ANNUAL REPORT

OF THE

FEDERAL DEPOSIT INSURANCE CORPORATION

FOR THE YEAR ENDED

DECEMBER 31, 1944

LETTER OF TRANSMITTAL

FEDERAL DEPOSIT INSURANCE CORPORATION,
Washington, D. C., August 21, 1945.

SIR: Pursuant to the provisions of subsection (r) of section 12B of the Federal Reserve Act, as amended, the Federal Deposit Insurance Corporation has the honor to submit its annual report.

Respectfully,
LEO T. CROWLEY, *Chairman.*

THE PRESIDENT OF THE SENATE
THE SPEAKER OF THE HOUSE OF REPRESENTATIVES

FEDERAL DEPOSIT INSURANCE CORPORATION

BOARD OF DIRECTORS

LEO T. CROWLEY, Chairman
PHILLIPS LEE GOLDSBOROUGH
PRESTON DELANO, Comptroller of the Currency

The Board of Directors is responsible for the performance of all duties and the exercise of all powers vested by law in the Corporation

BOARD OF REVIEW

Considers recommendations submitted by the Division of Examination relative to applications from banks for insurance, retirement of capital, establishment of branches, and other similar purposes.

COMMITTEE ON LIQUIDATIONS, LOANS, AND PURCHASE OF ASSETS

Considers recommendations from the Division of Examination relative to loans to or purchase of assets from banks and recommendations from the Division of Liquidation relative to liquidation activities.

DIVISION OF EXAMINATION

Examines insured banks and determines necessary supervisory actions; handles applications from banks for membership, capital retirement, branches, and mergers.

LEGAL DIVISION

Handles legal matters in connection with the activities and operations of the Corporation.

DIVISION OF LIQUIDATION

Pays depositors in closed insured banks, liquidates national banks and closed State banks for which the Corporation is appointed receiver, exercises general supervision over the liquidation of closed insured banks for which the Corporation is not receiver, and liquidates loans to or purchases of assets from insured banks to facilitate mergers.

DIVISION OF RESEARCH AND STATISTICS

Provides economic counsel, conducts special studies pertaining to deposit insurance and banking, prepares security analyses, and compiles statistical data relating to condition and operation of banks.

EXECUTIVE DIVISION

Supervises business management functions of the Corporation, handles public relations, maintains minutes and other official records of the Board, and furnishes notice of matters acted on by the Board.

PERSONNEL DIVISION

Establishes procedures for personnel matters including recruitment, appointment, placement, classification, training, payroll, leave, and retirement.

SERVICE DIVISION

Purchases materials, supplies, equipment for Washington and Field Offices; provides duplicating services and general maintenance services for the Corporation.

FISCAL AND ACCOUNTING DIVISION

Collects assessments from banks and other receipts, makes disbursements, and maintains the general accounting records of the Corporation

AUDIT DIVISION

Makes final administrative audit of the books and accounts of the Corporation and prepares detailed and summary audit reports for Board of Directors.

FEDERAL DEPOSIT INSURANCE CORPORATION

NATIONAL PRESS BUILDING — WASHINGTON 25, D. C.

FIELD BUILDING — CHICAGO 3, ILLINOIS

BOARD OF DIRECTORS

Chairman	LEO T. CROWLEY
Directors	PHILLIPS LEE GOLDSBOROUGH PRESTON DELANO *Comptroller of the Currency*

OFFICIALS—AUGUST 21, 1945

WASHINGTON 25, D. C.

Secretary	Miss E. F. Downey
Executive Officer	Henry W. Riley
Assistant Executive Officer	Walter F. Oakes
Special Assistant to Board of Directors	Alfred J. Loda
Confidential Assistant to Chairman	Miss Beryl Roberts
Secretary to Chairman	Miss Dorothy Dale
Special Assistant to Chairman	J. Forbes Campbell
Special Assistant to Chairman	Edward C. Tefft
Assistant to Director	Albert G. Towers
Secretary to Director	Mrs. Madeline G. Von Eberhard
General Counsel	Francis C. Brown
Counsel	Goodwin J. Oppegard
Counsel	Irving H. Jurow
Counsel	Russell D. Miller
Chief, Division of Examination	Vance L. Sailor
Mutual Savings Bank Advisor	Raymond T. Cahill
Special Assistant to Board of Directors, Federal Credit Union Section	C. R. Orchard
Chief, Division of Research and Statistics	Homer Jones
Assistant Chief, Division of Research and Statistics	Harry L. Severson
Librarian	Miss Amy Dene Early
Director of Personnel	Carl W. Satterlee
Chief, Service Division	Frank C. Blowe

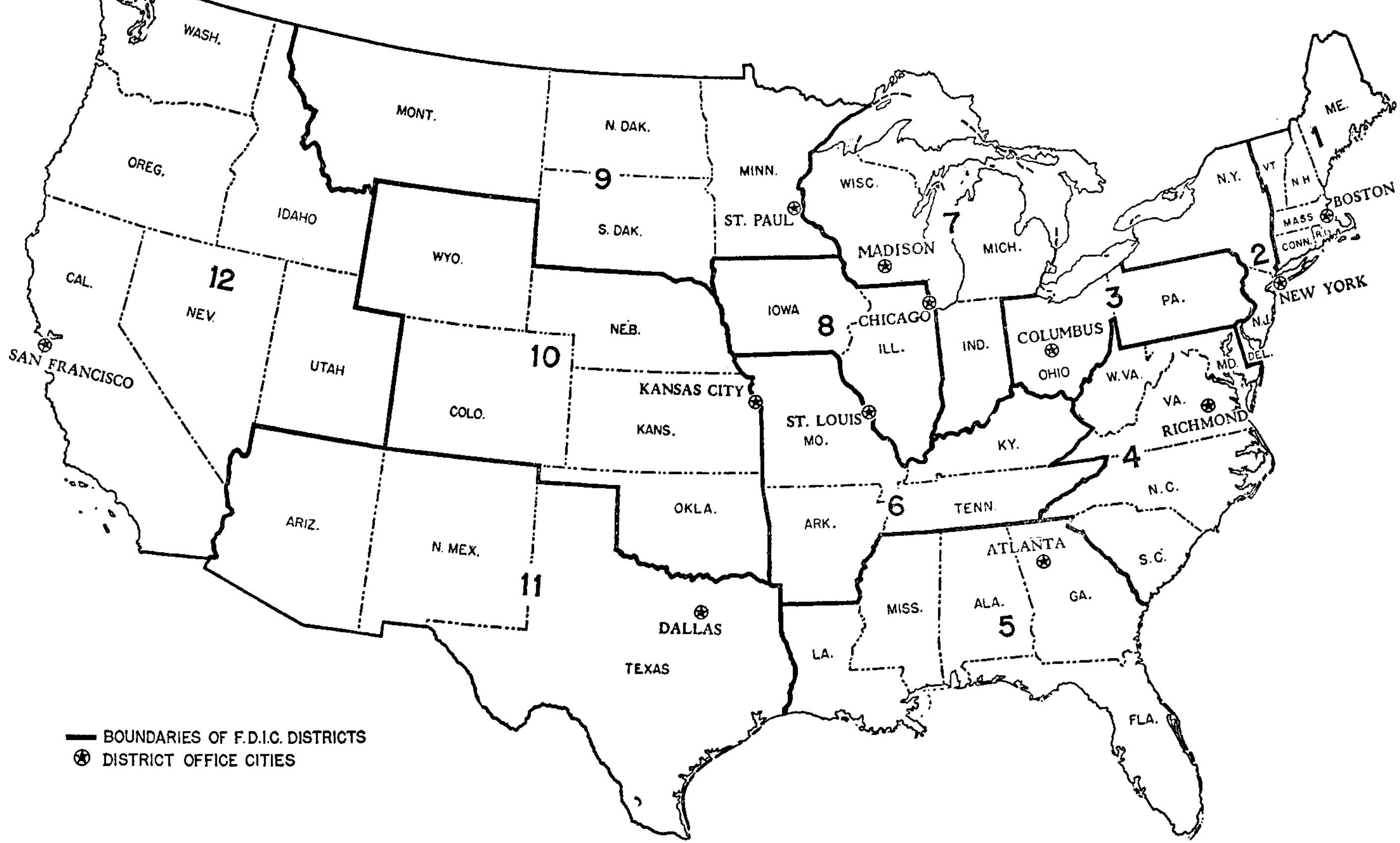
CHICAGO 3, ILLINOIS

Chief, Division of Liquidation	Wheeler McDougal
Supervising Liquidator, Division of Liquidation	Ralph E. Zimmerman
Supervising Claim Agent, Division of Liquidation	James M. Gaffney
Supervising Accountant, Division of Liquidation	H. R. Burling
Counsel	James M. Kane
Assistant Counsel (on military leave)	John L. Cecil
Fiscal Agent	W. G. Loeffler
Chief, Audit Division	Mark A. Heck

DISTRICT OFFICES

Dist. No.	Supervising Examiner	Address	States in district
1.	Leo J. Carr	Room 765, No. 10 Post Square, Boston 9, Mass.	Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut
2.	Leon F. Stroefer	Room 1900, 14 Wall Street, New York 5, N. Y.	New York, New Jersey, Delaware
3.	Leon F. Stroefer	City National Bank Building, 20 East Broad Street, Columbus 15, Ohio	Ohio, Pennsylvania
4.	Lundie W. Barlow	909 State Planters Bank & Trust Company Building, Richmond 19, Va.	District of Columbia, Maryland, Virginia, West Virginia, North Carolina, South Carolina
5.	W. Clyde Roberts	625 First National Bank Building, Atlanta 3, Ga.	Georgia, Florida, Alabama, Mississippi, Louisiana
6.	Neil G. Greensides	1059 Arcade Building, St. Louis 1, Mo.	Kentucky, Tennessee, Missouri, Arkansas
7.	Raby L. Hopkins	715 Tenney Building, Madison 3, Wis.	Indiana, Michigan, Wisconsin
8.	Carol L. Pitman	741 Federal Reserve Bank Building, 164 W. Jackson Blvd., Chicago 4, Ill.	Illinois, Iowa
9.	Rollin O. Bishop	1200 Minnesota Building, St. Paul 1, Minn.	Minnesota, North Dakota, South Dakota, Montana
10.	Gerhard F. Roetzel	901 Federal Reserve Bank Building, Kansas City 6, Missouri	Nebraska, Kansas, Oklahoma, Colorado, Wyoming
11.	Linton J. Davis	Federal Reserve Bank Building, Station K, Dallas 13, Tex.	Texas, New Mexico, Arizona
12.	William P. Funsten	Suite 1120, 315 Montgomery Street, San Francisco 4, Calif.	Idaho, Utah, Nevada, Washington, Oregon, California

FEDERAL DEPOSIT INSURANCE CORPORATION DISTRICTS



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SUMMARY

The period since the establishment of the Federal Deposit Insurance Corporation in 1933 has been one of rising prices, continuous business expansion and growth in total bank assets. The tempo of expansion was greatly accelerated by our participation in the war and the transition from an all-out war effort to peacetime economy will give rise to banking problems decidedly different from any which the Federal Deposit Insurance Corporation has heretofore encountered.

Federal insurance of bank deposits has been highly successful and the Corporation recommends certain extensions of the basic principles of deposit insurance so that the banking system and the Corporation can make the maximum contribution to the business community in the difficult period ahead. An increase of deposit coverage is recommended combined with more flexibility in the handling of the affairs of banks in financial difficulties. The seriousness of the declining capital ratios of insured commercial banks is pointed out in this report and banks are urged to increase capital by a sale of common stock to the public. It is further suggested that it would be prudent for banks to take advantage of present high earnings to build reserves against the uncertainty of the future. Another recommendation is that restraints be placed upon the development of monopolies in banking.

The Corporation believes that bank supervision should not interfere with the proper function of bank management. Among the necessary conditions for banks to meet the credit needs of business and to play their proper role in maintaining a high level of production and employment after the war are: competition in the banking business, adequate capital, and a will on the part of the banker to engage actively in business.

PART ONE

OPERATIONS AND POLICIES OF THE CORPORATION

INTRODUCTION

The 11-year period since the establishment of the Federal Deposit Insurance Corporation has been one of business expansion, rising prices, and growth in the total volume of deposits held by the banking system. During the first part of this period the increase in bank deposits reflected the recovery from the depths of the great depression of the early 1930's; during the past four years the increase has reflected the rapid growth in governmental expenditures for war activities. The Federal Deposit Insurance Corporation has contributed to and benefited from this large increase in business activity.

Banking developments during the past decade have followed a pattern essentially similar to that of former periods of rising prices and expansion in the volume of business. With progressively higher valuations placed upon assets, banks appear in a more favorable light and few become involved in financial difficulties. Since January 1, 1934, the Corporation has been called upon to make disbursements totaling $260 million to protect depositors in 397 banks, most of which were in a weak asset position when they were admitted to deposit insurance.[1] Inasmuch as there is a tendency for losses to concentrate in periods of declining business activity, the Corporation's experience during a period of almost constant business expansion cannot be assumed to represent the degree of aid which it may be required to render to banks in financial difficulties in the future.

The Federal Deposit Insurance Corporation receives income from two principal sources: assessments paid by insured banks at the annual rate of one-twelfth of 1 percent of average deposits, and the income from its holdings of Government bonds. Even though the loss experience has been low and substantial additions have been made to the surplus of the Corporation, deposits of insured banks have grown so large that the resources of the Corporation are now smaller in relation to those deposits than ever before. At the same time the degree of protection afforded deposits by the capital of the banks has declined markedly, since capital accounts have increased only moderately, while deposits have doubled in the past four years.

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[1] Under subsection (y) of the original deposit insurance law (Section 8 of the Banking Act of 1933) the Corporation was required to admit to insurance under the temporary Federal deposit insurance plan every member bank of the Federal Reserve System, and every nonmember bank which was found to be "in solvent condition", regardless of the quality of its assets or the amount of its capital. When the permanent insurance plan was inaugurated under the Banking Act of 1935, these banks automatically became entitled to permanent insurance. See subsections (e) (1) and (f) (1) of the Federal deposit insurance law, as amended, Title 12, U. S. C., 1940 ed., sec. 264.

Suggestions for Legislation

The experience of the eleven years of operation of the Corporation suggests that application of the principles which are embodied in the Federal deposit insurance law should be extended in certain respects.

Insurance coverage and aid to distressed banks. The Congress, in 1935, gave the Corporation power to aid banks in financial difficulties through advances to facilitate mergers (including consolidations, and sales with assumption of liabilities). Originally adopted as a temporary measure, this provision operated so satisfactorily that Congress made it permanent and this method has since been used extensively to handle weak or insolvent banks. The use of advances made to assist in mergers assures continuity of banking services, thus greatly reducing the shock to the community and also decreasing the loss to the Corporation. In addition, a merger protects all deposits regardless of size, giving, in effect, 100 percent deposit insurance. In some instances, however, a merger is not feasible and in such cases owners of large bank accounts are not fully protected and one of the chief advantages of deposit insurance, namely, unquestioned confidence in the safety of bank deposits, is not fully attained.

The growth in bank balances over the past few years has made increasingly inadequate a protection of only $5,000. In 1934, when the Congress set the $5,000 limit on deposit insurance, total deposits of insured commercial banks were about $36 billion whereas deposits of this group of banks at the end of 1944 totaled $126 billion. While this three-fold increase in total deposits has been accompanied by an increase in the number of depositors, there has been a substantial rise in the average size of deposit accounts and today a larger proportion of the depositors have balances in excess of $5,000 than in 1934. With the present limited coverage, the failure of a bank is a serious matter for the community. A large part of the deposits used in making payments in production and trade are in business accounts with balances far in excess of the present insurance coverage. Freezing of these balances may make it difficult for business concerns to meet their payrolls and other commitments. The Corporation recommends that Congress give consideration to the desirability of raising the maximum amount of insurance coverage for any one depositor.

The cost to the Corporation of additional coverage is not likely to be large. It is believed that the indirect benefits of increased coverage resulting from the increased confidence in the safety of bank deposits, combined with broadened powers of the Corporation to assist banks in financial difficulties, would more than compensate for the relatively small increase in expenditure which might be experienced because of higher insurance coverage.

The experience of the Corporation has shown that insured banks in financial difficulties should not always be paid off and liquidated, and thus eliminated from their communities. Even though a bank is in financial difficulties, there may be need for banking facilities in the community and opportunity for profitable operation may still exist. In such cases it is desirable that the Federal Deposit Insurance Corporation and the stockholders of the banks take their losses while provision is made for a continuity of banking services. The present law contains two provisions which serve to permit continuity of banking services. The law provides that the Corporation may make loans to or purchase assets from insured banks in financial difficulties where such action will facilitate a merger. It also provides that the Corporation, upon the closing of an insured bank in financial difficulties, may organize a new national bank to operate under the management of the Corporation, without capital, for a temporary period, providing continuing banking service of a limited nature to the community where the closed bank operated.

A merger with an existing bank involves either a net reduction in banking facilities or an extension of branch banking. In rural communities there is usually no other bank with which the one in difficulties can be merged and in urban communities a merger often results in a partial monopoly and in some instances a complete monopoly. In such cases the Corporation can best discharge its obligations to protect depositors and to absorb the impact of banking disturbances in the community by keeping all existing banking facilities open. It should be possible for the sound business of a weak bank to be transferred in an orderly manner to a newly organized Deposit Insurance National Bank as well as to an existing institution. Another difficulty of the present law is that arrangements for effecting a merger frequently involve recapitalization and other changes in the internal affairs of the absorbing bank. The steps are usually time consuming and delay action to protect the depositors of the affected bank. During these delays the condition of the insolvent bank may become worse since it continues to operate in its insolvent condition while the terms of the merger are being arranged.

When a bank becomes involved in financial difficulties because a limited number of large lines of credit have gone bad, the most economical method of rehabilitation may be to remove the bad assets, although in some instances a thorough reorganization may be required and it may be more feasible to organize a new bank. It is therefore suggested that the Corporation be given the power to purchase preferred stock and to make direct advances to a bank in financial difficulties without requiring a merger. Such advances could be protected by imposing appropriate conditions as to change in management. It is further suggested that subsection (e) of the Federal deposit insurance law which provides for the organization of new national banks be amended so that such a bank will be able to provide the community with a complete banking service during a temporary period not in excess of two years, and will be empowered to transfer its business to a suitably capitalized, privately owned and managed State or national bank sometime during the 2-year period. If no acceptable privately capitalized bank takes over the business of the Deposit Insurance National Bank, it would be liquidated at the end of the 2-year period.

With increased coverage and broadened powers of reorganization, the task of rehabilitation could be adjusted to the needs of the particular situation. There would thus be no necessity for a hastily conceived merger or the establishment of a new bank in order that the banking service in the community may be maintained without interruption. Mergers effected or chain banks or branch offices established under the urgency of preventing an impending bank failure, tend to promote monopolies and it is difficult at a later date to organize a locally owned and managed bank. An advance to facilitate a merger, however, could still be made when it seemed best.

Restriction of banking monopoly. The business of lending money is well suited to private initiative and is best performed under competitive conditions. Monopoly in banking is a threat to American traditions, both because it limits the opportunities to engage in the business of banking, and because it provides an opportunity for favoritism in the extension of credit which may foster monopolies in other industries. The growing tendencies toward monopoly in the banking business are serious, and prompt action should be taken to curb them. Monopolistic practices in the banking system have contributed to the growing demand for credit agencies operated by the Federal Government. The Corporation believes that the maintenance of genuine competition among banks is a much better solution to this problem than the further extension of governmental lending activities.

A partial monopoly which develops when one bank obtains a disproportionate percentage of the total banking resources of an area may have a serious effect on the economic life of the district. Another monopolistic tendency which has aroused customer discontent is the agreement among banks, in some areas, to fix charges and limit services. Bankers can do much to improve this situation by making active efforts to fit their services to the needs of the public rather than by relying upon restrictive agreements for profits.

Partial monopolies over large areas may develop both by means of branch banking and through the holding company device. The Corporation recommends that such branch banking as is permitted by the laws of the respective States be strictly regulated so that no bank will control a disproportionate percentage of the total banking resources or offices of an area. Holding companies not only tend to become monopolistic, but increase the problem of supervision. The ease with which assets may be transferred from one affiliated corporate unit to another and the possibility of the manipulation of the accounts of these enterprises make adequate examination of affiliated banks and the appraisal of their condition and capital position extremely difficult. The Corporation recommends that Congress enact legislation which will prohibit the future creation of holding companies and which will require the liquidation of existing holding companies after allowing a reasonable time for orderly distribution to their own stockholders of the bank stock which they now hold. The Corporation believes that such legislation is distinctly preferable to the enactment of further regulatory laws in the bank holding company field.

Deposit Insurance and Loan Risk

Bank capital. The ratio of capital to total assets is lower for banks than for any important class of business enterprise. For more than 40 years the ratio of capital to total assets has been declining, a trend which has been accelerated during the two world war periods. Total assets have increased markedly while capital has grown at a much less rapid rate, with the result that the ratio of proprietorship to assets for all insured commercial banks is now less than 6 percent and the downward trend is still continuing. This downward trend in the margin of protection is unfortunate and should be reversed. A low capital ratio tends to force a bank into pursuing an ultraconservative lending policy because of its inability to withstand misfortune as readily as one which is adequately capitalized, and results in failure to meet all of the credit needs of the community. When the credit needs of any sizeable number of communities are not satisfactorily served by private enterprises, it is to be expected that the public will demand, and receive, such services from governmental agencies.

The most satisfactory solution to the problem of a small amount of proprietorship is the sale of additional capital stock to investors. The retention of earnings is helpful in this regard but decidedly inadequate with the sharp rise in assets which has occurred over the past three years. The banking business is profitable and since the double assessment feature on bank stock has been virtually eliminated there is no reason why such stock should not be attractive to investors. The experience of banks which have offered stock for sale over the past two years has been reassuring and it is to be hoped that banks with low capital ratios will avail themselves of the present favorable time to provide a more adequate capital structure.

If banks wish to continue as lending institutions they must arrange their affairs so that they can assume the risks involved in lending operations without jeopardizing their deposits or subjecting their stockholders to undue risk. To do this, banks should not only have adequate capital but should also follow a policy of making periodic additions to reserves for losses. These reserves should be accumulated in amounts which reasonable expectation and loss experience indicate will be adequate to cover operating losses, while the capital of the bank should be strong enough to provide a protection against extraordinary and unforeseen hazards. The attitude of the Corporation regarding the accumulation of adequate reserves for losses has been previously stated as follows:

> "It is desirable . . . that . . . each bank should make provision on a systematic basis for losses, which can be expected to develop in periods of readjustment, on assets acquired during the prosperous periods. Where banks do not already follow such a practice, reserves for losses should be set aside annually in the form of valuation allowances, or unallocated charge-offs, or in some other manner, against those groups of assets from which losses ordinarily arise. Such reserves should, of course, not be regarded as a part of the capital accounts.
>
> "Within certain limits, the amount of reserves or loss allowances set aside annually at a rate in keeping with the experience of the bank over a reasonable period of years, or with the experience of a comparable group of banks, and with due regard for substandard assets, may be deducted from income in determining net income for Federal income tax purposes by banks employing the reserve method of charging off bad debts. Such deductions may be claimed even though losses have not actually been ascertained during the taxable year. The requirements of the supervisory authorities, subject to certain limitations, also constitute sufficient ground for the taking of losses for income tax purposes."[1]

Deposit insurance versus asset insurance. Deposit insurance should be sharply distinguished from the insurance or guarantee of bank assets. Insurance of bank deposits by a Federal government agency represents an exercise of the accepted governmental function of controlling and protecting the circulating medium of the nation. The insurance or guarantee of individual bank assets, however, is the assumption by the Federal Government of the function of credit extention and risk taking.

Under deposit insurance a bank management conducts its business in traditional fashion, extending credit and assuming full risk. It is responsible to its stockholders, and subject only to general govern-

[1] Annual Report for 1942, pp. 6-7.

mental supervision. Under a system of asset insurance banks would collect some interest as a fee for the use of their facilities but the standards for credit extension, and, therefore, the determination as to whom money can be lent, would be largely made by governmental agencies. The exercise of discretion in the extension of credit and, eventually, the sense of duty for serving the credit needs of the communities, now the responsibilities of private management, would be dulled by reason of the inevitable shifting of these responsibilities to the insuring agency.

This Corporation has always doubted the wisdom of extending asset insurance and has made this position public on several occasions. The Annual Report for 1942, for example, contained the following statement:

> "A method of transfer of risk frequently proposed is to insure various types of assets of the banks against loss. While certain classes of loans, particularly real-estate mortgages, readily lend themselves to this method of financing, the creation of a series of governmental corporations which would insure most bank loans has serious long run implications to the free enterprise system. Since each corporation of this kind would of necessity be forced to supervise the extension of credit to avoid undue losses and since achievement of uniformity in regulations would be difficult, such a method of finance, if generally used, would impose additional restraints and interferences with the normal processes of business.
>
> "Insurance of bank assets seeks to avoid, by payment of a fee, the risk of extending credit. The insuring Federal agencies would be assuming the primary risk of loss in the extension of credit while the profits would be received by banks which would not bear the risks that are the justification for profit-taking. Under such a general system of insurance of bank assets some of the most powerful incentives for sound banking practices would be lacking. One of the sound features of deposit insurance lies in the fact that the stockholders of a bank still bear the first risk of loss since they lose their entire stake in the business before the Federal Deposit Insurance Corporation bears any loss. Self-interest, therefore, still provides the primary incentive for the sound management and operation of the bank and for prudence in the extension of credit."[1]

The extension of asset insurance with its disastrous effect on the initiative of the bankers of this country can be prevented only if the bankers show themselves both willing and able to satisfy the credit needs which will arise in the post-war period. Important conditions necessary for the banks to meet the credit needs of business are competition in the banking business, adequate equity, an understanding

[1] Annual Report for 1942, pp. 7-8.

that supervision will not interfere with the banks' performance of proper functions, and a will to engage actively in business.

At the present time a general expansion of bank loans would be inflationary and undesirable. The immediate problem of the banks, therefore, is to assure the public that its post-war credit needs will be met by the banks without Government aid. When the need for credit arises, the bankers must show initiative and willingness to meet the needs of the public. This involves both an aggressive lending policy and a willingness to make sound loans of types suited to the needs of business. The Corporation believes that the bankers of the nation can meet this challenge and that they will play their proper role in maintaining a high level of production and employment after the war.

Deposit insurance risk and the depression problem. The great economic problem of preventing deep or protracted business depressions and of maintaining a reasonably high level of business activity and employment is of the utmost importance to the success of deposit insurance. Numerous bank failures and large losses to bank depositors have, in the past, occurred only in periods of deep depressions. If the nation is able to follow policies which prevent depressions and severe unemployment, deposit insurance will never be subject to inordinate stresses. On the other hand, if public policy is not such as to prevent serious deflation and large scale unemployment, the insurance fund may experience strains and losses which will be exceedingly burdensome. Bank failures contributed substantially to the depression of the 1930's. Deposit insurance itself constitutes a substantial contribution to the prevention of deflation but is only one part of public policy necessary to attain this end.

We hope that the Congress will give favorable consideration to legislation looking toward a unified, consistent treatment by the Government of the problems of unemployment and inflation. If Government policies can conform to principles which will avoid widespread unemployment on the one hand and inordinate price rises on the other, deposit insurance will be able to perform its function successfully.

Deposit Insurance Protection

Continuation of wartime prosperity during 1944 kept direct expenditures by the Federal Deposit Insurance Corporation for the protection of depositors to a low level. During the year only two banks required an insurance disbursement: one was placed in receivership and the other was merged with another institution. The 5,489 depositors in the two banks held accounts totaling $1.9 million, and only 15 had accounts not fully protected by insurance or in some other manner. Both banks were closed in May, and available statistics indicate that the last seven months of 1944 make up the longest period since 1870 in which there has been no bank failure in the United States.

During the eleven years of deposit insurance 397 insured banks have been placed in receivership or merged with the financial aid of the Corporation. Total disbursements of $260 million have been made to protect the $499 million of deposits in these banks. It is now estimated that of the 1,297,000 depositors only 5,000 will have any loss on their accounts, and that their losses will be about $2.6 million, approximately one-half of 1 percent of the total deposits. It is now estimated that the Corporation's loss will be less than $39 million. This favorable loss experience is due chiefly to the improvement in economic conditions since 1934. Losses have also been reduced by the development of the merger device in handling the affairs of weak or insolvent banks and by the general experience gained by the Corporation in liquidating assets acquired through receiverships or mergers.

Data on deposits, disbursements, recoveries, and losses in insured banks placed in receivership or merged with the financial aid of the Corporation are given in Tables 1 and 4 and in Tables 114 and 117, pages 148 and 152.

Table 1. Number of Depositors, Amount of Deposits, Recoveries, and Losses in Insured Banks Placed in Receivership or Merged with the Financial Aid of the Corporation, 1934-1944

Item	Total	Banks placed in receivership	Banks merged with financial aid of FDIC
Number of banks	397	245	152
Number of depositors	**1,297,217**	**380,510**	**916,707**
Depositors paid in full	1,250,068	333,361	916,707
Depositors partially paid[1]	4,788	4,788	....
Depositors filing no claims	42,361	42,361	....
Amount of deposits	**$499,233,000**	**$109,590,000**	**$389,643,000**
Estimated recovery by depositors	496,188,000	106,545,000	389,643,000
Estimated loss by depositors[1]	2,614,000	2,614,000	....
Unclaimed deposits	431,000	431,000	....
Disbursement by FDIC	$259,696,000	$ 86,979,000	$172,717,000
Estimated loss to FDIC	$ 38,810,000	$ 18,611,000	$ 20,199,000

[1] 1,635 depositors will lose an estimated $2,532,000 in accounts which exceeded the limit of $5,000 insurance and were not otherwise protected; and 3,153 depositors will lose about $82,000 in accounts which had been restricted or deferred prior to 1934 or were otherwise ineligible for insurance protection.

Methods of providing insurance protection: direct payment of depositors. At present two procedures are followed by the Corporation in carrying out its deposit insurance obligations: it may pay insured deposits in a bank which is closed, or it may assist financially in merging a weak or insolvent bank with another institution. The Corporation does not have a free choice as to which method to use, nor does it have the power to force a bank either to suspend operations or to merge. As the insurer of bank deposits the Federal Deposit Insurance Corporation can only terminate the insurance of a bank found to be financially unsound or of a bank whose management persists in following illegal or unsound practices. The power to close a bank and place it in receivership is reserved for the bank's board of directors and for the State or Federal authority which chartered it. The decision to merge a bank is made by the bank's stockholders.

When an insured bank is closed and cannot meet the demands of its depositors, the Corporation immediately prepares to pay the insured deposits. Promptness in the payment of claims is considered essential to avoid adverse economic reactions in the area, to reduce inconvenience to the depositors, and to maintain confidence in the banking system. Payments are made in the regular business office of the closed bank, and for the depositor the process is much like closing an account. At the time payments are made, the depositors subrogate the Corporation to their rights to dividends or recoveries on the portion of their accounts paid from the insurance fund. The liability which the Corporation assumes includes all unrestricted deposits up to a maximum of $5,000 for each depositor after claims which the bank has against the depositor are deducted.

Table 2. PAYMENT BY THE CORPORATION AND RECEIVERS OF DEPOSITS IN INSURED BANKS PLACED IN RECEIVERSHIP, 1934-1944

(Amounts in thousands of dollars)

Status of deposits	Total	Paid by Dec. 31, 1944	Unpaid on Dec. 31, 1944
Deposits—total	**$109,590**	**$105,362**	**$4,228**
Insured	87,138	86,979	159
Secured, preferred, and subject to offset	11,304	11,277	27
In excess of $5,000, not otherwise protected	9,784	6,380	3,404
Other uninsured	933	707	226
Unclaimed[1]	431	19	412
Deposits, terminated receiverships—total	**$45,161**	**$44,396**	**$765**
Insured	35,815	35,815	....
Secured, preferred, and subject to offset	5,311	5,311	....
In excess of $5,000, not otherwise protected	3,721	3,101	620
Other uninsured	191	150	41
Unclaimed[1]	123	19	104
Deposits, active receiverships—total	**$64,429**	**$60,966**	**$3,463**
Insured	51,323	51,164	159
Secured, preferred, and subject to offset	5,993	5,966	27
In excess of $5,000, not otherwise protected	6,063	3,279	2,784
Other uninsured	742	557	185
Unclaimed	308	....	308

[1] Unclaimed deposits indicated as paid have been placed in trust by receivers in some States to meet claims presented after termination of receiverships.

The payments on uninsured deposits, as shown in Table 2, indicate that substantial recoveries have been made on all deposits in banks placed in receivership. At the end of 1944, 96 percent of the $110 million of deposits in these banks had been paid to the depositors either by the Corporation or by the receivers. The largest part of the deposits remaining unpaid at the end of the year was the uninsured portion of accounts exceeding $5,000 and most of this, $2.8 million of the $3.4 million, was in banks whose receiverships had not been terminated. Further payments on these deposits will be made as the liquidation of the assets continues.

Actual losses to depositors in banks whose receiverships had been terminated by the end of the year, the deposits unpaid on December 31, amounted to only $0.8 million. About one-seventh of this was in deposits which were unclaimed notwithstanding extensive efforts by the Corporation to reach all depositors after the banks closed. Unclaimed deposits shown as paid in Table 2 are deposits for which reserves were established by receivers, although the depositors had not appeared to claim them. In some States, laws governing receiverships require that dividends on deposits still unclaimed when a receivership is terminated be held in trust by a State authority. The Corporation makes no payment on unclaimed deposits.

Methods of providing insurance protection: advances to banks. The claims of depositors in insured banks are met directly only when a bank is placed in receivership, but a second satisfactory method of protecting the depositors in an unsound bank has been provided by Congress. In 1935 the Corporation was given the power to make loans to or purchase assets from insured banks to "facilitate a merger or consolidation of an insured bank with another insured bank" when "such action will reduce the risk or avert a threatened loss to the Corporation."[1]

In such a consolidation acceptable assets of the merging bank are transferred to the absorbing bank, and the Corporation makes available enough cash so that the value of the assets and cash equals the amount of the liabilities which the absorbing bank assumes. To extend its financial aid, the Corporation may make a loan secured by assets of one or both of the banks, or it may purchase assets from them. The purchase of assets has been used exclusively in the mergers of the past four years. Assets may be bought outright or, as is the current practice, they may be bought under an agreement that any excess recovery from their liquidation will be returned to the stockholders of the bank from which they were purchased. Before any distribution is made to the stockholders the Corporation recovers the

[1] For a full statement of this power see the Federal deposit insurance law, as amended, Title 12, U.S.C., 1940 ed., sec. 264 (n)(4).

price paid for the assets, the liquidation costs, and a fair return, now equivalent to 4 percent interest, on its funds for the time they are outstanding.

In many ways the procedure of making advances to banks provides a more flexible method of liquidating the affairs of an insolvent bank than does placing it in receivership. Depositors are fully protected; there is no break in the banking service either for the depositors or the community; and the community does not suffer the economic dislocations which inevitably follow a bank suspension. In addition, the Corporation is not restricted in liquidating assets it has acquired, as is the receiver of a closed bank. Such assets may be held until their sale will not upset the economic stability of the community, and until they may be liquidated advantageously from the standpoint of the deposit insurance fund.

On the other hand advances to banks are not always feasible. Occasionally the affairs of a bank may be in such condition that the only solution is to place it in receivership and remove it completely from the banking system. The procedure of making advances is limited by law to those instances where the advance will "facilitate a merger" and "avert a threatened loss" to the insurance fund. Furthermore, action to merge an unsound bank can be taken only with the consent and cooperation of the bank's stockholders and of an institution willing to absorb it.

Often the requirement that advances be made only when two insured banks merge works against the maintenance of an adequate competitive banking system. In a rural area there may be no bank to absorb the unsound one. To follow the one alternative and place it in receivership may deprive the area of all banking facilities. In an urban community closing a bank, either by merger or suspension, may tend to create a banking monopoly and thus to deprive the community of the benefits of competitive banking service.

Statistical data on the two methods. Since 1934, 245 insured banks have been placed in receivership, and 152 have been merged with the Corporation's financial aid. Disbursements totaled $87 million to pay depositors in the banks placed in receivership and $173 million to assist those which were merged. Deposits in the two groups of banks were $110 million and $389 million respectively; and the number of depositors, 380,000 and 917,000 respectively. Estimates of the ultimate losses to the Corporation on its disbursements were, at the end of 1944, $19 million in the receiverships and $20 million in the mergers. Data by years concerning the two methods of protecting depositors are given in Table 3. Assets and liabilities of insured banks placed in receivership or merged are given in Table 115, page 150.

Table 3. Disbursements by the Corporation to Protect Depositors in Insured Banks Placed in Receivership or Merged with the Financial Aid of the Corporation, 1934-1944

Year	Number of banks			Amount of disbursements (in thousands of dollars)		
	Total	Placed in receivership	Merged	Total	Insured deposits paid in receiverships	Loans made and assets purchased in mergers
Total	**397**	**245**	**152**	**$259,696**	**$86,979**	**$172,717**
1944	2	1	1	1,498	399	1,099
1943	5	4	1	7,137	5,465	1,672
1942	20	6	14	10,824	1,612	9,212
1941	15	8	7	23,878	12,276	11,602
1940	43	19	24	74,232	4,895	69,337
1939	60	32	28	67,792	26,184	41,608
1938	74	50	24	30,474	9,082	21,392
1937	75	50	25	19,202	12,045	7,157
1936	69	42	27	14,828	8,055	6,773
1935	25	24	1	8,890	6,025	2,865
1934	9	9	....	941	941	....

Recoveries on insurance disbursements. At the end of 1944 more than $195 million, 75 percent, of the Corporation's disbursement of $260 million to protect depositors had been returned to the insurance fund. The amount of the Corporation's recoveries and its losses are given in Table 4 and in Table 117, page 152.

Table 4. Disbursements to Protect Depositors, Recoveries, and Losses by the Corporation from Insured Banks Placed in Receivership or Merged with its Financial Aid, 1934-1944

(Amounts in thousands of dollars)

Book entry Dec. 31, 1944	Total	Liquidation terminated	Liquidation active
Disbursements	**$259,696**	**$48,217**	**$211,479**
Receiverships	86,979	35,815	51,164
Mergers	172,717	12,402	160,315
Estimated additional disbursements in receiverships[1]	**$159**	....	**$159**
Recoveries	**$195,034**	**$40,446**	**$154,588**
Receiverships	62,120	28,404	33,716
Mergers	132,914	12,042	120,872
Estimated additional recoveries	**$26,011**	....	**$26,011**
Receiverships	6,407	....	6,407
Mergers	19,604	....	19,604
Losses by FDIC[2]	**$38,810**	**$7,771**	**$31,039**
Receiverships	18,611	7,411	11,200
Mergers	20,199	360	19,839
Number of banks	**397**	**230**	**167**
Receiverships	245	176	69
Mergers	152	54	98

[1] Estimated additional disbursements in receiverships are the insured deposits which have not been paid. See Table 2.
[2] Losses in terminated cases are the established losses; those in active cases are estimated.

Recoveries by the Corporation included $62 million, 71 percent, of the $87 million disbursed in receiverships, and $133 million, 77 percent, of the $173 million disbursed in the mergers. Recoveries in banks where liquidation was still in progress at the end of the year, both receiverships and mergers, were 73 percent of the disbursement. Recoveries in those whose liquidation had been terminated were 84 percent of the disbursement. Of the 230 banks where liquidation had been terminated, 100 had repaid the Corporation in full, including 81 which paid interest amounting to approximately $840,000.

When a bank is placed in receivership and the amount of the depositors' claims is established, or when a loan is made or assets are purchased to aid in a merger, recoveries by the Corporation are estimated and a reserve equal to the estimated losses is set up. The estimates are reexamined and adjusted every six months. During the past five years, an expanding market has made possible a high recovery on assets acquired by the Corporation, and has resulted in a net reduction of $19 million in the sum of the reserve for losses and the amount of losses actually written off.

Receivership activities. The Federal Deposit Insurance Corporation acts as receiver for all national banks and it may be appointed receiver for State banks which are placed in receivership. At the end of 1944 it was acting in this capacity for 10 national banks which closed with deposits of $12 million and for 13 State banks which closed with deposits of $6 million. According to its practice the Corporation obtained during the year quarterly reports from the receivers or statutory liquidators of the remaining 46 State banks in which deposit insurance payments had been made.

