should not only continue but increase. The reduction in collateral and counter loans is comparatively slight and the year ended with loans and discounts nearly 50 million dollars higher for the 12-month period. We find that the Illinois State Bank decline in loans was somewhat sharper than the general trend which we understand showed more of a lag than a decline. Some observers feel that this is an indication of a period of transition wherein general business has been adjusting itself from peace-time to war-time production. It seems to be the general opinion that loans are due for a steady and substantial advance.

The sharp increase in bills payable indicated in the last quarter may arouse some curiosity but this was due entirely to the temporary borrowing of one Bank—and a rather large one—to pay off its depositors in full and discontinue business.



REVIEW OF CALL REPORTS

COVERING A ILLINOI TATE BANKS

NUMBER OF BANKS	509	Increase or Decrease	503	Increase or Decrease	500	Increase or Decrease	496	Increase or Decrease	498
DATE OF CALL	Dec. 31, 1940		Apr. 4, 1941		June 30, 1941		Sept. 24, 1941		Dec. 31, 1941
RESOURCES:									
Cash and Due from Banks	$554,769,116.61	$—44,611,763.82	$510,157,352.79	$+37,825,135.29	$547,982,488.08	$+1,534,548.53	$549,517,036.61	$—1,125,383.72	$548,391,652.89
Outside Checks and Other Cash Items	15,042,955.61	—581,481.93	14,461,473.68	+781,876.04	15,243,349.72	—3,828,227.06	11,415,122.66	+11,459,237.00	22,874,359.66
U. S. Governments—Direct and Guaranteed	302,853,832.30	—32,479,868.50	270,373,963.80	+39,188,293.09	309,562,256.89	+11,591,452.45	321,153,709.34	+36,346,279.24	357,499,988.58
Other Bonds, Stocks and Securities	281,108,534.54	+704,383.93	281,812,918.47	+3,825,824.11	285,638,742.58	—9,220,655.95	276,418,086.63	+9,657,088.87	286,075,175.50
Loans and Discounts	316,799,935.95	+12,023,074.14	328,823,010.09	+23,240,106.09	352,063,116.18	+23,324,779.57	375,387,895.75	—10,259,079.56	365,128,816.19
Overdrafts	61,009.78	+17,955.26	78,965.04	+9,098.56	88,063.60	+25,222.62	113,286.22	—48,051.44	65,234.78
Banking House	11,118,042.41	—274,261.27	10,843,781.14	—1,361.65	10,842,419.49	—40,151.09	10,802,268.40	—171,633.01	10,630,635.39
Furniture and Fixtures	1,456,129.33	—25,628.93	1,430,500.40	+16,730.83	1,447,231.23	+442.10	1,447,673.33	—67,566.04	1,380,107.29
TOTAL—Bkg. House and Furniture and Fixtures	$12,574,171.74	$—299,890.20	$12,274,281.54	$+15,369.18	$12,289,650.72	$—39,708.99	$12,249,941.73	$—239,199.05	$12,010,742.68
Other Real Estate	$3,673,004.59	$—276,869.55	$3,396,135.04	$—289,199.96	$3,106,935.08	$—188,715.77	$2,918,219.31	$—423,073.99	$2,495,145.32
Customers' Liability—Letters of Credit	481,890.28	+133,595.55	615,485.83	+4,420.12	619,905.95	+92,091.48	711,997.43	—295,330.64	416,666.79
Customers' Liability—Acceptances	180,058.65	+21,712.44	201,771.09	—28,809.10	172,961.99	+10,087.98	183,049.97	+33,686.51	216,736.48
Other Resources	5,439,790.94	—53,671.55	5,386,119.39	+354,359.25	5,740,478.64	—1,297,789.11	4,442,689.53	+1,086,893.22	5,529,582.75
GRAND TOTAL RESOURCES	$1,492,984,300.99	$—65,402,824.23	$1,427,581,476.76	$+104,926,472.67	$1,532,507,949.43	$+22,003,085.75	$1,554,511,035.18	$+46,193,066.44	$1,600,704,101.62
LIABILITIES:									
Deposits									
Demand Deposits	$807,986,222.22	$—78,211,173.36	$729,775,048.86	$+118,989,404.44	$848,764,453.30	$+19,190,762.99	$867,955,216.29	$+42,607,188.83	$910,562,405.12
Time Deposits	409,018,768.92	—7,874,593.91	401,144,175.01	—394,256.33	400,749,918.68	—4,544,502.94	396,205,415.74	+2,243,318.15	398,448,733.89
Due to Banks	150,755,935.93	+18,858,862.76	169,614,798.69	—14,108,429.78	155,506,368.91	+4,963,229.66	160,469,598.57	—460,380.74	160,009,217.83
Deposits Secured by Pledge	$ 33,399,249.93	$ —3,092,356.35	$ 30,306,893.58	$ +97,977.70	$ 30,404,871.28	$ +153,488.82	$ 30,558,360.10	$ +2,207,182.47	$ 32,765,542.57
Deposits Not Secured by Pledge	1,334,361,677.14	—64,134,548.16	1,270,227,[illegible].98	+104,388,[illegible].63	1,374,615,869.61	+19,456,000.89	1,394,071,870.50	+42,182,943.77	1,436,254,814.27
TOTAL DEPOSITS	$1,367,760,927.07	$—67,226,904.51	$1,300,53[illegible]	$+104,4[illegible].33	$1,405,020,740.89	$+19,609,489.71	$1,424,630,230.60	$+44,390,126.24	$1,469,020,356.84
Other Liabilities									
Bills Payable	$ 642,822.58	$ —66,269.36	$ 576,553.22	$ —10,344.50	$ 566,208.72	$ —149,249.87	$ 416,958.85	$ +508,644.62	$ 925,603.47
Re-Discounts	----------	----------	----------	----------	----------	----------	----------	----------	----------
Dividends Unpaid	462,471.00	—390,788.09	71,682.91	+254,701.84	326,384.75	—302,804.38	23,580.37	+377,538.80	401,119.17
Letters of Credit	481,140.28	+134,695.55	615,835.83	+6,420.12	622,255.95	+90,091.48	712,347.43	—299,538.43	412,809.00
Bank Acceptances	260,015.00	—50,637.68	209,[illegible].32	—17,[illegible].57	191,777.75	+31,372.58	223,150.33	+113,240.11	336,390.44
Other Liabilities	3,121,968.46	+916,733.08	4,03[illegible]	—[illegible].35	3,957,813.19	+649,813.86	4,607,627.05	+427,752.14	5,035,379.19
Capital Structure									
Capital Stock	43,170,550.00	—375,000.00	42,795,550.00	+35,000.00	42,830,550.00	—105,000.00	42,725,550.00	+155,000.00	42,880,550.00
Income Debentures	2,904,529.51	—539,254.51	2,365,275.00	—245,500.00	2,119,775.00	—12,530.00	2,107,245.00	—50,000.00	2,057,245.00
Surplus	29,933,705.28	+105,150.00	30,038,855.28	+248,465.79	30,287,321.07	+163,350.00	30,450,671.07	+2,320,334.98	32,771,006.05
Undivided Profits (Net)	20,939,031.80	+751,207.87	21,690,239.67	+572,653.28	22,262,892.95	+1,425,343.97	23,688,236.92	—1,795,001.58	21,893,235.34
Reserve Accounts	23,307,140.01	+1,338,243.42	24,645,383.43	—323,154.27	24,322,229.16	+603,208.40	24,925,437.56	+44,969.56	24,970,407.12
TOTAL CAPITAL STRUCTURE	$120,254,956.60	$+1,280,346.78	$121,535,303.38	$+287,465.80	$121,822,768.18	$+2,074,372.37	$123,897,140.55	$+675,302.96	$124,572,443.51
GRAND TOTAL LIABILITIES	$1,492,984,300.99	$—65,402,824.23	$1,427,581,476.76	$+104,926,472.67	$1,532,507,949.43	$+22,003,085.75	$1,554,511,035.18	$+46,193,066.44	$1,600,704,101.62

ANALYSIS—LOANS AND DISCOUNTS									
Commercial Paper	$ 29,321,061.69	$+3,489,055.25	$ 32,810,116.94	$ +1,180,122.79	$ 33,990,239.73	$ +7,560,430.93	$ 41,550,670.66	$—9,091,755.43	$ 32,458,915.23
Collateral Loans	50,526,836.37	—2,153,109.71	48,373,726.66	+5,449,937.33	53,823,663.99	—701,794.09	53,121,869.90	—1,207,435.17	51,914,434.73
Other Loans	169,641,804.45	+8,494,439.14	178,136,243.59	+12,870,195.15	191,006,438.74	+15,129,544.71	206,135,983.45	—1,664,216.74	204,471,766.71
Farm Loans	12,926,778.51	+146,229.58	13,073,008.09	+40,177.93	13,113,186.02	—4,277.37	13,108,908.65	—224,388.89	12,884,519.76
Other Real Estate Loans	54,383,454.93	+2,046,459.88	56,429,[illegible].81	+3,699,[illegible]2.89	60,129,587.70	+1,340,875.39	61,470,463.09	+1,928,716.67	63,399,179.76
TOTAL LOANS AND DISCOUNTS	$316,799,935.95	$+12,023,074.14	$328,82[illegible]	$+23,[illegible].09	$352,063,116.18	$+23,324,779.57	$375,387,895.75	$—10,259,079.56	$365,128,816.19

CAPITAL STOCK DECREASED

Roberts	Ford	Roberts State Bank from $50,000 to $25,000	Jan. 6, 1942
Buffalo	Sangamon	Farmers State Bank of Buffalo from $50,000 to $25,000	Jan. 21, 1942
Cornland	Logan	State Bank of Cornland from $35,000 to $25,000	Jan. 21, 1942

CAPITAL STOCK INCREASED

Garrett	Douglas	Garrett State Bank from $15,000 to $25,000	Jan. 6, 1942
Argenta	Macon	The Gerber State Bank from $25,000 to $50,000	Jan. 21, 1942

CHANGE OF PAR VALUE OF CAPITAL STOCK

Roberts	Ford	Roberts State Bank from $100 to $50	Jan. 6, 1942
Cornland	Logan	State Bank of Cornland from $100 to $71-3/7	Jan. 21, 1942

DISSOLVED

Goodwine	Iroquois	Farmers State Bank of Goodwine (In liquidation December 9, 1941)	Dec. 19, 1941
Kinsman	Grundy	State Bank of Kinsman (In liquidation April 16, 1933)	Dec. 29, 1941
Benton	Franklin	Benton State Bank. (In receivership May 5, 1932. Dissolved by order of the Circuit Court of Franklin County)	Dec. 29, 1941
West Frankfort	Franklin	Union State Bank of West Frankfort. (In liquidation September 7, 1929. Dissolved by order of the Circuit Court of Franklin County)	Jan. 6, 1942
Creal Springs	Williamson	Citizens State Bank of Creal Springs. (In receivership June 10, 1932. Dissolved by order of the Circuit Court of Williamson County)	Jan. 7, 1942
Good Hope	McDonough	Good Hope State Bank (In liquidation October 20, 1938)	Jan. 8, 1942
Pontiac	Livingston	Pontiac State Bank (In liquidation April 27, 1931)	Jan. 14, 1942
Rio	Knox	Rio State Bank. (In receivership April 20, 1937. Dissolved by order of the Circuit Court of Knox County)	Jan. 19, 1942
Lacon	Marshall	Lacon State Bank (In liquidation February 24, 1941)	Jan. 27, 1942

RECAPITULATION

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State Banks in Cook County outside Chicago	26
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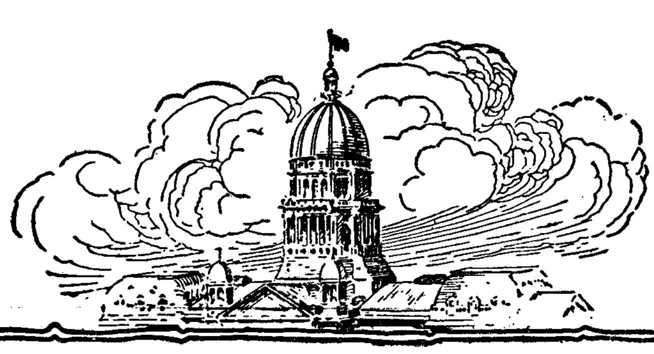
Vol. 17 SPRINGFIELD, ILLINOIS, MARCH 1, 1942 No. 12

THE FUTURE?

