

SAVINGS BANKS.

Loss to Depositors in the Broken Institutions.

Statistics Showing the Shrinkage in This Particular Business.

Real Condition of Affairs in the Central National Bank.

The failure of four of the largest savings banks in the city during the past five months possesses an interest aside from that which properly belongs to the unfortunate depositor whose hard earnings have been ruthlessly swept out of existence. The figures cannot fail to command the attention of students of political economy; and to those who have for years labored for reform in the management of savings institutions they will have a peculiar significance.

On the occurrence of such failure the managers of the unfortunate institutions took particular pains to inform their condoling constituents that the suspension was caused only by the shrinkage in value of the real-estate security, on which in the flush times, and even subsequent to the panic of September, 1873, they had loaned their money. This, however, is true only in part. The deplorable condition of the defunct institutions was not alone the result of the depreciation in real estate, the dullness of business, and the general shrinkage of the values of the miscellaneous stock enterprises, which for years past have sprung up with the speed of Jonah's gourd, and died off with the rapidity of sandflies in an early summer's night. There are many individuals of elegant leisure floating around town who recall with pleasant memories the time when they were the leading spirits in organizations for building railways from pine stumps to swamp mudholes, for erecting factories destined to extract sunshine from cucumbers, to work Monte Christo gold-mines in the granite hills of Utah and Colorado. The stock of these mushroom concerns was easily floated. Their 10 per cent bonds, coupons payable half-yearly, were regarded in certain quarters as desirable collaterals for unlimited loans. There were joint-stock companies for reclaiming lands for nine months in the year under water; associations for building cities and ports, where, in the nature of things, a fishing-smack and a log-tavern would for a century to come supply all the commercial necessities of the place; there were real-estate speculators who planned boulevards and parks miles from any human habitation, purchased on time the surrounding property at prices hundreds of degrees above its actual value, laid out "additions" thereon, built "fire-proof cottages" for the laboring-man, and on paper figured themselves out as millionaires,—in fact, succeeded in getting a quasi Congressional certificate to their untold wealth. All these mushroom enterprises needed money, and there were millions in the savings and some other banks.

THE COMPETITION
on the part of the savings banks to secure deposits was for years of the keenest character. The inducement of 6 per cent interest was held out to the workmen to come around every Saturday and deposit the residue of their hard-earned wages, after the marketing for the week had been attended to. The 8 per cent interest was charged up on the pass-books at the end of each half-year, thus practically allowing compound interest, estimated at the end of each six months. All that the bank could expect to realize on loaning these deposits was 10 per cent; though, in many cases, mortgages for large amounts were placed at 8 to 9 per cent. The banks were obliged to carry from 15 to 20 per cent of their deposits in their vaults, as a daily working fund, and on this they secured no profit whatever. Hence, taking the average on the business done, there was a bare margin of 8 per cent profit, out of which had to be paid taxes, clerk hire, and other expenses. A bank with a deposit line of \$1,000,000 could not in the nature of things realize more than \$80,000 gross profit per annum. The loss of two or three pieces of paper would make a serious inroad into this sum; and in the event of a panic, and the consequent tumble in values, losses more than sufficient to sweep away the profits of years would inevitably ensue. This has been the experience of all the savings banks which have failed. Their gains, capital, and more or less of the deposits were engulfed in the maelstrom produced by the downhill rush of real-estate values, and securities having mother earth for a basis.

THE MELANCHOLY SKELETON OF THE "BEE-HIVE"

is an example of what can be accomplished by a man with the theory that there is no form of security which equals that afforded by real estate in the suburbs of large cities. This concern owes depositors and others \$749,823, and the estimated assets are \$152,702. It claimed to have a capital and surplus of \$100,000, and so the account stood on the ledger. The truth is, it never had any capital that was tangible. There may have been some notes or checks at one time; but, through the complicated mysteries of bookkeeping, by which figures are made to lie, they were eliminated from the concern without wiping out the capital account, which was allowed to stand as an alluring bait for the unwary. Included in the liabilities of the concern is \$93,300 "investment certificates," while among the assets figure "investment mortgages," \$101,910. These latter are in the hands of a trustee as security for the payment of the "certificates." Should the courts determine that they must be used for the good of the certificate-holder, there will then only remain some \$80,000 for the payment of over \$650,000 due depositors—10 cents on the dollar. The following figures show the condition of the concern:

ASSETS.	
Cash on hand.....	\$ 71
Due by banks.....	720
Investment mortgages.....	101,910
Notes, bills, etc.....	50,000
Real estate, mortgaged for all its worth; available value to depositors.....	1
Total.....	\$152,702

THE STATE SAVINGS
passed out of existence with the simultaneous flight of its President, leaving an indebtedness of \$2,094,100. The face or book-value of the assets figured up \$3,078,531. Real-estate experts and good judges of commercial paper value the debris of the concern at \$1,278,777, a depreciation of 40 per cent. The stocks and bonds, composed of the obligations of the fancy speculative enterprises of half a dozen years ago, dropped in value from \$600,000 to \$160,000. The collateral and unsecured loans, in which are figured up Spencer's sale of stock to the bank and other items of a similar illegal character, has a face value of \$751,000. Their real worth at the outside is less than 10 cents on the dollar. The mortgage loans, largely on property in South Chicago and other swamps, show a shrinkage of over \$300,000, while the real estate owned by the bank has dwindled away from nearly a million to a little over \$500,000.

This bank claimed to have a capital of \$500,000, but \$250,000 of it never had an existence beyond a few hours. The original stock was \$165,000, and when Spencer bought the control it was resolved to increase the capital to half a million. A dividend of 100 per cent was declared from the surplus, and the stockholders gave their checks for the sums needed to make the half million. At the time the bank failed, its managers claimed to have \$500,000 capital and a surplus of \$125,000. Following shows the condition of the concern:

ASSETS.	
Cash on hand.....	\$ 12,318
Due from banks.....	21,704
Stocks and bonds.....	601,150
Mortgage loans.....	779,247
Collateral and unsecured loans.....	751,000
Real estate.....	510,478
Total.....	\$3,078,531

THE FIDELITY
seems to have been run with more conservatism than its predecessors. When it was obliged to succumb to the inevitable it owed its depositors \$1,315,054. It had a little over \$70,000 cash means. The estimated value of its other assets is \$873,077. The real-estate securities show a depreciation of between \$400,000 and \$500,000, and the losses on other collaterals foot up over \$100,000. The Fidelity claimed to have a capital of \$200,000 and a surplus of \$100,000. A considerable amount of the capital was paid up in cash, and for the remainder notes were given. Following is given an approximate condition of

the concern prior to the payment of the 10 per cent dividend:

ASSETS.	
Cash on hand.....	\$ 45,340
Due from banks.....	25,104
Cash items.....	1,020
Real estate, estimated.....	421,445
Bonds and mortgages, estimated.....	201,050
Collateral, estimated.....	132,555
Demand, estimated.....	11,750
Bills discounted.....	10,350
Miscellaneous, estimated.....	3,380
Overdrafts, estimated.....	3,104
Bills of exchange, estimated.....	24,530
Total.....	\$ 845,067

THE GERMAN
was the last of the quartette to go down. Its President, Henry Greenebaum, took a personal pride in its management. He had successfully fought through three or four panics. The failure of the German National, the suspension of the New York house, and the general discrediting of everything to which the name of Henry Greenebaum was attached, proved too much for the German to bear. It closed its doors owing \$405,316, with estimated assets of \$407,819. The latter show a depreciation of over \$200,000 as compared with the book values. The creditors of the concern will realize about 90 to 95 per cent of their claims from the assets, and the remainder will be raised by assessments on the stockholders, all of whom, with the exception of the Greenebaums, are solvent and able to pay. The capital of the bank was \$200,000, actually paid in, and some three months ago the bank claimed to have a surplus of \$80,000. The condition of the institution is best shown by the following table.