As liquidation proceedings come to a close, and particularly when the costs of continuing the receivership exceed the expected recovery on the unliquidated assets, the Corporation sometimes buys the remaining assets from the receiver under competitive bidding arrangements. This is done to terminate the receivership and to reduce the expenses of liquidation. By the end of 1944, $1.1 million had been disbursed to purchase assets from the receivers of 61 banks. Most of these assets have been resold without loss to the Corporation.

Legal Developments

Absorption of exchange.[1] Following the passage of H.R. 3956 by the House of Representatives on March 2, 1944, the bill was referred to the Committee on Banking and Currency of the Senate but no action was taken thereon, nor on the companion bill, S. 1642, until December 1944. Hearings were conducted by the Senate Committee,

[1] For a summary of prior developments see Annual Report of the Corporation for 1943, pages 18-19.

starting on December 7 and continuing through December 15. The hearings were not concluded in time to submit the bill to the Senate prior to the adjournment and expiration of the 78th Congress. However, the provisions embodied in these two bills were offered as an amendment to the then pending Federal Crop Insurance bill (H.R. 4911). The amendment was debated on the Senate floor on December 13 and 14, and was rejected by a vote of 25 to 45. Thereupon the Senate hearings were closed and no further action was taken on either of the "absorption of exchange" bills. At the request of the Senate Committee the Corporation submitted a report on the bills in the form of a letter to the Chairman of the Committee, with supporting memoranda, which appear at pages 72-94 of this report. At the close of the hearings the Chairman of the Corporation, at the suggestion of the Committee, addressed a further letter on January 3, 1945, which appears at page 95 of this report.

Other legal developments affecting the Corporation or insured banks. Under Public Law 346, 78th Congress, known as the Servicemen's Readjustment Act of 1944, approved June 22, 1944, provision is made for the guaranteeing of loans to veterans for the purpose of purchasing or constructing homes, farms and farm equipment, and business property.

The Contract Settlement Act of 1944 (Public Law 395) was approved on July 1, 1944. The Surplus Property Act of 1944 (Public Law 457) and the War Mobilization and Reconversion Act of 1944 (Public Law 458) were approved on October 3, 1944.

Public Law 541, approved December 22, 1944, amended Section 3656 of the Internal Revenue Code (Title 26 U.S.C., 1940 ed., Sup. IV, section 3656) so as to authorize collectors of internal revenue to receive not only certified checks but also cashiers' and treasurers' checks, as well as United States postal, bank, express, and telegraph money orders in payment for internal revenue taxes and internal revenue stamps. The text of this Act is given on page 71 of this report.

Regulations of the Corporation. On June 15, 1944, a number of changes were made in the regulations relating to the payment of assessments—former sections 302.3(a), 302.3(d), and 302.3(e) were repealed and former sections 302.3(c) and 302.3(f) were amended and redesignated as 302.3(a) and 302.3(b), respectively; and former section 302.3(b) was redesignated 302.3(c). By resolution adopted on January 27, 1944, the provisions of sections 303.1(b) and 303.2(a), relating to advertisement of membership, and section 306.1, relating to service of process, were amended. A new part, known as Part 309, relating to the voluntary termination of insured status was adopted on March 17, 1944, as an additional regulation of the Corporation.

The texts of these regulations, as amended and adopted, are given on pages 96-102 of this report.

State legislation. A summary of State legislation in 1944 relating to banking is given on pages 102-106 of this report.

Supervisory Activities

Bank examinations. The policy of the Corporation from its establishment has been to examine annually each insured State bank which is not a member of the Federal Reserve System. National banks are examined by representatives of the Office of the Comptroller of the Currency, and State banks members of the Federal Reserve System by representatives of that System. The information of the Corporation relating to these banks is derived from a review of the reports of examination furnished by those agencies. Only under unusual circumstances, and with the prior consent of the Comptroller of the Currency or the Board of Governors of the Federal Reserve System, has the Corporation examined national banks or State banks members of the Federal Reserve System.

The Corporation in 1944 was unable to conduct all the examinations called for under its established policy. This was because of the substantial increase in the volume of bank assets, and the handicap of a further reduction in personnel resulting from the manpower requirements of the war effort. However, the number of examinations completed, 6,378, was not far below the total for 1943, and neither the effectiveness of the examinations conducted nor the accuracy of the examination reports submitted is believed to have been adversely affected by the conditions encountered during the year.

Unsafe and unsound banking practices and violations of law or regulations. During 1944 proceedings were initiated against one insured bank for engaging in unsafe and unsound banking practices and were continued against six other banks. The status of these cases at the end of the year and also a summary of all cases for the entire period since the effective date of the Banking Act of 1935 are given in Table 5.

The bank against which proceedings were initiated in 1944 was charged with the following unsafe and unsound practices:

Continued operation of the bank with impairment of its capital and with an inadequate net sound capital;

Continued operation of the bank by a management which had failed and neglected to take proper and necessary steps to correct the bank's unsafe and unsound condition;

Large and excessive amounts of assets of substandard quality and of doubtful value upon which substantial losses are probable;

Insufficiency of earnings and inadequacy of available capital funds to provide for current and developing losses;

Failure to obtain financial statements and other supporting information;

Permitting borrowers to renew their obligations with no likelihood of repayment;

Classifying potential other real estate as loans.

Table 5. ACTION TO TERMINATE INSURED STATUS OF BANKS CHARGED WITH ENGAGING IN UNSAFE OR UNSOUND PRACTICES OR VIOLATIONS OF LAW OR REGULATIONS, 1936-1944

Disposition or status	Total cases 1936-1944[1]	Pending beginning of year	Started during year
Total banks against which action was taken	130	6	1
Cases closed during period:			
Corrections made	20	....	....
Insured status terminated, or date for such termination set by Corporation, for failure to make corrections:			
Banks suspended prior to or on date of termination of insured status[2]	7	....	....
Banks continued in operation[3]	3	....	....
Banks suspended prior to setting of date of termination of insured status by Corporation	32	....	....
Banks absorbed or succeeded by other banks[4]	63	2	....
Cases pending December 31, 1944:			
Corrective program pending	5	4	1

[1] No action to terminate the insured status of any bank was taken before 1936. In 4 cases where initial action was replaced by action based upon additional charges, only the later action is included.
[2] Includes one national bank which, in accordance with the provisions of the law, suspended immediately following the action of the Corporation in terminating its insured status.
[3] One of these suspended 4 months after its insured status was terminated.
[4] In all except 4 of the 63 cases the Corporation made loans to facilitate the mergers or reorganizations.
Back data—See the following Annual Reports of the Corporation: 1941, p. 188; 1942, p. 13; 1943, p. 16.

Admission to insurance and operation of branches. During 1944 the Corporation approved applications of 106 banks for admission to insurance. Of these, 51 were new banks, including two which succeeded discontinued branches of other insured banks, and five which succeeded cooperative credit associations or industrial loan companies. Of the remaining banks approved for admission to insurance, 41 were banks in operation but not insured at the beginning of the year, and 14 were insured banks reorganizing or withdrawing from the Federal Reserve System. The application for admission to insurance of one bank was disapproved.

Of the applications for admission to insurance during the year, 18 had not become effective by the end of the year. During the year 12 banks whose applications previously had been approved became insured. Further details regarding admissions to insurance, and also figures regarding the number of insured banks which ceased operations or otherwise terminated their insured status, are given in Table 101, page 110.

During 1944 the Corporation approved the establishment of 46 branch offices by 40 banks not members of the Federal Reserve System. These offices included twelve banking facilities at military establishments and nine conversions of absorbed banks into branches. In three cases the Corporation disapproved the establishment of branches.

Of the branches approved by the Corporation six had not been established by the close of 1944. During the year 10 branches were opened which had previously been approved by the Corporation. In addition 117 branches, about three-fourths of which were for the purpose of providing banking services at military establishments, were opened by national and State banks members of the Federal Reserve System. Approval by the Corporation was not required for the establishment of these branches.

Capital and other financial adjustments. Insured banks examined by the Federal Deposit Insurance Corporation are required by law to secure the Corporation's approval to retire any part of their capital obligations. Applications for approval of the retirement of capital stock were filed by 612 such banks in 1944. Retirement of obligations held by the Reconstruction Finance Corporation in amounts aggregating $9,078,000, and of those held by others in amounts aggregating $1,571,000, was approved. The Corporation disapproved retirement of capital obligations amounting to $2,436,000.

During the year the Corporation approved the assumption by insured banks of deposit liabilities of two noninsured institutions. In two insured banks the Corporation approved the payment of certificates of beneficial interest representing deposits which had been waived at the time of the Banking Holiday of 1933.

Reports from banks. Semi-annual statements of deposits were submitted by each insured bank as required by law for the purpose of determining the amount of the insurance assessment. The Corporation called for reports of assets, liabilities, and capital accounts as of June 30 and December 30, 1944, and for reports of earnings, expenses, and disposition of profits for the calendar year 1944, from each insured bank required by law to submit such reports to the Corporation. With the exception of banks in the District of Columbia and Territorial national banks all insured banks not members of the Federal Reserve System are required to submit such reports to the Corporation.

Summaries of the tabulations from the reports of assets, liabilities, and capital accounts are given in the pamphlets "Assets and Liabilities of Operating Insured Banks", Report No. 21 and Report No. 22 and in Table 104 of this report, page 126. Summaries of the reports of earnings, expenses, and disposition of profits are given in Tables 111-113, pages 140-145 of this report.

Federal credit unions. During 1944 the Federal Deposit Insurance Corporation continued its supervision of Federal credit unions. Examination and supervision of these cooperative associations, organized to encourage thrift among their members and to provide them with a limited source of credit, were transferred to the Corporation from the Farm Credit Administration by Executive Order of the President, No. 9148, of April 27, 1942.

At the end of 1944, 4,048 credit unions held charters, but 233 of these were not active. During the year 285 charters were canceled, and 69 were granted to new groups. While personnel shortages again made it impossible to examine all Federal credit unions, more than 2,900 were examined during the year.

Statements of the operations of Federal credit unions are received twice a year. A report summarizing the statements for the calendar year is prepared and published annually.

Organization and Financial Statements of the Corporation

Organization and staff of the Corporation. No change in the directorship of the Corporation occurred during 1944. Mr. Leo T. Crowley continued as Chairman; Mr. Phillips Lee Goldsborough and Mr. Preston Delano, Comptroller of the Currency, continued as Directors throughout the year.

On December 31, 1944, the total personnel of the Corporation consisted of 1,546 officers and employees, compared with 1,899 at the beginning of the year and 2,411 at the close of 1942. The number of officers and employees in each division of the Corporation as of December 31, 1944, is given in Table 6.

On July 1, 1944, effect was given to an action by the Board of Directors to divide the Division of Administration into two divisions: Personnel Division, and Service Division.

An organization chart of the Corporation is shown on page iv of this report.

Income and expenses. The income of the Corporation in 1944 was $99.5 million, of which $80.9 million was from assessments upon insured banks and $18.5 million from investments and other sources.

Table 6. OFFICERS AND EMPLOYEES OF THE FEDERAL DEPOSIT INSURANCE CORPORATION, DECEMBER 31, 1944

Division and office	Total	Officers and administrative, supervisory, and technical employees	Clerical, stenographic, and custodial employees
Total	**1,546**	**668**	**878**
Washington office	*230*	*79*	*151*
Chicago office	*260*	*104*	*156*
Field offices	*1,056*	*485*	*571*
Directors	3	3	....
Executive Division	25	16	9
Washington office	*24*	*16*	*8*
Chicago office	*1*	....	*1*
Legal Division	30	17	13
Washington office	*12*	*8*	*4*
Chicago office	*18*	*9*	*9*
Division of Examination	488	344	144
Washington office	*35*	*19*	*16*
District and field	*453*	*325*	*128*
Division of Liquidation	696	203	493
Chicago office	*93*	*43*	*50*
District and field	*603*	*160*	*443*
Division of Research and Statistics	36	18	18
Washington office	*36*	*18*	*18*
Personnel Division	30	9	21
Washington office	*26*	*8*	*18*
Chicago office	*4*	*1*	*3*
Service Division	137	10	127
Washington office	*94*	*7*	*87*
Chicago office	*43*	*3*	*40*
Audit Division	24	19	5
Chicago office	*24*	*19*	*5*
Fiscal and Accounting Division	77	29	48
Chicago office	*77*	*29*	*48*

Deposit insurance losses and expenses in 1944 amounted to $0.1 million and administrative expenses were $3.8 million. The surplus of the Corporation was increased $101.3 million during the year, consisting of $95.6 million net income in excess of expenses and $5.7 million adjustment in surplus applicable to prior periods.

A detailed statement of the income and expenses of the Corporation for the year 1944 is given in Table 7. A summary statement for each year since its organization is given in Table 8.

Assets and liabilities. On December 31, 1944, the Corporation held the following assets: assets acquired through bank suspensions and mergers amounting at face value to a total of $56.8 million which were carried on the books of the Corporation at a net or appraised value of $26.1 million, United States obligations valued at $762.1 million, cash amounting to $17.8 million, and other assets amounting to $0.3 million.

Table 7. INCOME AND EXPENSES OF THE FEDERAL DEPOSIT INSURANCE CORPORATION, CALENDAR YEAR 1944

Income:		
Deposit insurance assessments	$ 80,940,596.80	
Interest earned (less provision for amortization of premiums) and profit on government obligations sold	17,761,695.92	
Other income	783,571.49	
Total income		$ 99,485,864.21
Expenses:		
Deposit insurance losses and expenses	$ 74,599.81	
Administrative expenses (see below)	3,815,651.41	
Furniture, fixtures and equipment purchased and charged off	14,695.24	
Total expenses		$ 3,904,946.46
Net income added to surplus		$ 95,580,917.75
Surplus, December 31, 1943:		
As previously reported	$413,755,022.56	
Plus—net adjustments applicable to periods prior to January 1, 1944	5,705,757.53	
Surplus as adjusted, December 31, 1943		$419,460,780.09
Surplus, December 31, 1944		$515,041,697.84

DISTRIBUTION OF ADMINISTRATIVE EXPENSES

Salaries	$ 2,875,949.37
Professional services	23,141.62
Services of other governmental agencies	50.00
Transportation	103,177.99
Subsistence	412,409.35
Office rental	279,716.52
Printing, stationery and supplies	59,166.38
Postage, telephone and telegraph	45,834.02
Insurance and fidelity bond premiums	549.15
Subscriptions	10,896.84
Equipment rental	7,903.10
Repairs and alterations	12,887.87
Transportation of things	8,091.04
Miscellaneous	5,347.21
	$ 3,845,120.46
Less:	
Inter-departmental expense transfers	29,469.05
Administrative expenses for the year ended December 31, 1944	$ 3,815,651.41

Liabilities of the Corporation at the end of 1944 were $1.9 million. Total capital of the Corporation consisted of $289.3 million capital stock issued at its organization and $515.0 million accumulated surplus. A summary of the assets and liabilities of the Corporation at the close of each year since its organization is given in Table 9. A more detailed statement of its assets and liabilities as of December 31, 1943 and 1944, is given in Table 10.

Table 8. Income and Expenses of the Federal Deposit Insurance Corporation Since Beginning Operations[1]

(In millions of dollars)

Year	Income			Expenses			Net income added to surplus
	Total	Deposit insurance assessments[2]	Investment income and profits	Total	Deposit insurance losses and expenses	Administrative expenses[3]	
1933-1944	**592.1**	**470.0**	**122.1**	**77.0**	**39.3**	**37.7**	**515.1**
1944	99.5	81.0	18.5	3.9	.1	3.8	95.6
1943	86.7	70.0	16.7	4.9	.7	4.2	81.8
1942	69.4	56.5	12.9	4.8	.8	4.0	64.6
1941	62.0	51.4	10.6	5.1	1.4	3.7	56.9
1940	55.9	46.2	9.7	14.7	11.1	3.6	41.2
1939	51.2	40.7	10.5	15.9	12.5	3.4	35.3
1938	47.8	38.3	9.5	5.9	2.9	3.0	41.9
1937	48.1	38.8	9.3	6.6	3.9	2.7	41.5
1936	43.8	35.6	8.2	5.2	2.7	2.5	38.6
1935	20.7	11.5	9.2	5.6	2.9	2.7	15.1
1933-34[4]	7.0	....	7.0	4.4	.3	4.1[5]	2.6

[1] Figures of total expenses, deposit insurance losses and expenses, and net income added to surplus for years prior to 1944 differ from those shown in previous Annual Reports because of revisions in estimates of losses allocated to the different years.

[2] Assessments collected from banks insured in the temporary insurance funds were credited in full to their accounts at the termination of the temporary funds, and were applied toward subsequent assessments under the permanent insurance fund. This procedure resulted in no income to the Corporation from assessments for the term of the temporary insurance funds.

[3] Includes furniture, fixtures and equipment purchased and charged off.

[4] Includes expenses from date of organization, September 11, 1933, to December 31, 1934.

[5] After deducting portion of expenses and losses charged to banks withdrawing from the temporary funds on June 30, 1934.

Table 9. Assets and Liabilities of the Federal Deposit Insurance Corporation, 1934-1944

(In millions of dollars)

Dec. 31	Cash	U. S. Government securities	Insurance assets	Other assets	Total assets and liabilities	Liabilities	Capital and surplus	Total deposits in insured banks	Ratio—FDIC capital and surplus to deposits in insured banks
1944	17.8	762.0	26.1	.3	806.2	1.9	804.3	134,662.1	.60%
1943	20.0	638.8	46.2	.5	705.5	2.4	703.1	111,649.8	.63
1942	19.4	536.8	62.0	.5	618.7	1.8	616.9	89,868.7	.69
1941	20.0	453.9	81.7	.1	555.7	2.2	553.5	71,209.3	.78
1940	20.4	384.5	92.2	.1	497.2	1.2	496.0	65,287.4	.76
1939	28.3	363.5	64.2	.1	456.1	3.4	452.7	57,485.8	.79
1938	22.2	372.8	26.5	.1	421.6	1.1	420.5	50,790.2	.83
1937	20.6	348.5	16.1	.1	385.3	2.2	383.1	48,227.8	.79
1936	9.1	332.6	11.4	.1	353.2	9.8	343.4	50,280.9	.68
1935	33.5	298.2	5.4	.1	337.2	31.2	306.0	45,125.1	.68
1934	16.0	316.7	.5	.1	333.3	41.6	291.7	40,059.9	.73

Table 10. ASSETS AND LIABILITIES OF THE FEDERAL DEPOSIT INSURANCE CORPORATION, DECEMBER 31, 1944, AND DECEMBER 31, 1943

	1944	1943
ASSETS		
Assets acquired through bank suspensions and mergers:		
Subrogated claims of depositors against closed insured banks...	$ 17,448,278.33	$ 25,805,676.76
Net balances of depositors in closed insured banks pending settlement or not claimed, to be subrogated when paid—contra....	158,676.40	841,927.72
Loans to merging insured banks, to avert deposit insurance losses, and recoverable liquidation expenses................	19,744,575.59	29,412,363.96
Assets purchased from merging insured banks, to avert deposit insurance losses, under agreements to return any excess recovery to selling banks..................................	18,849,778.67	28,041,173.53
Assets purchased from merging insured banks and receivers of closed insured banks to avert deposit insurance losses.......	581,623.15	696,387.25
	$ 56,782,932.14	$ 84,797,529.22
Less: Reserve for losses................................	30,714,169.10	38,547,754.80
	$ 26,068,763.04	$ 46,249,774.42
Cash on hand and on deposit............................	17,804,318.72	19,961,081.20
United States Government securities (cost less reserve for amortization of premiums) **and accrued interest receivable**..	762,064,352.35	638,776,370.88
Due from Governmental agencies.........................	192,217.91	292,931.08
Miscellaneous receivables................................	32,338.78	109,775.64
Furniture, fixtures, and equipment.......................	1.00	1.00
Deferred charges...	84,161.45	73,911.69
Total assets................................	$806,246,153.25	$705,463,845.91
LIABILITIES		
Current liabilities:		
Accounts and assessment rebates payable..................	$ 329,611.43	$ 421,550.06
Earnest money deposits and collections in suspense...........	1,220,847.00	904,320.42
Net balances of depositors in closed insured banks pending settlement or not claimed—contra.......................	158,676.40	841,927.72
Deferred credits...	143,772.35	107,619.54
Reserve for deposit insurance expenses..................	51,991.24	133,848.62
Total liabilities..............................	$ 1,904,898.42	$ 2,409,266.36
CAPITAL		
Capital stock:		
United States...	$150,000,000.00	$150,000,000.00
Federal Reserve banks....................................	139,299,556.99	139,299,556.99
	$289,299,556.99	$289,299,556.99
Surplus (see Table 7)....................................	$515,041,697.84	$413,755,022.56
Total capital................................	$804,341,254.83	$703,054,579.55
Total liabilities and capital..................	$806,246,153.25	$705,463,845.91

Audit. In accordance with the Corporation's policy of having an annual independent audit, the accounts as of June 30, 1944, were audited by Arthur Andersen & Co. The balance sheet of the Corporation as of that date, as shown in the auditors' report, is given in Table 11. The auditors' certificate is given on page 32 of this report.

Table 11. Federal Deposit Insurance Corporation Comparative Balance Sheet, June 30, 1944 and 1943—from auditors' report

ASSETS	June 30 1944	June 30 1943
Cash on deposit, in transit and on hand	$ 27,187,132.72	$ 32,112,817.18
United States Government securities and accrued interest receivable thereon:		
Principal amount $686,526,300 and $570,043,400 at June 30, 1944 and 1943, respectively, stated at cost	$688,931,112.31	$573,394,017.19
Less—Reserve for amortization of premiums	1,169,200.52	1,845,336.86
	$687,761,911.79	$571,548,680.33
Accrued interest receivable	2,452,367.77	1,785,212.44
	$690,214,279.56	$573,333,892.77
Assets acquired through bank suspensions and mergers, less collections:		
Subrogated claims of depositors against closed insured banks	$ 22,160,090.58	$ 25,742,036.04
Net balances of depositors in closed insured banks pending settlement or not claimed, to be subrogated when paid—per contra	254,409.13	446,126.57
Loans made to, and assets purchased from, merging insured banks to reduce or avert deposit insurance losses—		
Loans and recoverable liquidation expenses (Note 1)	24,555,079.29	34,459,768.53
Assets purchased under agreement to return any excess recoveries to the selling banks, and recoverable liquidation expenses (Note 1)	23,724,303.01	32,076,233.98
Assets purchased, other	521,699.53	557,907.52
Assets purchased from receivers of closed insured banks	74,367.40	219,007.89
	$ 71,289,948.94	$ 93,501,080.53
Less—Reserves for losses	35,172,158.51	38,792,706.64
	$ 36,117,790.43	$ 54,708,373.89
Miscellaneous receivables and deferred charges:		
Receivable from other governmental agencies	$ 376,136.12	$ 485,569.92
Federal Credit Union examination and supervision fees	23,411.38	112,445.82
Other	101,896.55	93,466.62
	$ 501,444.05	$ 691,482.36
Furniture, fixtures and equipment, at nominal value	$ 1.00	$ 1.00
	$754,020,647.76	$660,846,567.20

NOTES:

(1) Loans to merging insured banks are evidenced by demand notes bearing interest at the rate of 4% per annum, and the Corporation is entitled to a return of 4% per annum with respect to its investments in assets purchased from merging insured banks under agreements to return any excess recoveries to the selling banks. The Corporation follows the practice of taking into income only such amounts of interest and allowable return as are realized after recovery in full of its investments (including recoverable liquidation expenses) in the respective loans and purchased assets. The amount of such interest realized during the year ended June 30, 1944 was $426,558.50.

(2) Under the provisions of Section 12B of the Federal Reserve Act, as amended by Title I of the Banking Act of 1935 (subsection "o"), the Corporation is authorized and empowered to issue and to have outstanding its notes, debentures, bonds or other such obligations in a par amount determined in accordance with said provisions, which amount at June 30, 1944 was $974,600,000.

Table 11. FEDERAL DEPOSIT INSURANCE CORPORATION COMPARATIVE BALANCE SHEET, JUNE 30, 1944 AND 1943—FROM AUDITORS' REPORT—Continued

LIABILITIES	June 30 1944	June 30 1943
Liabilities:		
Accounts payable	$ 368,132.39	$ 359,839.61
Earnest money deposits and collections in suspense, arising from assets acquired through bank suspensions and mergers, etc.	961,637.33	985,898.61
Net balances of depositors in closed insured banks pending settlement or not claimed—per contra	254,409.13	446,126.57
Reserve for expenses of paying insured deposits	65,306.31	137,465.92
Deferred credits	86,879.39	98,402.92
Total liabilities	$ 1,736,364.55	$ 2,027,733.63
Capital stock and surplus (the entire capital stock and surplus is considered by the corporation to constitute a reserve for future deposit insurance losses and related expenses with respect to insured banks. The corporation estimates that the insured deposits in operating insured banks amounted to approximately $46 billion at June 30, 1944 and $36 billion at June 30, 1943):		
Capital stock, without nominal or par value (nonvoting and not entitled to payment of dividends)—		
Held by United States Government	$150,000,000.00	$150,000,000.00
Held by Federal Reserve banks	139,299,556.99	139,299,556.99
	$289,299,556.99	$289,299,556.99
Surplus—		
Balance at beginning of year	$369,519,276.58	$294,587,895.18
Net increase in surplus during the years—		
Income—		
Deposit insurance assessments	$ 77,159,327.80	$ 61,110,632.07
Interest earned and net profits from sales of United States Government securities, less provision for amortization of premiums	16,881,263.65	14,319,669.93
Other interest received (Note 1)	528,465.96	90,758.67
Fees from Federal Credit Unions	140,796.65	222,884.66
	$ 94,709,854.06	$ 75,743,945.33
Expenses—		
Deposit insurance losses and expenses applicable to assets acquired through bank suspensions and mergers occurring in—		
Current year	$ 1,654,168.18	$ 1,612,099.56
Prior years (credits, representing adjustments of reserves for losses)	(4,404,822.11)	(4,771,231.79)
Total (credit)	($ 2,750,653.93)	($ 3,159,132.23)
Administrative expenses	3,977,866.46	4,212,329.79
Furniture, fixtures and equipment purchased	17,191.89	33,213,12
	$ 1,244,404.42	$ 1,086,410.68
	$ 93,465,449.64	$ 74,657,534.65
Transfer from Farm Credit Administration with respect to Federal Credit Unions		273,846.75
Net increase in surplus	$ 93,465,449.64	$ 74,931,381.40
Surplus at end of year	$462,984,726.22	$369,519,276.58
Total capital stock and surplus	$752,284,283.21	$658,818,833.57
	$754,020,647.76	$660,846,567.20

The Secretary of the Treasury, in his discretion, is authorized to purchase such obligations of the Corporation; and he is authorized and directed to purchase obligations of the Corporation in an amount not to exceed $250,000,000 par value whenever, in the judgment of the Board of Directors of the Corporation, additional funds are required for insurance purposes.

The Reconstruction Finance Corporation, as provided in subsection (b) of section 5e of the Reconstruction Finance Corporation Act, as amended, shall purchase at par value such obligations of the Corporation as are authorized to be issued, upon request of the Board of Directors of the Corporation, whenever, in the judgment of said Board, additional funds are required for insurance purposes; provided, that the Reconstruction Finance Corporation shall not purchase or hold at any time said obligations in excess of $250,000,000 par value. If the Reconstruction Finance Corporation fails for any reason to purchase any of the obligations of the Corporation, the Secretary of the Treasury is authorized and directed to purchase such obligations in an amount equal to the amount of such obligations the Reconstruction Finance Corporation so fails to purchase.

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Board of Directors,
Federal Deposit Insurance Corporation:

We have examined the balance sheet of the Federal Deposit Insurance Corporation (a corporation created under Section 12B of the Federal Reserve Act, as amended by Title I of the Banking Act of 1935) as of June 30, 1944, and the related statement of surplus for the year then ended, which statement of surplus is summarized in the balance sheet. In connection therewith, we have reviewed the system of internal control and the accounting procedures of the Corporation and, without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence maintained in the general office of the Corporation (except the records as to the closed insured banks for which the Corporation is receiver), by methods and to the extent we deemed appropriate. We did not examine the collateral under loans to merging insured banks nor the documents evidencing ownership of assets purchased from merging or closed insured banks, which collateral and assets for the most part are held by Liquidating Agents of the Corporation at various locations throughout the country; but we reviewed the reports of the Corporation's internal auditors on the examinations made by them during the year of such collateral and purchased assets. The examinations by the internal auditors are on a rotating basis, covering the collateral under each loan and the documents evidencing ownership of the assets purchased from each merging or closed insured bank approximately every eighteen months. We made a similar examination for the year ended June 30, 1943.

In our opinion, the accompanying balance sheet presents fairly the position of the Federal Deposit Insurance Corporation at June 30, 1944 and the results of its operations for the year ended that date.

Arthur Andersen & Co.

Chicago, Illinois,
October 20, 1944.

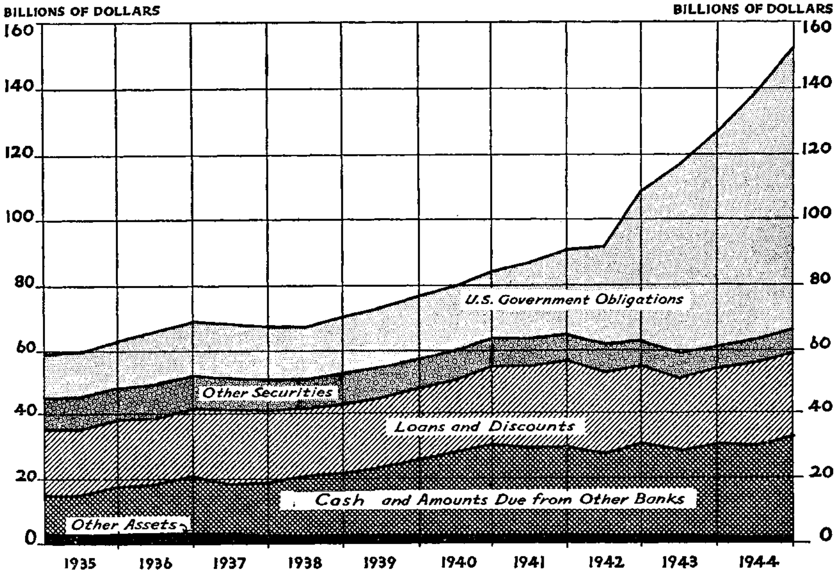
PART TWO

BANKING DEVELOPMENTS

Assets of all banks.[1] The upward trend of bank assets continues. During the year 1944, total assets of all commercial and mutual savings banks increased $25 billion, and by the end of the year had reached the unprecedented total of $152.6 billion. This 19 percent increase in 1944 was a continuation of the sharp upward trend which has prevailed since the beginning of large scale war financing in 1942. Nearly all the rise in total assets during the last three years has occurred in bank holdings of Government obligations.

CHART A

TOTAL ASSETS OF ALL OPERATING BANKS BY TYPE OF ASSET 1934 - 1944



Between 1934 and 1941 business recovery was reflected in a continuous rise in bank assets, as shown in Chart A, with the exception of the slight down-turn during the business depression of 1937-38. Two-thirds of the $15 billion increase from the end of 1938 to the end of 1940 was in cash and amounts due from other banks, principally reserves with the Federal Reserve banks. The increase in reserves was due primarily to the substantial inflow of gold from

[1] In order to present a complete picture of the private banking system, the discussion in this section, as far as possible, covers all commercial and mutual savings banks in the United States and possessions (see page 108). However, data for insured commercial banks are in some instances more complete, and at times it is necessary to confine the discussion to this group of banks.

abroad. In 1941, the $6 billion rise in total bank assets was chiefly the result of increases in the holdings of United States Government obligations and in the volume of loans, reflecting the intensification of our defense activities.

In the years immediately prior to our entry into the war, bank assets were rising at the rate of 9 percent a year. With the augmented tempo of war financing in the middle of 1942, the rate of increase rose sharply and there was a 19 percent gain in total assets during the last six months of 1942. The rate of increase then declined, and has been 18 percent a year during the last two years as shown in Table 12.

Table 12. Increase in Total Assets of all Operating Banks, 1941-1944

(Amounts in millions of dollars)

Call date	Total assets	Increase from previous call date	
		Amount	Percentage
December 30, 1944	$152,618	$13,393	9.6%
June 30, 1944	139,225	11,431	8.9
December 31, 1943	127,794	10,811	9.2
June 30, 1943	116,983	7,678	7.0
December 31, 1942	109,305	17,224	18.7
June 30, 1942	92,081	1,658[1]	1.8
December 31, 1941	91,037	....	....

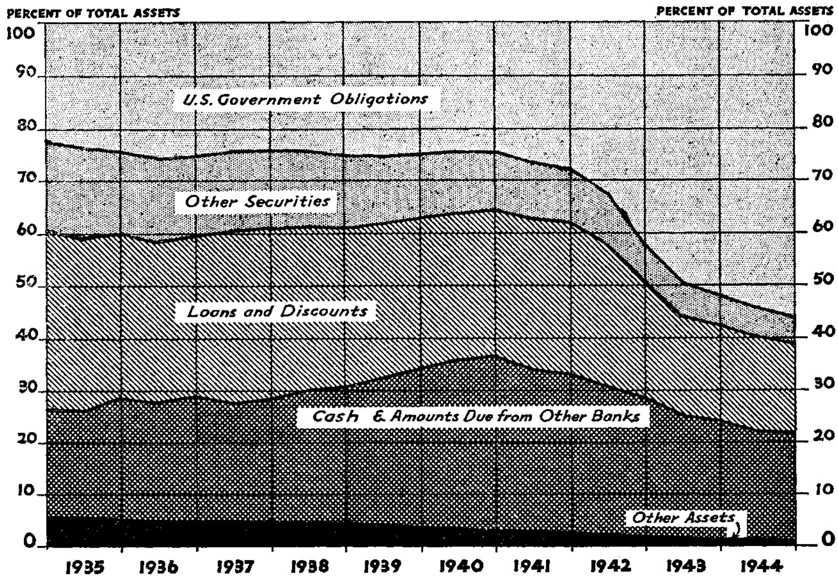
[1] In computing the change from December 31, 1941, to June 30, 1942, an adjustment was made for the fact that on and after June 30, 1942, reciprocal bank balances due from other banks were not included in the total. Reciprocal bank balances were $614 million on June 30, 1942.

Detailed figures—See Table 107, page 128.

Changes in types of assets. A marked change in the relative importance of the various types of assets held by banks has accompanied the rise in total assets. The major shift has been, of course, the increase in the volume of United States Government obligations. At the end of 1938, these securities made up only one-fourth of all bank assets, whereas at the end of 1944 they constituted more than one-half of total assets, and nearly three-fourths of earning assets. Loans, on the other hand, have declined in relative importance. Loans amounted to $21 billion, or approximately 30 percent of all bank assets, at the end of 1938. From 1939 to the end of 1941, the volume of loans rose from $22 billion to nearly $27 billion. This 20 percent rise in the amount of loans was approximately the same as the 18 percent gain in total bank assets. After declining slightly in the early period of our participation in the war, the volume of loans increased and on December 30, 1944, amounted to $26 billion, slightly below the peak at the end of 1941. With the sharp rise in the volume of total assets, however, the proportion of loans fell to 17 percent at the end of 1944. Bank holdings of securities other than Governments have declined gradually from $10 billion to $8 billion over the last decade, and have decreased in relative importance as total assets have increased. These trends are shown in Chart B.

CHART B

PERCENTAGE DISTRIBUTION OF ASSETS–ALL OPERATING BANKS
1934 – 1944



Examiners' appraisal of assets of insured commercial banks. As would be expected during a period of accelerated business activity, the proportion of total assets of insured commercial banks classified as substandard by the examiners continued to decline in 1944. This decline was due to three factors: first, criticized assets form a smaller proportion of total assets simply because the increase in bank assets during the war period has been confined almost entirely to United States Government obligations and cash; second, in a period of good business, assets appear in a more favorable light and therefore are not as likely to be classified substandard as formerly; and third, banks have been able to dispose of many of these assets at favorable prices.

In 1944, substandard assets amounted to 0.7 percent of total assets, compared with 1.2 percent in 1943, and 2.1 percent in 1942. The ratio of substandard assets to the appraised value of assets other than cash and United States Government obligations fell from 5.9 percent in 1942 to 3.0 percent in 1944 as the result of a decrease of nearly 50 percent in the amount of substandard assets held by insured commercial banks. The downtrend of substandard asset ratios from 1939 to 1944 is shown in Table 13. Of the 12,983 insured commercial banks examined during 1944, 2,285, or 18 percent, had no substandard assets, as compared with 10 percent in 1943 and 5 percent in 1942.

Table 13. Substandard Asset Ratios of Insured Commercial Banks Examined in 1939-1944

Year	Ratio of substandard assets to—		
	Appraised value of total assets	Appraised value of assets other than cash and U. S. Government obligations	Adjusted capital accounts
1944	.69%	2.98%	10.92%
1943	1.24	4.75	17.84
1942	2.13	5.93	25.26
1941	2.84	(1)	31.12
1940	3.93	(1)	40.35
1939	5.12	(1)	48.21

[1] U. S. Government obligations are not available separately prior to 1942.
Detailed figures—See Table 109, page 134.

As a result of the decrease in substandard assets, the ratio of such assets to the adjusted capital accounts[1] has fallen from 48 percent in 1939 to 11 percent in 1944. This low ratio for all insured commercial banks in 1944 should not obscure the fact that there are still a number of banks in which substandard assets constitute a substantial proportion of adjusted capital accounts.

Bank holdings of United States Government obligations. From the end of 1941 through 1944, $61 billion of the $62 billion increase in bank assets occurred in holdings of United States Government obligations. At the close of 1944, all operating banks held $86 billion of United States Government obligations, nearly three and one-half times the $25 billion held at the time of our entry into the war. The largest rise for any six-month period, both in absolute and relative amounts, occurred during the last half of 1942 when bank holdings of Government obligations rose by $16 billion, an increase of more than 50 percent. This reflected the heavy participation of the banks in the first war loan drive and the large purchases during this period of certificates of indebtedness which the Treasury began issuing in April 1942. The banks also participated heavily in the second war loan drive in April of 1943, and another $12 billion was added to bank holdings during the first six months of 1943. In the next year and a half, to the end of 1944, banks added $28 billion to their Government portfolio, an amount approximately equal to that added from the middle of 1942 to the middle of 1943. In the later

[1] Adjusted capital accounts represent the difference between total bank assets and total bank liabilities as appraised by the examiners (see page 133).

period the bulk of the banks' purchases was made between drives since the Treasury adopted a policy of sharply restricting bank participation in the third, fourth, fifth and six war loan drives.

From the end of 1941 to the middle of 1943, banks acquired Governments at a faster rate than the rate of increase in the Federal debt outstanding; while during the next 18 months, the debt increased more rapidly than holdings of the banks. From December 31, 1941, to June 30, 1943, the amount of Governments held by banks increased by 127 percent, whereas the interest-bearing Government debt rose by 119 percent. From the middle of 1943 to the end of 1944, the total outstanding debt increased by two-thirds, while bank holdings increased less than one-half. At the end of 1944, all operating banks held a slightly smaller proportion of the total Government debt outstanding than three years earlier. When the holdings of the Federal Reserve banks, which rose from $2 billion to $19 billion over the three year period, are included, the proportion of the Government debt held by the banking system rose slightly between the time of our entry into the war and the end of 1944. The holdings of the various classes of banks at the end of 1941 and 1944 are shown in Table 14.