In our conversations with bankers since the impact of war was first felt throughout the nation about three months ago, we have encountered a variety of opinions as to its future effect on the banking business. The opinions seem to be unanimous that the banking business will encounter some drastic changes resulting from the re-routing of our economic system from a peace-time to a war-time basis. Occasionally we have heard some mild notes of pessimism, while others may have felt it and not expressed it.

Naturally, there could be little optimism over the outlook for business even while winning a war.

Despite all of this uncertainty and whatever pessimism may exist among the banking fraternity, the situation as it stands today is not without its comforting aspects. The principal one is that the banking business was never better prepared to face such a future than it is today. We have been enjoying three or four years of good days in the banking business. While it is true that the profits of today are not comparable with the chimerical gains of the 1920s (plowed back in the 1930s) they are being and have been accumulated under sounder conditions and appear to be the kind of profits that will "keep."



The bulk of deferments and borrowed capital taken on during the Moratorium have been retired and during the past five years a large number of banks have resumed dividends to stockholders, and there are relatively few asset problems discernible at this time. In our discussions with bankers we have encountered a few who declare that having eliminated their trouble and set their houses in order, they are able to make a small profit from a highly liquid condition and have adopted fixed policies that will maintain such a position, come what may.

Certainly this Department would advocate a conservative and studious approach to all new developments that might bid for the investment of bank funds. On the other hand, we would seriously question the wisdom of a stubborn and unbending attitude toward all new developments merely because they are arising during a period of war-time economy. For it is not unlikely that many of the changes that lie around the corner will be permanent and the bankers or bank managements who take root in a fixed policy against all changes and innovations may, in the course of time, find that they have fallen completely out of step with many permanent trends. That has been done before. We know of bank managements who, in the light of their experience, have worked out formulas that will keep them pretty well invulnerable to trouble and actually shrink up even as they grew steadily larger. They grow in resources and shrink in community stature, and there is more than one critic within the ranks of banking who will point to such policies as the cause of the competition that has sprung up during recent years outside of banking for many of the profitable bank activities. Such critics will point to Currency Exchanges, Finance Companies, Safe Deposit Companies, and some will add Building and Loan Associations and Credit Unions, insisting that all of these have grown up around the fringe of the banking business entirely as a result of the refusal of bankers during periods of smugness to recognize the demands that gave birth to such outside enterprises. Perhaps that is rather an extreme view, but those critics can put up an awfully good argument on their side. We previously alluded to such competitive activities in our September 1941 BULLETIN. We sometimes wonder if bankers and bank managements give enough thought to the competitive forces that are growing up around them which, if allowed to run their course, can do a pretty thorough job of dissecting the banking business.

We like to visualize banks as centers of community finances capable of doing the entire job of financing their communities. Certainly they have all of the natural qualifications for such a position, and as we see it, all they have to do is build up and maintain to a maximum degree, community good-will.

Speaking of good-will, we wonder how many bankers know even to a fair degree of accuracy, just how they stand with the public in general, and their clienteles in particular. Less than ten years ago we didn't stand so well and it might be interesting to learn about how far we have come back in public good-will. We advertise for it, but how many of us know how the public is reacting to our advertising? Are they getting the story that we are trying to tell? Is our service easy for them to use, and is it a pleasure to them to use it? Are all of the members of our operating staffs selling us well to the public? Are there any of them who are hurting us? Are we cold and hard to do business with? These and many other questions exploring the element of good-will should lead to very valuable information that would enable banks to strengthen their public relations where they are weak. We would not know how to go about such a self-examination but there are many successful mercantile concerns that have done it, and it would seem especially beneficial to banks that must depend to such a large extent upon good-will.

It is not at all unlikely that as a result of the reorganization of our present industries into an all-out war effort, that necessities will arise for new industrial endeavors that will be required to supplement and substitute products and materials now dedicated entirely to war purposes. Today the nation is gearing up with steadily increasing tempo to war production. Every man, tool, machine, and piece of material required for that purpose has been requisitioned for the duration of the war. Merchandise made up of material now dedicated to war purposes only is steadily disappearing from merchant shelves. Many of these articles will have to be replaced and they will be—made up of material not required in our war effort. In the beginning, all of these will be regarded as substitutes—temporary substitutes—but many will show superiority and become permanent. Necessity will mother many new inventions and ideas, and worthwhile efforts along this line will have to be recognized and encouraged. They will have to be subordinated, of course, to the main objective of winning the war, but they should not be ignored, and it seems reasonable to believe that even after the peak of our war effort has been reached there should be a surplus of capital and labor for such developments. No doubt most of them will require counsel, guidance and financial assistance and they will get it somewhere. Will it be from the banks, or outside sources?

In addition to that, there are likely to be new service opportunities develop that will directly or indirectly benefit banks. We have one already in the sale of Defense Bonds, and almost without exception, the banks are doing a magnificent job in that effort. It is a thoroughly patriotic and non-profitable business for the banks, but it is hardly to be doubted that before the job is done incalculable benefit will be derived by the banks from this activity alone. We have little apprehension that this generation of bankers at least, will get themselves into trouble in meeting the new developments of the future, if it is humanly preventable. They are too well educated and seasoned for that, but there is a possibility that many may encounter new innovations with minds that are closed against them to the detriment not only of individual banks but the communities in which they operate, and the banking business as a whole.

PERMIT ISSUED

			Capital	Surplus	Reserve	
Chicago	Cook	Devon-Western State Bank of Chicago	$200,000	$25,000	$25,000	Feb. 11, 1942

DURATION EXTENDED

Chapin	Morgan	Chapin State Bank. Charter extended 99 years from July 8, 1942	Feb. 6, 1942

CHANGE OF LOCATION

Farmington	Fulton	Bank of Farmington from 74 East Fort Street, Farmington, Illinois, to 16 East Fort Street, Farmington, Illinois	Feb. 17, 1942

CAPITAL STOCK INCREASED

Skokie	Cook	Niles Center State Bank from $100,000 to $125,000	Feb. 7, 1942

CAPITAL STOCK DECREASED

Buckley	Iroquois	Buckley State Bank from $50,000 to $25,000	Feb. 6, 1942
Farina	Fayette	State Bank of Farina from $50,000 to $25,000	Feb. 18, 1942

CHANGE OF PAR VALUE OF CAPITAL STOCK

Buckley	Iroquois	Buckley State Bank from $100 to $50	Feb. 6, 1942
Farina	Fayette	State Bank of Farina from $100 to $50	Feb. 18, 1942

DISSOLVED

Fowler	Adams	Bank of Fowler. (In liquidation August 2, 1941)	Jan. 29, 1942
Christopher	Franklin	Christopher State Bank. (In receivership January 24, 1931. Dissolved by order of the Circuit Court of Franklin County)	Feb. 2, 1942
Keithsburg	Mercer	Citizens State Bank of Keithsburg. (In receivership January 13, 1931. Dissolved by order of the Circuit Court of Mercer County)	Feb. 3, 1942
Bloomington	McLean	Liberty State Bank. (In receivership October 2, 1933. Dissolved by order of the Circuit Court of McLean County)	Feb. 10, 1942
Riverton	Sangamon	Riverton State Bank. (In receivership January 2, 1933. Dissolved by order of the Circuit Court of Sangamon County)	Feb. 13, 1942
Flanagan	Livingston	Farmers State Bank of Flanagan. (In receivership April 1, 1930. Dissolved by order of the Circuit Court of Livingston County)	Feb. 17, 1942
Gibson City	Ford	Gibson City State Bank. (In receivership January 5, 1933. Dissolved by order of the Circuit Court of Ford County)	Feb. 17, 1942
East Moline	Rock Island	Manufacturers State Bank of East Moline. (In receivership October 30, 1931. Dissolved by order of the Circuit Court of Rock Island County)	Feb. 18, 1942

RECAPITULATION

State Banks in Chicago	23
State Banks in Cook County outside Chicago	26
State Banks in Illinois outside Cook County	451
Total	500

MONTHLY BULLETIN

Issued by
ARTHUR C. LUEDER
AUDITOR *of* PUBLIC ACCOUNTS
BANKING DEPARTMENT
State *of* Illinois

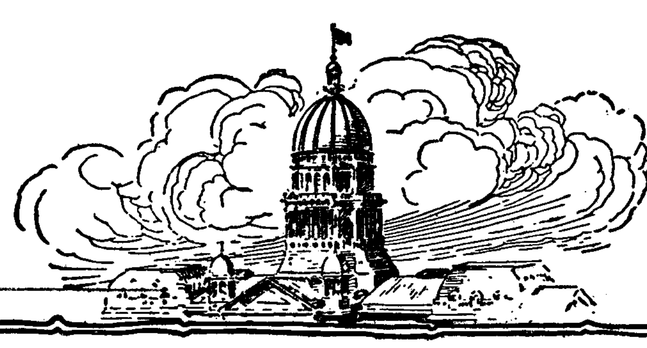
Vol. 18 SPRINGFIELD, ILLINOIS, APRIL 1, 1942 No. 1

OPERATIONS 1940-41

In assembling the Illinois State Bank operating returns for the year 1941 compared with 1940 for the inside page of this issue, we found that an unprecedented shift had taken place within the various groups. As pointed out in our February BULLETIN deposits among the downstate units took a sharp upward trend during 1941 and inasmuch as the seven groups are divided on the basis of deposits, there has been a general upward movement from one group to another, the obvious result would be that strong earning units in one group crossing into another would become weak earning units in the higher group. Hence the upward shift among groups has had the effect of reducing unit averages. This conclusion is verified by the fact that the grand total shows increases in each stage of the analysis.

Occasionally we have it pointed out to us that the Banks reported in the seven groups do not add up to the same total as shown in the final two columns, and we would remind our readers that in each group we show the total number of Banks reporting at the end of each period, while in the grand total column we eliminate all units reporting for only a part of each period, eliminating from our computations all new organizations and Banks going into liquidation during both periods compared; so that we compared 491 Banks that operated entirely throughout 1940 with the same 491 Banks operating entirely throughout 1941.

While gross income gained about an even 2 million dollars, the cost was about 1 million 200 thousand dollars, 700 thousand dollars of which went to payrolls and the balance for miscellaneous expenses. Nearly all factors throughout the report held quite level with the exception of income on loans, and the payroll. Bond premium write-offs continue heavy and substantially ahead of bond profits and recoveries. All things considered, the operating results for the year 1941 strike us as rather gratifying.