LIABILITIES.	
Due depositors.....	\$330,888
Certificates of deposit.....	4,052
Bills payable.....	50,000
Call loan.....	5,000
Due German National Bank.....	6,274
Total.....	\$405,210

ASSETS.	
Cash.....	\$ 525
Cash items.....	1,007
Real estate.....	283,020
Bills receivable.....	231,203
Collateral loans.....	21,500
West Park bonds.....	70,000
Furniture, safe, etc.....	6,270
Total.....	\$612,025

The following summary is indicative of the vast sums of money, the aggregate savings of weary days of toil, which have been swallowed up in this city during the past four years by the so-called depression in real-estate values, though it is questionable whether the property ever was intrinsically worth the prices set upon it by the speculators of the flush times:

LIABILITIES.	
"Bee-Hive".....	\$ 749,823
State.....	2,004,100
Fidelity.....	1,315,054
German.....	405,316
Total.....	\$6,468,335

Here is a loss to the poor depositors of over \$2,879,000, the accumulation of months and years of toil, all squandered by a system of banking which never has, and never can, produce a sufficient margin of profit to give to the business that stability which is so imperatively demanded in the interest of the working classes. Then add to this vanished capital the interest on what the depositors will ultimately receive, but not for some years—it will certainly be \$100,000. Then add to this \$500,000, the estimated capital on which these four banks were doing business, and there is figured up a loss of nearly \$3,200,000, swept away forever from the earnings and accumulations of our city. If to this sum be added the losses resulting from the failures of other banks, the Scandinavian, Cook County, Second, Manufacturers', Commercial Loan, and others which now escape recollection, it will be found that there have been frittered away in glittering land and other speculations, fully \$5,000,000 of the capital of our citizens.

AS A MATTER OF CURIOSITY, and for future reference, the following statistics, showing the condition of all the savings banks in the city on July 1 last, is submitted. The figures for the Dime and Chicago Savings are estimated, and, it is believed, are sufficiently accurate for this purpose. The reported capital of the "Bee-Hive" includes the "contingent fund," the grandiloquent appellation bestowed upon the surplus by the roly-poly manager, Syd Myers. During the run, which began about the middle of July and ceased only when the banks closed their doors, the depositors succeeded in withdrawing nearly if not fully \$5,000,000, or a little over 50 per cent of the amount due them in the aggregate.

It is indeed very questionable if there be today \$1,000,000 on deposit in the four savings banks now running. The confidence of the people in these institutions is at a very low ebb, and will remain so for some years to come. In fact, it seems not hazardous too much to say that, when the Government shall have resumed specie payment, there will not be a savings bank in the city, as those which are now in existence will be forced to retire for lack of business.

July 1, 1877	Deposits.	Reported capital.	Reported surplus.	Reported assets.
State.....	\$3,744,875	\$ 500,000	\$123,000	\$ 4,415,327
Fidelity.....	1,977,016	200,000	100,000	2,240,511
Bee-Hive.....	780,310	112,000	970,110
Union Trust.....	403,897	125,000	\$3,265	629,800
Ill. Trust.....	703,138	500,000	25,000	1,250,761
First State.....	823,136	150,000	7,500	448,323
Dime.....	26,893	50,000	81,633
German.....	979,093	200,000	38,000	1,215,163
Chicago Savings.....	47,068	15,000
Total.....	\$8,908,452	\$1,837,000	\$378,765	\$11,810,047

*In the hands of Receivers.

THE CENTRAL NATIONAL.
The following shows the condition of the Central National, as appears from the books on the 4th inst., when it was handed over to O. J. Glover, Receiver:

RESOURCES.	
Bills discounted—Estimated good.....	\$ 80,187
Estimated doubtful.....	134,158
Estimated bad.....	102,150
Total.....	\$380,407
United States bonds to secure circulation.....	50,000
Ten shares Exposition stock.....	1,000
Stamped checks.....	1,703
Furniture.....	6,485
Due by banks and bankers.....	43,781
Overdrafts.....	80,818
United States Treasury 5 per cent redemption fund.....	2,250
Teller's cash.....	14,440
Total.....	\$520,020

LIABILITIES.	
Capital.....	\$200,000
Circulation.....	45,000
Surplus.....	7,380
Total.....	\$252,380
Certificates of deposit.....	820
Certified checks.....	2,844
Cashier's checks.....	1,431
Miscellaneous balances.....	480
Sundry banks.....	1,847
Due express companies.....	351
Individual deposits.....	132,837
Country banks.....	133,243
Total.....	\$520,020

Reduced to plain English, the statement shows:

Due depositors.....	\$273,043
Cash means.....	\$60,480
Bonds, surplus, and premium.....	7,500
Exposition stock.....	300
Good bills.....	90,187
Total.....	\$431,400

Deficiency.....\$116,160

This sum, together with the capital, \$200,000, is swallowed up in overdrafts, doubtful and bad paper, furniture and fixtures, and stamped checks.