Table 14. Bank Holdings of United States Government Obligations, Direct and Guaranteed, 1941 and 1944

Type of holder	December 31, 1941		December 30, 1944	
	Amount (In billions)	Percent	Amount (In billions)	Percent
Total interest-bearing debt outstanding	**$63.8**	**100.0%**	**$230.4**	**100.0%**
Banking system—total	27.8	43.6	105.1	45.6
Commercial banks	21.8	34.2	78.0	33.8
Mutual savings banks	3.7	5.8	8.3	3.6
Federal Reserve banks	2.3	3.6	18.8	8.2

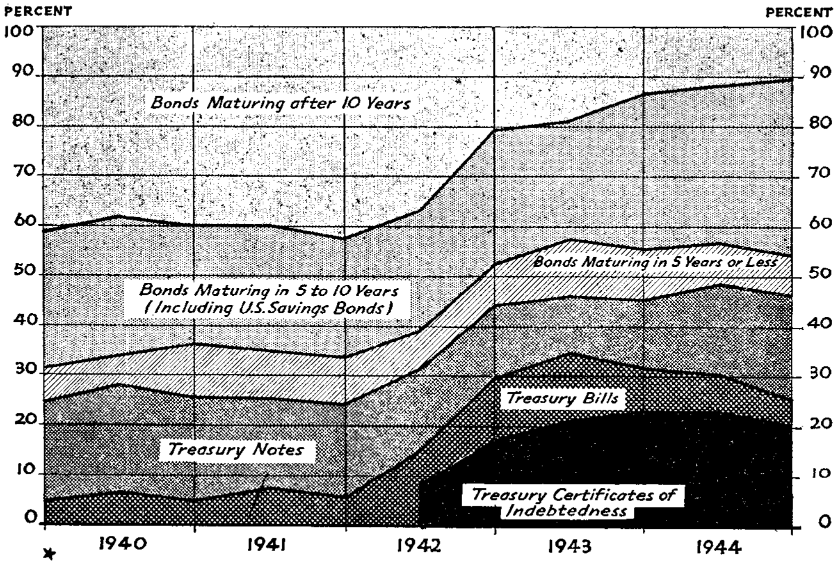
Types of Government obligations held by insured commercial banks. Detailed data on the various types of Treasury issues held by commercial and mutual savings banks are available only for insured commercial banks. However, the data for this group of banks are significant since they held almost 90 percent of the total of all bank holdings of Governments at the close of 1944.

The war-time trend of insured commercial bank purchases of Government obligations has brought a marked shift in the maturity distribution, as shown in Chart C and Table 15. At the end of 1939, bonds maturing in more than ten years constituted over 40 percent of all insured commercial bank holdings of United States Government obligations, while at the end of 1944 they constituted only 10 percent.

Concomitant with this decline in the proportion of long term maturities has been a very sharp increase in the proportion of short term maturities, particularly certificates of indebtedness.

CHART C

PERCENTAGE DISTRIBUTION OF DIRECT U.S. GOV'T. OBLIGATIONS HELD BY INSURED COMMERCIAL BANKS * 1939 - 1944



* Distribution of bonds based upon number of years to final maturity.

Table 15. DIRECT UNITED STATES GOVERNMENT OBLIGATIONS HELD BY INSURED COMMERCIAL BANKS, 1939-1944

(Millions of dollars)

Call date	Total	Certificates of indebtedness	Treasury bills	Treasury notes	Bonds maturing within[1]		
					5 years	5-10[2] years	After 10 years
Dec. 30, 1944	74,919	15,303	3,972	15,781	5,918	26,231	7,714
June 30, 1944	66,141	15,469	4,709	11,835	5,650	20,641	7,837
Dec. 31, 1943	56,192	13,220	4,637	7,673	5,791	17,092	7,779
June 30, 1943	48,880	10,315	6,557	5,717	5,497	11,511	9,283
Dec. 31, 1942	37,994	6,729	4,462	5,800	2,865	10,331	7,807
June 30, 1942	23,062	1,978	1,536	3,732	1,765	5,588	8,463
Dec. 31, 1941	16,945	....	988	3,159	1,551	3,970	7,277
June 30, 1941	15,291	....	1,135	2,758	1,471	3,837	6,090
Dec. 31, 1940	13,344	....	662	2,756	1,458	3,153	5,315
June 29, 1940	12,530	....	805	2,699	750	3,489	4,787
Dec. 30, 1939	12,153	....	571	2,388	837	3,308	5,049

[1] The maturity distribution of insured commercial bank holdings of U. S. Government bonds is based upon the number of years to first maturity.
[2] Includes United States Savings Bonds.

During 1942 and the first half of 1943, insured commercial banks added to their holdings of Treasury bills, generally maturing in 91 days after issue, which reached a peak in June of 1943, when they held $6.6 billion, 55 percent of the total outstanding. Since that time insured commercial bank holdings of bills have declined and on December 30, 1944, the amount held was only $4 billion, or less than one-fourth of the total outstanding.

Certificates of indebtedness, which have a maturity when issued of approximately one year, formed a large part of bank acquisitions during the first and second war loan drives and the banks also bought these securities between drives. In the first year of their offering insured commercial banks took a large proportion of the amount offered and on June 30, 1943, held approximately two-thirds of the total outstanding. Certificates of indebtedness have been included in all the later drives, but sharp restrictions have been placed on bank purchases. Even though insured commercial banks have steadily added to their holdings by purchasing certificates between drives, their proportionate holdings have gradually declined until on December 31, 1944, they held 50 percent of the total outstanding.

Insured commercial bank holdings of Treasury notes, issued in maturities of from one to five years, have increased from 50 percent of the total outstanding at the end of 1941 to nearly 70 percent at the end of 1944. The banks have also made substantial increases in their holdings of United States Government bonds maturing in five to ten years. At the end of 1941, they held $4 billion of such securities, and by December 30, 1944, holdings reached $26.2 billion. The holdings of bonds maturing in more than ten years, however, have remained at approximately the same level throughout the war period. Treasury policy has tended to discourage bank acquisition of longer maturities, and insured commercial banks now hold a considerably smaller proportion of outstanding long term issues maturing in more than ten years than they did before the war.

Deposits of all banks. The trend of deposits in commercial and mutual savings banks during the war has been the counterpart of the trend of total assets. Deposits rose $61 billion from the close of 1941 to the end of 1944, while assets increased $62 billion. At the close of 1944, total deposits of all banks amounted to $142 billion of which $135 billion, or 95 percent, were held in all insured banks and $126 billion, or 89 percent, were held in insured commercial banks.

Total deposits of all banks rose $19 billion, or 23 percent, during 1942, most of the increase occurring in the last half of the year. There was an $18 billion increase in deposits during 1943, and a $24 billion increase in 1944, while the percentage increases were 18 percent and 20 percent respectively.

Nearly two-thirds of the deposit increase since the war has been in deposits of individuals, partnerships, and corporations, while most of the remaining increase was in deposits of the Federal Government. The sale of bonds for war financing has in the first instance given rise to an increase in Government deposits. Then, as expenditures have been made, the bulk of these deposits has shifted to the accounts of individuals and business enterprises. Interbank deposits and deposits of State and local governments have increased moderately.

There has been considerable variation in the rate of growth of deposits during the war in the various geographic regions and States. The growth has been relatively high in most of the States west of the Mississippi River and in the southern States, and relatively moderate in the northeastern States. The geographic pattern of the growth in deposits during the last three years has corresponded to a considerable extent with the geographic pattern of the expansion in individual and business incomes. A study of the deposit shifts which have occurred is to be found in Part Three of this report.

Capital accounts of insured commercial banks. The increase in bank capital has not kept pace with the rapid expansion in total assets. On December 30, 1944, total capital accounts of all insured commercial banks amounted to $8 billion. This was $1 billion above the total at the time of our entry into the war, and only $2 billion above the 1934 level. During the past three years, capital accounts have increased by 17 percent, compared with an increase in total assets of 76 percent.

Nearly all of the increase in capital during the war years has been due to the retention of bank earnings. At the end of 1944, capital stock made up 36 percent of total capital accounts of all insured commercial banks, as shown in Table 16, compared with 42 percent three years earlier.

Table 16. CAPITAL ACCOUNTS OF INSURED COMMERCIAL BANKS, 1941 AND 1944

(Amounts in millions of dollars)

Capital accounts	Dec. 31, 1941	Dec. 30, 1944	Increase or decrease	Percentage distribution	
				1941	1944
Total	**$6,845**	**$7,990**	**$+1,145**	**100.0%**	**100.0%**
Capital stock, notes, and debentures:	2,850	2,912	+62	41.6	36.4
Common stock	*2,470*	*2,660*	*+190*	*36.0*	*33.3*
Preferred stock	*306*	*202*	*-104*	*4.5*	*2.5*
Capital notes and debentures	*74*	*50*	*-24*	*1.1*	*.6*
Surplus	2,687	3,402	+715	39.3	42.6
Undivided profits	896	1,169	+273	13.1	14.7
Reserves	412	507	+95	6.0	6.3

There has been only a moderate rise in capital stock since the end of 1941, as the additions to common stock of $190 million have been largely offset by the retirement of $128 million of preferred stock and capital notes and debentures, most of which were owned by the Reconstruction Finance Corporation. The investment of the Reconstruction Finance Corporation in insured commercial banks reached a peak of about $900 million in 1935. This investment now amounts to about $250 million.

With the increasing disparity between the rate of growth in total capital accounts of the banks and the rate of growth of assets, the decline in the stockholders' equity relative to total assets has been accelerated during the war years. However, due to the fact that the greatest increase in bank assets has been in the holdings of cash and United States Government obligations, the ratio of total capital accounts to assets other than United States Government obligations and cash increased moderately in this period. At the end of 1944, this ratio was 27.6 percent or slightly above the 26.3 percent at the end of 1934. Any expansion of bank loans during the post-war reconversion period will bring about a decline in this ratio unless additional capital is obtained. The ratio of total capital accounts to total assets and to assets other than cash and Governments is shown in Table 17.

Table 17. CAPITAL RATIOS OF INSURED COMMERCIAL BANKS YEAR-END CALL DATES, 1934-1944

Year	Total capital accounts as a percentage of—	
	Total assets	Assets other than cash and U. S. Government obligations
1944	5.94%	27.58%
1943	6.64	28.28
1942	7.39	25.99
1941	8.91	22.82
1940	9.44	24.38
1939	10.33	25.38
1938	11.33	25.62
1937	11.81	25.00
1936	11.26	24.60
1935	12.19	26.09
1934	13.24	26.69

Capital ratios by size of bank. Small banks generally have higher ratios of total capital accounts to total assets than the large banks. This is shown by the data summarized in Table 18 for the 12,983 insured commercial banks examined during 1944. Of these banks, 2,267, or 17 percent, had adjusted capital accounts equal to more than 10 percent of the appraised value of their assets. Of the 241 smallest banks examined during 1944, 76 percent had capital ratios of over 10 percent, and this proportion steadily declined as the size of the banks increased until only 4 percent of the 249 largest banks had capital ratios of over 10 percent and nearly half had ratios of less than 5 percent.

Table 18. DISTRIBUTION OF INSURED COMMERCIAL BANKS EXAMINED IN 1944 ACCORDING TO ADJUSTED CAPITAL RATIO AND BY AMOUNT OF DEPOSITS

Size of bank	All banks	Banks with adjusted capital accounts per $100 of appraised value of assets of—				
		$0.01 to $4.99	$5.00 to $7.49	$7.50 to $9.99	$10.00 to $14.99	$15.00 or more
All banks	**12,983**	**2,108**	**5,414**	**3,194**	**1,839**	**428**
Banks with deposits of—						
$250,000 or less	241	4	18	37	114	68
$250,000 to $500,000	1,297	31	260	512	394	100
$500,000 to $1,000,000	2,888	195	1,279	902	434	78
$1,000,000 to $2,000,000	3,423	563	1,598	765	416	81
$2,000,000 to $5,000,000	2,950	650	1,299	613	321	67
$5,000,000 to $10,000,000	1,101	273	515	194	100	19
$10,000,000 to $50,000,000	834	276	351	142	53	12
More than $50,000,000	249	116	94	29	7	3

EARNINGS OF INSURED COMMERCIAL BANKS

Insured commercial banks during 1944 had the highest level of net profits since deposit insurance began in 1934. Net profits before taxes in 1944 were $954 million, a gain of 25 percent over 1943 and 83 percent over 1942. Net profits after taxes were $751 million in 1944, which was 18 percent above 1943 and 70 percent above 1942. Operating earnings and expenses and net profits for the three years are shown in Table 19.

Table 19. EARNINGS, EXPENSES, AND DIVIDENDS OF INSURED COMMERCIAL BANKS, 1942-1944

(Amounts in millions of dollars)

Item	1944	1943	1942
Total current operating earnings	$2,215	$1,959	$1,790
Total current operating expenses	1,357	1,256	1,222
Net current operating earnings	858	703	568
Profits on assets sold, recoveries on assets, etc.	362	353	223
Losses, charge-offs, etc.	266	290	271
Net profits before income taxes	954	766	520
Taxes on net income	203	128	79
Net profits after taxes	751	638	441
Cash dividends declared and interest paid on capital	253	233	228
Net profits retained	498	405	213
Number of banks	13,268	13,274	13,347

Detailed figures for 1944—See Table 111, page 140.

Total current operating earnings have not increased as rapidly during the last three years as earning assets, both because of the larger proportion of assets invested in Governments which have a lower rate of return than loans and because of a continuation of the gradual decline in the average rate of return on loans. However, total current operating expenses have increased more slowly than have total current operating earnings. Total current operating expenses took 61 percent of total current operating earnings in 1944 compared with 68 percent in 1942. As a result, net current operating earnings have increased during the last two years at about the same rate as the earning assets of insured commercial banks.

Losses and charge-offs in 1944 amounted to only $266 million, the lowest in the history of Federal deposit insurance. Recoveries on assets and profits on securities sold or redeemed were $362 million in 1944, and for the third time since 1934, recoveries and profits exceeded charge-offs.

Total income taxes of $203 million on earnings of insured commercial banks in 1944 were 59 percent higher than the $128 million total for the previous year and two and a half times the $79 million in 1942. Income taxes amounted to 21 percent of net profits before taxes in 1944 compared with 15 percent in 1942.

The substantial rise in net profits during the war has not been accompanied by a significant increase in cash dividends. The 1944 total of $253 million was the same as in 1941, the previous high, and moderately above the 1942 and 1943 totals. The result of the maintenance of dividend payments at prewar levels during the war has been a sharp increase in net profits retained by insured commercial banks. In 1944, nearly $500 million, or two-thirds of net profits after taxes, was added to total capital accounts. This compares with $405 million, or 63 percent, of net profits retained in 1943 and $213 million, or 48 percent, retained in 1942.

Rate of net profits. Net profits after taxes of all insured commercial banks in 1944 represented a return of 9.7 percent on average total capital accounts, substantially above the 8.8 percent return in 1943 and more than 50 percent above the 6.3 percent return in 1942. The rate of return in the last two years has been higher than at any other time during the last decade.

The rise in the ratio of net profits to total capital accounts during the war years is due, in large part, to the fact that total capital accounts grew less rapidly than earning assets. The ratio of net earnings to total capital accounts rose from 7.0 percent in 1942 to 8.5 percent in 1944. An additional factor contributing to the rise in net profits was the excess of recoveries and profits on assets over losses and charge-offs in both 1943 and 1944. The effect of net charge-offs or net recoveries is represented by the difference between the rate of net earnings and the rate of net profits.

In Chart D and Table 20 ratios of net profits, net earnings, and cash dividends to total capital accounts are shown for each year since the beginning of deposit insurance.

CHART D

RATIOS OF NET EARNINGS, NET PROFITS AND CASH DIVIDENDS TO AVERAGE TOTAL CAPITAL ACCOUNTS-ALL INSURED COMMERCIAL BANKS 1934 - 1944

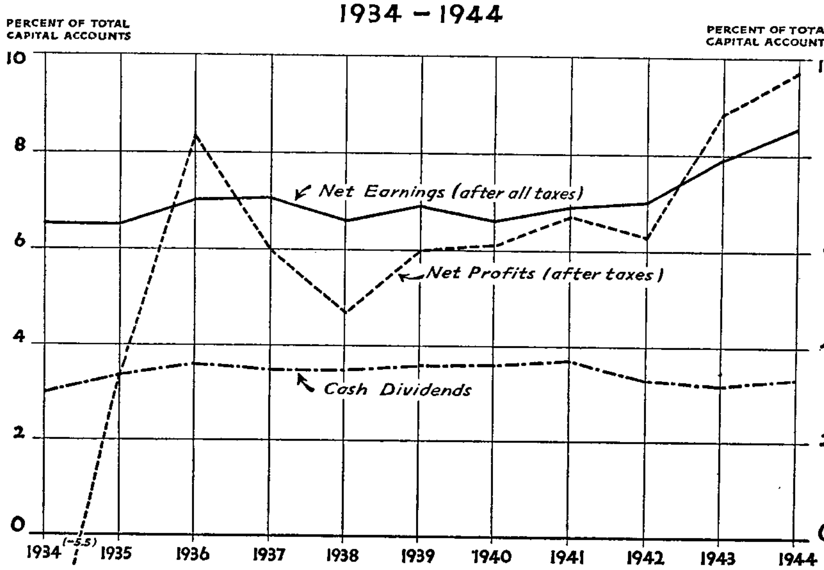


Table 20. RATIOS OF NET PROFITS, NET EARNINGS, AND CASH DIVIDENDS TO AVERAGE TOTAL CAPITAL ACCOUNTS, ALL INSURED COMMERCIAL BANKS, 1934-1944

Year	Ratios to average total capital accounts[1]		
	Net profits after taxes	Net operating earnings after taxes[2]	Cash dividends declared and interest paid on capital
1944	9.7%	8.5%	3.3%
1943	8.8	7.9	3.2
1942	6.3	7.0	3.3
1941	6.7	6.9	3.7
1940	6.1	6.6	3.6
1939	6.0	6.9	3.6
1938	4.7	6.6	3.5
1937	6.0	7.3	3.5
1936	8.3	7.0	3.6
1935	3.4	6.5	3.4
1934	−5.5	6.5	3.0

[1] Total capital accounts are averages of figures for beginning, mid-year, and year-end call dates.
[2] After all taxes, including income taxes which were not available separately prior to 1942.

The rise in bank earnings has been general. With few exceptions, the prosperity has been shared by all banks. Whereas, 22 percent of the banks in 1942 and 37 percent in 1943 reported net profits after taxes in excess of 10 percent of average total capital accounts, one-half of the banks in 1944 had net profits in excess of 10 percent of average total capital accounts. Conversely, the proportion of banks reporting net losses fell from 6 percent in 1942 to 2 percent in 1943 and only 1 percent in 1944. The distribution of banks according to the rates of net profits on total capital accounts for 1942, 1943, and 1944 is shown in Table 21.

Table 21. Distribution of Insured Commercial Banks According to Rate of Net Profits on Total Capital Accounts, 1942-1944

Rate of net profits	1944		1943		1942	
	Number of banks	Percentage distribution	Number of banks	Percentage distribution	Number of banks	Percentage distribution
All banks[1]	**13,141**	**100.0%**	**13,145**	**100.0%**	**13,226**	**100.0%**
Banks with net loss	117	0.9	257	2.0	749	5.7
Banks with net profits after taxes per $100 of total capital accounts of—[2]						
$0.00 to $4.99	1,288	9.8	2,290	17.4	3,963	30.0
$5.00 to $9.99	5,062	38.5	5,678	43.2	5,647	42.7
$10.00 to $14.99	4,475	34.1	3,418	26.0	2,129	16.1
$15.00 to $19.99	1,618	12.3	1,067	8.1	520	3.9
$20.00 or more	581	4.4	435	3.3	218	1.6

[1] Excludes banks submitting reports covering less than the full year's operations or materially affected by mergers.
[2] Total capital accounts are averages of figures at beginning, mid-year, and year-end call dates.

Sources of earnings. Total current operating earnings increased from $1,790 million in 1942 to $1,959 million in 1943 and to $2,215 million in 1944. The substantial rise in earning assets which caused this increase in gross earnings has been accompanied by a marked shift in the relative importance of the various types of assets as sources of income. Prior to 1943, income on loans was the most important earnings item, accounting for approximately 45 percent of total current operating earnings in each year from 1934 to 1941. In the war years this proportion declined and by 1944 income on loans accounted for less than one-third of total current operating earnings. In the last two years income on securities has exceeded income on loans and in 1944 income on securities constituted almost one-half of total current operating earnings.

Since 1941, the expansion of the earning assets of banks has been confined to holdings of United States Government obligations, and as a result, income on securities has increased rapidly, reaching $1,090 million in 1944. The average rate of return on securities, however, continued to decline and was 1.49 percent in 1944. This decline in recent years has been a result of both the increased holdings of Government obligations and the concentration of these holdings in short term issues. Total income from loans, on the other hand, has steadily declined since 1941. While the volume of loans outstanding rose moderately during 1944, the average rate of return fell from 3.85 percent in 1943 to 3.44 percent in 1944 resulting in a slight decline in total income from loans.

Earnings from other sources have increased in the last two years. The 1944 total of $427 million was 9 percent above 1943 and 14 percent above 1941. The increase, which was primarily due to higher income from service charges, was not, however, as rapid as the rise in total current operating earnings. In 1944, 19 percent of gross earnings was derived from sources other than loans and securities in contrast to 22 percent in 1941. These trends are shown in Table 22.

Table 22. Amounts and Rates of Income Received by Insured Commercial Banks, 1934-1944

Year	Total current operating earnings (millions of dollars) from—			Income on loans per $100 of loans[1]	Income on securities per $100 of securities[1]
	Loans	Securities	Other sources		
1944	$698	$1,090	$427	$3.44	$1.49
1943	706	861	393	3.85	1.52
1942	817	610	364	4.08	1.78[2]
1941	848	509	373	4.27	1.95
1940	769	500	363	4.41	2.16
1939	727	522	357	4.46	2.38
1938	705	532	347	4.36	2.56
1937	710	572	352	4.28	2.68
1936	663	574	330	4.34	2.66
1935	643	548	295	4.40	2.87
1934	691	550	278	4.63	3.17

[1] Loans, securities, and deposits are averages of figures reported at beginning, middle, and end of year by banks submitting statements of assets and liabilities.
[2] For 1942, average securities are based on amounts reported at end of month in the Treasury survey of ownership of Government securities as well as upon amounts reported at call dates.

Detailed figures for 1944—See Tables 111-112, pages 140-143.

Expenses. Total current operating expenses amounted to $1,357 million in 1944, 8 percent above the $1,256 million in 1943. Of the total increase of $101 million in 1944, $46 million represented an increase in salary and wage payments. The number of officers and employees increased 2 percent during 1944, while total salaries, wages and fees paid rose 8 percent in 1944 as compared with 1943. Because of the increase in the volume of time and savings deposits, interest paid on these deposits rose to $187 million in 1944, $23 million or 14 percent higher than in 1943. This increase in 1944 reversed the downward trend in evidence since 1934. However, the average rate of interest paid continued to decline and was .87 percent in 1944.

Earnings by size of bank. There was little relationship between size of bank and the ratio of net profits to total capital accounts in 1944. Except for the fact that the 1,105 smallest banks, those with deposits of $500,000 or less, had an average ratio of net profits after income taxes to total capital accounts substantially below the ratios of the larger banks, there appeared to be no relationship between size of bank and the net profits ratio.

The fact that the small banks had the highest ratios of net operating earnings to total assets, as shown in Table 23, was primarily due to the larger proportion of earning assets held in the form of Government securities and to their greater concentration of these holdings in short term issues by the large banks. The higher ratio of net earnings to total assets shown by the small banks was, however, counteracted by their higher ratios of total capital accounts to total assets. As a result, when net earnings are related to total capital accounts, the smallest banks had the lowest ratios while the two groups of the largest banks had the highest ratios.

Table 23. Net Earnings and Net Profits Ratios of Insured Commercial Banks, 1944

BANKS GROUPED BY AMOUNT OF DEPOSITS

Size of bank	Number of banks[1]	Ratios to total capital accounts[2]		Ratio of net current operating earnings to total assets[2]
		Net profits after taxes	Net current operating earnings	
All banks	**13,177**	**9.46%**	**10.82%**	**0.65%**
Banks with deposits of:				
$500,000 or less	1,105	7.98	8.01	0.83
$500,000 to $1,000,000	2,578	9.82	9.73	0.77
$1,000,000 to $2,000,000	3,520	10.13	10.35	0.72
$2,000,000 to $5,000,000	3,378	9.59	10.16	0.67
$5,000,000 to $10,000,000	1,328	9.26	9.99	0.63
$10,000,000 to $25,000,000	742	9.21	10.12	0.60
$25,000,000 to $50,000,000	238	9.08	10.00	0.60
$50,000,000 to $100,000,000	129	9.65	11.55	0.58
More than $100,000,000	159	9.49	11.27	0.66

[1] Excludes banks submitting reports covering less than the full year's operations and trust companies not engaged in deposit banking.
[2] Total assets and total capital accounts are averages of figures for December 31, 1943, June 30, 1944, and December 30, 1944, for banks submitting reports to the Federal Deposit Insurance Corporation and as of December 30, 1944, for other banks.

The same picture for rate of net profits is shown by Table 24 which shows the banks grouped by rate of net profits and amount of deposits. About half of all insured commercial banks had net profits in excess of 10 percent of average total capital accounts. This proportion was closely approximated in each of the size groups except for the smallest banks with deposits of $500,000 or less, and in this group only about one-third of the banks had net profits in excess of 10 percent of average total capital accounts.

Table 24. Distribution of Insured Commercial Banks According to Ratio of Net Profits to Total Capital Accounts and by Amount of Deposits, 1944

Size of bank	All banks[1]	Banks with net loss	Banks with net profits after taxes per $100 of total capital accounts of—[2]				
			$0.01 to $4.99	$5.00 to $9.99	$10.00 to $14.99	$15.00 to $19.99	$20.00 or more
All banks[1]	**13,141**	**117**	**1,288**	**5,062**	**4,475**	**1,618**	**581**
Banks with deposits of—							
$500,000 or less	1,464	24	327	586	371	111	45
$500,000 to $1,000,000	2,843	23	295	1,078	939	355	153
$1,000,000 to $2,000,000	3,503	26	272	1,255	1,237	529	184
$2,000,000 to $5,000,000	3,080	28	227	1,160	1,138	402	125
$5,000,000 to $10,000,000	1,116	7	99	459	396	115	40
$10,000,000 to $25,000,000	661	6	46	304	218	68	19
$25,000,000 to $50,000,000	206	1	8	98	78	15	6
$50,000,000 to $100,000,000	127	2	9	52	47	13	4
More than $100,000,000	141	....	5	70	51	10	5

[1] Excludes banks submitting reports covering less than the full year's operations or materially affected by mergers.
[2] Total capital accounts are averages of figures at beginning, mid-year, and year-end call dates.

PART THREE

GROWTH IN BANK DEPOSITS AND IN TOTAL MONEY SUPPLY, 1940-1944

Deposits in Commercial and Mutual Savings Banks

At the close of 1944, total deposits in commercial and mutual savings banks in the United States and possessions amounted to $142 billion, more than twice the amount five years earlier. Four-fifths of the growth in deposits during the five years occurred in the latter half of the period. From the end of 1939 to the middle of 1942 deposits increased by $15 billion; during the next two and a half years to the end of 1944 they increased by $59 billion. The large growth in deposits since the middle of 1942 is the result of participation by the banks in financing the Federal Government wartime deficit.

Growth in deposits by class of owner. About two-thirds of the increase during the period, 1940-1944, in total deposits in commercial and mutual savings banks was in deposits of individuals, partnerships, and corporations. The bulk of the remainder, or more than one-fourth of the total growth in deposits, occurred in deposits of the United States Government. Deposits of States and political subdivisions, and also interbank deposits, grew at a relatively moderate rate. The amount of deposits owned by each of these groups, at each year-end and mid-year during the 5-year period, is shown in Table 25. The change in such deposits, by years, is shown in Table 26.

Table 25. Deposits in Commercial and Mutual Savings Banks in the United States and Possessions, by Class of Owner, June 30 and December 31, 1939-1944

(In millions of dollars)

Date	Total	Interbank	United States Government	States and political subdivisions	Individuals, partnerships, and corporations[1]	Certified checks etc.[2]
1944—Dec. 30	$142,077	$12,229	$20,834	$5,061	$102,586	$1,367
June 30	129,127	11,201	19,591	4,933	91,841	1,561
1943—Dec. 31	118,100	11,000	10,433	4,848	90,140	1,679
June 30	107,622	10,887	8,080	4,783	82,730	1,141
1942—Dec. 31	100,153	11,309	8,467	4,491	74,657	1,229
June 30	82,987[3]	10,279[3]				
	83,601[4]	10,893[4]	1,889	4,437	65,606	776
1941—Dec. 31[5]	82,073	10,997	1,941	4,278	63,763	1,094
June 30[5]	78,392	10,955	793	4,119	61,719	806
1940—Dec. 31[5]	76,248	10,952	799	3,921	59,597	979
June 29[5]	70,994	10,192	877	3,696	55,697	532
1939—Dec. 30[5]	68,413	9,884	906	3,495	53,506	622

[1] For 1942-1944, includes unclassified deposits in noninsured banks and total deposits in mutual savings banks.

[2] Certified and officers' checks, cash letters of credit and travelers' checks outstanding, and amounts due to Federal Reserve banks.

[3] Excluding reciprocal deposits reported by insured commercial banks. These figures are comparable with those for subsequent dates.

[4] Including reciprocal deposits reported by insured commercial banks. These figures are comparable with those for prior dates.

[5] From reports of Comptroller of the Currency. Possessions included are Alaska, Hawaii, Puerto Rico, and the Virgin Islands. Figures for total deposits differ slightly from those in the Annual Report of the Federal Deposit Insurance Corporation, 1941, p. 122, which are not available by class of owner.

Note: Figures are rounded and will not necessarily add precisely to totals.

Table 26. Increase in Deposits in Commercial and Mutual Savings Banks, United States and Possessions, by Year and Class of Owner, 1940-1944

Year	Total[1]	Inter-bank[1]	United States Government	States and political subdivisions	Individuals, partnerships, and corporations	Certified checks etc.
Amount of increase (thousands of dollars)						
1940-1944	$74,189	$2,871	$19,928	$1,565	$49,081	$745
1944	23,977	1,229	10,400	213	12,446	-312
1943	17,947	-309	1,967	357	15,482	450
1942	18,605	837	6,526	213	10,894	135
1941	5,825	46	1,142	356	4,167	115
1940	7,835	1,068	-106	426	6,091	357
Percentage increase						
1940-1944	108%	29%	2,201%	45%	92%	120%
1944	20	11	100	4	14	-19
1943	18	-3	23	8	21	37
1942	23	8	336	5	17	12
1941	8	(2)	143	9	7	12
1940	11	11	-12	12	11	57

[1] Increase for 1944 and 1943 computed from figures excluding reciprocal deposits reported by insured commercial banks; increase for 1942, 1941 and 1940 computed from figures including reciprocal deposits.
[2] Less than one-half of 1 percent.

Note: Figures are rounded and will not necessarily add precisely to totals.

The rate of growth in deposits of the United States Government was far higher than the rate of growth in the deposits of individuals, partnerships, and corporations. The latter nearly doubled during the 5-year period, rising from $54 billion to $103 billion; the former increased by more than 20-fold, rising from less than $1 billion to nearly $21 billion. The growth in the deposits of the United States Government represents primarily the larger cash balance needed in connection with the greatly increased expenditure of the Government in wartime. However, the growth in bank deposits owned by the Government has been relatively greater than the growth in its expenditure. In 1939, the amount of Government deposits in commercial and mutual savings banks was less than 10 percent of its annual expenditure. For 1944 the deposit balance of the Government averaged about 15 percent of its annual expenditure.

Relation of deposit growth to war finance. The growth in total deposits is an accompaniment of the acquisition of additional assets by the banks. During the war period the assets acquired by the banks have consisted almost exclusively of United States Government obligations, and in the defense period chiefly of such obligations.

From the end of 1939 to the middle of 1942 the net increase in assets of commercial and mutual savings banks (excluding balances with other banks) amounted to $14.4 billion, of which three-fourths consisted of United States Government obligations; from the middle of 1942 to the end of 1944 the net increase amounted to $59.0 billion, of which 95 percent consisted of United States Government obligations and 4 percent of currency and reserve balances at Federal Reserve banks. In the latter period the increase in assets of Federal Reserve banks, accompanying the increase in commercial bank reserves and the issue of currency, also consisted of United States Government obligations.

From the middle of 1942 to the end of 1944 the net increase in bank assets other than United States Government obligations, reserves at Federal Reserve banks, and currency was less than the increase in the banks' capital accounts and miscellaneous liabilities. The increase in deposits was therefore slightly smaller than the increase in the banks' holdings of Government obligations and of other assets based on such holdings. The amount of increase in deposits, other than interbank, was $57.1 billion; the increase in Government obligations and assets based on such obligations was $58.3 billion (see Table 27).

Table 27. ASSETS ACQUIRED BY COMMERCIAL AND MUTUAL SAVINGS BANKS IN THE UNITED STATES AND POSSESSIONS, 1940-1944

(In millions of dollars)

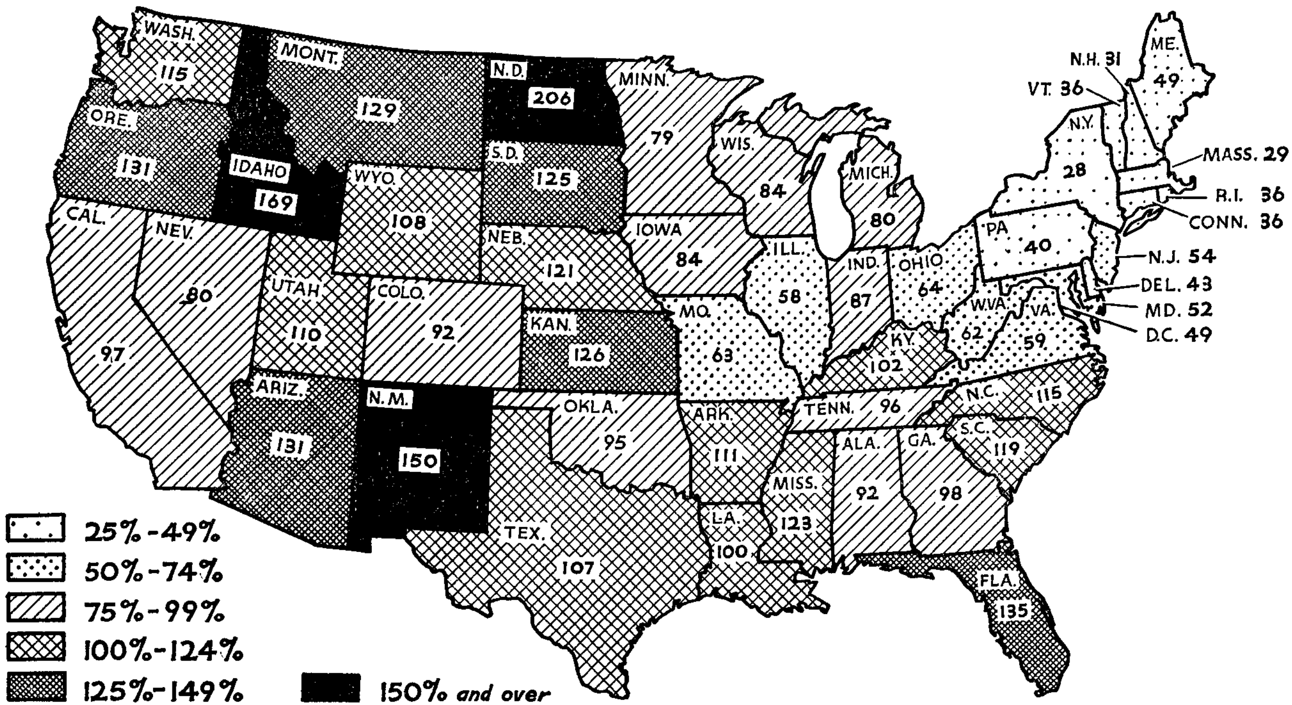
Assets, capital and liabilities	Dec. 30, 1939, to June 30, 1942	June 30, 1942, to Dec. 30, 1944	Dec. 30, 1939, to Dec. 30, 1944
United States Government obligations	$10,878	$55,941	$66,819
Other loans and investments and miscellaneous assets	1,739	-649	1,090
Currency and reserves with Federal Reserve banks[1]	967	2,317	3,284
Float (cash items in process of collection)	816	1,370	2,186
Total assets acquired, excluding balances with other banks	14,400	58,979	73,379
Deduct: Increase in capital accounts and miscellaneous liabilities	386	1,446	1,832
Balance	14,014	57,533	71,547
Increase in deposits other than interbank	14,180	57,139	71,319

[1] From the end of 1939 to the middle of 1942 the increase in assets of Federal Reserve banks consisted primarily of gold so that the increase in currency and reserves held by commercial banks was based primarily upon gold; during the period from the middle of 1942 to the end of 1944 the assets acquired by the Federal Reserve banks consisted almost exclusively of United States Government obligations so that for this period the increase in currency and reserves of commercial banks was based primarily on those obligations.

Sale of Government obligations affects bank deposits in different ways depending upon the identity of the buyers and sellers. When Government obligations are sold by the Treasury directly to individuals or business enterprises, the immediate effect is to reduce the deposit balances of individuals, partnerships, and corporations and to increase the deposits of the Federal Government, leaving total deposits unchanged. As expenditures are made by the Government the balance is transferred back to individuals. When Government obligations are sold by the Treasury directly to banks an expansion takes place in the deposits of the Federal Government with no reduc-

CHART E

Percentage Increase in Deposits of Individuals, Partnerships and Corporations in Commercial and Mutual Savings Banks June 30, 1942 to December 31, 1944



tion in the deposits of others, so that total deposits are increased. As the Government spends the money this increase is transferred to the accounts of individuals, partnerships, and corporations. When banks purchase Government obligations previously held by other investors an increase takes place in the deposits of individuals, partnerships, and corporations, with a corresponding rise in total deposits.

Some of these aspects of the acquisition of Government obligations by the banks and the accompanying creation of bank deposits are markedly influenced by the timing of the bond drives. Other aspects of the flow of deposits from the Government to individuals and business and from the latter to the Government (particularly Government expenditures and the payment of taxes) have little relation to the timing of the bond drives or of the purchase of Government obligations by banks. For these reasons substantial differences may appear, for short periods, between the amount of Government obligations purchased by the banks and the amount of growth in the deposits of individuals, partnerships, and corporations. However, for the war period as a whole the entire amount of United States Government obligations acquired by commercial and mutual savings banks, and also the amount of Government obligations acquired by Federal Reserve banks which is accompanied by increased reserve balances in those banks, will appear in the growth of deposits of individuals, partnerships, and corporations—except to the extent that the Government maintains a larger cash balance, in the form of deposits in commercial and mutual savings banks, in the postwar than in the prewar period.

Change in deposits of individuals, partnerships, and corporations by regions and States. For the entire nation, excluding territories and possessions, the growth in the deposits of individuals, partnerships, and corporations from the end of 1939 to the end of 1944 amounted to $49 billion, or 91 percent. Three-fourths of this increase occurred during the latter half of the 5-year period.

The increase in deposits of individuals, partnerships, and corporations has not been uniform throughout the country. The growth has been relatively highest in the southern and western part of the nation, and relatively lowest in the northeast.

The accompanying map (Chart E) shows the percentage change in deposits of individuals, partnerships, and corporations in each State during the 2½ year period from the middle of 1942 to the end of 1944. In Table 28 the amount of these deposits in each State is shown for the three dates, December 30, 1939, June 30, 1942, and December 30, 1944, with percentage changes for each of the 2½ year periods between these dates, and for the 5-year period.