OPERATING RESULTS FROM ALL ILLINOIS STATE BANKS

FOR THE [illegible]ARS 194[illegible] [illegible]ND 1941

	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
	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941	1940	1941
Number of Banks	116	69	148	147	87	90	32	52	59	67	35	37	28	32	491	491
Current Income																
Loans	$607,288	$334,299	$1,330,567	$1,216,843	$1,250,109	$1,092,872	$597,829	$971,914	$1,411,074	$1,581,207	$1,449,869	$1,668,246	$5,075,084	$ 6,456,880	$11,550,448	$13,322,153
Securities	150,302	88,610	402,248	373,942	431,066	380,591	254,811	288,542	674,630	621,259	1,036,712	909,222	9,932,045	10,048,486	12,669,109	12,710,653
Bank Balances	150	100	2,925	3,157	200	4,037	448		2,464	29	21,295		625	268	28,279	7,591
Exch. Coll. Comm., etc.	39,911	22,122	82,123	74,023	106,280	74,864	55,365	69,737	92,065	131,573	127,190	126,208	625,448	716,529	1,105,243	1,214,715
Foreign Exchange			56	446			28				216	13	90,563	39,286	50,715	39,745
Service Charges	50,430	27,651	124,932	107,008	116,119	107,662	66,202	81,621	200,205	222,018	404,543	324,108	1,196,693	1,314,389	2,073,991	2,184,018
Trust Dept.	18,015	18,246	611		2,971	3,279	10,530	10,173	28,734	13,073	75,725	80,231	3,233,064	3,312,166	3,364,387	3,437,168
Miscellaneous	46,495	31,168	88,896	83,715	99,839	83,078	97,955	61,683	174,079	142,247	313,884	292,723	995,062	981,152	1,749,517	1,675,514
TOTAL	$912,591	$522,196	$2,032,358	$1,859,134	$2,006,584	$1,746,383	$1,083,168	$1,483,670	$2,583,251	$2,711,406	$3,429,434	$3,400,751	$21,148,584	$22,869,156	$32,591,689	$34,591,557
Unit Average	(7,867)	(7,568)	(13,732)	(12,647)	(23,064)	(19,404)	(33,849)	(28,532)	(43,784)	(40,468)	(97,984)	(91,912)	(755,306)	(714,661)		
Current Expenses																
Salaries	$308,208	$169,152	$638,951	$588,990	$588,846	$544,787	$306,515	$448,581	$761,967	$821,315	$1,111,189	$1,097,186	$6,821,494	$7,337,780	$10,324,379	$11,006,622
Int. Borrowings	3,495	813	5,885	3,924	6,493	190		163	2,269	1,975		2,011	2,664	2,764	20,708	11,839
Int. Bank Dept.	50	200	3,395		75	75			119	125	140	140	104		3,779	540
Int. Dem. Dep.		31	2,761	2,378	156	150	675						25,593		29,184	2,559
Int. Time Dep.	102,684	56,059	265,982	223,484	303,348	260,893	143,816	194,993	387,029	354,502	412,065	385,248	2,593,052	2,594,027	4,094,930	4,069,207
Int. Cap. Deb.	302		2,970	480	6,954	5,176	5,590	1,328	8,372	6,233	37,972	11,061	65,292	65,590	115,475	89,868
Taxes	67,701	37,338	129,249	123,346	128,026	114,764	64,076	116,565	172,625	195,520	158,599	193,925	1,132,748	1,063,580	1,820,476	1,845,030
Miscellaneous	192,374	114,043	379,523	344,199	378,782	[illegible]	194,435	276,728	477,201	503,226	758,676	723,267	4,014,542	4,498,164	6,229,587	6,786,401
TOTAL EXPENSE	$674,814	$377,636	$1,428,716	$1,286,801	$1,412,680	[illegible]	$715,107	[illegible]	$1,809,582	$1,882,896	$2,478,641	$2,412,838	$14,655,489	$15,561,905	$22,638,518	$23,812,066
Unit Average	(5,817)	(5,473)	(9,651)	(8,754)	(16,238)	(13,963)	(22,347)	(19,968)	(30,670)	(28,103)	(70,818)	(65,212)	(523,410)	(486,309)		
OPERATING NET	$237,777	$144,560	$603,642	$572,333	$593,904	$489,661	$368,061	$445,312	$773,669	$828,510	$950,793	$987,913	$6,493,095	$7,307,251	$9,953,171	$10,779,491
Unit Average	(2,050)	(2,095)	(4,081)	(3,893)	(6,826)	(5,441)	(11,502)	(8,564)	(13,114)	(12,365)	(27,166)	(26,700)	(231,896)	(228,352)		
Recoveries and Profits																
Recoveries Loans	$83,932	$50,145	$128,806	$172,470	$170,496	$180,408	$83,780	$90,685	$201,097	$206,637	$209,837	$215,463	$1,132,573	$ 711,175	$1,974,673	$1,626,983
Recoveries Securities	34,557	31,761	58,499	61,228	74,612	61,849	19,790	50,173	99,991	92,683	142,697	154,120	391,988	270,518	714,173	722,334
Profits Securities	29,269	22,877	87,430	53,888	97,057	76,199	61,521	44,760	159,043	135,904	333,367	188,212	1,388,332	1,281,938	1,974,372	1,803,777
Miscellaneous	32,449	21,431	87,471	38,107	73,290	51,288	79,470	64,355	221,547	63,236	212,533	208,636	711,259	686,848	1,408,251	1,133,918
Net Earnings—Plus Recoveries and Profits	$417,984	$270,774	$965,848	$898,026	$1,009,359	$859,405	$612,622	$695,285	$1,455,347	$1,326,970	$1,849,227	$1,754,344	$10,117,247	$10,257,730	$16,024,640	$16,066,503
Losses																
On Loans	$128,618	$57,576	$135,746	$124,567	$142,882	$86,954	$54,497	$66,833	$210,131	$127,552	$177,121	$ 91,240	$ 281,733	$ 265,733	$1,098,102	$ 820,456
On Securities	43,775	18,296	138,786	51,789	132,567	[illegible]	79,210	40,068	200,078	169,189	404,546	298,789	3,168,349	3,615,765	4,008,241	4,268,825
Bkg. Hse. Fur. and Fix.	48,920	33,380	99,843	99,299	65,102	[illegible]	35,820	50,081	82,037	89,689	117,229	125,764	192,632	417,401	603,817	890,624
Miscellaneous	42,456	53,005	61,653	50,793	67,352	[illegible]	98,760	28,101	146,834	75,193	190,564	134,376	571,510	299,638	1,125,491	703,666
TOTAL LOSSES	$263,769	$162,257	$436,028	$326,448	$407,903	$299,453	$268,287	$185,083	$639,080	$461,623	$889,460	$650,169	$4,214,224	$4,598,537	$6,835,651	$6,683,571
NET TO UNDIVIDED PROFITS	$154,215	$108,517	$529,820	$571,578	$601,456	$559,952	$344,335	$510,202	$816,267	$865,347	$959,767	$1,104,175	$5,903,023	$5,659,193	$9,188,989	$9,382,932
Capital, Surplus, Und. Profits, Reserves	$4,709,628	$2,571,348	$8,313,605	$7,896,423	$7,234,742	$6,599,311	$3,679,380	$5,215,495	$9,089,146	$9,356,599	$10,635,790	$11,056,205	$73,438,654	$78,927,984	$115,223,527	$121,499,782
TIME DEPOSITS	$6,205,099	$3,372,013	$17,994,204	$15,487,290	$22,199,994	[illegible]	$10,436,398	[illegible]	$32,827,703	$30,444,354	$48,087,524	$42,254,868	$271,249,481	$272,368,342	$397,617,969	$397,881,741
GROSS DEPOSITS	$19,466,865	$11,659,485	$52,071,614	$53,644,786	$53,069,308	[illegible]	$27,912,560	$44,426,712	$79,457,511	$90,594,338	$115,934,334	$112,478,648	$1,019,799,132	$1,100,312,020	$1,346,051,502	$1,467,815,053

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

DISSOLVED

Perry	Pike	Perry State Bank (In receivership January 26, 1932. Dissolved by order of the Circuit Court of Pike County)	Feb. 3, 1942
Bensenville	DuPage	First State Bank of Bensenville, Illinois (In receivership July 21, 1933. Dissolved by order of the Circuit Court of DuPage County)	Feb. 26, 1942
Champaign	Champaign	University State Bank of Champaign (In receivership January 7, 1932. Dissolved by order of the Circuit Court of Champaign County)	Mar. 2, 1942
Zeigler	Franklin	Zeigler State Bank (In receivership January 21, 1931. Dissolved by order of the Circuit Court of Franklin County)	Mar. 2, 1942
Oglesby	LaSalle	Oglesby State Bank (In receivership December 3, 1932. Dissolved by order of the Circuit Court of LaSalle County)	Mar. 3, 1942
Bellflower	McLean	Exchange State Bank of Bellflower (In receivership February 9, 1932. Dissolved by order of the Circuit Court of McLean County)	Mar. 12, 1942

RECAPITULATION

State Banks in Chicago	23
State Banks in Cook County outside Chicago	26
State Banks in Illinois outside Cook County	451
Total	500

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(21782)

MONTHLY BULLETIN

Issued by
ARTHUR C. LUEDER
AUDITOR *of* PUBLIC ACCOUNTS
BANKING DEPARTMENT
State *of* Illinois

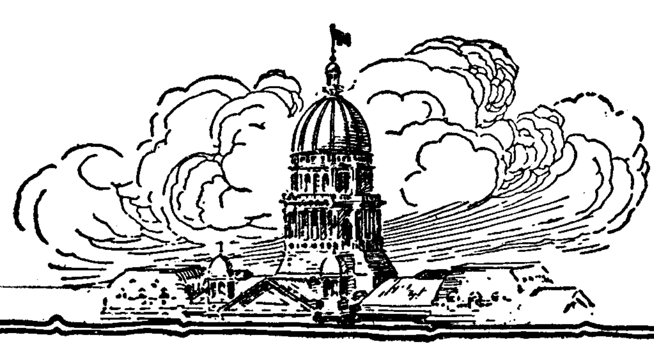
Vol. 18 SPRINGFIELD, ILLINOIS, MAY 1, 1942 No. 2

GOOD WILL

In several of our recent articles we have mentioned the importance of public good will as a factor contributory to the development and prosperity of a bank. Necessity and convenience are of course the prime factors and the law requires demonstration of their existence before issuing a charter to a new organization. A bank can start on these two, but without the good will of the public, it will lead a shriveled existence and will fall far short of accomplishing the full scope of its purpose both as to community development and profit.

That bank managements have long been aware of the vital importance of the good will factor, is evidenced by the many and sometimes ingenious devices that have been adopted to capture and retain it. Bank advertising for good will has become a specialty; community activities, special services, lobby attractions, etc., have been devised and developed, and at a heavy cost, with the sole view of winning and holding public good will.

During the Moratorium of 1933 we were treated to some striking demonstrations of public good will, and the lack of it. We saw banks reorganized and restored to soundness on little more than the good will of their patrons, while



others with less to ask of their depositors received only reluctant support. We have seen it freely given where it was not merited and reluctantly given where it was well merited. In the former, it meant a quick and easy reorganization, and in the latter a long and difficult one.

Our purpose in bringing this subject up for discussion at this time is to point out what seems to us to be a definite "leak", so to speak, in that important fund which bank managements try so hard, and spend so much money to build and preserve—good will.

Every now and then a bank customer will call to complain of being wronged by some bank. By the time he reaches this office he has usually brooded over the matter until he is in a high state of agitation and full of denunciations against some bank in particular, and banks, and banking in general. Their complaints range over about every banking service, and they vigorously demand that we do something about it. We listen patiently, and sympathetic attention usually calms them down to reasonable thinking. Invariably we find that the bank has done nothing wrong and that, far from being injured, the complainant is usually being protected. The fancied wrong complained of is usually nothing more than the bank's insistence on the handling of certain transactions in a prudent and businesslike manner. Once the complainant has been brought to a calm and reasonable state of mind, a few minutes of explanation of the bank's position and objective generally solves the whole dispute. Sometimes, if necessary, we call an officer in the bank complained of, and arrange an interview with the complainant, which invariably results in a complete understanding and even better relations than existed before.

Such experiences always raise two questions with us. The first is: How many such disgruntled bank customers are there who do not contact this office; and the second is: Why are they allowed to leave the bank with grievances so unreal and so easy to dispel?

It is easy to visualize the circumstances leading up to the disputes which result in complaints to this Department. A busy teller, with a line of customers waiting at his window, or a junior officer with a number of people to see, and an insistent telephone calling him at frequent intervals, and an inexperienced customer who does not thoroughly understand what he is trying to do, are some of the usual causes which lead to the irritation.

The bank man with a nervous eye on the growing line at his window or desk explains briefly, but brevity and technical terms only add to the customer's mental confusion. The bank man tries again but by this time the customer has become irritated and begun to get the idea that he is being "pushed around", and either sullenly walks away to nurse a private grudge or lashes out blindly with all sorts of rash statements and accusations.

What this sort of a situation needs is a tactful officer to take the irate customer out of the line, calm him down, and get him on the right track. Such a move would have the practical effect of immediately removing a disturbance from the bank lobby, and producing an excellent psychological effect on the customer. The sympathetic personal attention of a senior officer would carry an excellent appeal to the customer's ego and disarm him instantly of the idea of being "pushed around." The straightening out of such a matter might take 10 or 15 minutes, or even a half hour, but in any event it would be time well spent for that customer would feel entirely at ease in that bank from that time on.

We do not believe that banks realize how many of their customers become ill at ease when they enter a bank, and this is particularly true in larger institutions, where size, elegance of appointments, a tense and busy atmosphere creates a feeling of timidity and awe. A busy clerk, working rapidly, calculating quickly, and speaking abruptly, incites a defensive attitude on the part of the customer who becomes anxious to get his transaction over with and to get out as quickly as possible.

In the course of many visits, a customer will very likely become accustomed to doing business with one individual or department, and much of his timidity will disappear, but if he has to approach other departments he encounters the same old trouble. From the very nature of things, we suppose that a certain amount of this is unavoidable, particularly in larger banks, but we do believe that bank managements should do everything possible to eliminate arguments and disputes in their lobbies. It seems to us that the bank would be richly rewarded that would have an officer, and preferably a senior officer, available to step into the situation immediately when an argument develops at a window.