Table 28. Deposits of Individuals, Partnerships, and Corporations in Commercial and Mutual Savings Banks, by FDIC District and State

FDIC District and State	Amount (millions of dollars)			Percentage change		
	Dec. 30, 1939	June 30, 1942	Dec. 30, 1944	Dec. 1939 to June 1942	June 1942 to Dec. 1944	Dec. 1939 to Dec. 1944
United States (excluding possessions)	**$53,358**	**$65,326**	**$102,045**	22%	56%	91%
District 1—total	**6,190**	**7,004**	**9,261**	**13**	**32**	**50**
Maine	311	346	516	11	49	66
New Hampshire	267	291	381	9	31	42
Vermont	162	172	235	6	36	45
Massachusetts	3,695	4,124	5,308	12	29	44
Rhode Island	470	550	746	17	36	59
Connecticut	1,284	1,520	2,075	18	36	62
District 2—total	**20,058**	**23,197**	**30,327**	**16**	**31**	**51**
New York	17,936	20,744	26,573	16	28	48
New Jersey	1,891	2,187	3,374	16	54	78
Delaware	230	266	379	15	43	65
District 3—total	**6,834**	**8,320**	**12,330**	**22**	**48**	**80**
Ohio	2,192	2,974	4,872	36	64	122
Pennsylvania	4,642	5,346	7,457	15	40	61
District 4—total	**2,258**	**2,990**	**5,011**	**32**	**68**	**122**
Maryland	755	876	1,334	16	52	77
Virginia	493	695	1,102	41	59	123
West Virginia	250	328	529	31	62	112
North Carolina	315	447	961	42	115	205
South Carolina	124	179	392	44	119	216
Dist. of Col	322	465	693	44	49	115
District 5—total	**1,374**	**1,973**	**4,098**	**44**	**108**	**198**
Georgia	344	507	1,007	48	98	193
Florida	282	417	979	48	135	248
Alabama	243	394	756	62	92	211
Mississippi	163	206	459	27	123	182
Louisiana	343	449	897	31	100	162
District 6—total	**1,937**	**2,530**	**4,587**	**31**	**81**	**137**
Kentucky	383	457	923	19	102	141
Tennessee	387	529	1,035	37	96	167
Missouri	1,019	1,321	2,158	30	63	112
Arkansas	148	224	471	51	111	219
District 7—total	**2,887**	**3,933**	**7,178**	**36**	**83**	**149**
Indiana	745	999	1,863	34	87	150
Michigan	1,331	1,938	3,485	46	80	162
Wisconsin	811	997	1,830	23	84	126
District 8—total	**3,950**	**5,084**	**8,214**	**29**	**62**	**108**
Illinois	3,425	4,389	6,936	28	58	103
Iowa	525	695	1,278	32	84	143
District 9—total	**1,023**	**1,213**	**2,399**	**19**	**98**	**135**
Minnesota	766	886	1,584	16	79	107
North Dakota	68	93	284	36	206	317
South Dakota	73	100	226	38	125	210
Montana	116	133	306	15	129	164
District 10—total	**1,140**	**1,511**	**3,154**	**33**	**109**	**177**
Nebraska	235	311	688	33	121	193
Kansas	280	403	911	44	126	226
Oklahoma	302	396	774	31	95	156
Colorado	270	339	651	26	92	141
Wyoming	53	62	130	18	108	145
District 11—total	**1,198**	**1,698**	**3,563**	**42**	**110**	**197**
Texas	1,077	1,533	3,172	42	107	194
New Mexico	46	62	156	34	150	235
Arizona	74	102	236	38	131	218
District 12—total	**4,509**	**5,873**	**11,922**	**30**	**103**	**164**
Idaho	79	103	278	31	169	252
Utah	122	162	340	33	110	180
Nevada	33	53	96	59	80	186
Washington	475	718	1,541	51	115	224
Oregon	263	383	884	46	131	236
California	3,537	4,454	8,783	26	97	148

Note: Figures are rounded and will not necessarily add precisely to totals.

Table 29 shows the percentage growth of deposits of individuals, partnerships, and corporations by Federal Deposit Insurance Corporation districts listed according to rate of growth.

Table 29. PERCENTAGE INCREASE IN DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS, 1940-1944, BY FDIC DISTRICT

FDIC District No.	States	Dec. 30, 1939, to June 30, 1942	June 30, 1942, to Dec. 30, 1944	Dec. 30, 1939, to Dec. 30, 1944
5.	Georgia, Florida, Alabama, Mississippi, Louisiana	44%	108%	198%
11.	Texas, New Mexico, Arizona	42	110	197
10.	Nebraska, Kansas, Oklahoma, Colorado, Wyoming	33	109	177
12.	Idaho, Utah, Nevada, Washington, Oregon, California	30	103	164
7.	Indiana, Michigan, Wisconsin	36	83	149
6.	Kentucky, Tennessee, Missouri, Arkansas	31	81	137
9.	Minnesota, North Dakota, South Dakota, Montana	19	98	135
4.	Maryland, Virginia, West Virginia, North Carolina, South Carolina, District of Columbia	32	68	122
8.	Illinois, Iowa	29	62	108
3.	Ohio, Pennsylvania	22	48	80
2.	New York, New Jersey, Delaware	16	31	51
1.	Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut	13	32	50

The wide variation in the growth of these deposits in the various regions and States is due to numerous factors, among which the following may be mentioned: the location of factories producing materials for military purposes, the relatively rapid growth in prices of farm products, the geographic incidence of Federal taxation, and the geographic distribution of bond purchases.

Some of the wartime conditions which influence the relative growth of deposits have also had a similar influence on the income of the people of the various geographic regions. The percentage increases by States in income payments from 1939 to 1944 are compared in Chart F with the change in the deposits of individuals, partnerships, and corporations from the close of 1939 to the close of 1944.[1] In the dominantly agricultural States the rate of growth in deposits was higher than in income payments, while in dominantly industrial regions the rate of increase in deposits was smaller than in income payments. The industrial population has continued during the war to purchase the chief products of the agricultural regions and has

[1] Income payments are from the *Survey of Current Business*, June 1943 and August 1945.

Table 30. Governmental Deposits in Commercial and Mutual Savings Banks, by Federal Deposit Insurance Corporation District and State

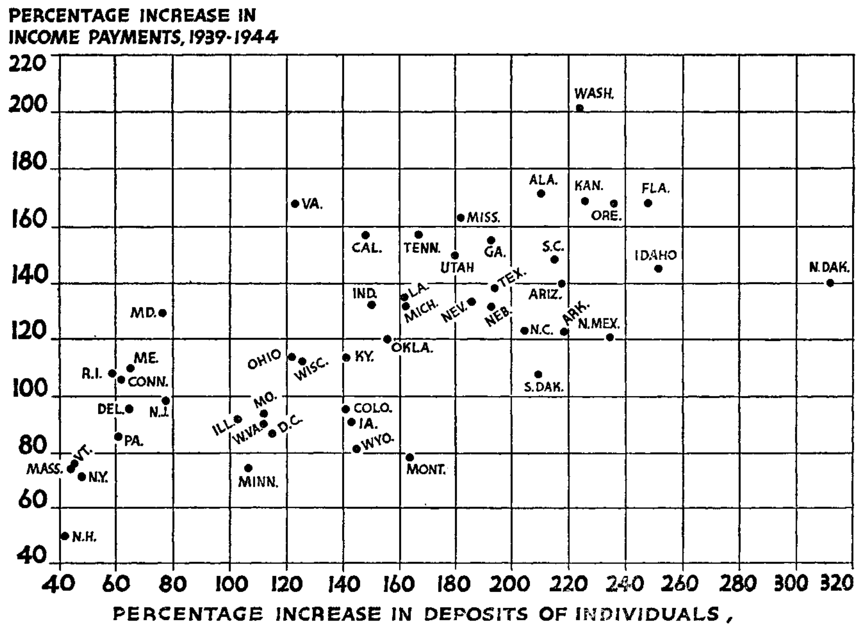
FDIC District and State	United States Government			States and political subdivision		
	Amount (millions)		Percentage increase 1939 to 1944	Amount (millions)		Percentage increase 1939 to 1944
	Dec. 30, 1939	Dec. 30, 1944		Dec. 30, 1939	Dec. 30, 1944	
United States (excluding possessions)	**$899**	**$20,763**	**2211%**	**$3,467**	**$5,047**	**46%**
District 1—total	**38**	**1,424**	**3684**	**172**	**245**	**43**
Maine	2	47	1882	9	17	75
New Hampshire	1	31	2303	7	11	50
Vermont	1	15	2159	4	6	47
Massachusetts	26	931	3539	96	149	55
Rhode Island	1	114	9103	17	19	9
Connecticut	6	286	4312	38	44	18
District 2—total	**192**	**8,739**	**4460**	**760**	**835**	**10**
New York	165	8,105	4810	581	599	3
New Jersey	25	574	2181	173	220	27
Delaware	1	60	4197	6	16	168
District 3—total	**145**	**2,055**	**1322**	**397**	**489**	**23**
Ohio	30	836	2729	169	254	50
Pennsylvania	115	1,219	960	228	235	3
District 4—total	**58**	**1,110**	**1822**	**185**	**329**	**78**
Maryland	36	371	927	45	59	32
Virginia	8	239	2977	39	66	70
West Virginia	5	118	2475	22	42	93
North Carolina	7	224	3218	52	116	122
South Carolina	1	51	6571	27	45	64
Dist. of Col.	2	107	5943	[1]	[1]	22
District 5—total	**59**	**588**	**892**	**217**	**411**	**89**
Georgia	17	156	832	35	79	125
Florida	10	150	1377	53	108	103
Alabama	8	107	1180	33	85	156
Mississippi	4	58	1520	29	50	70
Louisiana	20	117	473	67	90	35
District 6—total	**54**	**792**	**1369**	**176**	**325**	**84**
Kentucky	8	144	1789	29	50	71
Tennessee	19	196	924	39	76	95
Missouri	25	402	1486	88	154	75
Arkansas	2	50	2738	20	44	123
District 7—total	**64**	**1,136**	**1663**	**273**	**444**	**63**
Indiana	21	283	1258	108	172	58
Michigan	28	547	1835	121	195	62
Wisconsin	15	306	1894	43	77	77
District 8—total	**98**	**1,977**	**1908**	**356**	**489**	**37**
Illinois	94	1,758	1773	281	347	24
Iowa	5	219	4632	76	142	88
District 9—total	**7**	**486**	**6960**	**128**	**222**	**73**
Minnesota	5	399	7578	83	103	24
North Dakota	([1])	31	6701	4	52	1071
South Dakota	1	25	3992	20	28	37
Montana	1	30	4834	20	39	97
District 10—total	**23**	**435**	**1761**	**196**	**310**	**58**
Nebraska	3	109	3141	29	37	31
Kansas	8	119	1386	82	142	72
Oklahoma	10	125	1145	57	95	66
Colorado	2	69	4329	17	22	25
Wyoming	([1])	12	3051	10	14	33
District 11—total	**41**	**557**	**1251**	**165**	**253**	**54**
Texas	40	516	1177	136	215	58
New Mexico	1	15	2340	15	20	30
Arizona	([1])	26	11086	13	18	37
District 12—total	**119**	**1,463**	**1126**	**442**	**696**	**57**
Idaho	1	25	4146	17	25	46
Utah	([1])	37	13934	19	27	46
Nevada	([1])	11	5151	6	11	103
Washington	8	274	3450	38	91	140
Oregon	6	123	1805	25	72	190
California	104	993	854	338	469	39

[1] Less than $500,000. NOTE: Figures are rounded and will not necessarily add precisely to totals.

paid higher prices for those products, while purchases of industrial products by the agricultural population have been curtailed by the diversion of industrial production to war supplies.

CHART F

PERCENTAGE INCREASES, 1939 TO 1944, IN INCOME PAYMENTS, AND IN DEPOSITS OF INDIVIDUALS, PARTNERSHIPS, AND CORPORATIONS, BY STATES



Change in governmental deposits by regions and States. Deposits in commercial and mutual savings banks owned by governments—Federal, State, and local—at the end of 1944 were nearly six times as large as at the end of 1939. For the 5-year period deposits of the United States Government increased by nearly $20 billion, and those of States and their political subdivisions by less than $2 billion. About 95 percent of the increase in United States Government deposits occurred during the second half of the period.

The amounts of Federal and other governmental deposits, respectively, held by commercial and mutual savings banks in each region and State on December 30, 1939, and December 30, 1944, are shown in Table 30. Percentage changes for the 5-year period are also given.

Table 31. Interbank Deposits in Commercial and Mutual Savings Banks, by Federal Deposit Insurance Corporation District and State

FDIC District and State	Amount (millions of dollars)				Percentage change[3]		
	Dec. 30, 1939[1]	June 30, 1942, with reciprocal deposits		Dec. 30, 1944[2]	Dec. 30, 1939, to June 30, 1942	June 30, 1942, to Dec. 30, 1944	Dec. 30, 1939, to Dec. 30, 1944
		Included	Excluded				
United States	**$9,880**	**$10,891**	**$10,277**	**$12,228**	**10%**	**19%**	**31%**
District 1—total	**416**	**457**	**435**	**402**	**10**	**-8**	**2**
Maine	8	10	10	9	22	-12	7
New Hampshire	6	6	6	7	-6	19	12
Vermont	1	1	1	1	5	36	42
Massachusetts	353	382	362	333	8	-8	-1
Rhode Island	11	13	12	12	22	5	28
Connecticut	37	45	44	40	20	-9	10
District 2—total	**4,686**	**4,322**	**4,250**	**4,278**	**-8**	**1**	**-7**
New York	4,640	4,278	4,212	4,235	-8	1	-7
New Jersey	42	41	35	40	-4	15	10
Delaware	3	4	3	3	31	..	31
District 3—total	**942**	**1,014**	**904**	**971**	**11**	**7**	**19**
Ohio	201	279	251	323	39	28	78
Pennsylvania	741	736	653	648	-1	-1	-1
District 4—total	**388**	**502**	**435**	**614**	**29**	**41**	**83**
Maryland	119	117	105	116	-1	11	10
Virginia	87	123	109	157	42	43	103
West Virginia	15	26	26	37	76	40	146
North Carolina	125	169	139	234	35	68	127
South Carolina	10	16	12	23	51	92	191
Dist. of Col.	32	51	42	47	58	11	75
District 5—total	**340**	**482**	**416**	**711**	**42**	**71**	**142**
Georgia	100	150	127	210	49	65	146
Florida	63	100	89	160	59	81	186
Alabama	45	68	56	78	53	40	113
Mississippi	14	19	18	58	40	224	355
Louisiana	118	145	126	205	22	63	99
District 6—total	**691**	**970**	**896**	**1,285**	**40**	**43**	**101**
Kentucky	64	112	102	151	73	48	155
Tennessee	127	201	176	302	59	71	172
Missouri	470	613	578	767	30	33	73
Arkansas	30	44	40	65	48	64	142
District 7—total	**284**	**369**	**357**	**440**	**30**	**23**	**60**
Indiana	76	104	101	129	36	28	74
Michigan	127	158	153	180	24	18	47
Wisconsin	80	107	103	131	33	27	69
District 8—total	**1,004**	**1,273**	**1,226**	**1,412**	**27**	**15**	**46**
Illinois	944	1,172	1,127	1,297	24	15	48
Iowa	60	101	99	114	68	16	95
District 9—total	**177**	**250**	**238**	**328**	**41**	**37**	**94**
Minnesota	158	220	211	280	40	33	86
North Dakota	3	9	8	13	197	56	362
South Dakota	5	7	6	8	55	29	99
Montana	12	13	13	26	14	102	131
District 10—total	**240**	**338**	**313**	**516**	**41**	**65**	**132**
Nebraska	65	98	95	145	52	53	132
Kansas	39	65	59	100	68	70	187
Oklahoma	79	99	88	163	25	84	131
Colorado	51	69	65	97	35	48	100
Wyoming	6	6	6	11	6	85	97
District 11—total	**321**	**391**	**358**	**685**	**22**	**92**	**134**
Texas	316	384	351	673	21	92	133
New Mexico	3	5	4	9	58	108	230
Arizona	2	3	3	4	63	44	134
District 12—total	**391**	**522**	**449**	**586**	**34**	**30**	**74**
Idaho	3	4	3	6	26	59	101
Utah	22	31	29	47	42	61	129
Nevada	1	1	1	1	40	-38	-13
Washington	52	76	63	89	46	42	107
Oregon	23	33	28	39	40	41	98
California	290	377	324	403	30	24	62

Change in interbank deposits by State. The rate of growth in interbank deposits during the period from the end of 1939 to the middle of 1942 was less than one-half, and during the period from the middle of 1942 to the end of 1944 approximately one-third, of the rate of growth in deposits owned by individuals, partnerships, and corporations. However, in both periods the variation among the States in rate of growth was greater in interbank deposits than in the deposits of individuals, partnerships, and corporations. This is not remarkable, since interbank deposits are directly affected by the flow of payments throughout the nation and for this reason are particularly volatile. From the end of 1939 to the middle of 1942 the percentage change in interbank deposits ranged from a loss of 8 percent in New York to an increase of 197 percent in North Dakota. From the middle of 1942 to the end of 1944 the percentage change varied from a decline of 38 percent in Nevada to an increase of 224 percent in Mississippi. The figures for each State are given in Table 31.

A comparison, for the 5-year period from the end of 1939 to the end of 1944, between the change in interbank deposits and that in deposits of individuals, partnerships, and corporations in each State is given in Chart G. This chart indicates a fairly close relation between the growth in the two categories of deposits. The northeastern part of the United States, in which the rate of growth in deposits of individuals, partnerships, and corporations has been the lowest, is the area with the smallest growth in interbank deposits; while the growth in interbank deposits has been most rapid in the southern and western region in which the growth in deposits owned by individuals, partnerships, and corporations has been the highest.

Total Money Supply

Deposits in commercial and mutual savings banks are the major part of the nation's means of payment, or money supply. Checks on demand deposit accounts are used directly in the business transactions of the people of the nation. Time and savings deposits are held largely as available reserves should need arise for an additional amount of cash, or means of payment. However, bank deposits do not constitute all the nation's means of payment. Currency, including silver and minor coins, is used for many transactions; the United States Government maintains checking accounts with Federal Reserve banks; and

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Footnotes to Table 31:

[1] Includes reciprocal deposits.

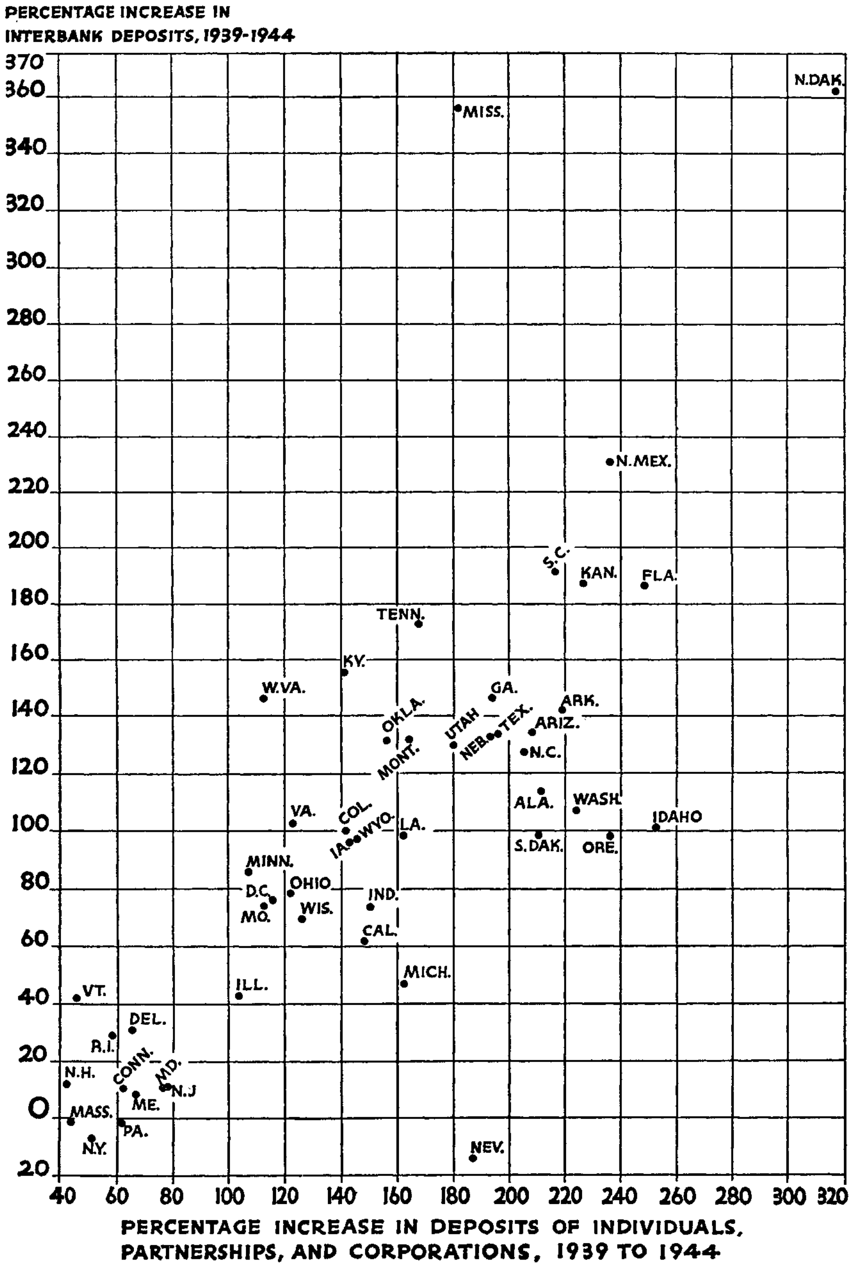
[2] Excludes reciprocal deposits in insured commercial banks.

[3] Change for December 30, 1939, to June 30, 1942, derived from figures including reciprocal deposits; for June 30, 1942, to December 30, 1944, from figures excluding reciprocal deposits. Change from December 30, 1939, to December 30, 1944, derived from the percentage changes for the two shorter periods.

NOTE: Figures are rounded and will not necessarily add precisely to totals.

CHART G

Percentage Increases, 1939 to 1944, in Interbank Deposits and in Deposits of Individuals, Partnerships, and Corporations, by States



deposits in the postal savings system are essentially similar to savings deposits in banks. On the other hand, one class of bank deposits—interbank—is customarily excluded from the total money supply in order to avoid double counting.

Total money supply. At the close of 1944 the total money supply of the nation, understood as the total of deposits and currency other than those owned within the banking system, amounted to $156 billion. This figure is made up of the following items:

	Billions of dollars	Percent of total
Total money supply	**$156.4**	**100%**
Deposits in commercial and mutual savings banks	129.9	83
Deposits in the postal savings system	2.3	2
U. S. Treasury deposits in Federal Reserve banks	.4	
Currency outside banks	23.8	15

At the end of 1939 the total money supply amounted to $67 billion. The increase during the five years, 1940-1944, was $90 billion, or $134 percent. The amounts on each June 30 and December 31 during this period are shown in Table 32.

Table 32. Total Deposits and Currency, Excluding Interbank Obligations, June 30 and December 31, 1939-1944

(In millions of dollars)

Date	Total	Deposits in commercial and mutual savings banks	Deposits in postal savings system	U. S. Treasury deposits in Federal Reserve banks	Currency outside banks[1]
1944—Dec. 30	$156,388	$129,847	$2,342	$440	$23,759
June 30	141,677	117,926	2,034	650	21,067
1943—Dec. 31	128,490	107,100	1,788	579	19,023
June 30	114,742	96,734	1,577	455	15,976
1942—Dec. 31	105,084	88,844	1,417	799	14,024
June 30	85,326	72,708	1,316	290	11,012
1941—Dec. 31	82,917	71,076	1,314	867	9,660
June 30	77,960	67,437	1,304	980	8,239
1940—Dec. 31	74,337	65,296	1,304	368	7,369
June 29	69,072	60,802	1,293	234	6,743
1939—Dec. 30	66,887	58,529	1,279	634	6,445

[1] Includes Treasury cash other than gold.

Ownership of the money supply. Of the total money supply at the end of 1944, over $26 billion was owned by governments—Federal, State, and local. The remaining $130 billion may be treated as the money supply of individuals and business, including religious, civic, and other organizations. This figure is somewhat exaggerated, since it includes deposits of foreigners in commercial and mutual savings banks in the United States, currency owned by State and local governments, United States currency held in foreign countries, and probably some currency which has been destroyed. Table 33 shows how much of the money supply was owned by governments, and how much by business and individuals, on each June 30 and December 31, from the end of 1939 to the end of 1944, and also the change in each category during each six months of the 5-year period.

Table 33. TOTAL DEPOSITS AND CURRENCY, EXCLUDING INTERBANK OBLIGATIONS, JUNE 30 AND DECEMBER 31, 1939-1944, BY CLASS OF OWNER

(In millions of dollars)

Date	Total	Owned by—		Change during 6 months		
				Total	Owned by—	
		Government[1]	Individuals and business[2]		Government	Individuals and business
1944—Dec. 30	$156,388	$26,588	$129,800	$14,711	$1,228	$13,483
June 30	141,677	25,360	116,317	13,187	9,314	3,873
1943—Dec. 31	128,490	16,046	112,444	13,748	2,566	11,182
June 30	114,742	13,480	101,262	9,658	−355	10,013
1942—Dec. 31	105,084	13,835	91,249	19,758	7,143	12,615
June 30	85,326	6,692	78,634	2,409	−439	2,848
1941—Dec. 31	82,917	7,131	75,786	4,957	1,204	3,753
June 30	77,960	5,927	72,033	3,623	795	2,828
1940—Dec. 31	74,337	5,132	69,205	5,265	281	4,984
June 29	69,072	4,851	64,221	2,185	−228	2,413
1939—Dec. 30	66,887	5,079	61,808	....	....	....

[1] Includes deposits of the United States Government and of States and their political subdivisions in commercial and mutual savings banks; United States Treasurer's general account in Federal Reserve banks, and Treasury cash other than gold.

[2] Includes deposits of individuals, partnerships, and corporations, and certified checks, etc., in commercial banks; total deposits in mutual savings banks; deposits in the postal savings system; and currency outside the Treasury and banks.

Of the increase in the money supply during the five years, $22 billion occurred in the amount owned by governments, chiefly the Federal Government, and $68 billion in the amount owned by individuals and business. By years the growth in deposits and currency of individuals and business is as follows:

	Billions of dollars	Percent
1940-1944	**$68.0**	**110%**
1944	17.3	15
1943	21.2	23
1942	15.5	20
1941	6.6	10
1940	7.4	12

Types of deposits and currency owned by individuals and business. Of the $130 billion of deposits and currency owned by individuals and business at the end of 1944, $67 billion was in the form of demand deposits in commercial banks, $40 billion in savings deposits in commercial and mutual savings banks and the postal savings system, and $23 billion in the form of currency. The distribution for year-end and mid-year dates for the preceding five years is shown in Chart H.

During the 5-year period, 1940-1944, the portion of the deposits and currency owned by individuals and business which was in the form of currency increased from 10 to 18 percent. The portion held in demand deposits rose from 47 to 51 percent, and that in the form of time deposits declined from 43 to 30 percent. For the three war years, and also for the entire 5-year period, about one-fourth of the increase in deposits and currency owned by individuals and business was in the form of currency. The figures are given in Tables 34 and 35.

CHART H

DEPOSITS AND CURRENCY OWNED BY INDIVIDUALS AND BUSINESS, BY TYPE 1939 – 1944

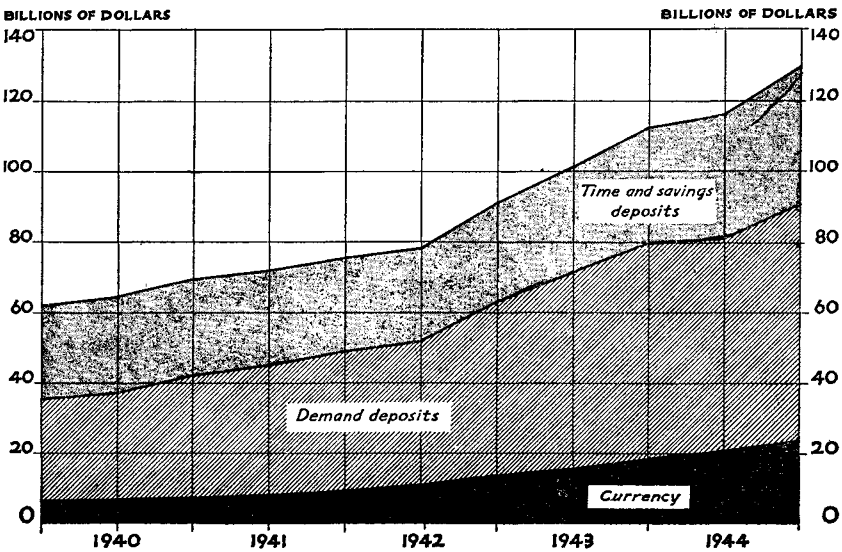


Table 34. CLASSIFICATION OF DEPOSITS AND CURRENCY OWNED BY INDIVIDUALS AND BUSINESS, 1939-1944

Date	Amount (millions of dollars)				Percentage of total in—		
	Total	Time and savings deposits[1]	Demand deposits[2]	Currency[3]	Time and savings deposits	Demand deposits	Currency
1944—Dec. 30....	$129,800	$39,532	$66,762	$23,505	30%	51%	18%
June 30....	116,317	35,440	59,996	20,881	30	52	18
1943—Dec. 31....	112,444	32,462	61,145	18,837	29	54	17
June 30....	101,262	29,950	55,499	15,814	30	55	16
1942—Dec. 31....	91,249	28,097	49,205	13,946	31	54	15
June 30....	78,634	26,863	40,834	10,936	34	52	14
1941—Dec. 31....	75,786	27,319	38,852	9,615	36	51	13
June 30....	72,033	27,497	36,333	8,204	38	50	11
1940—Dec. 31....	69,205	27,304	34,575	7,325	39	50	11
June 29....	64,221	27,048	30,474	6,699	42	47	10
1939—Dec. 30....	61,808	26,613	28,793	6,401	43	47	10

[1] Includes all deposits in mutual savings banks and the postal savings system.
[2] Includes certified checks, etc., and unclassified deposits in noninsured commercial banks.
[3] Currency outside banks and the United States treasury. Currency held abroad and by State and local governments is included.

NOTE: Figures are rounded and will not necessarily add precisely to totals.

Table 35. Annual Increase in Deposits and Currency Owned by Individuals and Business, 1940-1944

Year	Amount (billions of dollars)				Percentage of increase in—		
	Total	Time and savings deposits	Demand deposits	Currency	Time and savings deposits	Demand deposits	Currency
Total	**$68.0**	**$12.9**	**$38.0**	**$17.1**	19%	56%	25%
1944	17.4	7.1	5.6	4.7	41	32	27
1943	21.2	4.4	11.9	4.9	21	56	23
1942	15.5	.8	10.4	4.3	5	67	28
1941	6.6	....	4.3	2.3	....	65	35
1940	7.4	.7	5.8	.9	9	78	13

Note: Figures are rounded and do not necessarily add precisely to totals.

The increase in the proportion of business and individual cash balances held in the form of currency is due to various factors, including the following: the relatively large rise in incomes of wage-earners, many of whom have not been accustomed to maintain checking accounts; the inconvenience of cashing checks under wartime conditions and the inconvenience of charge accounts under consumer credit restrictions; the movement of population and difficulties in establishing bank accounts and charge accounts in new places; illegal transactions such as "black market" sales; and the stimulus to tax evasion resulting from high tax rates.

PART FOUR

LEGISLATION AND REGULATIONS

Federal Legislation Relating to Insured Banks or the Corporation

INTERNAL REVENUE COLLECTORS—CHECKS AND MONEY ORDERS

[Public Law 541—78th Congress]
[Chapter 672—2d Session]
[H. R. 5565]

AN ACT

To authorize collectors of internal revenue to receive certain checks and money orders in payment of taxes and for revenue stamps.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 3656 of the Internal Revenue Code (relating to payment of taxes by check) is amended to read as follows:

"SEC. 3656. PAYMENT BY CHECK AND MONEY ORDERS.

"(a) Certified, Cashiers', and Treasurers' Checks and Money Order.—

"(1) Authority to receive.—It shall be lawful for collectors to receive for internal revenue taxes or in payment of stamps to be used in payment of internal revenue taxes certified, cashiers', and treasurers' checks drawn on National and State banks and trust companies, and United States postal, bank, express, and telegraph money orders, during such time and under such regulations as the Commissioner, with the approval of the Secretary, may prescribe.

"(2) Discharge of liability.—

"(A) Check Duly Paid.—No person who may be indebted to the United States on account of internal revenue taxes or stamps used or to be used in payment of internal revenue taxes who shall have tendered a certified, cashier's, or treasurer's check or money order as provisional payment therefor, in accordance with the terms of this subsection, shall be released from the obligation to make ultimate payment thereof until such certified, cashier's, or treasurer's check or money order so received has been duly paid.

"(B) Check Unpaid.—If any such check or money order so received is not duly paid the United States shall, in addition to its right to exact payment from the party originally indebted therefor, have a lien for the amount of such check upon all the assets of the bank on which drawn or for the amount of such money order upon all the assets of the issuer thereof; and such amount shall be paid out of its assets in preference to any or all other claims whatsoever against said bank or issuer except the necessary costs and expenses of administration and the reimbursement of the United States for the amount expended in the redemption of the circulating notes of such bank.

"(b) Other Checks.—

"(1) Authority to receive.—Collectors may receive checks in addition to those specified in subsection (a) in payment of taxes other than those payable by stamp during such time and under such rules and regulations as the Commissioner, with the approval of the Secretary, shall prescribe.

"(2) Ultimate liability.—If a check so received is not paid by the bank on which it is drawn the person by whom such check has been tendered shall remain liable for the payment of the tax and for all legal penalties and additions to the same extent as if such check had not been tendered."

Approved December 22, 1944.

Report of the Corporation on Absorption of Exchange Charges

LETTER TO THE CHAIRMAN, SENATE COMMITTEE ON BANKING AND CURRENCY

April 27, 1944

Honorable Robert F. Wagner, *Chairman*
Senate Committee on Banking and Currency
Washington, D. C.

My dear Senator:

As requested, we are pleased to submit herein the report of this Corporation on S. 1642 entitled "A Bill to amend the Federal Reserve Act, as amended, to provide that the absorption of exchange and collection charges shall not be deemed the payment of interest on deposits". We recommend enactment of H. R. 3956, an identical measure, which already has been passed by the House of Representatives.

While this legislation is in the form of an amendment of the existing law, the primary issue before the House in its consideration of the Bill was what Congress meant to include in the term "interest" in the 1933[1] and 1935[2] statutes prohibiting payment of interest on demand deposits. As is obvious from the debates on the Bill, the House concluded that in its opinion Congress never intended that absorption of exchange be included in the term "interest". We share this view and in our administration of the 1935 Act, in its application to non-member insured banks, which substantially restates the provisions of the 1933 Act applicable to member banks, we have so construed the law.

Historically the two practices are separate and distinct and the legislative history of both Acts clearly shows that Congress intended to regulate payment of interest only. The evils which these statutes were designed to correct, as the hearings and the debates in Congress show, were attributed to actual interest payments and not to absorption of exchange or other expenses for customers. At no place in the legislative record of the present statutory provisions is there any mention of absorption of exchange.

It is a fact, however, that as respects member banks, an administrative ruling has been made which prohibits them from absorbing exchange and this ruling is based solely upon the interest statute. If, therefore, the interest statute does not extend to absorption of exchange, as we believe is clear as a matter of law, the ruling is invalid for lack of legislative authorization. But while its invalidity seems clear, it is nevertheless being actively and continuously enforced so that it will continue to have the force of law unless Congress enacts the pending Bill which specifically states that absorption of exchange is not interest. As the adverse impact of the ruling is borne principally by non-member banks, judicial relief to test the correctness of the ruling is not available, since these institutions have no standing to question a ruling which does not by its terms apply to them, even though its full impact falls upon them indirectly. Although enactment of the Bill merely declares and reaffirms the intent of the present law, failure of passage means submitting to continued enforcement of a ruling which lacks Congressional sanction.

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[1] Section 19 of the Federal Reserve Act, Act of June 16, 1933, ch. 89, sec. 11(b), 48 Stat. 181, supplemented by Act of August 23, 1935, ch. 614, sec. 324(a), 49 Stat. 714.
[2] Act of August 23, 1935, ch. 614, sec. 101, 49 Stat. 702.

Opposition to the Bill has been solicited upon the ground that its passage means a blow to par clearance of checks. But par clearance of checks was not deterred by the practice of paying interest on demand deposits and the interest statute was not designed to further par clearance, but was intended only to prevent attraction of funds to money centers for use in stock market speculation. Desire to achieve more wide-spread par clearance is not a sufficient reason for sustaining a ruling which misapplies the interest statute. Opposition to enactment of the Bill on this ground is a confession that the present law is not only being misconstrued but is being misapplied to a field in which Congress has pointedly refrained from legislating since in 1917 it expressly authorized member and non-member banks to charge exchange on clearings through private commercial banking channels. (Section 13 of the Federal Reserve Act, Act of June 21, 1917, ch. 32, sec. 4, 40 Stat. 234.)

Par clearance is pertinent to this legislation only because the prohibition against absorption operates to force banks which charge exchange to clear at par. This circumstance demonstrates that, in enacting the interest statutes, Congress did not intend to affect absorption of exchange because the historic bitterness engendered by the par clearance controversy is such that some mention of the problem would have been made in the 1933 or 1935 Congressional considerations of the interest laws. But no mention was made. Thus, while the effect of absorption on par clearance may be pertinent to a discussion *favoring* the enactment of the Bill, it is not a reason which may be advanced *in opposition* to its passage, unless the opposition is prepared to sacrifice the constitutional supremacy of Congress in legislative matters in order to strike a blow at non-par banking. Furthermore, while the defeat of the Bill would be a direct blow at banks which charge exchange, the passage of the Bill will not spread the practice of charging exchange to any greater degree than has been marked the past 10 years. During this period, exchange has been absorbed by banks desiring to do so, and the interest statute was not enforced against exchange absorption, unless covertly, until the recent ruling (September 1943) defining absorption of exchange as interest. This was the first revival of the issue after it had been laid to rest in 1937 following its brief and uncertain career in that year. During this 10 year period, the number of banks charging exchange has diminished until today only slightly more than 2500 institutions impose these charges. How, then, can the mere return to a practice so briefly interrupted tend to increase the number of banks which charge exchange? If par clearance is jeopardized by exchange absorption, we believe the facts should be fairly assembled and the issue squarely and openly presented for Congressional consideration and not resolved indirectly in the disguise of an interest ruling. But it must be said that evidence thus far produced has consisted only of fearful apparitions of the consequences of general departure from par clearance instead of facts indicating that absorption of exchange threatens par clearance.

Opposition to the Bill is also being drummed up on the false premise that absorption of exchange has led to diversion of funds from "normal" banking channels and to "unsound banking" conditions. The facts submitted in the cases cited during the hearings on the Bill to the House Committee on Banking and Currency where these charges were made do not support these conclusions. In five of the seven cases we have received information from the banks involved showing affirmatively that banking funds have not been diverted from "normal" banking channels and unsound banking conditions have not arisen as the result of exchange absorption. If such conditions do occur, ordinary supervisory methods can easily effect timely corrections. Here again the fact that unsound practices *have not resulted* from actual experience in absorption of exchange charges during the past ten years is submerged in the dreadful descriptions of possible consequences, which are wholly imaginary. Care must be exercised that the opprobrious connotations of the terms "unsound" banking and "unnatural" balances are not accepted as substitutes for facts to show that absorption of exchange has produced either consequence.

It should be observed that exchange charges have been singled out as the one expense which banks may not absorb for depositors without violating the interest law, while other expenses may be absorbed with approval. The distinction is rested on the theory that exchange charges are "out-of-pocket" expenses. The term "out-of-pocket" expenses has no precise significance by legal definition or common usage. It suggests expenses of the type which one may pay for "incidentals" as distinguished from more important expenses. Treating the term to mean expenses identifiable only with a particular transaction as distinguished from those which are not, we find that exchange charges are the only "out-of-pocket" expenses which are administratively prohibited from being absorbed. Thus all banks are permitted to absorb their own service charges by service charge allowances in consideration of balances maintained.

Banks today generally have established service charge schedules which allow the theoretical earning value of their customers' accounts to be offset against their charges for the services which they render to customers in collecting checks deposited, paying checks and otherwise furnishing them depositary service. These charges are frequently called "activity" charges. If the allowances to the customers for the earning value of their accounts are less than the activity charges for the services they require, the excess is billed to the customers as service charges. However, where the earning allowances exceed the activity charges, the customers are neither paid nor credited with the difference. These service charge credit allowances to customers are granted in direct proportion to the size of the balances which they maintain. This is accomplished either through schedules under which activity allowances increase proportionately with the minimum balances maintained by depositors or through individual analysis of costs of handling depositors' accounts, the latter system being generally employed by banks in handling the accounts of their bank customers and other large depositors. The effect of these allowances is that the banks absorb their own service charges in direct proportion to the size of the balances which their depositors maintain. This has been held not to be a violation of Section 19 of the Federal Reserve Act prohibiting payment of interest on demand deposits. (January 1944 *Federal Reserve Bulletin*, p. 13). As banks may absorb their own service charges without violating the regulations of either the Federal Deposit Insurance Corporation or the Board of Governors of the Federal Reserve System, why should member banks be prohibited from absorbing the exchange charges which they pay to other banks? We must bear in mind that exchange charges are service charges of the banks making the charges. When paid out by collecting banks in connection with their depositors' business, they are merely one of the expenses of collecting checks and historically have been treated as part of the expenses of bank operation.

The Federal Reserve Board has expressly ruled that member banks may pay and absorb the intangible property taxes levied by states such as Michigan, Indiana and Kentucky computed on their depositors' bank balances, without violating the interest statute. These taxes are laid on the depositors and not on the banks. They are in every sense "out-of-pocket" expenses as the term is used in relation to absorption of exchange. Rulings on this question follow the exception contained in the Board's Revision of Regulation Q, effective January 1, 1936, which provided that:

"The term 'interest' includes the payment or absorption of exchange and collection charges which involve out-of-pocket expenses, *but does not include the payment or absorption of taxes upon deposits whether levied against the bank or the depositor nor the payment or absorption of premiums on bonds securing deposits* *where such bonds are required by or under authority of law.*" (1935 *Federal Reserve Bulletin,* p. 864). (Emphasis supplied).

We think, therefore, that apart from the question whether the interest statute was designed to prevent absorption of "out-of-pocket" expenses, it would be entirely inconsistent to permit the prohibition against absorption of exchange to be continued since all other types of "out-of-pocket" expenses may be absorbed. This circumstance, as well as the fact that the Corporation has from the beginning interpreted the interest statute governing non-member banks which it administers as not prohibiting absorption of exchange, prompted the Federal Deposit Insurance Corporation to caution the Federal Reserve Board on August 20, 1943 before its controverted ruling was issued that "the theory of the Board of Governors would appear to require it to outlaw as well the absorption of service charges and other expenses for depositors which all banks now incur to some degree", that its proposed ruling was "simply another attempt to force par clearance upon non-member banks" and that "it hopes that the Board of Governors will not give rise to a situation where two Federal agencies make conflicting decisions to the consternation of the public"; and to suggest that "in such a situation we consider it singularly appropriate to await precise directions from Congress". (House Hearings, p. 599).

Even if our concept of the Congressional intent be wrong, the evidence adduced at the hearings before the House Committee on the present Bill is abundantly convincing that absorption of exchange by a correspondent bank pursuant to arrangement with its bank customers involves no interest because the bank which absorbs the exchange is usually, if not always, a complete stranger to the depositor-owner of the check, who is the person ultimately benefited by the absorption. Since the forwarding bank derives no financial benefit from the absorption because it acts as agent for the owner of the check, and since the latter maintains no deposit in the intermediate correspondent bank which absorbs the exchange charges, wherein can there be a "payment of interest on demand deposits"? Under the most generous construction of the law in this state of facts there is no violation of the law because the "payment" is not made to a "depositor" of the bank, that is, unless the "sins" of the correspondent bank be attributed to the customer-bank.

Since consideration of the Bill by the House, the Board of Governors has partially receded from its position that absorption of exchange is interest and now holds that a bank may, without violating the law, absorb exchange charges where it does not agree to do so as a means of soliciting new accounts or retaining existing accounts and where the expense involved in making collection from depositors would exceed the amount of the exchange charges. This leaves each bank subject to the uncertainties of arbitrary administrative action in individual cases. Examiners may, applying no uniform rule, permit one bank to absorb exchange in amounts which another bank is prohibited from absorbing.

Compensation, in the sense of interest, is the benefit received by the person compensated; thus it operates upon the recipient and is wholly independent of the intent of the person from whom the alleged payment flows. Indeed, under the Federal Reserve's basic theory, compensation occurs even though the party absorbing an expense for another would suffer a greater loss by collecting than by foregoing collection. Consequently, the new thesis of "permissible compensation" has no basis in law and cannot be sustained upon any legal principles.

The law does not say that interest on demand deposits may be paid in small amounts, nor that it may be paid to effect operating efficiency, nor that it may be paid when not intended as an inducement to attract or retain deposit accounts. The statute provides that interest on demand deposits may not be paid at all. If, as is contended, absorption of exchange is interest, then all absorption of exchange is prohibited. No amount of rationalization can create a distinction between permissible absorption and prohibited absorption. Such an arbitrary distinction may not be made by "administrative" definition of legal terms which have well established meanings in the law.

There are forceful affirmative reasons for urging Congress to pass this legislation. Approximately 2500 banks in the United States derive a substantial part of their operating revenues from exchange charges. In most instances these institutions are small, locally-owned, independent banks operating in rural communities. In 1942 less than 100 of these banks had deposits exceeding $2 million. They are not only small businesses, but are the financial institutions which serve small business. These banks are required to maintain legal reserves and surplus funds on deposit with city banks. The banking system derives substantial profit and benefit from these interbank deposits and has been willing and is well able to absorb exchange charges imposed by the non-par banks without passing them back to the public. Many banks were absorbing these charges until prevented by the recent administrative ruling, and investigation does not disclose that any unsound banking practices resulted therefrom. Nor can it be said that these interbank balances represent a diversion of funds from "normal" banking channels. Interbank deposits—both as to size and location—are determined by the necessities of banking conditions and are dictated by the banking requirements of the depositing banks and their patrons. There has been no evidence produced to substantiate the charge that these interbank balances have deviated from normal channels in order to obtain benefits outside the pale of normal banking service.

It is clear that if exchange absorption remains outlawed, the effect will be to force banks to discontinue charging exchange and the customer relationships of those which continue to do so will be, as they already have been, seriously disturbed. There is grave danger that many of these banks will be forced to discontinue business if they are deprived of the revenue which they have been deriving from exchange. While the smaller banking institutions which charge exchange will be affected severely by a continuance of the prohibition against absorption of exchange, neither the larger banks nor the banking system as a whole will be injured by the passage of the pending Bill which simply permits banks to absorb exchange if they desire to do so, but places them under no compulsion so to do. The banks which are adversely affected, therefore, are entitled to greater consideration by Congress than those which have only an academic interest in the problem as is the case with most of the banks which have opposed passage of this legislation.

We call the attention of the Committee to the fact that the Federal Deposit Insurance Corporation has adopted a formal ruling which holds that the law (49 Stat. 702, ch. 614) prohibiting payment of interest on demand deposits by nonmember insured banks, does not prohibit absorption of exchange. This ruling restates in codified form the position which the Corporation has taken on this issue since 1935 when the law was first passed and reads as follows:

> "The absorption of normal or customary exchange charges by an insured nonmember bank, in connection with the routine collection for its depositors of checks drawn on other banks, does not constitute the payment of interest within the provisions of Section 304.2 (a) of Part 304 of the Corporation's Rules and Regulations."

For the foregoing reasons, we recommend that the Bill H. R. 3956 be voted out by your Committee and passed by the Senate. A memorandum dealing with the principles of law involved, is enclosed for the information and use of the Committee.

By direction of the Board:

FRANCIS C. BROWN
General Counsel

GENERAL COUNSEL'S MEMORANDUM

RE: H. R. 3956

Reason for Favoring Legislation:

The proposed Bill reverses an administrative ruling of the Board of Governors of the Federal Reserve System which, we believe, goes beyond the field of regulation authorized by Congress and which, under the pretense of regulating interest, is designed to discourage and eliminate the practice of charging exchange. Our support of the measure stems principally from our opposition to the practice of circumventing the legislative authority of Congress by administrative regulation, and secondarily, from our interest as insurer of a large group of banks, not members of the Reserve System, which feel the full impact of the ruling although without legal right to contest its validity, and finally, from our apprehension of the consequences of the campaign to compel these institutions to discontinue their practice of charging exchange—a practice expressly authorized both by Congress and by many state legislatures.

The Present Law:

We observe a common and single legislative purpose in the laws prohibiting the payment of interest on demand deposits administered, as to member banks of the Federal Reserve System, by the Board of Governors of the Federal Reserve System (Sec. 19 of the Federal Reserve Act, as amended by Sec. 11 (b) of the Banking Act of 1933, and Sec. 324 (a) of the Banking Act of 1935) and, as to nonmember insured banks, by the Federal Deposit Insurance Corporation (Sec. 12B of the Federal Reserve Act, as amended, subsec. (v), paragraph (8), added by Sec. 101 of the Banking Act of 1935). Although some differences in the two laws exist, it is evident that Congress used the word "interest" in the same sense in each provision. Because of the absence of legislative standards circumscribing the power of the Reserve Board under Sec. 324 (a) of the 1935 Act, to determine what shall be deemed to be a payment of "interest", the asserted delegation to it of legislative power to broaden the common legal meaning of the term is of doubtful validity under decisions of the Supreme Court of which *Panama Refining Co.* v. *Ryan* (1935) 293 U. S. 388, 79 L. ed. 446, is a typical example. There the Court said that executive regulations "become, indeed, binding rules of conduct, but they are valid only as subordinate rules and when found to be within the framework of the policy which the legislature has sufficiently defined" (p. 428). Therefore the law under which the Reserve Board operates is necessarily on a parity with that governing the Federal Deposit Insurance Corporation, which does not expressly contain such delegation. Regardless of the validity of the delegation, however, the Reserve Board has not currently exercised its power to define interest to include the practice of absorbing exchange. It has issued a ruling in a specific case and has published general discussions of the subject which constitute administrative "case law" on the question of absorption of exchange applicable to member banks. The Board explained before the House Banking and Currency Committee that its recent action was based not on its power of definition but on its application of the word "interest" to the practice of absorbing exchange. Although applicable only to member banks, the adverse impact of this ruling operates directly and almost exclusively upon nonmember institutions, since principally member banks act as clearing or collecting agents or correspondents on items forwarded for collection from nonmember banks (2529 in number) which charge exchange on out-of-town remittances.

History of Par Clearance Controversy:

To understand the true significance, social and economic, of the question of absorption of exchange, it is necessary briefly to review the history of the fight for and against compulsory and universal par clearance through the Federal Reserve System. The banks which now charge exchange are located principally in sixteen states of the south and middle west. These institutions are primarily small, independent, locally-owned banks in important agricultural areas which have been providing local credit accommodations and banking facilities to their communities. The revenue which these banks derive from exchange has been a substantial, and in many cases a vital, part of their income. They have adhered steadfastly to their age-old practice of charging exchange on remittances out of town, notwithstanding recurrent efforts on the part of the Federal Reserve Board in past years to force them to remit at par on collections by member banks through the Federal Reserve banks.

After the Federal Reserve System was set up certain Federal Reserve banks instituted compulsory par remittance by member banks on checks sent through them. In 1915 the Federal Reserve Board instituted a voluntary par remittance plan. However, this failed in a number of areas because of the small percentage of banks (25%) which agreed to remit at par. In 1916 the Federal Reserve Board instituted compulsory par remittance which was put into effect in the face of intense opposition on the part of many national banks in country areas, and the efforts of a committee of the American Bankers Association to obtain postponement of the compulsory plan failed. Although many of the larger banks favored the compulsory plan because they were already remitting at par, the then (1916) president of the American Bankers Association declared his sympathies with the country banks in these words: "The transfer of funds is a service which is as much entitled to compensation, when made by a bank, as it is when made by an express company or by the postal official". A committee of the American Bankers Association reported at the 1917 convention that it had sounded the opinion of bankers and that over 75% opposed the par collection plan. However, as the Federal Reserve Board had observed in the preceding year, the force of competition with par clearing member banks was driving many non-member banks onto the par list.

In 1917, section 13 of the Federal Reserve Act was amended expressly to permit banks to make reasonable exchange charges on collections otherwise than against the Federal Reserve banks. In accepting this amendment the non-par banks, supported by an opinion of the General Counsel of the American Bankers Association, had understood that the amendment would permit non-member banks to charge exchange on collections which the Federal Reserve banks were handling in the customary agency capacity. However, the Attorney General in 1918 (31 Op. Atty. Gen'l. 245, 251) issued an opinion to the contrary, so that non-member banks were prohibited from charging exchange not only on collection items *owned* by the Federal Reserve banks, but also on those which they were handling in an *agency* capacity. This deprived banks of the clearing facilities of the Federal Reserve banks for checks drawn on non-par banks and the situation in this respect has since remained unchanged.

The struggle, however, between the conflicting economic philosophies raged unabated. The Reserve Board continued its pressure upon the non-par banks by first persuading as many banks as possible in a district to remit at par, and then, when a majority had so agreed, announcing that all banks in the district would, on a specified date, be put on the par list, enforcing the pronouncement by presenting checks over the counter by messengers, or by postal officials, or by par banks located in the same towns, and demanding cash settlements at par. In Brookings, Oregon, for example, it maintained an agent for practically a year at an expense of $3542. for the purpose of presenting such checks on the Brookings State Bank. *Brookings State Bank* v. *Fed. Res. Bank* (D. C. Ore., 1922) 281 Fed. 222, 227. Some non-par banks claimed that checks were accumulated and presented in large amounts to harrass them and that this made it difficult, if not impossible, for them to meet the payments because of the large amount of vault cash required for such purpose. Charges of coercion and oppression were flung at certain Federal Reserve banks and recriminations abounded. From 1920 to 1927 six suits were instituted against Federal Reserve banks in an effort to stop this practice. Others were avoided only by the Federal Reserve abandoning the practice. Many non-par banks, however, yielded to this persuasion and the number of non-par banks was gradually reduced.

After unsuccessful efforts by certain banks to enjoin judicially a Federal Reserve bank from presenting checks over the counter, state legislatures enacted laws permitting their banks to settle by draft for such checks. These laws led to the decision in *Farmers & Merchants Bank of Monroe* v. *Federal Reserve Bank of Richmond* (1923) 262 U. S. 649, 67 L. ed. 1157, in which the Supreme Court, speaking through Justice Brandeis, held that the Federal Reserve had no authority to enforce universal par clearance, and said (pp. 664-666):

> "***Congress did not in terms confer upon the Federal Reserve Board or the federal reserve banks a duty to establish universal par clearance and collection of checks; and there is nothing in the original act or in any amendment from which such duty to compel its adoption may be inferred. The only sections which in any way deal either with clearance or collection are 13 and 16. In neither section is there any suggestion that the Reserve Board and the reserve banks shall become an agency for universal clearance. On the contrary § 16 strictly limits the scope of their clearance functions. It provides that the Federal Reserve Board: 'may at its discretion exercise the functions of a clearing house for such Federal reserve banks . . . and may also require each such bank to exercise the functions of a clearing house for its member banks.'
>
> "There is no reference whatever to 'par' in § 13, either as originally enacted or as amended from time to time. There is a reference to 'par' in § 16; and it is so clear and explicit as to preclude a contention that it has any application to non-member banks, or to the ordinary process of check collection here involved.
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> * * *
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> "Moreover, the contention that Congress has imposed upon the Board the duty of establishing universal par clearance and collection of checks through the federal reserve banks is irreconcilable with the specific provision of the Hardwick Amendment which declares that even a member or an affiliated non-member may make a limited charge (except to federal reserve banks) for 'payment of checks and . . . remission therefor by exchange or otherwise'. The right to make a charge for payment of checks, thus regained by member and preserved to affiliated non-member banks, shows that it was not intended, or expected, that the federal reserve banks would become the universal agency for clearance of checks."

The importance of this issue is cogently summed up in the following quotation from "Deterrents to Membership in the Reserve System", an article by B. Magruder Wingfield, the then Assistant General Counsel for the Reserve Board, published by the Reserve Board in a volume on "Banking Studies" (1941), at page 277:

> "To many smaller banks, exchange charges are a source of substantial revenue they are reluctant to do without and, in many instances, state they can not do without. In view of these facts and the differences in Federal and State laws with respect to par clearance, *it is clear that the requirement that checks be paid in full by member banks is an important obstacle to membership* in the Reserve System, particularly since no such requirement is applicable to nonmember insured banks." (Emphasis supplied).

In 1920 and again in 1932 Committees of Congress held hearings at which the par clearance controversy was aired.[1] At each of these hearings numerous references were made to the practice of charging exchange and absorption of exchange and its inextricable relationship to par clearance was apparent. However, prior to the hearings on the present Bills, the par clearance issue had not been directly reopened since the Supreme Court decided the *Richmond* case. Today whether a bank remits at par is essentially a matter of policy with the bank's management. In many communities, however, this policy is largely governed by the necessities of meeting the competition of banks which, to a large extent, do remit at par. The force of this competition, in many instances, has extended into communities adjoining the locations of the par institutions, and as the infiltration of national banks and state member banks into non-par areas increases, the non-par list probably will further contract. City banks are now generally par remitting banks, whereas in many states non-par banks are confined to rural communities.

The forces of competition are at work. These forces have, for many years past, led to arrangements between banks and their depositors whereby the former have absorbed the exchange charges imposed by non-par banks on items which are collected through their facilities. Correspondent banks have made similar arrangements with their bank customers whereby they absorb exchange charges imposed on remittances by non-par banks to the extent that the balances of their customers justify. The correspondent banks have been able and willing to absorb this expense, as well as the other costs of collection, and to render other services, because banks for whom they act as correspondents maintain with them deposits of part of their available reserves—and deposits being the banker's principal stock in trade, these funds have been so invested as to warrant the correspondent banks making these arrangements. Moreover, these deposit accounts have been so maintained not only to obtain these services but also because inter-bank balances are a necessary part of the entire banking system; they are required to enable a bank to furnish its customers the full measure of banking facilities. These absorbing arrangements, in many instances, have been confined to local areas. So far as the public is concerned and from a practical standpoint, the result of these arrangements is that the non-par banks operate on a par basis and thus have been able to meet the competition of nearby par banks. The issue of absorption of exchange for this reason is inextricably mingled with the whole issue of par clearance. Indeed, the Board of Governors of the Federal Reserve System, in a letter dated October 14, 1942, addressed to the Honorable Preston Delano, Comptroller of the Currency, dealing with the bank at Lincoln, Nebraska, which appears in the record of the hearings on the present measure before the House Banking and Currency Committee, made the following significant statement (p. 592):

> "The Board does not believe that the problem of exchange absorption can be considered alone. It is only a part of the whole question of par clearance with its many involved and related questions."

Moreover, that the question of exchange absorption cannot logically nor practically be divorced from the paramount issue of par clearance is made clear beyond doubt by the recent action of a state bankers association which issued a circular containing the following significant passage: "If all banks will cease absorbing these charges, it is predicted that it will be only a matter of time until all banks throughout the United States will be on a par clearance basis". In the face of this very plain understanding by bankers as to the consequences which will flow inevitably from the enforcement of the Federal Reserve Board's recent ruling outlawing the absorption of exchange and the Board's continuing pressure upon exchange charging

[1] House Hearings, Committee on Banking and Currency, *Par Collection of Checks*, 66th Cong., 2nd Sess.; House Hearings, Committee on Banking and Currency, *To Provide a Guaranty Fund for Depositors in Banks*, 72nd Cong. 1st Session.

banks, we have been unable to accept unreservedly the Board's statement that its ruling was not motivated by the hope of achieving universal par clearance but only by the desire to enforce the law prohibiting the payment of interest on demand deposits.[1] The literal acceptance of its disclaimer is rendered even more difficult in view of the letter sent out to banks by the Reserve Board on February 18, 1944, encouraging opposition to the pending Bill and containing the following quotation: "This matter of exchange charges is nothing but a 'gouge', a kind of racketeering against the depositors of banks, and, against the commerce and industry of the nation." Nor can the statement readily be reconciled with the pressure campaign against the pending Bill which has been carried on by the Reserve-Board-controlled Federal Reserve Banks, one of which, on March 10, 1944, wrote all of the operating banks in its district stating: "If the Senate joins the House in enacting this legislation within the next week or two, the progress made in the past thirty years in building a par collection system will be reversed.*** The two Senators from your State as well as the members of the Senate Committee on Banking and Currency undoubtedly will wish to understand the significance of the Maybank Bill (S. 1642). No one is better able to interpret its possible effects than you. As for ourselves, it is our considered judgment that this legislation is not in the public interest."

Moreover, the Board's disclaimer must be viewed in light of the past history of its attitude toward absorption of exchange. In 1936, the Board of Governors requested the Federal Advisory Council for its opinion as to whether the promulgation and enforcement of Regulation Q, with the inclusion therein of the definition outlawing absorption of exchange as a payment of interest, would have an adverse effect upon membership in the Federal Reserve System; and the Federal Advisory Council replied that it would not. (1936 Annual Report of the Federal Reserve Board, p. 233). If the motive of the Federal Reserve Board was enforcement of the law and not the achievement of par clearance, why, it is fair to ask, was it concerned with the effect of its ruling forbidding absorption of exchange upon membership in the Federal Reserve System? If the law prohibiting interest upon demand deposits compelled such a ruling, then whether membership in the Federal Reserve System was affected or not it would seem that the Reserve Board was required to make that ruling. We may justly ask, would the Federal Reserve Board have persisted in its attitude had it been advised by the Federal Advisory Council that such a ruling would have a detrimental effect upon membership in the system? Moreover, the Federal Advisory Council's reply is not consistent with the Board's present statement that it was confronted with the unhappy possibility that such a ruling would result in member banks withdrawing from the System.

The ruling of the Board has singled out absorption of exchange charges alone, of all expenses identifiable with a depositor's account, for classification as a prohibited interest payment; while other rulings hold that other expenses, equally identifiable, such as, intangible property taxes against depositors based upon their bank balances, bond premiums and expenses of clearing checks, may be absorbed without violation of the law. Thus, for example, the Federal Reserve Board has held that member banks may pay and absorb intangible property taxes upon depositors' bank balances such as those levied in the states of Michigan, Indiana and Kentucky, without

[1] "The Board is even more surprised at the statement in your letter that as you view the proposed ruling it is simply another attempt to force par clearance upon nonmember banks. The Board does favor Nation-wide par clearance, but it agrees with you that the final determination of the question is one for appropriate legislative bodies. Consequently it must most emphatically disagree that forcing par clearance was the motive of the Board's ruling. To the contrary, the Board was confronted with the unhappy possibility that, by making such a ruling, member banks resorting to the practice in question would feel that they should withdraw from the Federal Reserve System. It must reiterate that its purpose in making the ruling was solely to carry out what it believes to be its responsibility under the law, in response to a request from the Office of the Comptroller of the Currency for a ruling in the particular case disclosed by reports of examination made by National bank examiners." (From letter of L. P. Bethea, Asst. Sec., Board of Governors of the Federal Reserve System, to Hon. Leo T. Crowley, Chairman, Federal Deposit Insurance Corporation, dated Sept. 9, 1943, Hearings on H. R. 3956 before House Committee on Banking and Currency, 78th Cong., 2nd Sess., p. 601).

violating the interest statute. It is to be noted that these taxes are laid on the depositors and not on the banks and are in every sense "out-of-pocket" expenses insofar as the bank is concerned. Nevertheless, the Federal Reserve Board has ruled that the term "interest" includes the payment or absorption of exchange and collection charges "but does not include the payment or absorption of taxes upon deposits whether levied against the bank or the depositor". *Federal Reserve Bulletin* (1935), p. 864; *id.* (1944), p. 13.

Interpretation of Interest-Prohibition Statute:

Mindful of this turbulent history of the par clearance issue, we pass to consideration of the question whether Congress intended that absorption of exchange be deemed the payment of interest.

What did Congress mean by the term "interest" as used in the laws prohibiting payment of interest on demand deposits? The laws themselves contain no definition.

The Banking Act of 1933 became law on June 16, 1933. The Senate bill contained a provision prohibiting interest payments on demand deposits; the House bill contained only a provision for regulating interest rates on savings and time deposits. The reports on these bills cast no light on the question under consideration here, but we do learn from the Congressional Record that the purpose of the Senate provision was to attract surplus bank money away from the large money markets, where it had been used for speculative purposes, and return it to the home communities of the banks where it could be loaned out. It was thus explained to the Senate:

> "* * *. The payment of interest on demand deposits has resulted for years and years in stripping the country banks of all their spare funds, which have been sent to the money centers for stock speculative purposes. * * *. If they have abundant funds and credits they can lower the rate of interest in order to stimulate business and industry and farming activities.
>
> "* * *. They have their standard rates and stick to them, and would rather send their surplus funds to New York to be used for stock-gambling purposes at a wonderful rate of 2 percent, reduced now, I think, to 1½ percent, than to loan to their merchants and business men at less than their standard rates. So that this payment of interest, particularly on bank demand deposits, has resulted in drawing the funds from the country banks to the money centers for speculative purposes, to be polite about the matter." (77 *Cong. Rec.* p. 3729).

And thus to the House:

> "* * *. We departed from sound banking principles. Our great banking system was diverted from its original purposes into investment activities, and its service devoted to speculation and international high finance. * * *. Agriculture, commerce, and industry were forgotten. Bank deposits and credit resources were funneled into the speculative centers of the country for investment in stocks operation and in market speculation. Values were lifted to fictitious levels. Call-money rates went soaring, community bankers over the Nation were lured away from normal and legitimate channels into a maelstrom of untried and destructive activities." (77 *Cong. Rec.* p. 3835).

It was suggested also that prohibiting the payment of interest on demand deposits would make it easier for banks to pay their deposit insurance assessments by relieving them of the heavy interest burden—a burden which averaged, for the 5 years prior to 1933, an annual expenditure of approximately $250 millions.

It is significant that nowhere in the Congressional Record of the proceedings on the 1933 Act nor in the reports of the Congressional Committees was there any reference to absorption of exchange, or any intimation that the provision outlawing interest on demand deposits would affect, directly or indirectly, either the charging or the absorption of exchange.

In the hearings before the House Banking and Currency Committee on H. R. 3956 (78th Congress)—the companion bill to S. 1642 now under consideration in the Senate—it was disclosed (p. 497) that the Reserve Board had received numerous inquiries from banks during 1933 and 1934 for rulings on the question whether absorption of exchange was a violation of the interest prohibition. The Reserve Board's 1933 Annual Report, submitted to Congress on May 28, 1934, contained a copy of its interest Regulation Q as well as recommendations for amendments to the law prohibiting payment of interest on demand deposits, including a recommendation that the Board be given power to prescribe rules and regulations to prevent evasions of the law. But neither the interest regulation nor the recommendations for legislation contain any reference to absorption of exchange. The Annual Report of the Board for 1934 contained a recommendation from the Federal Advisory Council regarding Regulation Q but again there was no mention of absorption of exchange. And although extensive hearings were held in 1935 before the Banking and Currency Committees of both Houses of Congress on the bill later enacted as the Banking Act of 1935, again no mention was made of absorption.

The 1935 bill contained the provision that the Federal Reserve Board should have the power to determine what should be deemed "interest" for the purposes of the interest statute. It was included in Title III of the bill under the heading "Technical Amendments". Chairman Eccles of the Federal Reserve Board did not touch upon these provisions in his testimony before the Senate Committee on Banking and Currency but in testifying before the House Committee he referred to the amendments in this Title as "in the nature of technical improvements of a non-controversial nature". (House Hearings, Committee on Banking and Currency, Banking Act of 1935, p. 185.) Again he said: "They are largely of a technical nature". (*Id.*, p. 346.) Comptroller of the Currency O'Connor in testifying upon the bill before the Senate Committee filed a statement in explanation of the objects of the proposed amendments contained in Title III. (Senate Hearings, Committee on Banking and Currency, Banking Act of 1935, p. 113.) It will be observed that his explanation of Section 323(a) of the bill, which contained the provision authorizing the Federal Reserve Board to define what shall be deemed the payment of interest, reads as follows: "Authorizes Federal Reserve Board to define 'deposit' and related terms for reserve and interest requirements respecting deposits". (*Id.*, p. 116.) He further explained that section as follows (*Id.*, p. 168):

"Mr. O'CONNOR. . . . . . .

Section 323(a) is partly new, and authorizes the Federal Reserve Board to define 'deposit' and related terms for reserve and interest requirements respecting deposits.

Senator TOWNSEND. Who defines those deposits?

Mr. O'CONNOR. The Federal Reserve Board.

Senator BULKLEY. I think we ought to have a more full explanation of that. I am frank to say that I do not see what that is driving at.

Senator COUZENS. Was that new over last year's act?

Senator BULKLEY. Yes.

Mr. O'CONNOR. Yes; part of it is new.

Senator BULKLEY. It is all new in the sense that it was not contained in our omnibus bill last year.

Mr. O'CONNOR. I am reading from the report of the House, page 21:

> Section 323(a) amends section 19 of the Federal Reserve Act so as to repeal the rigid statutory definitions of "demand deposits" and "time deposits" and authorizes the Federal Reserve Board to define for the purposes of the section the terms: "Demand deposits", "gross demand deposits", "deposits payable on demand", "time deposits", "savings deposits" and "trust funds", to determine what is to be deemed a payment of interest and to prescribe regulations to effectuate the purposes of the section.

Oh, yes; it comes back to me now: We had a number of discussions in the Federal Reserve Board, gentlemen, after the passage of the 1933 act, when you eliminated the interest on demand deposits, as to what constituted a demand deposit, a time deposit, or a savings deposit. We found great difficulty in applying the definitions that were in the act, and we found some of the banks attempting to circumscribe the prohibitions; and we wanted, when we found those evasions, to keep correcting the definition until they could not evade it".

It will be noted that not one word was said about absorption of exchange; indeed not a word about interest. The explanation was that the provision authorized the Federal Reserve Board to define the term "deposit", in view of the difficulty which had been experienced in determining what were demand deposits. Not only was absorption of exchange not mentioned but that portion of the authorization with respect to the definition of the term "interest" was not even discussed.

Similarly, in the House hearings, the Comptroller of the Currency said (House Hearings, Committee on Banking and Currency, Banking Act of 1935, p. 661) that "practically all of the things I am going to talk about are technical matters * * *", and he described the section which included the power of definition as follows:

> "Section 323(a), which is partly new, authorizes the Federal Reserve Board to define 'deposit' and *related terms* for reserve and *interest requirements respecting deposits*". (*id.*, p. 665).

In light of this background, how can it fairly be said that Congress intended to eliminate or authorize the elimination of the absorption of exchange as a "device" for the indirect payment of interest on demand deposits? Nothing was said about it at the hearings on the bill; on the contrary, the silence on that subject justifies us in saying that Congress did not intend to authorize this elimination through the regulation of interest payments. If the absorption of exchange was then an acute evil and an obvious device for the indirect payment of interest on demand deposits, as the Federal Reserve Board now asserts it then believed, how can it justify the complete silence of every one on the subject when the 1935 bill was before Congress? The true interpretation of the statute depends not upon what the Federal Reserve Board claims it intended in proposing the 1935 amendment to Congress, but upon what Congress intended in enacting it into the law. Although the problem may have been acute to the Federal Reserve Board in 1934 and 1935, as it did not communicate its anxiety to Congress, but on the contrary represented the amendment to be "technical" and "non controversial", neither of which descriptions fits legislation which would permit it to disturb the practice of exchange absorption, we must conclude that Congress did not intend to authorize its recent ruling.

The provision governing interest payments by non-member insured banks (initially proposed to be enforced by the Federal Reserve Board but changed before passage to the Federal Deposit Insurance Corporation) was also discussed fully by representatives of the several banking agencies but no mention was made there of any intention to prohibit absorption of exchange.

It cannot be said that Congress, in enacting the Banking Act of 1935 and continuing therein the prohibition against the payment of interest upon demand deposits, adopted the administrative interpretation laid down by the Federal Reserve Board in 1934. We do not contest that the courts have held that the existence of an administrative regulation during several re-enactments of a statute is persuasive evidence of the Congressional approval of such administrative action. *McCaughn* v. *Hershey Chocolate Co.* (1931) 283 U. S. 488, 492, 75 L. ed. 1183, 1187; *Jones* v. *Magruder* (D. C. Md., 1941) 42 F. Supp. 193, 199; *Railroad Federal Savings and Loan Association* v. *U. S.*, 135 F. (2d) 290, 293 (CCA 2, 1943). But in almost all cases it will be found that the administrative regulation was in existence a considerable length of time and usually through several statutory re-enactments. Where the regulation is only of short life, the rule is not applied. *Commissioner of Internal Revenue* v. *Sun Pipe Line Co.*, 126 F. (2d) 888 (CCA 3, 1942). The theory upon which the rule is based is that there is a presumption that the legislature is aware of the administrative ruling and impliedly adopts it by failing to legislate against it. This presumption, however, is thoroughly overcome as far as the 1935 Act is concerned, since Congress actually was kept in complete ignorance of any ruling on this subject. As an eminent authority has said: "While the acquiescence of the legislature seems to be of small matter where there is no evidence to the effect that the statute or contemporaneous interpretation was called to the legislature's attention, it is believed that when action has been taken upon a statute by the legislature, and where a practical and contemporaneous interpretation was called to its attention, the failure of the legislature to change the interpretation should be regarded as presumptive evidence in its correctness". 2 Sutherland, *Statutory Construction* (3rd ed.), 525. Even had the legislative record been such as to warrant the conclusion that Congress did intend to adopt the Reserve Board's views, its rulings on the subject were so confusing and contradictory that no clarification of the issues could have resulted. Thus, the Board had held that absorption of exchange charges by a bank for depositors who maintained balances of $1000. or more *was not* a violation of the law; this, notwithstanding the interest statute prohibits the payment of *any* interest on demand deposits. Yet in another case it held that absorption of exchange charges by a bank "up to an amount equivalent to a certain specified percentage of the amount of the collected balance" of its correspondent bank customers *was* a violation of the law (*Federal Reserve Bulletin* (1934), p. 395). Furthermore, these rulings appear to have been entirely precatory to the extent that they declared exchange absorption to be illegal, as the practice continued to be indulged in by member banks throughout the system without interference by the Board until 1944.

We think it cannot reasonably be said that Congress, in passing this legislation, could have had any intention of prohibiting the long established banking practice which was so completely wrapped up in the explosive par clearance issue without some mention having been made of the problem in the debates, the reports on the bills or the testimony upon which the Congressional Committees acted.

There are certain well established rules for determining legislative intent. One of these is that penal statutes must be strictly construed and the statutes in this case are plainly penal. The one governing insured nonmember banks carries with it the specific penalty of $100 for each violation as well as the general penalty of the forfeiture of deposit insurance. The one governing member banks carries the general penalty of forfeiture of charter, in the case of national banks, and forfeiture of membership in the Federal Reserve System, in the case of state member banks, as well as the loss of federal deposit insurance, or the removal from office of the bank officers responsible for the violations. Statutes which provide for forfeitures upon their violation are penal. *State of Maryland* v. *The B. & O. R. Co.* (1845) 3 How.

(U. S.) 534, 11 L. ed. 714; *Chase* v. *Curtis, et al.* (1885) 113 U. S. 452, 28 L. ed. 1038; *Hall* v. *Norfolk & W. R. Co.* 44 W. Va. 36, 28 S. E. 754 (1897); *Vestal Co.* v. *Robertson,* 277 Ill. 425, 115 N. E. 629 (1917); *Manhattan Trust Co.* v. *Davis,* 23 Mont. 273, 58 P. 718 (1899).

Another of these rules is that words having a precise and well-settled meaning in common usage are to be understood in the same sense when used in statutes. This rule has been applied to the use of the word "interest" in statutes in two decisions of the United States Supreme Court involving provisions of the Internal Revenue Code. *Deputy* v. *DuPont* (1940) 308 U. S. 488, 84 L. ed. 416; *Old Colony R. Co.* v. *Commissioner of Internal Revenue* (1932) 284 U. S. 552, 76 L. ed. 484.

In *Deputy* v. *DuPont,* the Court, speaking through Mr. Justice Douglas, said:

"... In the business world 'interest on indebtedness' means compensation for the use or forbearance of money. In absence of clear evidence to the contrary, we assume that Congress has used these words in that sense. In sum, we cannot sacrifice the 'plain, obvious and rational meaning' of the statute even for 'the exigency of a hard case'."

In the *Old Colony* case the Court, speaking through Mr. Justice Roberts, said:

"... as respects *'interest', the usual import of the term is the amount which one has contracted to pay for the use of borrowed money.* * * *. We cannot believe that Congress used the word having in mind any concept other than the usual, ordinary and everyday meaning of the term, or that it was acquainted with the accountants' phrase 'effective rate' of interest and intended that as the measure of the permitted deduction".

Furthermore, judicial precedents concerning interest for the purpose of determining whether usury has been practiced, establish that the question whether a particular payment by a borrower to a lender is interest or reimbursement of an expense, involves intent. There is no presumption of an illegal or usurious intent, but on the contrary the burden rests upon the party seeking to impeach the transaction for usury to prove the illegal intent. *Brown* v. *Robinson* (1918) 224 N. Y. 301, 314, 120 N. E. 694, 698. Here, however, for purposes of administrative disposition, it appears that the Reserve Board has reversed the presumption and burden of proof by ruling (*Federal Reserve Bulletin* (1934), p. 396)—

"* * * that, in any case in which a member bank pays or absorbs exchange or collection charges or other expenses in connection with any deposit payable on demand, the burden will be upon it to show that such payment or absorption of charges is not a device to evade the provisions of Section 19 of the Federal Reserve Act forbidding the payment of interest on deposits payable on demand."

The extensive hearings which were had before the House Banking and Currency Committee on the present measure have clearly demonstrated the importance of absorption to many bankers and the intensity of their opposition to any restriction of this practice, which was a well known banking custom and was separate and distinct from the payment of interest. That the two practices are different both in origin and economic effect is borne out also by numerous witnesses who testified at those hearings.

It is significant that just as bankers have long differentiated between the payment of interest which they consider compensation and the absorption of exchange which they consider expense, so have courts in usury cases similarly differentiated between the payment of interest and exchange. *Cayuga County Bank* v. *Hunt,* 2 Hill (N. Y.) 635; *Holford* v. *Blatchford,* 2 Sandf. Ch. (N. Y.) 149.

In *Buckingham* v. *McLean* (1851) 13 How. (U. S.) 151, 14 L. ed. 91, the Supreme Court said:

> "The reason why the addition of the current rate of exchange to the legal rate of interest does not constitute usury is, that the former is a just and lawful compensation for receiving payment at a place where the money is expected to be less valuable than at the place where it is advanced and lent."

Absorption of Exchange—Administrative Interpretations:

Let us now consider the historical development of the administrative concept that absorption of exchange constitutes payment of interest in violation of section 19 of the Federal Reserve Act.

In 1935 the Reserve Board revised its Regulation Q (effective January 1, 1936) to include the following definition of interest:

> Section I(f)—"The term 'interest' means a payment, credit, service, or other thing of value which is made or furnished by a bank as consideration for the use of the funds constituting a deposit and which involves the payment or absorption by the bank of out-of-pocket expenses (i.e., expenses arising out of specific transactions for specific customers and definitely attributable to such transactions as distinguished from overhead and general operating expenses), regardless of whether such payment, credit, service, or other thing of value varies with or bears a substantially direct relation to the amount of the depositor's balance.
>
> The term 'interest' includes the payment or absorption of exchange and collection charges which involve out-of-pocket expenses, but does not include the payment or absorption of taxes upon deposits whether levied against the bank or the depositor nor the payment or absorption of premiums[1] on bonds securing deposits where such bonds are required by or under authority of law.
>
> Notwithstanding the foregoing, the payment or absorption of isolated items of out-of-pocket expense in trivial amounts and not of a regularly recurrent nature, where the charging of such items to customers would cause undue friction or misunderstanding, will not be deemed to be a payment of interest, provided that the banks acts in good faith and does not utilize the absorption of such items as a basis for soliciting accounts or obtaining an advantage over competitors and provided further that the bank maintains and makes available to the examiners authorized to examine the bank a record showing the amounts of such items paid or absorbed by it, the dates of such payment or absorption, and the names of the customers for whom such items were paid or absorbed."

At about the same time the Federal Deposit Insurance Corporation issued a revision of its interest Regulation IV, also to become effective January 1, 1936, containing the following definition of interest:

> Section 1(f)—"The term 'interest' means a payment or credit which is made or furnished by a bank as consideration for the use of the funds constituting a deposit.
>
> The term 'interest' includes any direct or indirect payment by the bank of the purchase price of premiums given to depositors or prospective depositors in connection with obtaining deposits.
>
> The term 'interest' does not include the payment or absorption of taxes upon deposits, whether levied against the bank or the depositor, nor payment or

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[1] The provision permitting banks to pay and absorb the taxes for their depositors is supported by later specific rulings of the Board to the same effect. Why the Board permits taxes to be paid and absorbed but prohibits banks from absorbing exchange can be explained only by the fact that the former has no bearing upon the issue of par clearance. The provision relative to bond premiums constituted a reversal of an earlier ruling by the Board. (*Federal Reserve Bulletin* (1933), p. 500).

absorption of premiums on surety bonds securing deposits where such bonds are required by or under authority of law."