Not so very long ago we were an involuntary witness to a bank lobby episode that will illustrate our point. A depositor handed in a passbook containing some currency and several checks, and there were five people waiting in line behind him. The teller, after checking out the deposit, picked out one of the checks, stepped out of his cage and called to an officer of the bank who had a desk nearby. As the officer entered the cage, the teller handed him the check with a brief, whispered explanation. As the officer scrutinized the check, front and back, the look of pain that came to his face was no comfort to anyone. He came over to the window and told the depositor very crisply that the bank would be unable to accept the check without the customer's identification in a trust capacity. The depositor, a very plain and timid man, obviously did not know what the bank officer was driving at, and the officer flipped the check out through the wicket, repeating his judgment.

The check was apparently made out to the depositor as administrator for he went on to explain that by advancing his own funds he had closed the Estate some months before, and this check which he never expected to get, would reimburse him for the funds that he had advanced. The officer curtly informed him that regardless of the circumstances, the bank would be unable to handle the check until he had been properly identified in his trust capacity. As the bank officer delivered this ultimatum he began a slow retreat from the bank window to his desk.

The depositor looked nervously back over the line of waiting customers, and then ventured to ask what he could do to get the check cashed. The bank officer, still backing away, made some reply that we could not hear, and if it was heard by the depositor it was plainly not understood.

He remained at the window in puzzled indecision for a moment and then asked the teller to hand him back the entire deposit. The teller, who had quite properly stayed out of the entire matter, promptly returned the deposit intact and the depositor left the window and walked out to the customers' desk in the center of the lobby. He was still standing there when we left, and we felt reasonably sure that the bank was in the process of losing a customer.

In our opinion the officer mishandled the situation from the very beginning. He should not have discussed the matter with the depositor at the teller's window, but called him over to his desk which was less than 20 feet away, and in less than 10 minutes he could have solved the depositor's difficulty, strengthened a friendship and retained an account.

Somewhat curious as to the officer's obvious desire to terminate his discussion with the depositor quickly, we glanced over at his desk as we left the window and neatly spread out over most of its surface was—the morning newspaper.

It is interesting to contemplate what a contrasting result a few minutes of friendliness would have produced in this episode.

CONVERSION

Paxton	Ford	Farmers and Merchants Bank of Paxton into Farmers-Merchants National Bank of Paxton	Apr. 7, 1942

IN LIQUIDATION

El Dara	Pike	El Dara State Bank	Mar. 31, 1942
Cordova	Rock Island	State Bank of Cordova	Apr. 15, 1942
Chicago	Cook	Banco di Napoli Trust Company of Chicago	Apr. 23, 1942

CHANGE OF NAME

Cooksville	McLean	State Bank of Cooksville to Peoples State Bank of Colfax	Apr. 27, 1942

CHANGE OF LOCATION

Cooksville	McLean	State Bank of Cooksville from Corner of Wineland and Garfield Streets, Cooksville, Illinois, to 311 Main Street, Colfax, Illinois	Apr. 27, 1942

DISSOLVED

Robinson	Crawford	The Farmers' and Producers' Bank (In liquidation March 19, 1932)	Apr. 2, 1942
Alton	Madison	First Trust & Savings Bank of Alton (In receivership February 14, 1933. Dissolved by order of the Circuit Court of Madison County)	Apr. 21, 1942

RECAPITULATION

State Banks in Chicago	22
State Banks in Cook County outside Chicago	26
State Banks in Illinois outside Cook County	448
Total	496

(23781)

MONTHLY BULLETIN

Issued by
ARTHUR C. LUEDER
AUDITOR *of* PUBLIC ACCOUNTS
BANKING DEPARTMENT
State *of* Illinois

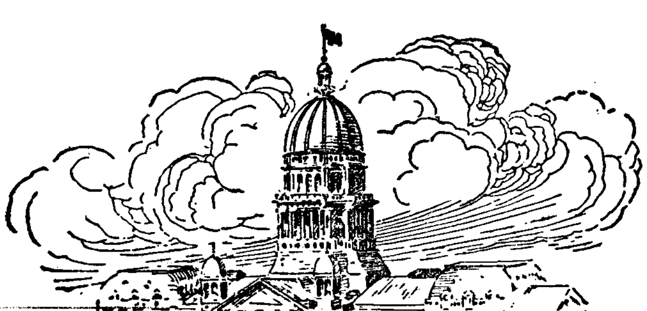
Vol. 18 SPRINGFIELD, ILLINOIS, JUNE 1, 1942 No. 3

CLASS

The American people are richly endowed with sporting blood. Each year we spend countless hours, millions of dollars, and often endure genuine hardship to be present at great sporting events where men, animals or machines undergo extraordinary tests to determine whether or not they have that "class" of which champions or, at least, top-notchers are made. The man, animal or machine that would bid for the American accolade must have that quality we call "class" and lots of it.

Early last December the Banco di Napoli Trust Company of Chicago (an Illinois State Bank) was called upon to face the supreme test in the banking, or any other business for that matter. Circumstances, which have been fully reported in the press and need no reviewing here, made it necessary for it to pay its depositors and all creditors and liquidate its business.

On December 10, 1941 it owed its creditors nearly 4 million 800 thousand dollars and had cash means from all sources of slightly less than 1 million 200 thousand dollars or a primary reserve of 25%. After a week's suspension it reopened its doors to its customers and called them in to get all of their money. By the end of the month (December



31st) it had paid its creditors down to 669 thousand dollars and had 785 thousand in cash to pay it with. By April 4th, 1942 the creditors had been paid down to 51 thousand dollars and there was 704 thousand dollars on hand for creditors and stockholders. By April 23rd liabilities to creditors had been reduced to 38 thousand and all efforts to reach those creditors had been exhausted. The management then, following the provisions of the Banking Law brought in 38 thousand dollars to this Department together with a list of the unpaid creditors to provide for payment in full to each unpaid depositor when satisfactory claim is presented.

On December 10, 1941 the Banco di Napoli Trust Company of Chicago was a going concern with its 5½ million dollars of resources spread for profitable operation among cash, loans, investments, plant and equipment. By May 25th, 1942—166 calendar days later, full payment to its creditors had either been made or provided for, practically all of its residue assets liquidated and made ready for distribution among its stockholders and its corporate existence dissolved.

As far as we have been able to learn, there has been no business in the entire nation called upon to liquidate under the same circumstances that has even approached that performance which we are pleased to salute as a demonstration of real "class".

STAND BY

In our March issue we made a few general observations about the condition of our Illinois State Banks entering upon a period of admitted uncertainty, and added a bit of speculation about the future. To that we would add a word of admonition to all of our State Bank Directors to watch the operations of their Banks closely and keep abreast, as far as possible, of all events and conditions affecting them.

This is not to be taken as an alarm or storm signal by any manner of means; for we continue to feel now as we did then, that with all of the uncertainty we ponder upon, there can and probably will be many developments advantageous to Banks. Our point is that such favorable opportunities as may develop should be observed and studied as far ahead as possible in order that they may be grasped and used properly.

As we see it the Banks that will gain the most from favorable, and suffer the least from unfavorable developments are those with the most alert Directors and Officers—men who will see opportunities far enough ahead to correctly appraise them and rightly decide whether to reach out and grasp them or let them go by; or having grasped them know when to let go. Of course the need for such finesse is always present in the banking business but under normal conditions decisions may be approached more leisurely than they can at present or may be in the future.

In our view every Bank urgently needs the services of every one of its Directors—services in the form of thought, study, concern, and constant vigilance for the Bank. Bank official families should be more closely knit than ever before. It could easily happen that a director relaxing his grip on the affairs of his Bank and drifting away from close contact with its operation would be the man who could have detected approaching trouble or spotted an opportunity that everyone else overlooked.

Defense activities have and probably will continue to distract the attention of some of the ablest directors from their Banks. That is probably unavoidable, but it should not be forgotten that our Banks themselves have an important defense assignment to carry out. Moreover, we should also not lose sight of the fact that when the war is over and demobilization starts, our Banks will remain in the ranks and their assignment will then be even broader and more vital than it is now. We want our Banks as well prepared to face that situation as they were to face the call to arms.

And so when we say "stand by" we mean all hands on deck. We're sailing through uncharted waters and need the sharp and experienced eyes of all directors to detect rocks and shoals and find the open channels.

SIGNATURES

Examiners' expressions of dissatisfaction with signature files occur with sufficient frequency to warrant a reminder on that subject at this time. As a matter of comparison we find the metropolitan Banks quite strict in this respect and their files in excellent order. It is largely in the outlying and rural Banks where the examiners' criticisms originate—where Bank operating staffs are more intimately acquainted with their customers.

Any relationship that an individual enters into with a Bank is contractual and the terms should be in writing over the signature of the customer. An individual with a checking account, a savings account, and a rented vault has three different contracts with the Bank and each should be on file over the customer's signature. Joint accounts should be clearly defined and corporation accounts should be authorized by directors' resolutions defining the duties and limitations of the authorized signatories. Partnership accounts should be supported by affidavit of partnership filed by all partners or all partners should sign the Bank's signature card. Accounts carried under trade names should be explained by affidavit of the proprietor or partners. It should be the objective of all Banks to have every account supported by a signature card containing all of the terms of the agreement between the Bank and the customer.

These cards when properly prepared can under many circumstances save Banks a great deal of trouble and annoyance and frequently large amounts of money.

DISSOLVED

San Jose	Mason	San Jose State Bank. (In receivership February 5, 1932. Dissolved by order of the Circuit Court of Mason County)	May 1, 1942
Augusta	Hancock	First Trust & Savings Bank of Augusta. (In liquidation February 26, 1929. Dissolved by order of the Circuit Court of Hancock County)	May 7, 1942
Fox Lake	Lake	Fox Lake State Bank	May 7, 1942
Chicago	Cook	Sixty-Third and Halsted State Savings Bank. (In liquidation March 14, 1935)	May 8, 1942
Irvington	Washington	Farmers State Bank of Irvington. (In receivership November 21, 1932. Dissolved by order of the Circuit Court of Washington County)	May 18, 1942
Chicago	Cook	Banco di Napoli Trust Company of Chicago. (In liquidation April 23, 1942)	May 25, 1942
New Athens	St. Clair	Farmers State Bank of New Athens. (In liquidation December 10, 1932)	May 29, 1942

RECAPITULATION

State Banks in Chicago	22
State Banks in Cook County outside Chicago	26
State Banks in Illinois outside Cook County	447
Total	495

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(25349)

MONTHLY BULLETIN

Issued by

ARTHUR C. LUEDER

AUDITOR *of* PUBLIC ACCOUNTS

BANKING DEPARTMENT

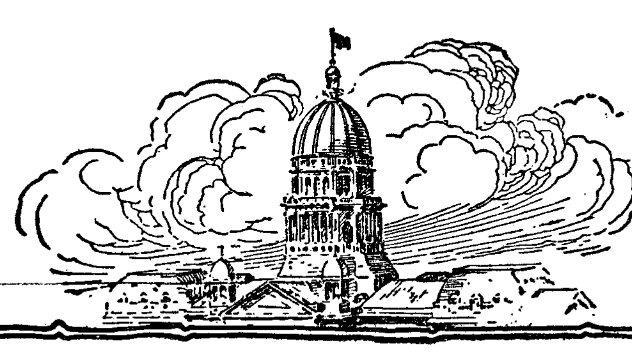
State *of* Illinois

Vol. 18 SPRINGFIELD, ILLINOIS, JULY 1, 1942 No. 4

TRUST BUSINESS

There are probably few bankers who, having developed a good volume of profitable banking business, have not been smitten, at some time or other, with the ambition to add a trust department to their banks. This ambition invariably springs from twin motives—enlarged service to the public, and profits to themselves. Then, too, the addition of trust facilities to their general banking service gives them a sort of grown up feeling in having the authority to offer to the public all of the services stipulated in their charters. For, as a matter of fact, all bank charters in Illinois contain trust powers at the time of issue; but authority to accept and execute trusts is withheld until they qualify under the Illinois Trust Companies' Act by making application to, making the required deposit of securities with, and receiving from the Auditor of Public Accounts, a special certificate of authority to exercise trust powers.

And so, on a number of occasions down through the years, bankers have come in with the rather chesty announcement that—"We think we have reached a point where we should have a trust department." As a general rule they have made a pretty thorough survey of their communities and have a fairly good idea of the amount of trust business



they can gather in as a nucleus. It is when asked what preparations they have made to handle that business that they become a bit vague.