The Reserve Board requested the Federal Deposit Insurance Corporation to hold its definition of interest in abeyance and deferred until further notice the effective date of its own definition pending discussions between the two agencies with a view to having the Federal Deposit Insurance Corporation issue its interest regulation in language paralleling the Reserve Board's Regulation Q. These discussions centered on the question whether the payment or absorption of exchange or collection charges constituted interest and this appears to have been the first time the issue was raised between the two agencies. Their viewpoints were irreconcilable in this respect. On January 20, 1936 the Federal Deposit Insurance Corporation advised the Reserve Board by letter that "both the practice of paying interest on demand deposits and the practice of charging for exchange and collection and absorbing such charges where the advantage lay existed long prior to the Banking Act of 1933 and thus far Congress has expressly prohibited only the former", and that "in the present state of the law and the practices we are not prepared to say that the practice which would be proscribed by Regulation Q is unsupported by principles of banking specially applicable to the business of exchange."

The Reserve Board announced in its January 1937 Bulletin (p. 11) that during the preceding year it had given exhaustive consideration to the subject and "as a result of this consideration, has taken action fixing February 1, 1937" as the date on which the definition of interest in its Regulation Q would become effective. In its March 1937 Bulletin (p. 186) it announced that the effective date had been postponed from February 1, 1937 to May 1, 1937 at the request of the Chairmen of the Banking and Currency Committees of both Houses of Congress. In the same Bulletin (p. 187) there was printed the February 12, 1937 press release of the Reserve Board and the Federal Deposit Insurance Corporation jointly announcing the amendment of the Reserve Board's Regulation Q and of the Federal Deposit Insurance Corporation's Regulation IV, and the addition to each Regulation of the sentence:

> "Within this regulation, any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit shall be considered interest."

This joint press release included the following statement:

> "The Board of Governors, in its original definition of the term 'interest' (section 1(f)), specified that such term should include the payment or absorption of exchange or collection charges which involve out-of-pocket expenses. *The present action of the Board of Governors removes this finding or specification from its regulation.*
>
> Henceforth under both regulations the question of what in a particular case is a payment of interest upon a demand deposit or a device to evade the prohibition against the payment of such interest, becomes, for both agencies, a matter of administrative determination under the general law in the light of experience and as specific cases may develop." (Emphasis supplied).

This release was widely interpreted to constitute an abandonment by the Board of its previous theory that absorption of exchange could be interest.

Absorption of exchange was a dead issue from 1937 until 1943. The Reserve Board's Bulletins contain no rulings on the subject during this long period. Many member banks which had notified their customers in 1936 or 1937 that because of Regulation Q they could no longer absorb exchange, withdrew their notices. The practice of absorption continued to be a matter of individual bank policy until

September 1943 when the ruling in the Lincoln case was published in the Reserve Board's Bulletin. Between 1937 and September 1943 thousands of examinations of member banks were conducted by national and Federal reserve bank examiners. From this it seems clear that for over 6 years the practice was at least tolerated if not approved by the Comptroller of the Currency and the Federal Reserve Board.[1] Throughout this period the Federal Deposit Insurance Corporation consistently held to the position that absorption of exchange by insured nonmember banks in connection with routine collection of checks could not be considered payment of interest.

In October 1942 the Reserve Board notified the Federal Deposit Insurance Corporation of the fact that the Comptroller of the Currency had requested a ruling from it on the absorption of exchange by a national bank and suggested a conference on the subject. Conferences were held between staff members at which the Reserve Board outlined its proposed ruling substantially as later issued. The Federal Deposit Insurance Corporation's representatives at these conferences restated the Corporation's position on the question, asserting (1) that Congress had not intended to treat absorption of exchange charges as interest, (2) that exchange charges could not be differentiated from many other expenses which banks absorbed for their customers and which all agencies agreed were not interest, and (3) that the evil which Congress sought to eradicate by the restriction against payment of interest was not present in absorption of exchange, as the amount of exchange absorbed varies only as the dollar amount of checks issued by depositors in non-par banks might vary and hence there could be no competitive bidding.

The Reserve Board's ruling was published in September 1943. This ruling was allegedly confined to the facts of a particular case and the Federal Deposit Insurance Corporation did not learn that it was being used generally as a precedent against all absorption of exchange until shortly before the hearings started before the House Banking and Currency Committee last December. It then learned that based upon this ruling action had been taken to outlaw all absorption of exchange by member banks. In the meantime the legal staff of the Corporation had again reviewed the question and in November, 1943 the General Counsel advised the Board of Directors of the Corporation that routine absorption of exchange cannot be considered a payment of interest within the terms of the interest regulations of the Federal Deposit Insurance Corporation. Based upon this opinion the Federal Deposit Insurance Corporation adopted a ruling on the subject, of which a copy, together with the General Counsel's opinion, is attached hereto. It will be noted that this ruling contained the qualification that it was applicable "in the absence of facts or circumstances establishing that the practice is resorted to as a device for the payment of interest."

This clause had no special significance. The purpose of including it was to follow the wording of the law, in case the ingenuity of man devised schemes for payment of interest under the guise or pretense of absorbing exchange. We had in mind no hypothetical state of facts which would bring a case of absorption of exchange within the statute prohibiting payment of interest where it is absorbed by a bank in connection with its routine collection of checks.

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[1] The September 1943 ruling appears to have the practical effect of reinstating the specification which the Reserve Board had removed from its Regulation in 1937, with the same unfortunate consequences which Mr. Justice Roberts referred to in the recent case of *Mahnich* v. *So. Steamship Co.* (1944) 321 U. S. 96, 88 L. ed. 561, when he said: "The evil resulting from overruling earlier considered decisions must be evident. In the present case, the court below naturally felt bound to follow and apply the law as clearly announced by this court. If litigants and lower federal courts are not to do so, the law becomes not a chart to govern conduct but a game of chance; instead of settling rights and liabilities it unsettles them. Counsel and parties will bring and prosecute actions in the teeth of the decisions that such actions are not maintainable on the not improbable chance that the asserted rule will be thrown overboard. . . . But the more deplorable consequence will inevitably be that the administration of justice will fall into disrepute. Respect for tribunals must fall when the bar and the public come to understand that nothing that has been said in prior adjudication has force in a current controversy".

As a result of the detailed elaboration of the practice which is contained in the record of the hearings on this Bill before the House Committee, this Corporation concluded that the foregoing qualification is unnecessary and possibly leaves open to some doubt the true intention of the Corporation in making its ruling. Accordingly, it recently amended its ruling to read as follows:

> "The absorption of normal or customary exchange charges by an insured nonmember bank, in connection with the routine collection for its depositors of checks drawn on other banks, does not constitute the payment of interest within the provisions of Section 304.2 (a) of Part 304 of the Corporation's Rules and Regulations".

No actual case of absorption of exchange has come to our attention which would not be exempt under this latest ruling of the Corporation. However, we wish to emphasize that this represents merely a change in phraseology and does not represent a change in the position which this Corporation has consistently adhered to since the enactment of the Banking Act of 1935—the Act which directed the Board of Directors of the Corporation to prohibit, by regulation, the payment of interest on demand deposits in insured nonmember banks.

The Federal Reserve Board's September 1943 ruling has been the subject of a recent "interpretation", promulgated by the Board, in which absorption of exchange is declared not prohibited if not offered "as compensation for the use of funds on deposit." This "interpretation" serves only to confound the confusion precipitated by the original ruling. Under this "interpretation" every bank examination will give rise to a dispute; and, in practice, will result—as is evident from what has transpired in the few months since the September ruling—in banks ceasing all absorption. No bank will expose itself to criticism under an "interpretation" which furnishes it no standard whereby it may determine whether in any given case it has crossed the line of transgression. It serves no purpose and resolves no question to say that "compensation for the use of funds" is interest. This is only to state the obvious. The question remains whether it is accurate to hold that *absorption of exchange*, as known to bankers and as ordinarily practiced by them in the course of normal service to a depositor or a correspondent bank, can ever be "compensation for the use of funds" and consequently interest. If exchange absorption, under any of the circumstances in which it is customarily practiced, can be considered as interest, how can absorption of service charges or taxes upon a depositor's bank balance be free of the prohibition by blanket absolution? If exchange absorption constitutes a violation only when employed as a competitive device for "the solicitation of deposits", how can absorption of service charges, when similarly employed, be given official sanction?

Even if our concept of the Congressional intent be wrong, the evidence adduced at the hearings before the House Banking and Currency Committee has fully convinced us that the absorption of exchange by a correspondent bank by arrangements with another bank involves no interest because the bank which absorbs the exchange is usually a complete stranger to the depositor-owner of the check, who is the person ultimately benefited by the absorption.

Where a correspondent bank absorbs exchange charges on items forwarded for collection from non-par banks by another customer-bank, the amount absorbed cannot constitute a prohibited "payment of interest on demand deposits" because the forwarding customer-bank acts as agent for its depositors in collecting the checks drawn on the non-par banks and as it derives no financial benefit from the absorption cannot be said to receive a "payment"; while its depositors who derive the benefit of the absorption are not depositors of the absorbing bank as they maintain no deposits with it.

We wish to comment briefly at this point on one aspect of our view of the law. The avowed purpose of the prohibition against payment of interest on demand deposits was to curb speculative use of bank funds attracted to large money centers by attractive interest rates. This condition resulted from the complete absence of regulation of the use of borrowed funds for speculative purposes. The Banking Act of 1933 took member banks out of the business of speculating in securities. It divorced them and their officials from their securities affiliates. The Securities Act of 1933 (Public, No. 22, 73rd Congress, 48 Stat. 74) and the Securities Exchange Act of 1934 (Public, No. 291, 73rd Congress, 48 Stat. 881), not only brought under government supervision the distributors of securities and stock exchanges, but also gave the Board of Governors of the Federal Reserve System broad power to regulate the use of credit for the purchase or carrying of securities. The Reserve Board has exercised this power through its Regulations T and U.

But again we suggest that even in the absence of these specific safeguards, the free absorption of exchange cannot bring about even a slight recurrence of the attraction of bank funds to money centers. The amount of exchange absorbed depends upon two factors over which the banks which absorb exchange have no direct control. The *first* is the rate of exchange which by long usage has customarily been charged at not over ⅛ of 1% of the aggregate amount of checks presented and paid and is limited by law in seven states[1] where 1020 non-par banks out of the total of 2529 are situated. The *second* is the dollar amount of the checks which individual customers of non-par banks will send to out of town points, a matter which is governed entirely by the purchasing power and practices of the customers of these banks. While the dollar volume of these checks may vary from year to year, it will not be increased by the amount of exchange which banks may absorb or the number of banks which absorb it. The forces of competition always have controlled and will continue to control the exchange rate, and the economic circumstances of non-par bank customers will control the number and amounts of their checks.

If this legislation is passed these natural laws and forces will work without interference. If any bank should make unwise engagements with its customers, the situations can be handled with complete effectiveness, where necessary, by ordinary bank supervisory methods as easily as other operating problems involving matters of judgment are now handled.

For the purpose of encouraging opposition to the measure, many appeals have been made to banks expressing fear that the program to achieve universal par clearance would be jeopardized if the proposed law should be enacted. Any administrative effort to compel banks to remit at par on clearings which do not pass through the Government-controlled Federal Reserve banks is wholly illegal and contrary to the Act of Congress expressly authorizing member banks to charge exchange to which we have already referred. (*Farmers & Merchants Bank of Monroe* v *Federal Reserve Bank of Richmond,* 262 U. S. 649.) In this field par clearance is strictly a matter of *voluntary* choice on the part of the banking system. *Compulsion* may not be used directly or indirectly, however desirable universal par remittance may seem.

For these reasons I advise the Board of Directors of this Corporation to recommend favorable action upon the Bill in question.

FRANCIS C. BROWN
General Counsel

[1] Florida, Georgia, Louisiana, Mississippi, North Carolina, South Dakota and Tennessee.

RULING OF THE BOARD OF DIRECTORS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION ADOPTED DECEMBER 6, 1943

Re: Absorption of Exchange Charges as Payment of Interest

The Federal Deposit Insurance Corporation recently has received a number of inquiries from insured banks concerning whether the absorption by insured nonmember banks of exchange charges imposed by other banks on checks deposited by customers for collection or clearance constitutes a payment of interest in violation of the Corporation's interest regulations, Code of Federal Regulations, Title 12, Part 304 (Section 304.2).

The Board is of the view that the absorption of exchange charges by an insured nonmember bank in connection with its routine collection for its depositors of checks drawn on other banks cannot be considered a payment of interest, within the terms of the interest regulations of the Federal Deposit Insurance Corporation, in the absence of facts or circumstances establishing that the practice is resorted to as a device for the payment of interest.

Attached hereto is a copy of the memorandum opinion of the General Counsel for the Corporation on this question.

November 24, 1943

Memorandum—

Question: *Does the Absorption by an Insured Bank of Exchange Charges Constitute a Payment of Interest Prohibited by the Regulations of the Federal Deposit Insurance Corporation?*

The Federal Deposit Insurance Corporation recently has received a number of inquiries from insured banks concerning whether the absorption by insured nonmember banks of exchange charges imposed by other banks on checks deposited by customers for collection or clearance constitutes a payment of interest in violation of the Corporation's interest regulations, Code of Federal Regulations, Title 12, Part 304 (Section 304.2).

The renewed inquiries concerning this question appear to be prompted by recent publicity given to a ruling of the Board of Governors of the Federal Reserve System interpreting the provisions of its Regulation Q. The interest regulations of the Federal Deposit Insurance Corporation are applicable only to insured banks which are not members of the Federal Reserve System, whereas Regulation Q is applicable only to member banks of that system.

The Corporation's interest regulations provide that with certain exceptions not here applicable, "no insured nonmember bank shall directly or indirectly, by any device whatsoever, pay any interest on any demand deposit", and that "any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit shall be considered interest." The question presented is whether the absorption of exchange charges constitutes a "payment to or for the account" of the insured bank's customers and if so, whether such payment is "as compensation for the use of funds constituting a deposit." If both of these questions are answered in the affirmative, the act of absorbing the exchange charge would be a prohibited payment of interest; otherwise, it would not be a violation of the regulation.

The absorption of exchange charges arises out of the collection of checks drawn on out-of-town banks which are not cleared through the Federal Reserve banks and for which the drawee bank makes a charge against the collecting bank. These checks are deposited by the payees or endorsees in other insured banks which forward them for collection to the drawee banks. The latter remit the face amount of these checks less their charges for clearing or honoring the checks. The collecting banks absorb the difference between the face of the checks and the amount remitted, which is the amount of the exchange so deducted. More than 2100 insured commercial banks not members of the Federal Reserve System do not clear such checks at par and thus are listed by the Federal Reserve banks as "non-par" banks. In addition, many other banks, both members and nonmembers of the Federal Reserve System which clear at par through the Federal Reserve banks, make a practice of charging exchange on so-called "direct sendings", i.e., items forwarded by correspondent banks directly rather than through the Federal Reserve banks.

It is our opinion that the absorption of exchange charges by an insured nonmember bank in connection with its routine collection for its depositors of checks drawn on other banks cannot be considered a payment of interest, within the terms of the interest regulations of the Federal Deposit Insurance Corporation, in the absence of facts or circumstances establishing that the practice is resorted to as a device for the payment of interest.

The reasons for this opinion are as follows:

(1) The absorption of expenses in connection with handling a depositor's account under the law is not ordinarily a payment to or for the account of the depositor. Banks customarily absorb many expenses in connection with the handling of customers' accounts which the law recognizes to be investments in customer good will. Therefore, these are expended for the account of the bank rather than for the account of its depositors, even though the depositors may derive benefit therefrom. Thus, for valued customers, banks frequently absorb expenses such as telephone and telegraph charges, postage, clerk and teller hire, and the cost of printing check forms.

Most banks have installed schedules of service charges to be levied upon deposit accounts. While numerous differences of detail obtain, the common rule underlying such schedules is that the deposit is worth something to the bank and the bank will absorb costs of handling the account up to the average worth of the account on the basis of an assumed rate of return on an investment of the account. In most cases, a basic charge is made for any account which is not kept above a certain minimum balance. For such charge, or the maintenance of such minimum balance, a certain number of items, i.e., checks or deposits, are handled. Items in excess of the minimum allowed, if not compensated for by larger balances, are charged for at published or established rates. In a large proportion of the banks which use this "measured" system of service charges, the larger accounts, or the more active accounts, are also subjected to analysis to determine the cost or profit to the bank of handling such accounts, and the customer is charged accordingly. In many other banks all service charges are based upon account analysis regardless of size of the account. Approximately 70 percent of the clearing houses participating in a survey conducted by the American Bankers Association in 1938 reported use of account analysis in levying service charges upon depositors. ("Service Charge Survey, 1938" Bulletin 77, January 1939, American Bankers Association.) Under this latter system, charges are made against the account for all costs incurred by the bank in handling the account and credit is given for the amount which the account earns for the bank. These costs include exchange and collection costs absorbed, bookkeeping and transit costs of handling items deposited or checks or drafts drawn, and charges for miscellaneous services such as collecting notes, handling out-of-town collections, transferring money by wire or otherwise, or providing credit information. So long as the worth of the account to the bank exceeds the cost of performing services, no charge is levied against the customer.

Where exchange charges are absorbed within the frame-work of schedules of service charges, and the motive is only to establish, maintain, or strengthen customer good will rather than to attract funds for money consideration, such absorption cannot be differentiated from the absorption of other ordinary items of expense, including internal expenses (such as rents, clerk hire, etc.) connected with handling a customer's account.

(2) Exchange charges are expenses of collecting items drawn against banks which regularly make a practice of imposing such charges and thus are comparable to the costs of maintaining clearing houses, hiring messengers, and other expenses of like character connected with normal check-clearing activities which are customarily absorbed as part of the operating expenses of banks, even though these charges may enter into computations forming the basis for service charges which when collected constitute operating income of the bank.

(3) The feature of progressive competitive bidding characteristic of interest is lacking in the case of absorption of exchange charges, as the amount of the exchange charge is fixed not by the depository bank but by the non-par drawee bank and would not vary as between depositories regardless of the bank selected as the collecting medium.

(4) Although the practice of absorbing exchange charges antedated the legislation on which the Corporation's interest regulations are predicated, no suggestion may be found in the legislative record or history of this provision to indicate any purpose on the part of Congress to permit any regulations of the practice of charging exchange in connection with the regulation of interest. Any restriction against absorption of exchange charges would naturally act as a direct deterrent to the imposition of such charges by the many banks which now impose them. In view of the well-known and turbulent history of the par-clearance issue and the absence of a specific congressional mandate, it seems evident that Congress did not authorize the Corporation to hold that the absorption of exchange charges in the ordinary course of business constitutes payment of interest.

This opinion will not apply to cases where the particular circumstances are such as to establish that the practice has been resorted to deliberately as a device for the payment of compensation to a depositor for the use of his funds.

FRANCIS C. BROWN
General Counsel

LETTER TO THE CHAIRMAN, SENATE COMMITTEE ON BANKING AND CURRENCY

January 3, 1945

THE HONORABLE ROBERT F. WAGNER
United States Senate
Washington, D. C.

My dear Senator Wagner:

I am informed that the Senate Banking and Currency Committee closed the hearings on the Maybank Bill, S. 1642 on Friday, December 15, 1944 and gave permission to all interested parties, including this Corporation, to file statements of their views, if they so desired, on or before December 21, 1944. It was impossible for me to file a statement by December 21 owing to a number of pressing matters which were occupying my time, and permission was granted me to file the statement at a later date in order to give me a reasonable opportunity to consider the matter.

I understand that it was necessary to limit the hearings due to the fact that they were started a few days before the Seventy-eighth Congress adjourned, and that many witnesses desiring to testify could not be heard. I also understand that the hearings were discontinued following the action of the Senate on the Maybank amendment to the Crop Insurance Bill and that the Committee had no opportunity to consider many aspects of the bill before adjournment and that it did not act upon the measure. In view of these facts, I have concluded that there will be no purpose in my filing a detailed statement of my views on the Maybank bill, as it would simply be incorporated in the record without having been actually considered by the Committee.

However, I believe a bill such as the Maybank Bill should be enacted to prevent disruption of the time-honored business practice of nonpar banks and to permit banks to absorb on a voluntary basis exchange charges, as well as other expenses connected with the handling of their depositors' accounts, in the same manner as they have been doing for the past ten years and longer, and as many of them are doing today. I think the present situation is particularly unfortunate because it is common knowledge that member banks in some areas are freely absorbing exchange charges whereas member banks in other areas are being prevented from doing so, so that aside from having no legal foundation, the administrative rule against absorption of exchange is not being uniformly applied to all member banks.

As even the American Bankers' Association which opposed the Maybank-Brown bills has recommended that the existing practice not be changed abruptly, and that the entire problem be studied, it seems probable that the new Congress will wish to act on this matter in some way. Therefore, I have concluded not to exercise the privilege which you have kindly afforded me of filing a statement at this time. However, I will be very happy to submit testimony on any measure which may be offered in the new Congress dealing with this subject. Anyone desiring to know my views on this subject in greater detail is referred to my testimony before the House Banking and Currency Committee appearing in the printed hearings on the Brown Bill (H. R. 3956) at pages 112 to 132, 150 to 155, and 669 to 694.

I would appreciate it very much if you would have this letter made a part of the record in the event the hearings before the Senate Banking and Currency Committee of the Seventy-eighth Congress on the Maybank Bill are to be printed.

Yours very truly,
(Signed) LEO T. CROWLEY
Chairman

REGULATIONS OF THE CORPORATION[1]

PART 302—ASSESSMENTS

As Amended June 15, 1944

Section 302.1* * *.

302.2* * *.

302.3 Payment of assessments by banks whose insured status has terminated—(a) Assumed deposits of terminating bank become deposits of assuming bank. The deposit liabilities of one bank, if assumed by a second insured bank, will, except to the extent that depositors of the first bank by affrmative action signify their express intention to hold the first bank liable as a debtor, be presumed for assessment purposes to cease being deposit liabilities of the first bank on the date the assumption becomes effective, Provided, the requisite notice of assumption be given to the depositors. The assumed deposits, for assessment purposes, are deposit liabilities of the assuming bank from the date of assumption, whether or not the requisite notice of assumption has been given to the depositors.

(b) Payment of assessments by assuming bank on assumed deposits of terminating bank. Where the deposit liabilities of an insured bank are assumed by another insured bank and the assuming bank agrees to file the certified statement which the terminating bank is required to file, the filing of such certified statement and the payment of the assessment thereon by the assuming bank shall be deemed the acts of the terminating bank: Provided, the requisite notice of assumption be given to the depositors of the terminating bank and, Provided further, That such certified statement shall be filed separately from that required to be filed by the assuming bank.

(c) Resumption of insured status before insurance of deposits ceases. If a bank whose insured status has been terminated under paragraphs (1) or (2) of subsection (i), of section 12B of the Federal Reserve Act, as amended (12 U. S. C. 264 (i) (1) and (2)), makes application to the Corporation, before the insurance of its deposits shall have ceased, to be permitted to continue or to resume its status as an insured bank and if the directors grant the application, the bank will be deemed, for assessment purposes, to continue as an insured bank and must thereafter furnish certified statements and pay assessments as though its insured status had not been terminated.

PART 303—ADVERTISEMENT OF MEMBERSHIP

As Amended January 27, 1944

Section 303.0* * *.

303.1 Mandatory requirements with regard to the official signs and their display—(a) * * *.

(b) Official sign. The official sign referred to in paragraph (a) of this section shall be seven inches by three inches in size, and shall be of the following design:

[1] A new print, revised as of July 15, 1944, is available upon request. The Rules and Regulations of the Corporation are to be found in Chapter III, Title 12 of the *Code of Federal Regulations.*

DEPOSITS INSURED
BY
The Federal Deposit Insurance Corporation
WASHINGTON, D. C.
$5000 MAXIMUM INSURANCE FOR EACH DEPOSITOR $5000

Any insured bank may procure the standard signs from the Corporation or may use any other sign of the same size, wording and appearance which shall have been approved in writing by the Corporation as conforming to the requirements of this section. Such approval will be given only in individual cases where the standard sign does not harmonize with the bank's counters and fixtures or where it cannot be adequately displayed because of the type of construction of the bank's counters or fixtures.

The Corporation shall furnish to banks an order blank for use in procuring the official signs. Any bank which promptly, after receipt of the order blank, fills it in, executes it, and properly directs and forwards it to the Federal Deposit Insurance Corporation, Washington, D. C., shall not be deemed to have violated this regulation on account of not displaying an official sign or signs, unless the bank shall omit to display such official sign or signs after same have been tendered to the bank through the instrumentality of the United States mail or otherwise.

(c) * * *.

(d) * * *.

303.2 Mandatory requirements with regard to the official advertising statement and manner of use—(a) Insured banks to include official advertising statement in advertisements of types enumerated. Each insured bank shall include the official advertising statement, prescribed in paragraph (b) of this section, in advertisements issued or caused to be issued by it after November 20, 1936, of the types enumerated in paragraph (c) of this section as being of the class in which the official statement is required to be included.

No bank which becomes an insured bank after October 26, 1936, is required to include the official advertising statement in such advertisements until 60 days after its first day of operation as an insured bank.

In cases where the Board of Directors of the Federal Deposit Insurance Corporation shall find the application to be meritorious; that there has been no neglect or wilful violation in the observance of this paragraph, and that undue hardship will result by reason of its requirements, the Board of Directors may grant a temporary exemption from its provisions to a particular bank upon its written application setting forth the facts.

In cases where advertising copy not including the official advertising statement is on hand on the date the requirements of this paragraph become operative, the insured bank may cause the official advertising statement to be included by use of a rubber stamp or otherwise.

* * *

PART 306—AGENTS FOR SERVICE OF PROCESS

As Amended January 27, 1944

Section 306.1 Agents for service of process. The board of directors has designated an agent upon whom service of process may be made in each state, territory and other jurisdiction in which an insured bank is located. A current list containing the names and addresses of such agents is kept on file in the Office of the Corporation, Washington, D. C.; a current list of such agents in each Federal Deposit Insurance district is kept on file in the office of the supervising examiner for the district; and, the name and address of such agent for each state, territory and jurisdiction are on file with the secretary of state or corresponding official in such state, territory or jurisdiction. Persons desiring to serve process upon the Federal Deposit Insurance Corporation may obtain the name and address of the proper agent by communicating with such local official, the supervising examiner for the district, or the Federal Deposit Insurance Corporation, Washington, D. C.

PART 309—VOLUNTARY TERMINATION OF INSURED STATUS

Adopted March 17, 1944

Section 309.1 Steps to be taken and records to be furnished the Corporation by an insured nonmember bank in liquidation (a) Whenever a nonmember bank goes into liquidation and its insured status has not been terminated by the board[1] and its deposit liabilities are not assumed by another insured bank, it shall terminate its status as an insured bank in accordance with the provisions of paragraph (1), subsection (i) of section 12B of the Federal Reserve Act, as amended.[2] To effect such termination the bank shall adopt a resolution in form substantially as follows:

"RESOLVED: (1) that the status of the ....
(Name of bank)
........................as an insured bank under the provisions of section
(City or town) (State)
12B of the Federal Reserve Act, as amended, shall terminate ninety (90) days from the date of the receipt by the Federal Deposit Insurance Corporation of a copy of this resolution;[3]

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[1] Board means board of directors of the Federal Deposit Insurance Corporation.

[2] The Federal Deposit Insurance Act (12 U. S. C., 264) provides in subsection (i) (1), in part, as follows: "Any insured bank (except a national member bank or State member bank) may, **upon not less than ninety days' written notice to the Corporation**, and to the Reconstruction Finance Corporation if it owns or holds as pledgee any preferred stock, capital notes, or debentures of such bank, terminate its status as an insured bank. * * * After the termination of the insured status of any bank * * * the insured deposits of each depositor in the bank on the date of such termination, less all subsequent withdrawals from any deposits of such depositor, shall continue for a period of two years to be insured, and the bank shall continue to pay to the Corporation assessments as in the case of an insured bank during such period. * * *" (Bold face supplied.)

[3] If the bank desires to fix a later date of termination, it may do so as the law prescribes only the minimum notice period which is 90 days.

(2) that..is hereby directed to
(Cashier or other officer)
immediately forward a certified copy of this resolution to the Federal Deposit Insurance Corporation, Washington, D. C., which shall constitute the notice of termination prescribed in paragraph (1), subsection (i) of said section 12B."

Upon receipt of a certified copy of the aforesaid resolution the Corporation will promptly advise the bank of the date of the receipt thereof, and confirm the date of the termination of its insured status.

Thereupon, and prior to the termination date, the bank shall give notice to its depositors of the termination of its insured status. Such notice shall be (1) mailed to each depositor at his last address of record as shown upon the books of the bank; (2) published in not less than two issues of a local newspaper of general circulation, and (3) in form substantially as follows:

"...............................
(Date)

NOTICE TO DEPOSITORS:

PLEASE BE ADVISED that the status of the...............................
(Name of bank)
...............................as an insured bank under the provisions of
(City or town) (State)
section 12B of the Federal Reserve Act, as amended, will terminate on the...... day of...................., 19.....

YOU ARE FURTHER ADVISED that your insured deposits in this bank on the date of termination will continue to be insured within the limitations provided by law.

....
(Name of Bank)

....
(Address)"

(There may be included in such notice any additional information or advice the bank may deem desirable.)

(b) The bank shall furnish to the Corporation the following records and information:

(1) An affidavit of the mailing and an affidavit of the publication of the notice to depositors. The affidavit of mailing should be executed by the person mailing the notice and should state (a) the date of mailing, (b) that it was mailed to each depositor at his last address of record as shown on the books of the bank and (c) that a copy of the notice as mailed is attached.

(2) A certified copy of the resolutions pursuant to which the bank was placed in liquidation and/or any other document or instrument required by law to place the bank in liquidation.

(3) The bank shall continue to file certified statements and pay assessments thereon for the period its deposits are insured, as provided by the Federal Deposit Insurance Law:[4] Provided, That after the bank shall have paid in full its deposit liabilities and the assessment to the Corporation required to be paid for the semi-annual period in which its deposit liabilities are paid in full, and after it shall under applicable law have ceased to have authority to transact a banking business and to have existence except for the purpose of, and to the extent permitted by law for winding up its affairs, it shall not be required to file further certified statements nor to pay further assessments.

(4) When the deposit liabilities of the bank shall have been paid in full, the bank shall furnish to the Corporation an affidavit executed by two of its officers, which

[4] See footnote number 2.

affidavit shall state the fact that the deposit liabilities have been paid in full and give the date of the final payment thereof.[5]

(5) Where the bank has unclaimed deposits the affidavit to be furnished pursuant to the preceding paragraph, shall further state the amount of such unclaimed deposits and the disposition made of the funds to be held to meet such claims. For assessment purposes, the following will be considered as payment of such unclaimed deposits, viz:

(i) the transfer of cash funds in an amount sufficient to pay such unclaimed and unpaid deposits to the public official authorized under the law to receive the same; or

(ii) if no provision is made by law for the transfer of funds to a public official, the transfer of cash funds or compensatory assets to an insured bank in an amount sufficient to pay the unclaimed and unpaid deposits in consideration of such insured bank assuming the payment thereof: Provided, That, prior to such transfer, the liquidating bank shall have given notice, as hereinafter provided, to the owners of the unclaimed deposits of the intended transfer and a reasonable time shall have elapsed after the giving of such notice to enable the depositors to obtain their deposits. Such notice shall be mailed to each depositor and shall be published in a local newspaper of general circulation. The notice shall advise such depositors of the liquidation of the bank; shall request them to call for and accept payment of their deposits; and shall state the disposition to be made of their deposits upon their failure to promptly claim the same.

If such unclaimed and unpaid deposits are disposed of as provided in (i) above, a certified copy of the public official's receipt issued for such funds shall be furnished to the Corporation. If such unclaimed and unpaid deposits are disposed of as provided in (ii) above, an affidavit of the publication and of the mailing of the notice to depositors, together with a copy of such notice, and a certified copy of the contract of assumption shall be furnished to the Corporation.

(6) The liquidating bank shall advise the Corporation of the date on which the authority or right of the bank to do a banking business shall have terminated and the method or means whereby such termination shall have been affected, that is, whether such termination has been effected by the surrender of its charter, by the cancellation of its authority or license to do a banking business by the supervisory authority, or otherwise.[6]

309.2 Steps to be taken and records to be furnished the Corporation by a member bank in liquidation (both state and national). (a) Whenever a bank which is a member of the Federal Reserve System goes into liquidation and its insured status has not been terminated by the board[7] and its deposit liabilities are not assumed by another insured bank, it shall notify its depositors of the date of the termination of its insured status.[8] Such notice shall be in the form prescribed in the preceding section and shall be given at the time and in the manner therein provided.

[5] The issuance of a draft or officer's check does not constitute the discharge of a deposit liability or relieve the bank of assessment until such draft or other evidence of payment has been duly presented for payment and has been paid.

[6] As the governing law of the various jurisdictions is not uniform in this respect, it is suggested that the applicable statute be consulted and that this Corporation be advised of the manner in which the termination or cancellation of such authority has been effected.

[7] See footnote number 1.

[8] Said subsection (i) (2) provides, in part, as follows: "Whenever a member bank shall cease to be a member of the Federal Reserve System, its status as an insured bank shall, without notice or other action by the board of directors, terminate on the date the bank shall cease to be a member of the Federal Reserve System, with like effect as if its insured status had been terminated on said date by the board of directors after proceedings under paragraph (1) of this subsection." Section 10, subsection (c) of regulation H of the Board of Governors of the Federal Reserve System provides, in part, as follows: "A bank's withdrawal from membership in the Federal Reserve System is effective on the date on which the Federal Reserve bank stock held by it is duly canceled."

(b) The bank shall furnish to the Corporation the records and information mentioned in, and comply with the requirements of, subsection (b) of the preceding section.

309.3 Steps to be taken and records to be furnished the Corporation where deposits are assumed by another insured bank.[9] (a) Whenever the deposit liabilities of an insured bank are assumed by another insured bank, the bank whose deposits are assumed or the assuming bank as its agent shall give notice to its depositors of such assumption. Such notice shall be (1) mailed to each depositor at his last address of record as shown upon the books of the bank; (2) published in not less than two issues of a local newspaper of general circulation, and (3) in form substantially as follows:

"............................
(Date)

NOTICE TO DEPOSITORS:

PLEASE BE ADVISED that the deposit liabilities shown on the books of the undersigned bank as of the close of business on...................., 19.... have been assumed by the

....
(Name of assuming bank) (city or town) (State)

and that the status of the undersigned bank as an insured bank will therefore terminate as provided in section 12B (i) (4) of the Federal Reserve Act, as amended.

YOU ARE FURTHER ADVISED that..
(Name of assuming bank)

is an insured bank and that your deposits will continue to be insured by the Federal Deposit Insurance Corporation in the manner and to the extent provided in said Act.

............................[10]
(Name of bank)

....
(Address)"

(There may be included in such notice any additional information or advice the bank may deem desirable.)

The bank shall furnish to the Corporation an affidavit of mailing and an affidavit of publication of the notice to depositors. The affidavit of mailing should be in the form prescribed in paragraph (1), subsection (b) of section 309.1.

(b) The liquidating bank shall continue to file certified statements and pay assessments thereon for the period its deposits are insured, as provided by the Federal Deposit Insurance Law: Provided, That if the liquidating bank, or the assuming bank as its agent, has given the requisite notice to the depositors of the assumption of the deposit liabilities within thirty days after such assumption takes effect, then the liquidating bank shall file a final certified statement, which statement shall be executed to reflect its average daily deposit liabilities for the semiannual period in which its deposit liabilities are assumed and shall pay to the Corporation the normal assessment thereon.[11]

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[9] Said subsection (i) (4) provides, in part, as follows: "Whenever the liabilities of an insured bank for deposits shall have been assumed by another insured bank or banks, the insured status of the bank whose liabilities are so assumed shall terminate on the date of receipt by the Corporation of satisfactory evidence of such assumption with like effect as if its insured status had been terminated on said date by the board of directors after proceedings under paragraph (1) of this subsection: *Provided*, That if the bank whose liabilities are so assumed gives to its depositors notice of such assumption within 30 days after such assumption takes effect by publication or by any reasonable means, in accordance with regulations to be prescribed by the board of directors, the insurance of its deposits shall terminate at the end of 6 months from the date such assumption takes effect, and such bank shall thereupon be relieved of all future obligations to the Corporation, including the obligation to pay future assessments."

[10] If this notice is given by the assuming bank as agent for the liquidating bank, it may add its own name designating itself as agent.

[11] See section 302.3 of part 302 of these Rules and Regulations.

(c) The Corporation will consider receipt of the following as satisfactory evidence of such assumption:

(1) A certified copy of the resolution (a) duly authorizing the bank's officers to enter into a contract for the sale of the bank's assets to another insured bank upon the consideration of the assumption by it of the deposit liabilities, and (b) duly placing the bank in liquidation.

(2) A certified copy of the assumption agreement, provided it contains an express undertaking by an insured bank to pay the deposit liabilities of the bank going into liquidation.

(d) The bank shall furnish to the Corporation the information called for in paragraph (6), subsection (b) of section 309.1.

State Legislation Relating to Bank Supervision and Bank Operations

Regular sessions of State legislatures were held during 1944 in nine states. All but ten State legislatures held extra or special sessions which were devoted principally to the enactment of war legislation. Many of the legislatures enacted statutes beneficial to persons in military service and protecting others in their dealings with them, such as acts relating to proof of wills of persons in military service, appointment of conservators or interim trustees, and acts validating actions taken under powers of attorney of such persons. The Legislatures of Kentucky and Mississippi enacted statutes (Kentucky Ch. 15, Mississippi Ch. 253) for the purpose of conforming their laws to Executive Order No. 9112 of March 26, 1942, and Federal Reserve Regulation V so as to exclude from statutes prescribing bank loan limitations loans which are guaranteed by commitments to purchase same given by Federal Reserve banks, the United States or agencies thereof (including wholly owned corporations).

Some of the more important subjects dealt with by State legislation during 1944 are listed below.

AFFECTING BANKING AND SUPERVISORY AUTHORITY

Internal functions:

Abolishing the office of general attorney for the banking department, directing the Attorney General to advise the department on legal matters, and authorizing the State Comptroller, with Attorney General's approval, to employ special counsel in litigation.......................... Mississippi (Ch. 260)

Increasing from two-thirds to three-fifths the percentage of votes required for action by the banking board in discharging various duties. . New York (Ch. 52)

Banks in financial difficulties:

Amending provisions relating to circumstances under which superintendent may take possession of banking institutions.................. New York (Ch. 40)

Providing that on petition of superintendent showing that a bank has ceased to transact business, or not completed voluntary dissolution, or abandoned and forfeited its charter and has distributed its assets a court may order such bank dissolved and terminated. Providing for the disposition of securities of such banks deposited with the superintendent after the expiration of prescribed period.. New York (Ch. 40)

Banks in financial difficulties:—Continued

Providing that statements executed and acknowledged by superintendent and setting forth extracts from records of or relating to banking organizations in his possession shall be received in evidence with the same effect as the original .... New York (Ch. 40)

Other:

Making the commissioner of banking and insurance the lawful attorney for service of process against foreign banking institutions and national banks pertaining to any trust or estate in respect to which such bank is acting in a fiduciary capacity .... New Jersey (Ch. 209)

Amending law relating to the destruction of reports and documents received by the banking department and declaring that reproductions thereof shall be deemed for any purpose to be equivalent of the original .... New York (Ch. 23)

Authorizing the superintendent to deduct from allowed claims for unclaimed deposits a service charge of one percent, plus any court allowed costs and fees .... New York (Ch. 40)

Permitting the superintendent of banks to levy assessments against banking organizations at rates lower than those previously specified .. New York (Ch. 25)

OPERATIONS OF BANKS OF DEPOSIT

Limitations on loans, investments and deposits:

Excepting from the loan limitations loans and discounts secured by Federal or State securities when maximum par value of such securities that may be loaned is fixed by the Comptroller .... Mississippi (Ch. 253)

Providing that industrial banks may not deal in bonds or notes which are in default as to either principal or interest when acquired, but permits the holding of such bonds or notes not in default when acquired ...... New York (Ch. 247)

Amending the law relating to limitation on amount of deposits .... Mississippi (Ch. 255)

Amending method of computing the maximum deposits which a bank or trust company may hold .... Rhode Island (Ch. 1523)

Checks:

Providing that stop-payment order must be in writing to be effective against local banks, and providing for renewal thereof every six months .... Mississippi (Ch. 256)

Providing that no bank or trust company shall be liable for non-payment through mistake or error of a check unless the depositor proves actual damage thereby .... Mississippi (Ch. 257)

Reducing the time in which a depositor must notify his bank of a raised or forged check against his account in order to hold the bank liable .. Virginia (Ch. 18)

Security and pledge of assets:

Permitting the State Treasurer to require deposit of United States or state bonds as security for deposits of public moneys in banking institutions .... New Jersey (Ch. 79)

Security and pledge of assets:—Continued

Removing the qualification of "market" in respect to the value of securities deposited by foreign banking corporations as applied to the amount of such securities in excess of that required to be deposited which may be withdrawn .... New York (Ch. 21)

Permitting banks, industrial banks, and trust companies to act as financial agents of the United States Government and as depositories of public money of the United States. Permitting such institutions to pledge assets to secure such deposits and to secure the faithful performance of duties as such agent .... New York (Ch. 13)

Other:

Amending the law relating to annual transfer of earnings to surplus .... Mississippi (Ch. 254)

Prescribing period during which records and files of a bank must be preserved .... Mississippi (Ch. 258)

Authorizing the establishment and maintenance of branch banking offices or agencies upon approval of application by bank commissioner .... New Jersey (Ch. 30)

Repealing the authority of safe deposit companies to maintain branches in place outside the state but permitting certain such companies owned by other banking institutions to open branches where such other institutions have a branch .... New York (Ch. 15)

Amending requirements relating to applications to change location of an office (other than the principal place of business) of a safe deposit company .... New York (Ch. 26)

Amending law relating to change of location of place of business of licensed lenders .... New York (Ch. 26)

Providing for guaranteed bank loans to certain war veterans for the purpose of re-establishing themselves in small businesses or professions .... New Jersey (Ch. 126)

Permitting state officials having public funds deposited in banks to participate in and consent to certain amendments to the certificate of incorporation of such banks .... New Jersey (Ch. 13)

Allowing banks and trust companies having shares of capital stock to fix the par value thereof at not less than $1.00 per share .... New Jersey (Ch. 25)

Repealing Act relating to the creation of corporations to receive assets of banks .... New York (Ch. 12)

Amending law relating to qualifications of directors of safe deposit companies .... New York (Ch. 151)

Regulating and licensing check cashing agencies .... New York (Ch. 593)

Providing that wages owing to bank employees for services shall, under certain circumstances, be preferred claims against banks .... New York (Ch. 40)

Requiring bank directors to cause an examination to be made of their bank only once a year .... Virginia (Ch. 17)

Legalizing business transacted by banks or cash depositories on any day other than Sunday .... South Carolina (Ch. 499)

Other:—Continued

Providing for the assignment of accounts receivable without notice............ ....Virginia (Ch. 223)..

SAVINGS BANKS, TRUST FUNDS, AND FIDUCIARY INSTITUTIONS

Common trust funds and legal investments:

Authorizing banks to establish common trust funds and prescribing conditions precedent to investment of fiduciary funds................Virginia (Ch. 369)

Changing time for valuing common trust funds held by trust companies...... ....New York (Ch. 158)

Prohibiting fiduciary bank or trust company from purchasing own stock for estate under its management unless expressly authorized by the trust instrument but permitting such fiduciary to hold such shares originally received directly from the testator or donor if considered a proper investment under the prudent man rule..Kentucky (Ch. 13)

Revising the requirements relating to the legality of railroad mortgage bonds as legal investments for savings banks....................New Jersey (Ch. 104)

Permitting board of managers of savings banks in determining whether investments meet legal requirements, to rely on statistical, financial or other information in publications accepted as reliable by the commissioner. Providing that investments, legal when made, shall continue to be legal, but requiring that securities illegal when exchanged under reorganization or recapitalization must be disposed of within the prescribed period........New Jersey (Ch. 104)

Permitting savings banks to invest in mortgages on real property in adjoining states..New York (Ch. 24)

Reducing the amount of stock of certain national banks which a savings bank or trust company may hold as investment or as security for loans............ ....Rhode Island (Ch. 1379)

Authorizing savings banks and trust companies to invest in notes or bonds secured by mortgages issued under Title III of the Servicemen's Readjustment Act of 1944..Maine (Ch. 925)

Deposits:

Providing that until six months after the war deposits of a savings bank in any other bank shall not exceed 10 percent of its deposits, nor the capital stock and surplus of such depository....................Rhode Island (Ch. 1389)

Other:

Permitting banks and trust companies acting as fiduciaries to cause securities held in such capacity to be registered and held in the name of a nominee.......... ....Kentucky (Ch. 11), New Jersey (Ch. 114), New York (Ch. 215)

Providing for cancellation of bonds without surety given by banks or trust companies where the assets of estate have been distributed to persons entitled thereto and discharging the fiduciary from all liability on such bonds........ ....New Jersey (Ch. 181)

Providing that the deposit required of trust companies may consist of United States guaranteed securities, as well as United States securities, and requiring that such deposit be equal to the par value but not less than market value of 10 percent of the capital stock of the trust company....New York (Ch. 21)

Other:—Continued

Providing for discretionary orders of the Supreme Courts in litigation involving mortgage and bond holders who object to modification of the terms of such bonds by trust companies............................New York (Ch. 128)

Including trust companies, except members of the Federal Reserve System, among the banks which are required to maintain a reserve fund. Member banks must maintain the reserves required by Federal law......Rhode Island (Ch. 1522)

Permitting two or more savings banks in the same county to merge or consolidate into a single savings bank............................New Jersey (Ch. 22)

Regulating the pensioning of officers and employees of savings banks, exempting such pensions from execution or attachment, and including the time spent in military service in computing the length of service under such pensions..New Jersey (Ch. 147)

Authorizing savings banks, credit unions, and savings and loan associations to establish death, disability, and retirement plans for employees..Rhode Island (Ch. 1495)

Adopting Uniform Trust Receipts Act...................Virginia (Ch. 368)

Requiring banks and other fiduciary institutions to furnish information to Family Court upon request relative to funds of persons chargeable with support of others and persons asking for such support....South Carolina (Act No. 509)

BANKS IN FINANCIAL DIFFICULTIES OR RECEIVERSHIP

Authorizing surviving directors as trustees on dissolution of dissolved banks and trust companies to sell or distribute assets of inter vivos trusts held by the institution as trustee prior to dissolution and validating instruments previously executed by such directors in such actions..............New Jersey (Ch. 176)

Authorizing the State Treasury to dispose of bonds, mortgages, and stocks of corporations standing in his or the state's name received in liquidation of claims against insolvent banks.............................New Jersey (Ch. 15)

Amending the law relating to the disposition of contents of safe deposit boxes of banks in the possession of superintendent..............New York (Ch. 40)

Amending law relating to payment of dividends by superintendent of banks to creditors of banks in his possession. Providing that no creditor shall be entitled to receive interest on dividends because of delay in their payment..New York (Ch. 40)

CREDIT UNIONS AND SMALL LOANS

Authorizing credit unions to sell to members negotiable checks drawn by or on it and payable by or through a trust company or national bank..Rhode Island (Ch. 1493)

Restricting the pledge of shares or deposits in a credit union...Rhode Island (Ch. 1494)

Revising the small loan law...............................Virginia (Ch. 370)

PART FIVE

STATISTICS OF BANKS AND DEPOSIT INSURANCE

NUMBER, OFFICES, AND DEPOSITS OF ALL OPERATING BANKS

Table 101. Changes in number and classification of operating banks and branches in the United States and possessions during 1944

Table 102. Number of operating banks and branches, December 31, 1944

Grouped according to insurance status and class of bank, and by State and type of office

Table 103. Number and deposits of operating commercial and mutual savings banks, December 31, 1944

Banks grouped according to insurance status and by State

The line of demarcation between banks and other types of financial institutions is not always clear. In these tables provision of deposit facilities for the general public is the chief criterion. However, trust companies not engaged in deposit banking are included because uninvested trust funds may be insured by the Federal Deposit Insurance savings banks, with a few exceptions, accept only savings deposits, while most banks classified as commercial banks also accept checking accounts and other deposits subject to withdrawal on demand. However, a few banks included in the commercial group hold only savings and time deposits. Trust companies are included with commercial

Corporation, and credit unions which accept deposits are excluded. A more detailed statement of institutions included and excluded is given in the Annual Report of the Corporation for 1943, pages 59-60.

The data in the tables which follow relate to banks operating in the continental United States and in Alaska, Hawaii, Puerto Rico, and the Virgin Islands, including branches of foreign banks which engage in a general deposit business in this area.

Banks are classified on the following bases:

Insurance status
Commercial and mutual savings
Membership in the Federal Reserve System

A bank is classified as an insured bank when its deposits are insured by the Federal Deposit Insurance Corporation. All banks members of the Federal Reserve System are required by law to be insured banks. Other banks may be admitted to deposit insurance upon meeting conditions prescribed by law.

The traditional distinction between commercial banks and mutual savings banks has been followed. Mutual banks since most institutions known as trust companies accept checking accounts.

Banks members of the Federal Reserve System are separated into two groups: national and State. All national banks in the continental United States are required to be members of the Federal Reserve System; State chartered banks may become members of the Federal Reserve System upon meeting certain conditions. None of the six national banks in the possessions is a member of the Federal Reserve System; four have been admitted to deposit insurance.

Sources of data:

Insured banks: records of the Federal Deposit Insurance Corporation; Office of the Comptroller of the Currency; and Board of Governors of the Federal Reserve System.

Noninsured banks: Board of Governors of the Federal Reserve System; State banking authorities; *Rand McNally Bankers Directory;* and *Polk's Bankers Encyclopedia.*

Table 101. Changes in Number and Classification of Operating Banks and Branches in the United States and Possessions During 1944

Type of change	All banks			Commercial banks and trust companies							Mutual savings banks		
					Insured[1]				Noninsured				
						Members F. R. System							
	Total	Insured	Noninsured	Total	Total	National	State	Not members F. R. System	Banks of deposit	Trust companies not accepting deposits	Total	Insured[2]	Noninsured
BANKS													
Number of banks, December 31, 1944	14,710	13,460	1,250	14,167	13,268	5,025	1,786	6,457	816	83	543	192	351
Number of banks, December 31, 1943	14,751	13,458	1,293	14,206	13,274	5,040	1,695	6,539	847	85	545	184	361
Net change during year	-41	+2	-43	-39	-6	-15	+91	-82	-31	-2	-2	+8	-10
Changes resulting from—													
Banks beginning deposit operations	70	61	9	70	61	8	5	48	9	....	....	....	....
New banks	65	56	9	65	56	8	5	43	9	....	....	....	....
Financial institutions becoming banks of deposit	5	5	....	5	5	....	....	5	....	....	....	....	....
Banks ceasing deposit operations	111	96	15	109	95	32	9	54	12	2	2	1	1
Suspended banks not reopened or succeeded	1	1	....	1	1	....	....	1	....	....	....	....	....
Merged with financial aid of FDIC—net decrease	1	1	....	1	1	1	....	....	....	....	....	....	....
Other mergers and absorptions—net decrease	74	67	7	72	66	26	8	32	4	2	2	1	1
Other liquidations	35	27	8	35	27	5	1	21	8	....	....	....	....
Noninsured banks becoming insured	....	+39	-39	....	+30	....	....	+30	-30	....	....	+9	-9
Successions to noninsured banks	....	+4	-4	....	+4	....	....	+4	-4	....	....	....	....
Admissions to insurance, operating banks[3]	....	+35	-35	....	+26	....	....	+26	-26	....	....	+9	-9
Insured banks becoming noninsured	....	-2	+2	....	-2	....	....	-2	+2	....	....	....	....
Succession to insured bank	....	-2	+2	....	-2	....	....	-2	+2	....	....	....	....
Other changes in classification among banks	....	....	....	....	....	+9	+95	-104	....	....	....	....	....
National banks succeeding State banks	....	....	....	....	....	+13	-6	-7	....	....	....	....	....
State banks succeeding national banks	....	....	....	....	....	-4	....	+4	....	....	....	....	....
Admissions to F. R. System	....	....	....	....	....	....	+108	-108	....	....	....	....	....
Withdrawals from F. R. System	....	....	....	....	....	....	-7	+7	....	....	....	....	....
Changes not involving number in any class:													
Successions	5	5	....	5	5	....	2	3	....	....	....	....	....
Changes in title, location, or name of location	58	56	2	57	55	17	13	25	2	....	1	1	....

BRANCHES													
Number of branches, December 31, 1944	4,141	3,974	167	4,001	3,875	1,815	1,080	980	125	1	140	99	41
Number of branches, December 31, 1943	4,000	3,839	161	3,864	3,744	1,742	1,049	953	119	1	136	95	41
Net change during year	+141	+135	+6	+137	+131	+73	+31	+27	+6	......	+4	+4	......
Changes resulting from—													
Branches opened for business	174	166	8	170	164	95	22	47	6	......	4	2	2
Facilities provided as agents of the government	96	95	1	96	95	73	13	9	1	......	......	......	......
Absorbed banks converted into branches	36	33	3	34	32	12	7	13	2	......	2	1	1
Branches replacing offices closed or relocated	1	1	......	1	1	......	......	1	......	......	......	......	......
Other branches opened	41	37	4	39	36	10	2	24	3	......	2	1	1
Branches discontinued	33	33	......	33	33	22	2	9	......	......	......	......	......
Facilities provided as agents of the government	16	16	......	16	16	16	......	......	......	......	......	......	......
Other branches discontinued	17	17	......	17	17	6	2	9	......	......	......	......	......
Branches of banks admitted to insurance	......	+2	-2	......	......	......	......	......	......	......	......	+2	-2
Other changes in classification among branches	......	......	......	......	......	......	+11	-11	......	......	......	......	......
Branches transferred as result of absorption	......	......	......	......	......	-2	+3	-1	......	......	......	......	......
From State banks to national banks	......	......	......	......	......	+2	-1	-1	......	......	......	......	......
Admissions to F. R. System	......	......	......	......	......	......	+9	-9	......	......	......	......	......
Changes not involving number in any class:													
Branches transferred as result of absorptions	2	2	......	1	1	1	......	......	......	......	1	1	......
Changes in title, location, or name of location	12	12	......	11	11	5	2	4	......	......	1	1	......
ALL BANKING OFFICES													
Number of offices, December 31, 1944	18,851	17,434	1,417	18,168	17,143	6,840	2,866	7,437	941	84	683	291	392
Number of offices, December 31, 1943	18,751	17,297	1,454	18,070	17,018	6,782	2,744	7,492	966	86	681	279	402
Net change during year	+100	+137	-37	+98	+125	+58	+122	-55	-25	-2	+2	+12	-10
Changes resulting from—													
Offices opened	244	227	17	240	225	103	27	95	15	......	4	2	2
Banks	70	61	9	70	61	8	5	48	9	......	......	......	......
Branches	174	166	8	170	164	95	22	47	6	......	4	2	2
Offices closed	144	129	15	142	128	54	11	63	12	2	2	1	1
Banks	111	96	15	109	95	32	9	54	12	2	2	1	1
Branches	33	33	......	33	33	22	2	9	......	......	......	......	......
Changes in classification	......	+39	-39	......	+28	+9	+106	-87	-28	......	......	+11	-11
Noninsured banks to insured banks	......	+39	-39	......	+30	......	......	+30	-30	......	......	+9	-9
Insured banks to noninsured banks	......	-2	+2	......	-2	......	......	-2	+2	......	......	......	......
Noninsured branches to insured branches	......	+2	-2	......	......	......	......	......	......	......	......	+2	-2
Among insured banks	......	......	......	......	......	+9	+95	-104	......	......	......	......	......
Among branches of insured banks	......	......	......	......	......	......	+11	-11	......	......	......	......	......

[1] Includes 10 trust companies not engaged in deposit banking on December 31, 1944 and 11 on December 31, 1943.
[2] Includes three mutual savings banks, members of the Federal Reserve System, for December 31, 1944 and December 31, 1943.
[3] Operating at beginning of year.

Back figures—See the Annual Report for 1943, pp. 68-69, and earlier reports.

Table 102. Number of Operating Banks and Branches, December 31, 1944

GROUPED ACCORDING TO INSURANCE STATUS AND CLASS OF BANK, AND BY STATE AND TYPE OF OFFICE

State and type of bank or office	All banks			Commercial banks and trust companies							Mutual savings banks			Insured banks as percentages of—		
					Insured[1]				Noninsured							
						Members F. R. System										
	Total	Insured	Non-insured	Total	Total	National	State	Not members F. R. System	Banks of deposit	Trust companies not accepting deposits	Total	Insured[2]	Non-insured	All banks	Commercial banks	Mutual savings banks
United States and possessions	**18,851**	**17,434**	**1,417**	**18,168**	**17,143**	**6,840**	**2,866**	**7,437**	**941**	**84**	**683**	**291**	**392**	**92.5**	**94.4**	**42.6**
All banks	14,710	13,460	1,250	14,167	13,268	5,025	1,786	6,457	816	83	543	192	351	91.5	93.7	35.4
Unit banks	*13,469*	*12,296*	*1,173*	*13,009*	*12,155*	*4,691*	*1,583*	*5,881*	*772*	*82*	*460*	*141*	*319*	*91.3*	*93.4*	*30.7*
Banks operating branches	*1,241*	*1,164*	*77*	*1,158*	*1,113*	*334*	*203*	*576*	*44*	*1*	*83*	*51*	*32*	*93.8*	*96.1*	*61.4*
Branches	4,141	3,974	167	4,001	3,875	1,815	1,080	980	125	1	140	99	41	96.0	96.9	70.7
United States	**18,741**	**17,427**	**1,314**	**18,058**	**17,136**	**6,840**	**2,866**	**7,430**	**843**	**79**	**683**	**291**	**392**	**93.0**	**94.9**	**42.6**
All banks	14,670	13,455	1,215	14,127	13,263	5,025	1,786	6,452	786	78	543	192	351	91.7	93.9	35.4
Unit banks	*13,440*	*12,293*	*1,147*	*12,980*	*12,152*	*4,691*	*1,583*	*5,878*	*751*	*77*	*460*	*141*	*319*	*91.5*	*93.6*	*30.7*
Banks operating branches	*1,230*	*1,162*	*68*	*1,147*	*1,111*	*334*	*203*	*574*	*35*	*1*	*83*	*51*	*32*	*94.5*	*96.9*	*61.4*
Branches	4,071	3,972	99	3,931	3,873	1,815	1,080	978	57	1	140	99	41	97.6	98.5	70.7
Possessions	**110**	**7**	**103**	**110**	**7**	....	....	**7**	**98**	**5**	....	....	....	**6.4**	**6.4**	....
All banks	40	5	35	40	5	....	....	5	30	5	....	....	....	12.5	12.5	....
Unit banks	*29*	*3*	*26*	*29*	*3*	....	....	*3*	*21*	*5*	....	....	....	*10.3*	*10.3*	....
Banks operating branches	*11*	*2*	*9*	*11*	*2*	....	....	*2*	*9*	....	....	....	....	*18.2*	*18.2*	....
Branches	70	2	68	70	2	....	....	2	68	....	....	....	....	2.9	2.9	....
State																
Alabama	**245**	**241**	**4**	**245**	**241**	**92**	**18**	**131**	**4**	....	....	....	....	**98.4**	**98.4**	....
All banks	217	213	4	217	213	66	17	130	4	....	....	....	....	98.2	98.2	....
Unit banks	*208*	*204*	*4*	*208*	*204*	*59*	*16*	*129*	*4*	....	....	....	....	*98.1*	*98.1*	....
Banks operating branches	*9*	*9*	....	*9*	*9*	*7*	*1*	*1*	....	....	....	....	....	*100.0*	*100.0*	....
Branches	28	28	....	28	28	26	1	1	....	....	....	....	....	100.0	100.0	....
Arizona	**49**	**47**	**2**	**49**	**47**	**34**	**2**	**11**	....	**2**	....	....	....	**95.9**	**95.9**	....
All banks	14	12	2	14	12	5	2	5	....	2	....	....	....	85.7	85.7	....
Unit banks	*9*	*7*	*2*	*9*	*7*	*3*	*2*	*2*	....	*2*	....	....	....	*77.8*	*77.8*	....
Banks operating branches	*5*	*5*	....	*5*	*5*	*2*	....	*3*	....	....	....	....	....	*100.0*	*100.0*	....
Branches	35	35	....	35	35	29	....	6	....	....	....	....	....	100.0	100.0	....
Arkansas	**247**	**227**	**20**	**247**	**227**	**55**	**15**	**157**	**17**	**3**	....	....	....	**91.9**	**91.9**	....
All banks	226	206	20	226	206	51	15	140	17	3	....	....	....	91.2	91.2	....
Unit banks	*207*	*187*	*20*	*207*	*187*	*47*	*15*	*125*	*17*	*3*	....	....	....	*90.3*	*90.3*	....
Banks operating branches	*19*	*19*	....	*19*	*19*	*4*	....	*15*	....	....	....	....	....	*100.0*	*100.0*	....
Branches	21	21	....	21	21	4	....	17	....	....	....	....	....	100.0	100.0	....

California	**1,081**	**1,066**	**15**	**1,081**	**1,066**	**807**	**143**	**116**	**6**	**9**	......	......	......	**98.6**	**98.6**	......
All banks	200	186	14	200	186	91	19	76	5	9	......	......	......	93.0	93.0	......
Unit banks	*168*	*155*	*13*	*168*	*155*	*82*	*12*	*61*	*4*	*9*	......	......	......	*92.3*	*92.3*	......
Banks operating branches	*32*	*31*	*1*	*32*	*31*	*9*	*7*	*15*	*1*	......	......	......	......	*96.9*	*96.9*	......
Branches	881	880	1	881	880	716	124	40	1	......	......	......	......	99.9	99.9	......
Colorado	**154**	**138**	**16**	**154**	**138**	**81**	**15**	**42**	**16**	......	......	......	......	**89.6**	**89.6**	......
All banks	150	134	16	150	134	77	15	42	16	......	......	......	......	89.3	89.3	......
Unit banks	*146*	*130*	*16*	*146*	*130*	*73*	*15*	*42*	*16*	......	......	......	......	*89.0*	*89.0*	......
Banks operating branches	*4*	*4*	......	*4*	*4*	*4*	......	......	......	......	......	......	......	*100.0*	*100.0*	......
Branches	4	4	......	4	4	4	......	......	......	......	......	......	......	100.0	100.0	......
Connecticut	**208**	**112**	**96**	**136**	**110**	**59**	**16**	**35**	**25**	**1**	**72**	**2**	**70**	**53.8**	**80.9**	**2.8**
All banks	189	101	88	117	99	51	13	35	17	1	72	2	70	53.4	84.6	2.8
Unit banks	*181*	*94*	*87*	*109*	*92*	*46*	*11*	*35*	*16*	*1*	*72*	*2*	*70*	*51.9*	*84.4*	*2.8*
Banks operating branches	*8*	*7*	*1*	*8*	*7*	*5*	*2*	......	*1*	......	......	......	......	*87.5*	*87.5*	......
Branches	19	11	8	19	11	8	3	......	8	......	......	......	......	57.9	57.9	......
Delaware	**56**	**52**	**4**	**53**	**52**	**13**	**7**	**32**	**1**	......	**3**	......	**3**	**92.9**	**98.1**	......
All banks	42	39	3	40	39	13	4	22	1	......	2	......	2	92.9	97.5	......
Unit banks	*34*	*32*	*2*	*33*	*32*	*13*	*1*	*18*	*1*	......	*1*	......	*1*	*94.1*	*97.0*	......
Banks operating branches	*8*	*7*	*1*	*7*	*7*	......	*3*	*4*	......	......	*1*	......	*1*	*87.5*	*100.0*	......
Branches	14	13	1	13	13	......	3	10	......	......	1	......	1	92.9	100.0	......
District of Columbia	**55**	**55**	......	**55**	**55**	**27**	**24**	**4**	......	......	......	......	......	**100.0**	**100.0**	......
All banks	21	21	......	21	21	9	9	3	......	......	......	......	......	100.0	100.0	......
Unit banks	*9*	*9*	......	*9*	*9*	*4*	*3*	*2*	......	......	......	......	......	*100.0*	*100.0*	......
Banks operating branches	*12*	*12*	......	*12*	*12*	*5*	*6*	*1*	......	......	......	......	......	*100.0*	*100.0*	......
Branches	34	34	......	34	34	18	15	1	......	......	......	......	......	100.0	100.0	......
Florida	**190**	**183**	**7**	**190**	**183**	**68**	**5**	**110**	**4**	**3**	......	......	......	**96.3**	**96.3**	......
All banks	171	165	6	171	165	56	5	104	3	3	......	......	......	96.5	96.5	......
Unit banks	*156*	*151*	*5*	*156*	*151*	*46*	*5*	*100*	*2*	*3*	......	......	......	*96.8*	*96.8*	......
Banks operating branches	*15*	*14*	*1*	*15*	*14*	*10*	......	*4*	*1*	......	......	......	......	*93.3*	*93.3*	......
Branches	19	18	1	19	18	12	......	6	1	......	......	......	......	94.7	94.7	......
Georgia	**393**	**317**	**76**	**393**	**317**	**78**	**19**	**220**	**76**	......	......	......	......	**80.7**	**80.7**	......
All banks	350	276	74	350	276	47	12	217	74	......	......	......	......	78.9	78.9	......
Unit banks	*330*	*258*	*72*	*330*	*258*	*35*	*9*	*214*	*72*	......	......	......	......	*78.2*	*78.2*	......
Banks operating branches	*20*	*18*	*2*	*20*	*18*	*12*	*3*	*3*	*2*	......	......	......	......	*90.0*	*90.0*	......
Branches	43	41	2	43	41	31	7	3	2	......	......	......	......	95.3	95.3	......
Idaho	**89**	**88**	**1**	**89**	**88**	**57**	**10**	**21**	**1**	......	......	......	......	**98.9**	**98.9**	......
All banks	46	45	1	46	45	16	10	19	1	......	......	......	......	97.8	97.8	......
Unit banks	*39*	*38*	*1*	*39*	*38*	*10*	*10*	*18*	*1*	......	......	......	......	*97.4*	*97.4*	......
Banks operating branches	*7*	*7*	......	*7*	*7*	*6*	......	*1*	......	......	......	......	......	*100.0*	*100.0*	......
Branches	43	43	......	43	43	41	......	2	......	......	......	......	......	100.0	100.0	......
Illinois	**844**	**828**	**16**	**844**	**828**	**356**	**124**	**348**	**11**	**5**	......	......	......	**98.1**	**98.1**	......
All banks	838	822	16	838	822	350	124	348	11	5	......	......	......	98.1	98.1	......
Unit banks	*832*	*816*	*16*	*832*	*816*	*344*	*124*	*348*	*11*	*5*	......	......	......	*98.1*	*98.1*	......
Banks operating branches	*6*	*6*	......	*6*	*6*	*6*	......	......	......	......	......	......	......	*100.0*	*100.0*	......
Branches	6	6	......	6	6	6	......	......	......	......	......	......	......	100.0	100.0	......

Table 102. Number of Operating Banks and Branches, December 31, 1944—Continued

GROUPED ACCORDING TO INSURANCE STATUS AND CLASS OF BANK, AND BY STATE AND TYPE OF OFFICE

State and type of bank or office	All banks			Commercial banks and trust companies							Mutual savings banks			Insured banks as percentages of—		
					Insured[1]				Noninsured							
						Members F. R. System										
	Total	Insured	Non-insured	Total	Total	National	State	Not members F. R. System	Banks of deposit	Trust companies not accepting deposits	Total	Insured[2]	Non-insured	All banks	Commercial banks	Mutual savings banks
Indiana	**575**	**550**	**25**	**571**	**547**	**137**	**118**	**292**	**20**	**4**	**4**	**3**	**1**	**95.7**	**95.8**	**75.0**
All banks	499	475	24	495	472	124	103	245	19	4	4	3	1	95.2	95.4	75.0
Unit banks	*453*	*430*	*23*	*449*	*427*	*116*	*100*	*211*	*18*	*4*	*4*	*3*	*1*	*94.9*	*95.1*	*75.0*
Banks operating branches	*46*	*45*	*1*	*46*	*45*	*8*	*3*	*34*	*1*	......	......	......	......	*97.8*	*97.8*	......
Branches	76	75	1	76	75	13	15	47	1	......	......	......	......	98.7	98.7	......
Iowa	**807**	**738**	**69**	**807**	**738**	**99**	**63**	**576**	**69**	......	......	......	......	**91.4**	**91.4**	......
All banks	650	586	64	650	586	98	63	425	64	......	......	......	......	90.2	90.2	......
Unit banks	*534*	*474*	*60*	*534*	*474*	*97*	*63*	*314*	*60*	......	......	......	......	*88.8*	*88.8*	......
Banks operating branches	*116*	*112*	*4*	*116*	*112*	*1*	......	*111*	*4*	......	......	......	......	*96.6*	*96.6*	......
Branches	157	152	5	157	152	1	......	151	5	......	......	......	......	96.8	96.8	......
Kansas	**625**	**455**	**170**	**625**	**455**	**182**	**38**	**235**	**168**	**2**	......	......	......	**72.8**	**72.8**	......
All banks	619	449	170	619	449	176	38	235	168	2	......	......	......	72.5	72.5	......
Unit banks	*613*	*443*	*170*	*613*	*443*	*170*	*38*	*235*	*168*	*2*	......	......	......	*72.3*	*72.3*	......
Banks operating branches	*6*	*6*	......	*6*	*6*	*6*	......	......	......	......	......	......	......	*100.0*	*100.0*	......
Branches	6	6	......	6	6	6	......	......	......	......	......	......	......	100.0	100.0	......
Kentucky	**428**	**398**	**30**	**428**	**398**	**111**	**27**	**260**	**24**	**6**	......	......	......	**93.0**	**93.0**	......
All banks	392	363	29	392	363	93	20	250	24	5	......	......	......	92.6	92.6	......
Unit banks	*374*	*346*	*28*	*374*	*346*	*90*	*16*	*240*	*24*	*4*	......	......	......	*92.5*	*92.5*	......
Banks operating branches	*18*	*17*	*1*	*18*	*17*	*3*	*4*	*10*	......	*1*	......	......	......	*94.4*	*94.4*	......
Branches	36	35	1	36	35	18	7	10	......	1	......	......	......	97.2	97.2	......
Louisiana	**212**	**211**	**1**	**212**	**211**	**63**	**13**	**135**	**1**	......	......	......	......	**99.5**	**99.5**	......
All banks	149	148	1	149	148	32	8	108	1	......	......	......	......	99.3	99.3	......
Unit banks	*118*	*117*	*1*	*118*	*117*	*25*	*6*	*86*	*1*	......	......	......	......	*99.2*	*99.2*	......
Banks operating branches	*31*	*31*	......	*31*	*31*	*7*	*2*	*22*	......	......	......	......	......	*100.0*	*100.0*	......
Branches	63	63	......	63	63	31	5	27	......	......	......	......	......	100.0	100.0	......
Maine	**163**	**119**	**44**	**129**	**113**	**40**	**33**	**40**	**16**	......	**34**	**6**	**28**	**73.0**	**87.6**	**17.6**
All banks	98	63	35	66	57	35	5	17	9	......	32	6	26	64.3	86.4	18.8
Unit banks	*73*	*45*	*28*	*43*	*39*	*31*	*1*	*7*	*4*	......	*30*	*6*	*24*	*61.6*	*90.7*	*20.0*
Banks operating branches	*25*	*18*	*7*	*23*	*18*	*4*	*4*	*10*	*5*	......	*2*	......	*2*	*72.0*	*78.3*	......
Branches	65	56	9	63	56	5	28	23	7	......	2	......	2	86.2	88.9	......

Maryland	**284**	**270**	**14**	**259**	**255**	**75**	**60**	**120**	**3**	**1**	**25**	**15**	**10**	**95.1**	**98.5**	**60.0**
All banks	184	174	10	174	171	63	17	91	2	1	10	3	7	94.6	98.3	30.0
Unit banks	*153*	*146*	*7*	*146*	*144*	*59*	*10*	*75*	*1*	*1*	*7*	*2*	*5*	*95.4*	*98.6*	*28.6*
Banks operating branches	*31*	*28*	*3*	*28*	*27*	*4*	*7*	*16*	*1*	......	*3*	*1*	*2*	*90.3*	*96.4*	*33.3*
Branches	100	96	4	85	84	12	43	29	1	......	15	12	3	96.0	98.8	80.0
Massachusetts	**546**	**312**	**234**	**323**	**312**	**193**	**76**	**43**	**11**	......	**223**	......	**223**	**57.1**	**96.6**	......
All banks	388	188	200	197	188	124	30	34	9	......	191	......	191	48.5	95.4	......
Unit banks	*321*	*147*	*174*	*155*	*147*	*105*	*14*	*28*	*8*	......	*166*	......	*166*	*45.8*	*94.8*	......
Banks operating branches	*67*	*41*	*26*	*42*	*41*	*19*	*16*	*6*	*1*	......	*25*	......	*25*	*61.2*	*97.6*	......
Branches	158	124	34	126	124	69	46	9	2	......	32	......	32	78.5	98.4	......
Michigan	**624**	**582**	**42**	**624**	**582**	**139**	**237**	**206**	**34**	**8**	......	......	......	**93.3**	**93.3**	......
All banks	445	411	34	445	411	75	153	183	26	8	......	......	......	92.4	92.4	......
Unit banks	*394*	*363*	*31*	*394*	*363*	*63*	*139*	*161*	*23*	*8*	......	......	......	*92.1*	*92.1*	......
Banks operating branches	*51*	*48*	*3*	*51*	*48*	*12*	*14*	*22*	*3*	......	......	......	......	*94.1*	*94.1*	......
Branches	179	171	8	179	171	64	84	23	8	......	......	......	......	95.5	95.5	......
Minnesota	**679**	**651**	**28**	**678**	**650**	**190**	**25**	**435**	**27**	**1**	**1**	**1**	......	**95.9**	**95.9**	**100.0**
All banks	673	645	28	672	644	184	25	435	27	1	1	1	......	95.8	95.8	100.0
Unit banks	*671*	*643*	*28*	*670*	*642*	*182*	*25*	*435*	*27*	*1*	*1*	*1*	......	*95.8*	*95.8*	*100.0*
Banks operating branches	*2*	*2*	......	*2*	*2*	*2*	......	......	......	......	......	......	......	*100.0*	*100.0*	......
Branches	6	6	......	6	6	6	......	......	......	......	......	......	......	100.0	100.0	......
Mississippi	**257**	**252**	**5**	**257**	**252**	**25**	**3**	**224**	**5**	......	......	......	......	**98.1**	**98.1**	......
All banks	202	197	5	202	197	23	3	171	5	......	......	......	......	97.5	97.5	......
Unit banks	*172*	*167*	*5*	*172*	*167*	*21*	*3*	*143*	*5*	......	......	......	......	*97.1*	*97.1*	......
Banks operating branches	*30*	*30*	......	*30*	*30*	*2*	......	*28*	......	......	......	......	......	*100.0*	*100.0*	......
Branches	55	55	......	55	55	2	......	53	......	......	......	......	......	100.0	100.0	......
Missouri	**599**	**568**	**31**	**599**	**568**	**85**	**96**	**387**	**29**	**2**	......	......	......	**94.8**	**94.8**	......
All banks	594	563	31	594	563	80	96	387	29	2	......	......	......	94.8	94.8	......
Unit banks	*590*	*559*	*31*	*590*	*559*	*76*	*96*	*387*	*29*	*2*	......	......	......	*94.7*	*94.7*	......
Banks operating branches	*4*	*4*	......	*4*	*4*	*4*	......	......	......	......	......	......	......	*100.0*	*100.0*	......
Branches	5	5	......	5	5	5	......	......	......	......	......	......	......	100.0	100.0	......
Montana	**111**	**111**	......	**111**	**111**	**41**	**33**	**37**	......	......	......	......	......	**100.0**	**100.0**	......
All banks	111	111	......	111	111	41	33	37	......	......	......	......	......	100.0	100.0	......
Unit banks	*111*	*111*	......	*111*	*111*	*41*	*33*	*37*	......	......	......	......	......	*100.0*	*100.0*	......
Banks operating branches	......	......	......	......	......	......	......	......	......	......	......	......	......	......	......	......
Branches	......	......	......	......	......	......	......	......	......	......	......	......	......	......	......	......
Nebraska	**420**	**359**	**61**	**420**	**359**	**134**	**17**	**208**	**53**	**8**	......	......	......	**85.5**	**85.5**	......
All banks	415	354	61	415	354	130	17	207	53	8	......	......	......	85.3	85.3	......
Unit banks	*410*	*349*	*61*	*410*	*349*	*126*	*17*	*206*	*53*	*8*	......	......	......	*85.1*	*85.1*	......
Banks operating branches	*5*	*5*	......	*5*	*5*	*4*	......	*1*	......	......	......	......	......	*100.0*	*100.0*	......
Branches	5	5	......	5	5	4	......	1	......	......	......	......	......	100.0	100.0	......
Nevada	**26**	**26**	......	**26**	**26**	**19**	**4**	**3**	......	......	......	......	......	**100.0**	**100.0**	......
All banks	9	9	......	9	9	6	1	2	......	......	......	......	......	100.0	100.0	......
Unit banks	*4*	*4*	......	*4*	*4*	*3*	......	*1*	......	......	......	......	......	*100.0*	*100.0*	......
Banks operating branches	*5*	*5*	......	*5*	*5*	*3*	*1*	*1*	......	......	......	......	......	*100.0*	*100.0*	......
Branches	17	17	......	17	17	13	3	1	......	......	......	......	......	100.0	100.0	......