"Well, we haven't worked out any of the operating details yet," is the most frequent reply. "We sort of figured on gradually working into it. Now, there's young Jiggs, our Assistant Cashier. He's been with us for five years and is going right to the front. He's had two or three years at the University, he's a glutton for work, makes friends and gets along with the customers fine and he's been studying up on trusts lately. For a starter he could find enough spare time to look after our trust business until we could afford to make it a full time job. Yes, young Jiggs is just the man for the trust department."

Now, as a matter of fact, young Jiggs isn't the man for that trust department and he won't be until he has had at least four or five years of good, hard, practical training in trust management and accounting reinforced with a general knowledge of trust law. Given that—Jiggs might be ready to start operating on his own; for by that time he would at least know how to "size up" his trusts and some of the danger spots in the trust business. By "sizing up" a trust we mean the careful analysis of the indenture or order declaring the trust, that will bring out its full meaning, particularly the stated and implied duties and obligations of the trustee. Place a trust indenture before any banker untrained in trust work, have him read it and determine what it requires of the trustee—then have an experienced trust man "size up" the same instrument and the difference will be surprising.

It is quite true that bankers without any special training in trust management have operated trust departments in a small way for a number of years without trouble or loss; but there can hardly be enough profit in that kind of operation to justify the bother, and there is always the ever present danger of damage judgments against the bank from oversights, faulty judgment, or carelessness, that may be expected as a result of lack of experience and part-time attention.

It is a grave mistake for any bank management to regard and treat its trust department as a "corner filler." It might turn out to be just the opposite and become a "corner hole" through which bank profits would disappear as "trust department operating losses" or worse yet, from which heavy damage judgments might emerge through careless administration.

While the banking and trust businesses have much in common, and while banks are probably better organized to handle trusts than any other corporation, with the exception of a trust company, the banking and trust businesses are distinctly different. This difference begins simultaneously with the relationship between the corporation and the customer. When a bank accepts a commercial, savings or other normal form of deposit, it becomes the debtor of the depositor, who loses title to the money or thing deposited and becomes a general creditor of the bank. When a person enters into a trust relationship with a bank, the bank does not become a creditor for the property committed to it but a Trustee and legally obligated to hold the property accepted from the customer (Trustor) in its original form until disposed of pursuant to the terms of the trust agreement. If the trust agreement or other form of trust instrument provides for the conversion of the original property into other forms of property, the converted property goes back into the trust to replace and be held on the same basis as the original until either distributed, again converted or returned to the beneficiary of the trust exactly as provided by the trust agreement.

For instance, when a person deposits $1,000.00 in a bank to the credit of his checking account, the bank's legal obligation will be completely discharged when it returns $1,000.00 to the depositor or pays it out on his order. Whereas, $1,000.00 deposited in the trust department might involve a whole series of duties and obligations on the part of the bank calling for alertness, judgment and discretion to a degree that only special training and experience could supply.

In the light of our experience, it seems unfair to thrust the responsibilities of a newly organized trust department upon a bank officer untrained and inexperienced in trust operation; and adding the further handicap of making it a part-time job. If sufficient business is available to make the venture at all worth while, an experienced trust man will develop it a great deal more rapidly and safely than an untrained bank officer giving it only part of his time.

It is no secret that during the depression years the Courts and this Department had their hands full of problems emanating out of mismanaged trust departments; and we might add in passing, our own impression that the Courts are inclined to deal quite sternly with the shortcomings of corporate trustees; and rightly so, for the public has a right to expect that the human lapses and frailties that might be expected from an individual trustee and perhaps condoned to some extent, should be entirely eliminated from a corporate trusteeship. Twenty-five years ago—while corporate trusteeship was not new—it was just beginning to expand as a public utility and like many other expanding public services much of the expansion was in inexperienced hands. However, from this inexperience we gained experience and today the exacting requirements of trust operation are pretty generally understood. Where in former years trust accounting was generally carried on in a haphazard manner, today it is well standardized and usually under rigid audit control. Where formerly investment policies and trust administration were dominated by one individual, trust officers now operate under the direction of committees to study and supervise each phase of the trust department's operations.

And so, in spite of the sins of commission and omission history has charged to corporate trusteeships, we believe that corporate fiduciary service offers a real public benefit that should be made as widely available as possible BUT ONLY when its management is in trained and experienced hands.

DISSOLVED

Mount Olive	Macoupin	Mount Olive State Bank (In receivership January 19, 1932. Dissolved by order of the Circuit Court of Macoupin County)	May 9, 1942
Payson	Adams	Payson State Savings Bank (In liquidation March 1, 1933)	May 14, 1942
Wenona	Marshall	Farmers State Bank of Wenona (In liquidation April 30, 1927)	May 21, 1942
Auburn	Sangamon	Auburn State Bank (In receivership March 24, 1933. Dissolved by order of the Circuit Court of Sangamon County)	May 23, 1942
Browning	Schuyler	First State Bank of Browning (In receivership September 28, 1933. Dissolved by order of the Circuit Court of Schuyler County)	May 27, 1942
Rosamond	Christian	Rosemond State Bank (In liquidation May 19, 1930. Dissolved by order of the Circuit Court of Christian County)	June 29, 1942

RECAPITULATION

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Vol. 18 SPRINGFIELD, ILLINOIS, AUGUST 1, 1942 No. 5

MID-YEAR CALL

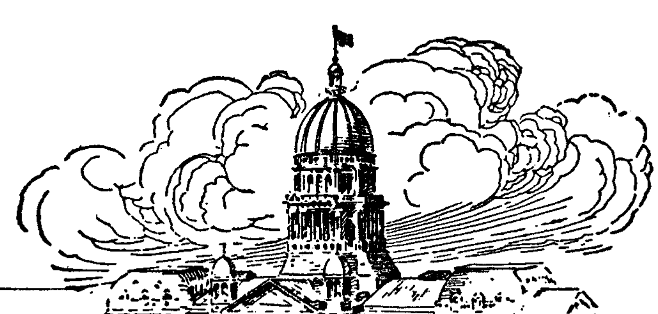
In reviewing the recapitulated call report figures contained on the inside pages of this issue and looking back over several preceding years, it is interesting to note the pendulum-like swing or ebb and flow of deposits that takes place during the first six months of each year. The ebb occurs during the first three months and the flow in the second. It is also interesting to note how each flow of funds back into the banks during the second quarter reaches a new high to continue the upward trend throughout the year.

During the first quarter of 1939 deposits dropped 35 million and in the second quarter 65 million came back. In 1940 deposits lost 29 million during the first three months and gained 57 million in the second. 1941 saw a 67 million dollar drop in deposits in the first quarter, and a recovery of 104 million in the second. This year the first quarter loss is 72 million followed by a gain of 100 million in the following three months.

A word as to the geographical range of this movement might be interesting. Between the end of 1941 and April 4, 1942 deposits fell off 72 million, of which 66 million occurred in Chicago and 6 million downstate. In the ensuing recovery to June 30 of 100 million dollars, Chicago furnished 77 million and the balance of the State 23 million.

An unprecedented accumulation of Government obligations is, of course, the feature of the current figures with purchases totaling 111 million during the first six months of the year; nearly all of which occurred during the second quarter.

While loan volume continues to shrink steadily, the downward curve has been moderate in degree. The high point was reached in September, 1941 at 375 million and while the loan account shrunk 50 million to June 30, 1942 a backward glance five years into the past discloses that on June 30, 1937 579 Illinois State Banks had 275 million invested in loans, 50 million less than 495 banks on June 30.



REVIEW OF CALL REPORTS

COVERING A ILLINOI TATE BANKS

NUMBER OF BANKS	500	Increase or Decrease	496	Increase or Decrease	498	Increase or Decrease	499	Increase or Decrease	495
DATE OF CALL	June 30, 1941		Sept. 24, 1941		Dec. 31, 1941		Apr. 4, 1942		June 30, 1942
RESOURCES:									
Cash and Due from Banks	$547,982,488.08	$+1,534,548.53	$549,517,036.61	$—1,125,383.72	$548,391,652.89	$—50,524,123.19	$497,867,529.70	$+23,334,425.69	$521,201,955.39
Outside Checks and Other Cash Items	15,243,349.72	—3,828,227.06	11,415,122.66	+11,459,237.00	22,874,359.66	+1,486,885.97	24,361,245.63	—8,557,968.33	15,803,277.30
U. S. Governments—Direct and Guaranteed	309,562,256.89	+11,591,452.45	321,153,709.34	+36,346,279.24	357,499,988.58	+3,440,734.48	360,940,723.06	+108,357,744.19	469,298,467.25
Other Bonds, Stocks and Securities	285,638,742.58	—9,220,655.95	276,418,086.63	+9,657,088.87	286,075,175.50	—1,556,500.69	284,518,674.81	—9,407,850.16	275,110,824.65
Loans and Discounts	352,063,116.18	+23,324,779.57	375,387,895.75	—10,259,079.56	365,128,816.19	—24,398,297.81	340,730,518.38	—14,893,294.31	325,837,224.07
Overdrafts	88,063.60	+25,222.62	113,286.22	—48,051.44	65,234.78	+134,112.72	199,347.50	—127,943.40	71,404.10
Banking House	10,842,419.49	—40,151.09	10,802,268.40	—171,633.01	10,630,635.39	—127,935.11	10,502,700.28	—89,788.62	10,412,911.66
Furniture and Fixtures	1,447,231.23	+442.10	1,447,673.33	—67,566.04	1,380,107.29	+22,437.84	1,402,545.13	—5,784.22	1,396,760.91
TOTAL—Bkg. House and Furniture and Fixtures	$12,289,650.72	$—39,708.99	$12,249,941.73	$—239,199.05	$12,010,742.68	$—105,497.27	$11,905,245.41	$—95,572.84	$11,809,672.57
Other Real Estate	$3,106,935.08	$ —188,715.77	$2,918,219.31	$—423,073.99	$2,495,145.32	$—174,734.25	$2,320,411.07	$—267,559.99	$2,052,851.08
Customers' Liability—Letters of Credit	619,905.95	+92,091.48	711,997.43	—295,330.64	416,666.79	+86,268.33	502,935.12	—61,211.29	441,723.83
Customers' Liability—Acceptances	172,961.99	+10,087.98	183,049.97	+33,686.51	216,736.48	—58,945.63	157,790.85	—18,462.33	139,328.52
Other Resources	5,740,478.64	—1,297,789.11	4,442,689.53	+1,086,893.22	5,529,582.75	—214,436.75	5,315,146.00	—2,943.83	5,312,202.17
GRAND TOTAL RESOURCES	$1,532,507,949.43	$+22,003,085.75	$1,554,511,035.18	$+46,193,066.44	$1,600,704,101.62	$—71,884,534.09	$1,528,819,567.53	$+98,259,363.40	$1,627,078,930.93
LIABILITIES:									
Deposits									
Demand Deposits	$848,764,453.30	$+19,190,762.99	$867,955,216.29	$+42,607,188.83	$910,562,405.12	$—74,677,400.15	$835,885,004.97	$+115,551,946.91	$951,436,951.88
Time Deposits	400,749,918.68	—4,544,502.94	396,205,415.74	+2,243,318.15	398,448,733.89	—16,449,557.15	381,999,176.74	+5,924,608.08	387,923,784.82
Due to Banks	155,506,368.91	+4,963,229.66	160,469,598.57	—460,380.74	160,009,217.83	+18,167,753.37	178,176,971.20	—20,812,743.83	157,364,227.37
Deposits Secured by Pledge	$ 30,404,871.28	$ +153,488.82	$ 30,558,360.10	$ +2,207,182.47	$ 32,765,542.57	$ +32,221,924.84	$ 64,987,467.41	$ —12,474,119.65	$ 52,513,347.76
Deposits Not Secured by Pledge	1,374,615,869.61	+19,456,000.89	1,394,071,870.50	+42,182,943.77	1,436,254,814.27	—105,181,128.77	1,331,073,685.50	+113,137,930.81	1,444,211,616.31
TOTAL DEPOSITS	$1,405,020,740.89	$+19,609,489.71	$1,424,63[illegible]0	$+44,39[illegible]24	$1,469,020,356.84	$—72,959,203.93	$1,396,061,152.91	$+100,663,811.16	$1,496,724,964.07
Other Liabilities									
Bills Payable	$ 566,208.72	$ —149,249.87	$ 416,958.85	$ +508,644.62	$ 925,603.47	$ —635,688.71	$ 289,914.76	$ —51,935.38	$ 237,979.38
Re-Discounts									
Dividends Unpaid	326,384.75	—302,804.38	23,580.37	+377,538.80	401,119.17	—313,233.63	87,885.54	+274,092.56	361,978.10
Letters of Credit	622,255.95	+90,091.48	712,347.43	—299,538.43	412,809.00	+90,476.12	503,285.12	—75,480.51	427,804.61
Bank Acceptances	191,777.75	+31,372.58	223,150.33	+113,240.11	336,390.44	—122,537.00	213,853.44	—46,382.44	167,471.00
Other Liabilities	3,957,813.19	+649,813.86	4,607,627.05	+427,752.14	5,035,379.19	—115,961.63	4,919,417.56	—1,135,511.10	3,783,906.46
Capital Structure									
Capital Stock	42,830,550.00	—105,000.00	42,725,550.00	+155,000.00	42,880,550.00	—10,000.00	42,870,550.00	—390,000.00	42,480,550.00
Income Debentures	2,119,775.00	—12,530.00	2,107,245.00	—50,000.00	2,057,245.00	—144,970.00	1,912,275.00	—600.00	1,911,675.00
Surplus	30,287,321.07	+163,350.00	30,450,671.07	+2,320,334.98	32,771,006.05	+209,812.74	32,980,818.79	—61,761.76	32,919,057.03
Undivided Profits (Net)	22,262,892.95	+1,425,343.97	23,688,236.92	—1,795,001.58	21,893,235.34	+752,085.68	22,645,321.02	+259,203.67	22,904,524.69
Reserve Accounts	24,322,229.16	+603,208.40	24,925,437.56	+44,969.56	24,970,407.12	+1,364,686.27	26,335,093.39	—1,176,072.80	25,159,020.59
TOTAL CAPITAL STRUCTURE	$121,822,768.18	$+2,074,372.37	$123,897,140.55	$+675,302.96	$124,572,443.51	$+2,171,614.69	$126,744,058.20	$—1,369,230.89	$125,374,827.31
GRAND TOTAL LIABILITIES	$1,532,507,949.43	$+22,003,085.75	$1,554,511,035.18	$+46,193,066.44	$1,600,704,101.62	$—71,884,534.09	$1,528,819,567.53	$+98,259,363.40	$1,627,078,930.93
ANALYSIS—LOANS AND DISCOUNTS									
Commercial Paper	$ 33,990,239.73	$ +7,560,430.93	$ 41,550,670.66	$—9,091,755.43	$ 32,458,915.23	$—14,495,662.36	$ 17,963,252.87	$ +2,126,225.95	$ 20,089,478.82
Collateral Loans	53,823,663.99	—701,794.09	53,121,869.90	—1,207,435.17	51,914,434.73	—4,888,774.98	47,025,659.75	—794,106.27	46,231,553.48
Other Loans	191,006,438.74	+15,129,544.71	206,135,983.45	—1,664,216.74	204,471,766.71	—4,602,773.86	199,868,992.85	—16,233,905.37	183,635,087.48
Farm Loans	13,113,186.02	—4,277.37	13,108,908.65	—224,388.89	12,884,519.76	—290,353.31	12,594,166.45	—42,696.24	12,551,470.21
Other Real Estate Loans	60,129,587.70	+1,340,875.39	61,470,463.09	+1,928,716.67	63,399,179.76	—120,733.30	63,278,446.46	+51,187.62	63,329,634.08
TOTAL LOANS AND DISCOUNTS	$352,063,116.18	$+23,324,779.57	$375,38[illegible]75	$—10,25[illegible].56	$365,128,816.19	$—24,398,297.81	$340,730,518.38	$—14,893,294.31	$325,837,224.07

DISSOLVED

Chicago	Cook	Hamilton State Bank. (In liquidation November 8, 1939)	Dec. 8, 1941
Moline	Rock Island	Fifth Avenue Trust and Savings Bank. (In receivership December 23, 1931. Dissolved by order of the Circuit Court of Rock Island County)	July 2, 1942
Champaign	Champaign	The Citizens State Bank of Champaign. (In liquidation November 27, 1929. Dissolved by order of the Circuit Court of Champaign County)	July 10, 1942
Reynolds	Rock Island	Farmers State Bank of Reynolds. (In receivership September 25, 1931. Dissolved by order of the Circuit Court of Rock Island County)	July 16, 1942
Aledo	Mercer	Aledo State Bank. (In receivership January 26, 1932. Dissolved by order of the Circuit Court of Mercer County)	July 17, 1942
LeRoy	McLean	J. Keenan's Bank. (In liquidation January 10, 1924. Dissolved by order of the Circuit Court of McLean County)	July 17, 1942
New Boston	Mercer	State Bank of New Boston. (In receivership January 12, 1932. Dissolved by order of the Circuit Court of Mercer County)	July 17, 1942
New Windsor	Mercer	Farmers State Bank of Windsor. (In receivership September 8, 1932. Dissolved by order of the Circuit Court of Mercer County)	July 17, 1942
Mason City	Mason	New Farmers State Bank. (In receivership August 20, 1932. Dissolved by order of the Circuit Court of Mason County)	July 25, 1942

RECAPITULATION

State Banks in Chicago	22
State Banks in Cook County outside Chicago	26
State Banks in Illinois outside Cook County	447
Total	495

(29179)

MONTHLY BULLETIN

Issued by

ARTHUR C. LUEDER
AUDITOR of PUBLIC ACCOUNTS
BANKING DEPARTMENT
State of Illinois

Vol. 18 | SPRINGFIELD, ILLINOIS, SEPTEMBER 1, 1942 | No. 6

OPPORTUNITY

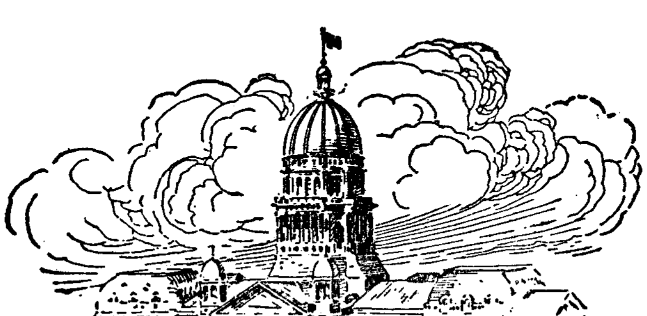
In his column of August 30th, Mr. Robert P. Vanderpoel, Financial Editor of The Chicago Herald-American, points out banking opportunities existing in our present national activity that should not escape the attention of any banker. His observations are so well pointed that we reprint them herewith as published:

"There exists at this time a wonderful opportunity for the banks, particularly the smaller institutions, not only to build for their future, but also to exert a constructive influence on the national economy."

"There are today literally millions of people in the United States who either never had bank accounts or have not had such accounts since the frantic bank closing days of the early thirties, and yet, who are now earning sufficient income to warrant both checking and savings accounts."

"The banks should go after these people. They should go after them by means of carefully planned advertising campaigns. They should show these people the advantages of a checking account, the desirability of a savings account."

"The smaller banks with presumably less overhead,



could increase their deposits very substantially, probably with a minimum increase in operating costs."

"Not only could the banks increase their deposits, they could be making friends for the future, friends who would rent safety deposit boxes, some who might later wish to make loans and others who would become general banking customers in the years that lie ahead."

"Money in circulation in the United States now totals $13,057,000,000. This is an increase of $3,078,000,000 in the last year and $5,053,000,000 in the last two years. A substantial proportion of this increase, it is believed, represents the growth of cash in the hands of those who do not have bank accounts. It is money much of which could be attracted to the banks by intensive advertising."

"Opportunity knocks!"

One banker expressed a hasty reaction to Mr. Vanderpoel's suggestion thus:

"This isn't the time to go out for new business when deposits are increasing so fast that we can't find places to put the money; even when we sit up nights trying."

Clearly this banker missed the main point of Mr. Vanderpoel's suggestion; the primary objective of which was to gain or regain customers. Naturally enough these will bring in more deposits and while it is true that the prevailing upward trend of deposits has brought with it its own problems, they are the kind that can be worried about with some degree of profit.

We find in the Vanderpoel article an objective exactly parallel to our own as advocated in our BULLETINS of September 1, 1941 in urging all out bank co-operation in the sale of Defense Bonds and again in our issue of March 1, 1942 contemplating "The Future." Under both of these subjects we proposed the broadening of bank contacts with the public and the avoidance of policies that would cause banks to shrink away from the opportunities that the national defense program is bound to develop. We pointed out a number of competitive elements that have arisen in the field of banking, in the most profitable phases of bank operation; several of which are uncontrolled and unsupervised. We can think of no more effective way of meeting this competition than by making all forms of bank service widely available and easy to use.

There are undoubtedly many who regard our present situation as a phase which is apt to be of short duration and which may be followed by a sharp recession in which many of our present gains will be lost; in which what we build up now will be washed away. And so, you may say:—why build? Why not just mark time and see what happens?

Let's follow the course of two banks through our present phase and see where each will stand at the end of it. One playing safe marks time and does nothing but take care of what comes its way. The other keeps building, reaching out for more business, improving and extending its services to the public, showing more and more people how to use them. Let us concede that the phase ends in a recession and business shrinks rapidly, both banks lose heavily in deposits and a large number of temporary accounts are closed. It seems to us that the bank that made the most of its opportunities of selling itself to people during their period of prosperity will suffer less and rebound quicker than the one that stood still. A certain amount of its new business is bound to remain and the good will of its friends will act as a powerful stimulus toward its recovery.

Not so long ago a very practical student of banking made an observation concerning a bank that had reached a goal satisfactory to its management and was content to stand still that struck us as quite pat. He expressed the belief that the very moment a bank discarded its urge to go forward, it also began to lose its attractiveness to the general public. He compared the urge to progress in a bank to the zest for living in an individual, insisting that the loss of the impellant in either case left a dull, colorless and unattractive organization or personality behind. He conceded that the corporation could go on, perhaps for a considerable length of time, unchanged in outward appearance while inwardly drying up—sort of hollowing out, as he put it. The antidote for "hollowing out" is, of course, to fill in with fresh material, new customers, new friends.

We are mindful of the fact that there is a certain amount of rehash in this article but we are also aware that present economic conditions have tempted many to stand still and wait. Mr. Vanderpoel's article offers a challenge that no bank management may casually brush off.

DEFECTIVE REAL ESTATE LOANS

In our letters of comment that accompany the delivery of copies of our examination reports to banks we never fail to point out "real estate loan exceptions" when they are disclosed in the reports. We specify the page upon which they may be found and ask for prompt correction. Too often, we feel, directors dismiss this item of comment with little or no attention on the assumption that this is a detail for officers only. That assumption is wrong. The directors should study that list carefully to learn what and how serious the exceptions are. They should find out why they exist and when they will be corrected. In most instances they will most likely prove to be of a minor nature and due to too much haste in closing real estate loans or other causes. This can be quickly remedied by placing responsibility for final inspection before closing on one officer whose O. K. would be required before payout.

The really serious thing to look for among the exceptions is defects that impair the merchantability of title. It should be remembered that every real estate loan might have to be foreclosed and that defects in title are very apt to make foreclosure very difficult and costly. It should be remembered further that defects in title are easily curable before the mortgage is made and the bank's money paid out, but usually quite difficult after.

During the past ten years the activities of the several Federal lending agencies have so standardized real estate loan procedure and so many bankers have been brought into contact with it and on so many occasions, that exceptions are simply inexcusable. So when bank directors have their attention called to mistakes of omission or commission in the making of their real estate loans it is their duty to do something about it. And when such lapses are repeatedly brought to their attention it becomes their duty to start looking around for an officer who can handle real estate loans and do the job properly.

CLOSED

Kell	Marion	Kell State Bank	Aug. 26, 1942

CAPITAL STOCK INCREASED

Oak Park	Cook	Avenue State Bank from $200,000 to $500,000	Aug. 6, 1942

DISSOLVED

Baylis	Pike	Farmers Bank of Baylis	July 21, 1942
East St. Louis	St. Clair	Southern Illinois Trust Company	Aug. 4, 1942
Naperville	DuPage	Reuss State Bank. (In receivership September 22, 1933. Dissolved by order of the Circuit Court of DuPage County)	Aug. 31, 1942

RECAPITULATION

State Banks in Chicago	22
State Banks in Cook County outside Chicago	26
State Banks in Illinois outside Cook County	444
Total	492

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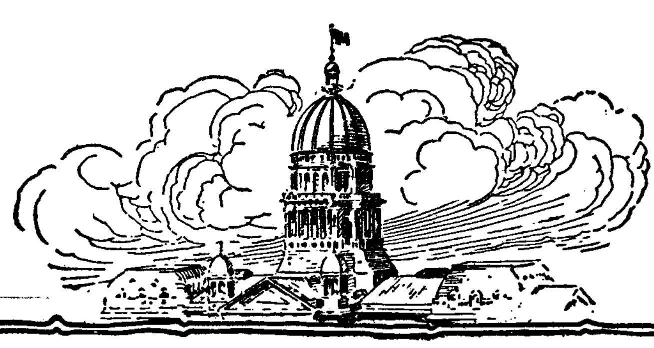
ARTHUR C. LUEDER
AUDITOR *of* PUBLIC ACCOUNTS
BANKING DEPARTMENT
State *of* Illinois

Vol. 18 SPRINGFIELD, ILLINOIS, OCTOBER 1, 1942 No. 7

OFF THE TRACK

There is an appreciable number of bankers who persist in the notion that bank examination is essentially a "snooping business" and that the primary objective of an examiner, as he follows his routine, is to "get something on somebody." It is not an uncommon experience for an examiner, when pressing an inquiry into a specific situation and questioning numerous details surrounding it, to meet with resentment culminating in the indignant question, "What do you think I am?" In all probability no thought implied by that question ever occurred to the examiner, who is simply trying to arrive at a clear understanding of a complicated situation.

It may be a surprising fact that by the time a bank examiner has served his apprenticeship and received his commission to conduct examinations, he has seen, heard and experienced all he wants of defalcations and embezzlements. There is neither thrill nor glory in it for him, but a thoroughly sickening experience that he does not anticipate with any degree of relish whatsoever. To those uninitiated in the business of bank examination the detection and ferreting out of an embezzlement generally takes on the romance of a detective story; with the bank examiner matching his wits against the cunning arch criminal engaged in a nefarious



plot to defraud the bank. But in real life it doesn't work out that way. The embezzlers that we have to catch are not the villainous arch criminals of fiction—in fact, they are not criminals at all in the generally accepted sense of the term. They commit a crime but, in the majority of instances, not a premeditated crime. The chances are that the embezzler we encounter will be a perfectly wholesome individual of excellent family and social background, with a fine honorable career behind him. In nearly all cases of that type the embezzler never started out to misappropriate bank funds and with no intention that the bank should suffer loss.

In some cases he will do a little manipulating to bring his personal affairs through some crisis that he expects to be only temporary, but invariably turns out to be permanent. In others he may do a little fancy work to help out a friend, a business associate, or a persuasive customer of the bank. In any event he jumps the track—he slides off into the mud—he bogs down, and the more he struggles, the deeper he sinks; until someone comes along and finds him there.

No examiner can recall with any pleasure at all the pitiful agony of the unfortunate individual who begins to see and feel the net closing in on him—the attempted explanations—futile evasions—desperate efforts towards restitution and finally, the collapse—sometimes suicide. These are not happy recollections to the bank examiner and when he begins to sense an embezzlement creeping into his examination, he knows what the program is going to be and it is not at all a pleasant prospect.

On the other hand, the examiner will not evade the issue. If it is there, he is prepared to go on short rations and lose plenty of sleep to find it. He won't quit until he does find it; but if anyone thinks that the examiner gets any pleasure out of the experience, he is completely wrong.

The type of embezzlement that never fails to mystify the examiner is where a bank officer will become involved in that sort of thing for somebody else. We mentioned above a "persuasive customer," having in mind several large defalcations where the banker indulged in manipulations and irregularities to supply capital to a customer who was trying to "put over something big" but able to furnish no more than the nerve and the ideas. These are particularly pathetic cases for the shock of disillusionment is added to that of the disgrace; for when the blow falls the persuasive one who is supposed to have the situation under perfect control is usually standing idly by "waiting for a streetcar," and the victimized banker faces his fate alone.

These cases usually develop from much the same pattern. The customer approaches the banker, with whom he is well acquainted. He explains that his assets are all tied up in his business and he is up to his limit in debt to the bank. Usually these facts are well known to the banker. The customer confides that if he can make one certain move now he can go over the hill and land on Easy Street. All he needs is a few thousand and could his good friend the banker carry his overdraft or his check in cash for just a few days. What a world of grief could be eliminated by a quick and definite "No" at that point; but a sympathetic ear invites the glowing and convincing sales talk that has been well prepared. Nothing has been left to chance—everything is certain and it will only be a matter of a few days until the corner will be turned and everything cleaned up.

But that is just the beginning. Other corners — unexpected of course, have to be turned. The overdraft or the accumulation of cash items begins to mount to big figures. The deal drags along. The gap is a big one and has to be filled. The sympathetic banker, now an embezzler, has jumped the track, he bogs down deeper in the mire with every move he makes. He pleads with his confederate to bail him out. It can't be done—yet—just a little more time. But the examiners may drop in any day and that big overdraft or accumulation of cash items will land right in the lap of the Board of Directors.

The confederate gets an idea. He has some equities—thin, and of little value, but they can be dressed up to look good on paper. The only thing that will show them up for what they are will be a title and tax search and the Board will depend on the victim to do that. And so, a collateral loan comes into the bank secured by one or more worthless mortgages all dressed up to win the Board's approval. It works, and there is a breathing spell. The victim is now well hooked and there will be more overdrafts or cash items which in time will blossom into more collateral loans or mortgages, valueless or fictitious.

The examiners come—they scrutinize the loans and pass on. Examiners have to take a lot for granted. They don't check titles, make tax searches, inspect and appraise properties or verify signatures. If the conspirators work carefully they may escape detection for some time. But they will get caught. That is very, very certain.

In conclusion, we would like to add this observation. Track jumping is a contagious thing. Where officers do it employees will do it, and where an examiner finds it happening in the cages, his experience tells him to dig deeply when he gets to the note case, where he may find more of the same. We cannot help but recall an experience of a little over ten years ago; when a $70.00 cash item in the exchange cage led around to a president's embezzlement of one million dollars.

Now why does any individual so well situated allow himself to be drawn down into such a morass of trouble and disgrace? The only answer that occurs to us is that he either momentarily forgets or does not realize the danger of deviating even slightly from the beaten path in the banking business. For there is a beaten path for every transaction or proposition that passes through a bank. It has been well defined and marked out by years of usage and experience. If it is followed every transaction will stand up before the Board of Directors, bank examiners, or anyone else.

RECEIVER APPOINTED

Chicago	Cook	Security Bank of Chicago	Wilbur A. Leedle	Sept. 4, 1942
Chicago	Cook	Second Security Bank of Chicago	Wilbur A. Leedle	Sept. 4, 1942
Kell	Marion	Kell State Bank	J. Paul Allen	Sept. 22, 1942

IN LIQUIDATION

Milton	Pike	Farmers State Bank of Milton	Sept. 29, 1942

CAPITAL STOCK DECREASED

Melvin	Ford	Commercial State Bank of Melvin from $50,000 to $25,000	Sept. 4, 1942

CHANGE OF PAR VALUE OF CAPITAL STOCK

Melvin	Ford	Commercial State Bank of Melvin from $100 to $50	Sept. 4, 1942

DISSOLVED

Chicago	Cook	Elston State Bank. (In receivership July 10, 1931. Dissolved by order of the Superior Court of Cook County)	Feb. 11, 1942
Chicago	Cook	Ashland State Bank. (In receivership January 7, 1932. Dissolved by order of the Circuit Court of Cook County)	Feb. 18, 1942
Chicago	Cook	Immigrant State Bank. (In receivership January 11, 1932. Dissolved by order of the Circuit Court of Cook County)	Mar. 3, 1942
Rardin	Coles	Rardin State Bank. (In liquidation August 30, 1939)	Aug. 28, 1942
Monticello	Piatt	The Moore State Bank. (In receivership March 25, 1933. Dissolved by order of the Circuit Court of Piatt County)	Sept. 2, 1942
Donovan	Iroquois	State Bank of Donovan. (In receivership January 11, 1932. Dissolved by order of the Circuit Court of Iroquois County)	Sept. 19, 1942
Chicago	Cook	Exchange State Bank of Chicago. (In receivership December 3, 1929. Dissolved by order of the Circuit Court of Cook County)	Sept. 21, 1942
Chicago	Cook	Novak & Steiskal State Bank. (In receivership March 18, 1931. Dissolved by order of the Circuit Court of Cook County)	Sept. 21, 1942
Indianola	Vermilion	First State Bank and Trust Company of Indianola. (In receivership February 15, 1941. Dissolved by order of the Circuit Court of Vermilion County)	Sept. 21, 1942
Chicago	Cook	Mount Greenwood Trust and Savings Bank. (In receivership September 28, 1931. Dissolved by order of the Circuit Court of Cook County)	Sept. 22, 1942
Chicago	Cook	Kenwood State Bank of Chicago. (In receivership July 26, 1932. Dissolved by order of the Circuit Court of Cook County)	Sept. 23, 1942
Chicago	Cook	Brighton Park State Bank of Chicago. (In receivership October 20, 1931. Dissolved by order of the Superior Court of Cook County)	Sept. 24, 1942
Buda	Bureau	Lindner & Boyden Bank	Sept. 29, 1942

RECAPITULATION

State Banks in Chicago	20
State Banks in Cook County outside Chicago	26
State Banks in Illinois outside Cook County	442
Total	488

7
(32622)

MONTHLY BULLETIN

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ARTHUR C. LUEDER

AUDITOR *of* PUBLIC ACCOUNTS

BANKING DEPARTMENT

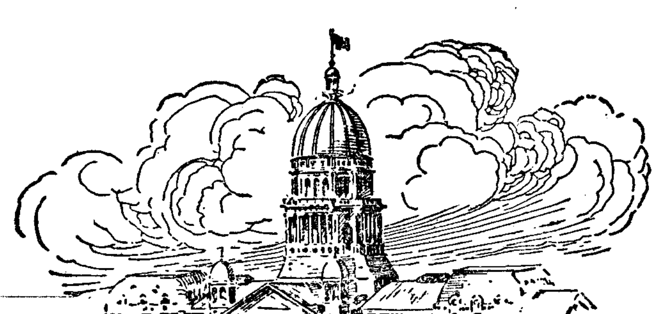
State *of* Illinois

Vol. 18 SPRINGFIELD, ILLINOIS, NOVEMBER 1, 1942 No. 8

SPECIALISTS

It has been said, sometimes by the man on the street and at other times hinted editorially, that the credit viewpoint of bankers is too narrow. The banker has been charged with lack of vision, imagination and a broad knowledge of the various business enterprises of his customers. It has often been suggested that bank officers should become more familiar with the industries operating in their communities to the end that they would be in a position to advise, counsel and caution proprietors and managements in the operations of their concerns.

This kind of thinking envisions bank officers as business and financial experts whose vast store of knowledge and experience will enable them to examine the businesses of their customers, ponder upon their problems, and chart the right course—sort of a financial Sharon. The logic behind all this is that under banker guidance weak ventures will become strong, strong ones will expand, the community will benefit and so, of course, will the bank. There are many refinements and variations to the scheme outlined above which usually add up to extravagant and preposterous results. It would hardly be worth discussing were it not for the number of well intentioned people who like to dwell upon it and the appreciable number of bankers who try to live up to it.



By and large, we have always found bank officers quite well informed upon the various business interests in their communities. As a matter of fact, they probably could not be otherwise if they tried; for banks operate in such close conjunction with all community business enterprises and feel the impact of their operations from so many different angles and so frequently that bank officers simply cannot help "soaking up" a great deal of information about their business concerns without making any conscious effort to do so.

Bank officers operating in farming communities are in contact with farmers constantly and will discuss daily the problems, plans, and prospects of farmers with experts in grain farming, stock raising, and dairying. In communities of mixed industry the bank officer is likely to talk with a representative of each industry several times a week and receive confidential information that no one else would be able to obtain. Sensible and observing bankers really do absorb considerable knowledge of the businesses operating in their communities but being sensible they learn at the same time that the man who is operating the business knows a great deal more about it than the observer on the side lines.

Progressive thinking, such as we started out to talk about, would have the banker go so far beyond his present knowledge as to qualify as an authority or an expert in the several lines of industry in his community. He could then plan, direct, and supervise community business activities to the mutual benefit of all concerned.

As far as we have been able to observe, no banker has ever gone quite to that extreme; but a number have in times past made deep and elaborate studies into one or more industries in their communities, have achieved wide recognition as authorities in their selected fields and attempted to capitalize on such a status. And the results were almost invariably unhappy.

The trouble, as we see it, is that an individual developing along these lines must discard the mental processes and leave the realm of thought of a banker and become a developer, or as some might call it, a promoter. Such activities call for promotional capital but when a banker undertakes them, bank money almost invariably furnishes the sinews of war.

A banker undertaking to build up a small industry in his community along lines of his own planning will naturally be expected to furnish the capital, which he usually does, from his own bank. If the banker's plans, in the hands of the industry's management, miscarry, the bank will suffer.

If another banker becomes expert in urban real estate development and assumes community leadership along that line, he will be almost certain to furnish most of the capital and wind up with a very heavy or overinvestment in real estate equities. Another banker may become an authority in one or all of the phases of farm operation and attempt to show real farmers how to run their farms, feed out their livestock or manage their dairies. In that event the progressive ideas of the banker will have to be financed with bank money.

It has been our observation that good operators of farms or other industries do not, as a rule, respond to such leadership. They don't have to. Secure in their own positions, and confident of their ability to profitably operate their own businesses they pursue their own independent courses. The type of following that usually responds to such leadership is the sub-standard or borderline credit risk and the specialist can be expected to finish up with quite an accumulation of that kind of paper.

There are two factors that operate against the banker business specialist or expert. The first is his own enthusiasm and the second is the fact that his ideas, no matter how good they may be, must be developed by someone else using the bank's money.

Twenty-five years ago we recall a city in the Illinois midland that was being served by five banks. Located in the center of an extremely rich agricultural district the business of the farmers dominated the local economy and the banks naturally vied with each other for that business. Four of the banks were very aggressive in that direction. The chief executive officers of each went in for agriculture vigorously and substantially. One would specialize in stock feeding, another in dairy herd development, another in grain culture. They organized conferences for the discussion of farm problems, promoted business and social gatherings, sponsored research and experimentation. They decorated their bank lobbies with farm produce, sale bills and literature until they looked like glorified grain elevators. These were not collective efforts, which could have accomplished a great deal of good, but individual activities, the selfish objectives of which were very obvious.

One bank took no part in any of these activities. The chief executive officer of this institution, while extremely able was quiet, non-aggressive and rather diffident. More than once he proclaimed his regret that he knew very little about farming, going on to explain that he had always had to work hard and long hours in the bank and had had neither time nor opportunity to learn very much about farming. Now, strange to relate, this man's bank had more farm business than any two of its competitors, and all of the best farm accounts. They fraternized with the banker-farmer's experts, frequented their lobbies, took part in the activities they sponsored, regarded them very highly, but did their banking business with the man who admitted that he knew nothing about farming. They simply liked to do business with him and his bank and there seemed to be nothing that could draw them away from him. He passed away before the economic crash came but his bank is the only one of the five operating today.

And so, here we have five banks managed by a variety of specialists; the sole survivor of which was managed by the man who specialized in banking.

PERMIT ISSUED

			Capital	Surplus	Reserve	
West Salem	Edwards	First State Bank of West Salem	$25,000	$5,000	$1,250	Oct. 19, 1942

CAPITAL STOCK INCREASED

Chicago	Cook	Sears-Community State Bank from $400,000 to $600,000	Oct. 15, 1942

DISSOLVED

Chicago	Cook	Commonwealth Trust & Savings Bank. (In receivership July 21, 1932. Dissolved by order of the Circuit Court of Cook County)	Sept. 18, 1942
Franklin Park	Cook	State Bank of Franklin Park. (In receivership February 27, 1933. Dissolved by order of the Circuit Court of Cook County)	Oct. 1, 1942
Milton	Pike	Farmers State Bank of Milton. (In liquidation September 29, 1942)	Oct. 1, 1942
River Grove	Cook	State Bank of River Grove. (In receivership January 6, 1933. Dissolved by order of the Superior Court of Cook County)	Oct. 1, 1942
El Dara	Pike	El Dara State Bank. (In liquidation March 31, 1942)	Oct. 15, 1942
Moline	Rock Island	Commercial Savings Bank. (In receivership October 17, 1931. Dissolved by order of the Circuit Court of Rock Island County)	Oct. 27, 1942

RECAPITULATION

State Banks in Chicago	20
State Banks in Cook County outside Chicago	26
State Banks in Illinois outside Cook County	442
Total	488

7
(33601)

MONTHLY BULLETIN

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ARTHUR C. LUEDER
AUDITOR *of* PUBLIC ACCOUNTS
BANKING DEPARTMENT
State *of* Illinois

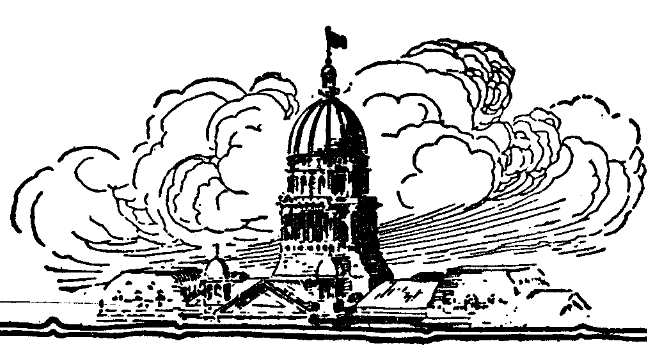
Vol. 18 SPRINGFIELD, ILLINOIS, DECEMBER 1, 1942 No. 9

EARLY BIRDS

According to a joint statement that recently emanated from Washington bank supervisory headquarters, this Department has been doing some pioneering in a movement to free investment in Government bonds from all restrictions—imaginary or real. While this Department has never, in any manner, criticized or restricted investment in obligations of the United States Government or any loan secured by Government collateral, we began "clearing the deck for action" as far back as April, 1941, when we used an entire issue of this BULLETIN to inform Illinois state bankers of an Illinois Attorney General's opinion holding that the obligations of United States are exempt from any limitations imposed by the Illinois Banking Act upon bank loans and investment.

That Illinois state banks have felt no restraint against whole-hearted cooperation with the fiscal program of our Government would seem to be established by the following figures:

Between June 30, 1941 and September 30, 1942 the resources of the State Banks in Illinois increased 200 million dollars while the same banks bought 305 million dollars worth of U. S. Government securities. Not only did these banks use the entire 200 million dollar increase in



resources to purchase Governments but they sold other bonds in the amount of 13 million, reduced loans 40 million and used 47 million dollars of cash to buy U. S. bonds. Add to that the amount of Defense Bonds sold by Illinois state banks (which we understand has been very considerable) and we have a performance that would seem to indicate that the state bankers of Illinois are warming up to their work very well and further indicates very definitely that they have not been "working under wraps."

Salesmanship

The banker of fifty years ago would have scoffed at the slightest suggestion of the use of salesmanship in the operation of a bank; and yet he was beginning to use it. He was beginning to advertise. His public appeal was cold and cryptic—perhaps somewhat forbidding; but he did tell the public through his local paper and perhaps through an annual calendar, the name of his bank, where it was located, what its resources were, that it loaned money, made mortgages and accepted deposits. Since then bank advertising has come a long way and the display of goods has been well developed. We are not so sure, however, that actual performance has been thoroughly integrated with advertising appeal; and that is where salesmanship becomes faulty. Have all of our banks delivered the goods as advertised, or to put it another way, have they satisfactorily sold their services to the public?

Many bankers even today shy away from the word "salesmanship" in connection with the maintenance or development of their businesses. The trouble is that the word suggests to them brash, gaudy and high pressure public appeal—an approach entirely out of keeping with the dignity of their business. They fail to recognize the many varieties of salesmanship, the most subtle of all of which is required in the banking business.

The merchandise that banks have for sale is intangible. It is an idea and that idea is the usefulness and value of bank service to the individual. Bank advertising suggests the idea and sends the prospect to the bank but the bank through its own fault may not make the sale. True enough, the prospect will open an account but until he has become a steady customer and doing all of his banking business with the bank the sale has not been made. Too often new accounts peter out and too often the fault lies with the bank.

The principal sales people in a bank, like any mercantile establishment, are the clerks-tellers, exchange clerks, statement clerks, vault clerks, etc. These are the people who hand out the bank's service, which is its merchandise and are therefore its principal salesmen. It is upon them that the bank must chiefly rely to integrate the bank's advrtising with its performance. They can by their attitude, alertness and insight into the individual characteristics and needs of their customers make their bank transactions easy and pleasant; or, lacking such qualities of salesmanship, transactions with customers can be made difficult and worrisome. There is probably no incident that will so thoroughly ruin a businessman's day as an icily aloof teller who hands back a number of checks from his deposit with a cold metallic "endorse those, please", or "endorse as drawn, please", or "currency short ten dollars", or, handing back the deposit ticket with "mistake here, check your addition." It is not at all difficult to imagine the feelings and reaction of a depositor who has to make window adjustments under such circumstances, particularly when there are other customers standing in line behind him at the window.

Such window adjustments are common occurrences and often good customers are offenders in this respect. Undeniably such errors as mentioned above have to be corrected on the spot and with as little loss of time as possible; but equally undeniable is the fact that such adjustments can be made just as properly with a pleasant approach as a harsh one; and what a world of difference there would be in the effect on the bank's customer relationship.

The basic training of a junior clerk in a bank does not develop salesmanship. From the very beginning he is brought up to a standard of efficiency that is measured almost solely by accuracy and speed. As he progresses through the various departments towards more responsible positions he develops alertness in handling forms and following procedures always with a view toward protecting the bank. "Protect the Bank"—almost becomes a fetish that dominates his thinking and approach to his relationship with a majority of the customers with whom he does business. This attitude of mind creates reserve, alertness and tension which is sensed by the customer and is naturally reciprocated. Such a contact cannot be pleasant for either party.

It has been said that all thinking in banks moves from the inside of the counter outward, which is in direct contrast to the customer approach of a skilled salesman whose thinking works from the customer to the merchandise.

We once heard a banker, in decrying the use of salesmanship in the banking business, scornfully remark: "I suppose we will be expected to swallow the policy that the customer is always right." Well—surprising as it may seem there have been bank officers and clerks who have come pretty close to swallowing it and gone a long way at no cost to their banks or themselves. Quite to the contrary, both their banks and they did very well with it. With a little tact a customer in error can be maneuvered into discovering his own error while a "wrong" customer can be tactfully led around to discover for himself the error of his ways.

One does not have to look far to find a business man who is not only thoroughly satisfied with his banking connection but is quite proud of it. In all probability he will be a person who goes to his bank every day. He is well acquainted with everyone in the bank and the reserve has long since broken down and has been replaced with mutual confidence between him and anyone of the personnel with whom he may chance to do business. He will ordinarily use every service that his bank has to offer and thoroughly enjoy doing so.

It seems to us that to establish such a relationship with as many customers as possible, and as quickly as possible, would be an attainable objective for bank salesmanship. With such an objective as an influence in the training of clerks equal in importance to the other qualifications for advancement such public resistance to bank advertising as may exist would rapidly disappear.

CHARTER ISSUED

			Capital	Surplus	Reserve	
West Salem	Edwards	First State Bank of West Salem Northwest Cor. of West Main and Church Streets Warren Shelby, President R. M. Eagleson, Cashier	$25,000	$5,000	$1,250	Nov. 16, 1942

PERMIT ISSUED

			Capital	Surplus	Reserve	
Erie	Whiteside	Erie State Bank	$30,000	$3,000	$3,000	Nov. 17, 1942

DISSOLVED

Chicago	Cook	Second Humboldt State Bank. (In receivership June 10, 1931. Dissolved by order of the Circuit Court of Cook County)	Oct. 23, 1942
Chicago	Cook	Lincoln State Bank of Chicago. (In receivership July 20, 1931. Dissolved by order of the Superior Court of Cook County)	Oct. 26, 1942
Berwyn	Cook	Berwyn Trust & Savings Bank. (In receivership Oct. 26, 1933. Dissolved by order of the Circuit Court of Cook County)	Nov. 4, 1942
Maywood	Cook	Proviso State Bank. (In receivership Jan. 7, 1932. Dissolved by order of the Circuit Court of Cook County)	Nov. 16, 1942

RECAPITULATION

State Banks in Chicago	20
State Banks in Cook County outside Chicago	26
State Banks in Illinois outside Cook County	443
Total	489

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(34963)