Table 102. Number of Operating Banks and Branches, December 31, 1944—Continued

GROUPED ACCORDING TO INSURANCE STATUS AND CLASS OF BANK, AND BY STATE AND TYPE OF OFFICE

State and type of bank or office	All banks			Commercial banks and trust companies							Mutual savings banks			Insured banks as percentages of—		
					Insured[1]				Noninsured							
						Members F. R. System										
	Total	Insured	Non-insured	Total	Total	National	State	Not members F. R. System	Banks of deposit	Trust companies not accepting deposits	Total	Insured[2]	Non-insured	All banks	Commercial banks	Mutual savings banks
New Hampshire	**110**	**58**	**52**	**67**	**58**	**53**	**1**	**4**	**9**	......	**43**	......	**43**	**52.7**	**86.6**	......
All banks	107	57	50	65	57	52	1	4	8	......	42	......	42	53.3	87.7	......
Unit banks	*104*	*56*	*48*	*63*	*56*	*51*	*1*	*4*	*7*	......	*41*	......	*41*	*53.8*	*88.9*	......
Banks operating branches	*3*	*1*	*2*	*2*	*1*	*1*	......	......	*1*	......	*1*	......	*1*	*33.3*	*50.0*	......
Branches	3	1	2	2	1	1	......	......	1	......	1	......	1	33.3	50.0	......
New Jersey	**508**	**500**	**8**	**480**	**474**	**262**	**138**	**74**	**3**	**3**	**28**	**26**	**2**	**98.4**	**98.8**	**92.9**
All banks	375	367	8	351	345	220	73	52	3	3	24	22	2	97.9	98.3	91.7
Unit banks	*315*	*307*	*8*	*294*	*288*	*196*	*47*	*45*	*3*	*3*	*21*	*19*	*2*	*97.5*	*98.0*	*90.5*
Banks operating branches	*60*	*60*	......	*57*	*57*	*24*	*26*	*7*	......	......	*3*	*3*	......	*100.0*	*100.0*	*100.0*
Branches	133	133	......	129	129	42	65	22	......	......	4	4	......	100.0	100.0	100.0
New Mexico	**49**	**49**	......	**49**	**49**	**23**	**5**	**21**	......	......	......	......	......	**100.0**	**100.0**	......
All banks	41	41	......	41	41	22	5	14	......	......	......	......	......	100.0	100.0	......
Unit banks	*34*	*34*	......	*34*	*34*	*21*	*5*	*8*	......	......	......	......	......	*100.0*	*100.0*	......
Banks operating branches	*7*	*7*	......	*7*	*7*	*1*	......	*6*	......	......	......	......	......	*100.0*	*100.0*	......
Branches	8	8	......	8	8	1	......	7	......	......	......	......	......	100.0	100.0	......
New York	**1,545**	**1,532**	**13**	**1,355**	**1,342**	**588**	**607**	**147**	**13**	......	**190**	**190**	......	**99.2**	**99.0**	**100.0**
All banks	827	815	12	696	684	403	190	91	12	......	131	131	......	98.5	98.3	100.0
Unit banks	*678*	*668*	*10*	*588*	*578*	*364*	*140*	*74*	*10*	......	*90*	*90*	......	*98.5*	*98.3*	*100.0*
Banks operating branches	*149*	*147*	*2*	*108*	*106*	*39*	*50*	*17*	*2*	......	*41*	*41*	......	*98.7*	*98.1*	*100.0*
Branches	718	717	1	659	658	185	417	56	1	......	59	59	......	99.9	99.8	100.0
North Carolina	**376**	**369**	**7**	**376**	**369**	**55**	**19**	**295**	**6**	**1**	......	......	......	**98.1**	**98.1**	......
All banks	227	222	5	227	222	45	9	168	4	1	......	......	......	97.8	97.8	......
Unit banks	*178*	*174*	*4*	*178*	*174*	*39*	*7*	*128*	*3*	*1*	......	......	......	*97.8*	*97.8*	......
Banks operating branches	*49*	*48*	*1*	*49*	*48*	*6*	*2*	*40*	*1*	......	......	......	......	*98.0*	*98.0*	......
Branches	149	147	2	149	147	10	10	127	2	......	......	......	......	98.7	98.7	......
North Dakota	**178**	**170**	**8**	**178**	**170**	**42**	......	**128**	**7**	**1**	......	......	......	**95.5**	**95.5**	......
All banks	153	147	6	153	147	42	......	105	5	1	......	......	......	96.1	96.1	......
Unit banks	*137*	*133*	*4*	*137*	*133*	*42*	......	*91*	*3*	*1*	......	......	......	*97.1*	*97.1*	......
Banks operating branches	*16*	*14*	*2*	*16*	*14*	......	......	*14*	*2*	......	......	......	......	*87.5*	*87.5*	......
Branches	25	23	2	25	23	......	......	23	2	......	......	......	......	92.0	92.0	......

Ohio	**853**	**837**	**16**	**850**	**834**	**279**	**288**	**267**	**16**		**3**	**3**		**98.1**	**98.1**	**100.0**
All banks	682	666	16	679	663	240	177	246	16		3	3		97.7	97.6	100.0
Unit banks	*643*	*627*	*16*	*640*	*624*	*232*	*159*	*233*	*16*		*3*	*3*		*97.5*	*97.5*	*100.0*
Banks operating branches	*39*	*39*		*39*	*39*	*8*	*18*	*13*						*100.0*	*100.0*	
Branches	171	171		171	171	39	111	21						100.0	100.0	
Oklahoma	**390**	**379**	**11**	**390**	**379**	**206**	**15**	**158**	**9**	**2**				**97.2**	**97.2**	
All banks	384	373	11	384	373	200	15	158	9	2				97.1	97.1	
Unit banks	*378*	*367*	*11*	*378*	*367*	*194*	*15*	*158*	*9*	*2*				*97.1*	*97.1*	
Banks operating branches	*6*	*6*		*6*	*6*	*6*								*100.0*	*100.0*	
Branches	6	6		6	6	6								100.0	100.0	
Oregon	**143**	**139**	**4**	**142**	**138**	**92**	**8**	**38**	**2**	**2**	**1**	**1**		**97.2**	**97.2**	**100.0**
All banks	71	67	4	70	66	24	8	34	2	2	1	1		94.4	94.3	100.0
Unit banks	*64*	*60*	*4*	*63*	*59*	*21*	*8*	*30*	*2*	*2*	*1*	*1*		*93.8*	*93.7*	*100.0*
Banks operating branches	*7*	*7*		*7*	*7*	*3*		*4*						*100.0*	*100.0*	
Branches	72	72		72	72	68		4						100.0	100.0	
Pennsylvania	**1,167**	**1,143**	**24**	**1,146**	**1,122**	**719**	**139**	**264**	**22**	**2**	**21**	**21**		**97.9**	**97.9**	**100.0**
All banks	1,042	1,022	20	1,035	1,015	666	101	248	18	2	7	7		98.1	98.1	100.0
Unit banks	*985*	*968*	*17*	*982*	*965*	*641*	*86*	*238*	*15*	*2*	*3*	*3*		*98.3*	*98.3*	*100.0*
Banks operating branches	*57*	*54*	*3*	*53*	*50*	*25*	*15*	*10*	*3*		*4*	*4*		*94.7*	*94.3*	*100.0*
Branches	125	121	4	111	107	53	38	16	4		14	14		96.8	96.4	100.0
Rhode Island	**82**	**51**	**31**	**71**	**51**	**21**	**20**	**10**	**17**	**3**	**11**		**11**	**62.2**	**71.8**	
All banks	35	16	19	26	16	11	2	3	7	3	9		9	45.7	61.5	
Unit banks	*22*	*9*	*13*	*14*	*9*	*8*		*1*	*2*	*3*	*8*		*8*	*40.9*	*64.3*	
Banks operating branches	*13*	*7*	*6*	*12*	*7*	*3*	*2*	*2*	*5*		*1*		*1*	*53.8*	*58.3*	
Branches	47	35	12	45	35	10	18	7	10		2		2	74.5	77.8	
South Carolina	**179**	**153**	**26**	**179**	**153**	**50**	**8**	**95**	**26**					**85.5**	**85.5**	
All banks	146	120	26	146	120	22	6	92	26					82.2	82.2	
Unit banks	*137*	*111*	*26*	*137*	*111*	*18*	*4*	*89*	*26*					*81.0*	*81.0*	
Banks operating branches	*9*	*9*		*9*	*9*	*4*	*2*	*3*						*100.0*	*100.0*	
Branches	33	33		33	33	28	2	3						100.0	100.0	
South Dakota	**209**	**208**	**1**	**209**	**208**	**58**	**24**	**126**	**1**					**99.5**	**99.5**	
All banks	164	163	1	164	163	36	24	103	1					99.4	99.4	
Unit banks	*141*	*140*	*1*	*141*	*140*	*32*	*24*	*84*	*1*					*99.3*	*99.3*	
Banks operating branches	*23*	*23*		*23*	*23*	*4*		*19*						*100.0*	*100.0*	
Branches	45	45		45	45	22		23						100.0	100.0	
Tennessee	**355**	**344**	**11**	**355**	**344**	**95**	**19**	**230**	**7**	**4**				**96.9**	**96.9**	
All banks	296	285	11	296	285	70	8	207	7	4				96.3	96.3	
Unit banks	*274*	*263*	*11*	*274*	*263*	*63*	*7*	*193*	*7*	*4*				*96.0*	*96.0*	
Banks operating branches	*22*	*22*		*22*	*22*	*7*	*1*	*14*						*100.0*	*100.0*	
Branches	59	59		59	59	25	11	23						100.0	100.0	
Texas	**884**	**815**	**69**	**884**	**815**	**463**	**102**	**250**	**68**	**1**				**92.2**	**92.2**	
All banks	857	788	69	857	788	436	102	250	68	1				91.9	91.9	
Unit banks	*831*	*762*	*69*	*831*	*762*	*410*	*102*	*250*	*68*	*1*				*91.7*	*91.7*	
Banks operating branches	*26*	*26*		*26*	*26*	*26*								*100.0*	*100.0*	
Branches	27	27		27	27	27								100.0	100.0	

Table 102. NUMBER OF OPERATING BANKS AND BRANCHES, December 31, 1944—Continued

GROUPED ACCORDING TO INSURANCE STATUS AND CLASS OF BANK, AND BY STATE AND TYPE OF OFFICE

State and type of bank or office	All banks			Commercial banks and trust companies							Mutual savings banks			Insured banks as percentages of—		
					Insured[1]				Noninsured							
						Members F. R. System										
	Total	Insured	Non-insured	Total	Total	National	State	Not members F. R. System	Banks of deposit	Trust companies not accepting deposits	Total	Insured[2]	Non-insured	All banks	Commercial banks	Mutual savings banks
Utah	**77**	**77**	......	**77**	**77**	**27**	**23**	**27**	......	......	......	......	......	**100.0**	**100.0**	......
All banks	57	57	......	57	57	12	22	23	......	......	......	......	......	100.0	100.0	......
Unit banks	*50*	*50*	......	*50*	*50*	*9*	*21*	*20*	......	......	......	......	......	*100.0*	*100.0*	......
Banks operating branches	*7*	*7*	......	*7*	*7*	*3*	*1*	*3*	......	......	......	......	......	*100.0*	*100.0*	......
Branches	20	20	......	20	20	15	1	4	......	......	......	......	......	100.0	100.0	......
Vermont	**98**	**97**	**1**	**81**	**80**	**41**	**1**	**38**	......	**1**	**17**	**17**	......	**99.0**	**98.8**	**100.0**
All banks	80	79	1	72	71	39	1	31	......	1	8	8	......	98.8	98.6	100.0
Unit banks	*72*	*71*	*1*	*65*	*64*	*37*	*1*	*26*	......	*1*	*7*	*7*	......	*98.6*	*98.5*	*100.0*
Banks operating branches	*8*	*8*	......	*7*	*7*	*2*	......	*5*	......	......	*1*	*1*	......	*100.0*	*100.0*	*100.0*
Branches	18	18	......	9	9	2	......	7	......	......	9	9	......	100.0	100.0	100.0
Virginia	**401**	**401**	......	**401**	**401**	**156**	**78**	**167**	......	......	......	......	......	**100.0**	**100.0**	......
All banks	312	312	......	312	312	130	64	118	......	......	......	......	......	100.0	100.0	......
Unit banks	*267*	*267*	......	*267*	*267*	*120*	*57*	*90*	......	......	......	......	......	*100.0*	*100.0*	......
Banks operating branches	*45*	*45*	......	*45*	*45*	*10*	*7*	*28*	......	......	......	......	......	*100.0*	*100.0*	......
Branches	89	89	......	89	89	26	14	49	......	......	......	......	......	100.0	100.0	......
Washington	**232**	**229**	**3**	**229**	**226**	**136**	**16**	**74**	**3**	......	**3**	**3**	......	**98.7**	**98.7**	**100.0**
All banks	128	125	3	126	123	41	15	67	3	......	2	2	......	97.7	97.6	100.0
Unit banks	*115*	*112*	*3*	*114*	*111*	*33*	*14*	*64*	*3*	......	*1*	*1*	......	*97.4*	*97.4*	*100.0*
Banks operating branches	*13*	*13*	......	*12*	*12*	*8*	*1*	*3*	......	......	*1*	*1*	......	*100.0*	*100.0*	*100.0*
Branches	104	104	......	103	103	95	1	7	......	......	1	1	......	100.0	100.0	100.0
West Virginia	**178**	**173**	**5**	**178**	**173**	**76**	**30**	**67**	**4**	**1**	......	......	......	**97.2**	**97.2**	......
All banks	178	173	5	178	173	76	30	67	4	1	......	......	......	97.2	97.2	......
Unit banks	*178*	*173*	*5*	*178*	*173*	*76*	*30*	*67*	*4*	*1*	......	......	......	*97.2*	*97.2*	......
Banks operating branches	......	......	......	......	......	......	......	......	......	......	......	......	......	......	......	......
Branches	......	......	......	......	......	......	......	......	......	......	......	......	......	......	......	......
Wisconsin	**702**	**690**	**12**	**698**	**687**	**111**	**73**	**503**	**9**	**2**	**4**	**3**	**1**	**98.3**	**98.4**	**75.0**
All banks	559	548	11	555	545	96	65	384	8	2	4	3	1	98.0	98.2	75.0
Unit banks	*471*	*461*	*10*	*467*	*458*	*92*	*60*	*306*	*7*	*2*	*4*	*3*	*1*	*97.9*	*98.1*	*75.0*
Banks operating branches	*88*	*87*	*1*	*88*	*87*	*4*	*5*	*78*	*1*	......	......	......	......	*98.9*	*98.9*	......
Branches	143	142	1	143	142	15	8	119	1	......	......	......	......	99.3	99.3	......

Wyoming	**58**	**57**	**1**	**58**	**57**	**27**	**11**	**19**	...	**1**	...	...	...	**98.3**	**98.3**	...
All banks	57	56	1	57	56	26	11	19	...	1	...	...	...	98.2	98.2	...
Unit banks	*56*	*55*	*1*	*56*	*55*	*25*	*11*	*19*	...	*1*	...	...	...	*98.2*	*98.2*	...
Banks operating branches	*1*	*1*	...	*1*	*1*	*1*	...	...	...	...	...	...	...	*100.0*	*100.0*	...
Branches	1	1	...	1	1	1	...	...	...	...	...	...	...	100.0	100.0	...
Possessions																
Alaska[3]	**19**	**4**	**15**	**19**	**4**	...	...	**4**	**15**	...	...	...	...	**21.1**	**21.1**	...
All banks	17	3	14	17	3	...	...	3	14	...	...	...	...	17.6	17.6	...
Unit banks	*15*	*2*	*13*	*15*	*2*	...	...	*2*	*13*	...	...	...	...	*13.3*	*13.3*	...
Banks operating branches	*2*	*1*	*1*	*2*	*1*	...	...	*1*	*1*	...	...	...	...	*50.0*	*50.0*	...
Branches	2	1	1	2	1	...	...	1	1	...	...	...	...	50.0	50.0	...
Hawaii[4]	**53**	**1**	**52**	**53**	**1**	...	...	**1**	**47**	**5**	...	...	...	**1.9**	**1.9**	...
All banks	9	1	8	9	1	...	...	1	3	5	...	...	...	11.1	11.1	...
Unit banks	*7*	*1*	*6*	*7*	*1*	...	...	*1*	*1*	*5*	...	...	...	*14.3*	*14.3*	...
Banks operating branches	*2*	...	*2*	*2*	...	...	...	...	*2*	...	...	...	...	...	...	...
Branches	44	...	44	44	...	...	...	...	44	...	...	...	...	...	...	...
Puerto Rico	**35**	...	**35**	**35**	...	...	...	...	**35**	...	...	...	...	...	...	...
All banks	12	...	12	12	...	...	...	...	12	...	...	...	...	...	...	...
Unit banks	*6*	...	*6*	*6*	...	...	...	...	*6*	...	...	...	...	...	...	...
Banks operating branches	*6*	...	*6*	*6*	...	...	...	...	*6*	...	...	...	...	...	...	...
Branches	23	...	23	23	...	...	...	...	23	...	...	...	...	...	...	...
Virgin Islands[5]	**3**	**2**	**1**	**3**	**2**	...	...	**2**	**1**	...	...	...	...	**66.7**	**66.7**	...
All banks	2	1	1	2	1	...	...	1	1	...	...	...	...	50.0	50.0	...
Unit banks	*1*	...	*1*	*1*	...	...	...	...	*1*	...	...	...	...	...	...	...
Banks operating branches	*1*	*1*	...	*1*	*1*	...	...	*1*	...	...	...	...	...	*100.0*	*100.0*	...
Branches	1	1	...	1	1	...	...	1	...	...	...	...	...	100.0	100.0	...

[1] Includes 10 trust companies not engaged in deposit banking: 2 national banks, 1 each in Illinois and Kansas; 3 State banks members of the Federal Reserve System, 1 each in California, Illinois and Massachusetts; and 5 State banks not members of the Federal Reserve System, 1 each in Florida, Missouri and Wisconsin, and 2 in Pennsylvania.
[2] Includes 3 mutual savings banks, members of the Federal Reserve System.
[3] Includes 4 national banks, 3 among insured banks not members of the Federal Reserve System, and 1 among noninsured banks.
[4] Includes, among noninsured banks, 1 national bank operating 21 branches.
[5] Includes, among insured banks not members of the Federal Reserve System, 1 national bank operating 1 branch.

Back figures—See the Annual Report for 1943, pp. 70-75, and earlier reports.

Table 103. NUMBER AND DEPOSITS OF OPERATING COMMERCIAL AND MUTUAL SAVINGS BANKS, DECEMBER 31, 1944

BANKS GROUPED ACCORDING TO INSURANCE STATUS AND BY DISTRICT AND STATE

FDIC District and State	Number of banks								Deposits (in thousands of dollars)						
	All banks	Commercial banks and trust companies				Mutual savings banks			All banks	Commercial banks and trust companies			Mutual savings banks		
		Total	Insured[1]	Noninsured		Total	Insured	Noninsured		Total	Insured	Noninsured	Total	Insured	Noninsured
				Banks of deposit	Trust companies not accepting deposits										
United States and possessions	**14,710**	**14,167**	**13,268**	**816**	**83**	**543**	**192**	**351**	**142,076,855**	**128,701,304**	**125,751,795**	**2,949,509**	**13,375,551**	**8,910,338**	**4,465,213**
United States	**14,670**	**14,127**	**13,263**	**786**	**78**	**543**	**192**	**351**	**141,444,810**	**128,069,259**	**125,713,909**	**2,355,350**	**13,375,551**	**8,910,338**	**4,465,213**
Possessions	**40**	**40**	**5**	**30**	**5**	......	......	......	**632,045**	**632,045**	**37,886**	**594,159**	......	......	......
FDIC District															
District 1	897	543	488	50	5	354	16	338	11,407,131	7,171,873	6,729,684	442,189	4,235,258	105,288	4,129,970
District 2	1,258	1,101	1,069	29	3	157	153	4	44,754,338	37,191,009	36,058,267	1,132,742	7,563,329	7,480,449	82,880
District 3	1,724	1,714	1,678	34	2	10	10	......	15,955,147	14,962,237	14,916,074	46,163	992,910	992,910	......
District 4	1,068	1,058	1,019	36	3	10	3	7	7,130,226	6,830,217	6,708,301	121,916	300,009	57,622	242,387
District 5	1,089	1,089	999	87	3	......	......	......	5,851,735	5,851,735	5,809,075	42,660	......	......	......
District 6	1,508	1,508	1,417	77	14	......	......	......	7,038,995	7,038,995	6,991,923	47,072	......	......	......
District 7	1,503	1,495	1,428	53	14	8	6	2	9,282,299	9,240,776	9,117,470	123,306	41,523	31,547	9,976
District 8	1,488	1,488	1,408	75	5	......	......	......	12,170,679	12,170,679	12,069,613	101,066	......	......	......
District 9	1,101	1,100	1,065	33	2	1	1	......	3,470,471	3,365,742	3,289,587	76,155	104,729	104,729	......
District 10	1,625	1,625	1,366	246	13	......	......	......	4,460,656	4,460,656	4,292,693	167,963	......	......	......
District 11	912	912	841	68	3	......	......	......	5,157,611	5,157,611	5,073,867	83,744	......	......	......
District 12	537	534	490	28	16	3	3	......	15,397,567	15,259,774	14,695,241	564,533	137,793	137,793	......
State															
Alabama	217	217	213	4	......	......	......	......	1,031,336	1,031,336	1,025,768	5,568	......	......	......
Arizona	14	14	12	......	2	......	......	......	288,077	288,077	288,077	......	......	......	......
Arkansas	226	226	206	17	3	......	......	......	633,393	633,393	629,069	4,324	......	......	......
California	200	200	186	5	9	......	......	......	10,827,241	10,827,241	10,769,982	57,259	......	......	......
Colorado	150	150	134	16	......	......	......	......	845,468	845,468	840,237	5,231	......	......	......
Connecticut	189	117	99	17	1	72	2	70	2,463,657	1,481,117	1,304,667	176,450	982,540	18,865	963,675
Delaware	42	40	39	1	......	2	......	2	464,640	401,066	399,981	1,085	63,574	......	63,574
Dist. of Columbia	21	21	21	......	......	......	......	......	855,710	855,710	855,710	......	......	......	......
Florida	171	171	165	3	3	......	......	......	1,409,795	1,409,795	1,404,146	5,649	......	......	......
Georgia	350	350	276	74	......	......	......	......	1,464,446	1,464,446	1,440,931	23,515	......	......	......

Idaho	46	46	45	1	......	......	......	......	335,897	335,897	329,146	6,751	......	......	......
Illinois	838	838	822	11	5	......	......	......	10,402,500	10,402,500	10,376,731	25,769	......	......	......
Indiana	499	495	472	19	4	4	3	1	2,471,041	2,438,336	2,411,112	27,224	32,705	23,167	9,538
Iowa	650	650	586	64	......	......	......	......	1,768,179	1,768,179	1,692,882	75,297	......	......	......
Kansas	619	619	449	168	2	......	......	......	1,279,823	1,279,823	1,148,613	131,210	......	......	......
Kentucky	392	392	363	24	5	......	......	......	1,277,380	1,277,380	1,257,635	19,745	......	......	......
Louisiana	149	149	148	1	......	......	......	......	1,319,177	1,319,177	1,318,430	747	......	......	......
Maine	98	66	57	9	......	32	6	26	591,822	415,752	384,918	30,834	176,070	19,431	156,639
Maryland	184	174	171	2	1	10	3	7	1,887,870	1,587,861	1,510,403	77,458	300,009	57,622	242,387
Massachusetts	388	197	188	9	......	191	......	191	6,762,882	4,202,610	4,077,598	125,012	2,560,272	......	2,560,272
Michigan	445	445	411	26	8	......	......	......	4,442,975	4,442,975	4,354,045	88,930	......	......	......
Minnesota	673	672	644	27	1	1	1	......	2,395,021	2,290,292	2,278,316	11,976	104,729	104,729	......
Mississippi	202	202	197	5	......	......	......	......	626,981	626,981	619,800	7,181	......	......	......
Missouri	594	594	563	29	2	......	......	......	3,508,102	3,508,102	3,493,238	14,864	......	......	......
Montana	111	111	111	......	......	......	......	......	405,248	405,248	405,248	......	......	......	......
Nebraska	415	415	354	53	8	......	......	......	985,418	985,418	958,482	26,936	......	......	......
Nevada	9	9	9	......	......	......	......	......	120,971	120,971	120,971	......	......	......	......
New Hampshire	107	65	57	8	......	42	......	42	432,220	198,309	185,720	12,589	233,911	......	233,911
New Jersey	375	351	345	3	3	24	22	2	4,246,024	3,870,446	3,864,125	6,321	375,578	356,272	19,306
New Mexico	41	41	41	......	......	......	......	......	202,029	202,029	202,029	......	......	......	......
New York	827	696	684	12	......	131	131	......	39,924,181	32,800,004	31,789,904	1,010,100	7,124,177	7,124,177	......
North Carolina	227	227	222	4	1	......	......	......	1,549,320	1,549,320	1,527,964	21,356	......	......	......
North Dakota	153	153	147	5	1	......	......	......	381,887	381,887	319,168	62,719	......	......	......
Ohio	682	679	663	16	......	3	3	......	6,347,905	6,173,545	6,162,943	10,602	174,360	174,360	......
Oklahoma	384	384	373	9	2	......	......	......	1,181,405	1,181,405	1,176,819	4,586	......	......	......
Oregon	71	70	66	2	2	1	1	......	1,132,061	1,125,354	1,119,122	6,232	6,707	6,707	......
Pennsylvania	1,042	1,035	1,015	18	2	7	7	......	9,607,242	8,788,692	8,753,131	35,561	818,550	818,550	......
Rhode Island	35	26	16	7	3	9	......	9	898,076	682,603	585,299	97,304	215,473	......	215,473
South Carolina	146	146	120	26	......	......	......	......	514,773	514,773	499,986	14,787	......	......	......
South Dakota	164	164	163	1	......	......	......	......	288,315	288,315	286,855	1,460	......	......	......
Tennessee	296	296	285	7	4	......	......	......	1,620,120	1,620,120	1,611,981	8,139	......	......	......
Texas	857	857	788	68	1	......	......	......	4,667,505	4,667,505	4,583,761	83,744	......	......	......
Utah	57	57	57	......	......	......	......	......	454,501	454,501	454,501	......	......	......	......
Vermont	80	72	71	......	1	8	8	......	258,474	191,482	191,482	......	66,992	66,992	......
Virginia	312	312	312	......	......	......	......	......	1,586,415	1,586,415	1,586,415	......	......	......	......
Washington	128	126	123	3	......	2	2	......	2,014,344	1,883,258	1,867,890	15,368	131,086	131,086	......
West Virginia	178	178	173	4	1	......	......	......	736,138	736,138	727,823	8,315	......	......	......
Wisconsin	559	555	545	8	2	4	3	1	2,368,283	2,359,465	2,352,313	7,152	8,818	8,380	438
Wyoming	57	57	56	......	1	......	......	......	168,542	168,542	168,542	......	......	......	......
Possessions															
Alaska	17	17	3	14	......	......	......	......	51,473	51,473	20,381	31,092	......	......	......
Hawaii	9	9	1	3	5	......	......	......	461,079	461,079	13,248	447,831	......	......	......
Puerto Rico	12	12	......	12	......	......	......	......	115,156	115,156	......	115,156	......	......	......
Virgin Islands	2	2	1	1	......	......	......	......	4,337	4,337	4,257	80	......	......	......

[1] Includes 10 trust companies not engaged in deposit banking: 2 each in Illinois and Pennsylvania and 1 each in California, Florida, Kansas, Massachusetts, Missouri and Wisconsin.

Back figures—See the following Annual Reports: 1943, pp. 76-77; 1942, pp. 76-77; 1941, pp. 108-109.

ASSETS AND LIABILITIES OF OPERATING BANKS

Table 104. Summary of assets and liabilities of operating banks in the United States and possessions, June 30, 1944
Banks grouped according to insurance status and type of bank

Table 105. Summary of assets and liabilities of operating banks in the United States and possessions, December 30, 1944
Banks grouped according to insurance status and type of bank

Table 106. Assets and liabilities of operating insured commercial banks, December 30, 1944, June 30, 1944 and December 31, 1943

Table 107. Summary of assets and liabilities of operating banks in the United States and possessions, 1942-1944
Banks grouped according to insurance status and by type of bank

Table 108. Percentage distribution of assets and liabilities of operating insured commercial banks, call dates, 1934-1944

Statements of assets and liabilities are submitted by insured commercial banks upon either a cash or an accrual basis, depending upon the bank's method of bookkeeping. Assets reported represent aggregate book of the loan. Such loans are reported gross if, under contract, the payments do not immediately reduce the unpaid balances of the loan but are assigned or pledged to assure repayment at maturity.

value, on the date of call, less valuation allowances and premiums.

Assets and liabilities held in or administered by a savings, bond, insurance, real estate, foreign, or any other department of a bank, except a trust department, are consolidated with the respective assets and liabilities of the commercial department. "Deposits of individuals, partnerships, and corporations" include trust funds deposited by a trust department in a commercial or savings department. Other assets held in trust are not included in statements of assets and liabilities.

In the case of banks with one or more domestic branches, the assets and liabilities reported are consolidations of figures for the head office and all domestic branches. In the case of a bank with foreign branches, net amounts due from its own foreign branches are included in "Other assets", and net amounts due to its own foreign branches are included in "Other liabilities".

Since June 30, 1942, demand balances with and demand deposits due to banks in the United States exclude reciprocal interbank deposits. Reciprocal interbank deposits arise when two banks maintain deposit accounts with each other.

Instalment loans are ordinarily reported net if the instalment payments are applied directly to the reduction

Total deposits shown in these tables are not the same as the deposits upon which assessments paid to the Federal Deposit Insurance Corporation are based. The assessment base is slightly lower due to certain deductions which may be claimed.

Data for noninsured trust companies not accepting deposits are excluded. Data for some noninsured commercial banks are omitted because of unavailability of reports. On December 30, 1944, 83 noninsured trust companies and 30 noninsured commercial banks were excluded. Because of these exclusions, the number of noninsured banks in the following tables does not agree with the number shown in the previous section.

Sources of Data:

National banks and State banks in the District of Columbia not members of the Federal Reserve System: Office of the Comptroller of the Currency.

State banks members of the Federal Reserve System: Board of Governors of the Federal Reserve System.

Other insured banks: Federal Deposit Insurance Corporation.

Noninsured banks: State banking authorities; *Rand McNally Bankers Directory;* and *Polk's Bankers Encyclopedia.*

Table 104. Summary of Assets and Liabilities of Operating Banks in the United States and Possessions, June 30, 1944

BANKS GROUPED ACCORDING TO INSURANCE STATUS AND TYPE OF BANK

(Amounts in thousands of dollars)

Asset, liability or capital account item	All banks	Commercial banks			Mutual savings banks		
		Total	Insured[1]	Noninsured	Total	Insured	Noninsured
ASSETS							
Cash, balances with other banks, and cash items in process of collection	28,279,426	27,736,549	27,190,581	545,968	542,877	380,628	162,249
Securities—total	83,566,663	75,008,839	73,227,763	1,781,076	8,557,824	5,377,663	3,180,161
United States Government obligations, direct and guaranteed	76,015,703	68,715,113	67,103,707	1,611,406	7,300,590	4,751,980	2,548,610
Obligations of States and political subdivisions	3,628,715	3,463,921	3,393,594	70,327	164,794	119,590	45,204
Other bonds, notes, and debentures	3,393,836	2,432,676	2,388,042	44,634	961,160	491,932	469,228
Corporate stocks	499,963	368,683	342,420	26,263	131,280	14,161	117,119
Not classified	28,446	28,446	....	28,446	....	....	....
Loans, discounts, and overdrafts (including rediscounts)	25,487,832	21,071,435	20,732,091	339,344	4,416,397	3,111,443	1,304,954
Miscellaneous assets—total	1,892,165	1,569,155	1,496,999	72,156	323,010	248,827	74,183
Bank premises owned, furniture and fixtures	1,092,660	987,839	971,648	16,191	104,821	77,949	26,872
Other real estate—direct and indirect	331,019	179,871	171,882	7,989	151,148	120,277	30,871
All other miscellaneous assets	468,486	401,445	353,469	47,976	67,041	50,601	16,440
Total assets	139,226,086	125,385,978	122,647,434	2,738,544	13,840,108	9,118,561	4,721,547
LIABILITIES							
Deposits—total	129,127,408	116,654,134	114,179,597	2,474,537	12,473,274	8,234,962	4,238,312
Demand deposits of individuals, partnerships, and corporations		58,214,499	57,364,373	850,126			
Time deposits of individuals, partnerships, and corporations		20,932,986	20,543,888	389,098			
States and political subdivisions		4,933,334	4,811,792	121,542			
United States Government	129,127,408	19,584,847	18,864,831	720,016	12,473,274	8,234,962	4,238,312
Interbank		11,201,021	11,038,203	162,818			
Certified and officers' checks, cash letters of credit, etc.		1,560,945	1,550,679	10,266			
Not classified, including postal savings		226,502	5,831	220,671			
Miscellaneous liabilities—total	824,268	778,509	757,250	21,259	45,759	25,265	20,494
Rediscounts and other borrowed money	86,692	86,440	84,240	2,200	252	252	....
All other miscellaneous liabilities	737,576	692,069	673,010	19,059	45,507	25,013	20,494
Total liabilities (excluding capital accounts)	129,951,676	117,432,643	114,936,847	2,495,796	12,519,033	8,260,227	4,258,806
CAPITAL ACCOUNTS							
Capital accounts—total	9,274,410	7,953,335	7,710,587	242,748	1,321,075	858,334	462,741
Capital stock, notes, and debentures	2,995,981	2,991,265	2,894,735	96,530	4,716	4,716	....
Surplus	4,203,295	3,271,672	3,190,416	81,256	931,623	665,281	266,342
Undivided profits, including all other capital accounts	2,075,134	1,690,398	1,625,436	64,962	384,736	188,337	196,399
Total liabilities and capital accounts	139,226,086	125,385,978	122,647,434	2,738,544	13,840,108	9,118,561	4,721,547
Number of banks included	14,608	14,064	13,269	795	544	192	352

[1] Includes 10 trust companies not engaged in deposit banking.

Back figures—See the following Annual Reports: 1943, pp. 78-79; 1942, pp. 78-79; 1941, pp. 122-125.

Table 105. SUMMARY OF ASSETS AND LIABILITIES OF OPERATING BANKS IN THE UNITED STATES AND POSSESSIONS, DECEMBER 30, 1944

BANKS GROUPED ACCORDING TO INSURANCE STATUS AND TYPE OF BANK

(Amounts in thousands of dollars)

Asset, liability or capital account item	All banks	Commercial banks			Mutual savings banks		
		Total	Insured[1]	Noninsured	Total	Insured	Noninsured
ASSETS							
Cash, balances with other banks, and cash items in process of collection	**30,911,332**	**30,327,497**	**29,746,309**	**581,188**	**583,835**	**399,579**	**184,256**
Securities—total	**93,843,404**	**84,283,943**	**82,053,067**	**2,230,876**	**9,559,461**	**6,112,598**	**3,446,863**
United States Government obligations, direct and guaranteed	86,280,551	77,952,788	75,896,226	2,056,562	8,327,763	5,508,720	2,819,043
Obligations of States and political subdivisions	3,627,047	3,500,061	3,423,732	76,329	126,986	95,789	31,197
Other bonds, notes, and debentures	3,401,833	2,431,732	2,385,706	46,026	970,101	493,394	476,707
Corporate stocks	508,892	374,281	347,403	26,878	134,611	14,695	119,916
Not classified	25,081	25,081	....	25,081	....	....	....
Loans, discounts, and overdrafts (including rediscounts)	**26,079,480**	**21,707,210**	**21,354,758**	**352,452**	**4,372,270**	**3,110,134**	**1,262,136**
Miscellaneous assets—total	**1,783,700**	**1,511,125**	**1,459,031**	**52,094**	**272,575**	**204,954**	**67,621**
Bank premises owned, furniture and fixtures	1,057,751	955,941	940,042	15,899	101,810	75,677	26,133
Other real estate—direct and indirect	242,137	145,109	139,049	6,060	97,028	75,454	21,574
All other miscellaneous assets	483,812	410,075	379,940	30,135	73,737	53,823	19,914
Total assets	**152,617,916**	**137,829,775**	**134,613,165**	**3,216,610**	**14,788,141**	**9,827,265**	**4,960,876**
LIABILITIES							
Deposits—total	**142,076,855**	**128,701,304**	**125,751,795**	**2,949,509**	**13,375,551**	**8,910,338**	**4,465,213**
Demand deposits of individuals, partnerships, and corporations		65,131,825	64,148,968	982,857			
Time deposits of individuals, partnerships, and corporations		23,814,595	23,362,909	451,686			
States and political subdivisions		5,060,616	4,943,810	116,806			
United States Government	142,076,855	20,828,457	19,861,966	966,491	13,375,551	8,910,338	4,465,213
Interbank		12,229,376	12,074,356	155,020			
Certified and officers' checks, cash letters of credit, etc.		1,366,668	1,354,421	12,247			
Not classified, including postal savings		269,767	5,365	264,402			
Miscellaneous liabilities—total	**926,049**	**891,356**	**871,103**	**20,253**	**34,693**	**24,715**	**9,978**
Rediscounts and other borrowed money	124,486	123,893	121,549	2,344	593	90	503
All other miscellaneous liabilities	801,563	767,463	749,554	17,909	34,100	24,625	9,475
Total liabilities (excluding capital accounts)	**143,002,904**	**129,592,660**	**126,622,898**	**2,969,762**	**13,410,244**	**8,935,053**	**4,475,191**
CAPITAL ACCOUNTS							
Capital accounts—total	**9,615,012**	**8,237,115**	**7,990,267**	**246,848**	**1,377,897**	**892,212**	**485,685**
Capital stock, notes, and debentures	3,014,030	3,009,177	2,912,455	96,722	4,853	4,853	....
Surplus	4,470,157	3,485,846	3,401,995	83,851	984,311	699,772	284,539
Undivided profits, including all other capital accounts	2,130,825	1,742,092	1,675,817	66,275	388,733	187,587	201,146
Total liabilities and capital accounts	**152,617,916**	**137,829,775**	**134,613,165**	**3,216,610**	**14,788,141**	**9,827,265**	**4,960,876**
Number of banks included	14,597	14,054	13,268	786	543	192	351

[1] Includes 10 trust companies not engaged in deposit banking.

Back figures—See Table 104 and the following Annual Reports: 1943, pp. 78-79; 1942, pp. 78-79; 1941, pp. 122-125.

Table 106. ASSETS AND LIABILITIES OF OPERATING INSURED COMMERCIAL BANKS, DECEMBER 30, 1944, JUNE 30, 1944 AND DECEMBER 31, 1943

(Amounts in thousands of dollars)

ASSETS	Dec. 30, 1944	June 30, 1944	Dec. 31, 1943
Cash, balances with other banks, and cash items in process of collection—total	**29,746,309**	**27,190,581**	**27,191,292**
Currency and coin	1,625,675	1,467,749	1,447,018
Reserve with Federal Reserve banks	14,259,603	12,811,799	12,834,452
Demand balances with banks in the United States (except private banks and American branches of foreign banks)	9,732,661	8,721,213	8,382,577
Other balances with banks in the United States	64,239	64,241	68,615
Balances with banks in foreign countries	17,088	17,936	20,398
Cash items in process of collection	4,047,043	4,107,643	4,438,232
Obligations of the United States Government—total	**75,896,226**	**67,103,707**	**58,693,549**
Direct:			
Treasury bills	3,972,299	4,708,982	4,636,858
Treasury certificates of indebtedness	15,302,996	15,468,690	13,220,074
Treasury notes	15,780,732	11,835,200	7,673,192
United States savings bonds	763,842	620,564	316,032
Other bonds maturing in 5 years or less	5,917,794	5,650,408	5,790,533
Other bonds maturing in 5 to 10 years	25,467,314	20,019,989	16,775,686
Bonds maturing in 10 to 20 years	5,796,636	6,046,361	6,159,925
Bonds maturing after 20 years	1,917,000	1,790,461	1,619,819
Guaranteed obligations	977,613	963,052	2,501,430
Other securities—total	**6,156,841**	**6,124,056**	**5,984,550**
Obligations of States and political subdivisions	3,423,732	3,393,594	3,287,646
Other bonds, notes, and debentures[1]	2,385,706	2,388,042	2,342,211
Corporate stocks:			
Federal Reserve banks	162,541	158,123	153,983
Other corporate stocks	184,862	184,297	200,710
Total securities	**82,053,067**	**73,227,763**	**64,678,099**
Loans, discounts, and overdrafts (including rediscounts)—total	**21,354,758**	**20,732,091**	**18,843,488**
Commercial and industrial loans (including open market paper)	7,921,036	7,407,284	7,777,748
Loans secured by agricultural commodities, covered by purchase agreements of the Commodity Credit Corporation	805,503	504,101	598,466
Other agricultural loans (excluding loans on farm land)	917,363	970,155	906,787

LIABILITIES AND CAPITAL	Dec. 30, 1944	June 30, 1944	Dec. 31, 1943
Deposits of individuals, partnerships, and corporations—total	**87,511,877**	**77,908,261**	**76,918,566**
Demand	64,148,968	57,364,373	58,346,160
Time	23,362,909	20,543,888	18,572,406
Certified and officers' checks, cash letters of credit and travelers' checks outstanding, and amounts due to Federal Reserve banks	**1,354,421**	**1,550,679**	**1,668,876**
Government deposits—total	**24,811,141**	**23,682,454**	**14,823,570**
United States Government—demand:			
War loan and Series E bond accounts	19,455,586	18,431,347	9,665,368
Other accounts	303,205	331,631	285,343
United States Government—time	103,175	101,853	117,206
Postal savings	5,365	5,831	7,097
States and political subdivisions—demand	4,520,308	4,404,201	4,353,497
States and political subdivisions—time	423,502	407,591	395,059
Interbank deposits—total	**12,074,356**	**11,038,203**	**10,704,765**
Banks in the United States—demand	11,063,174	[2]10,030,896	9,743,462
Banks in the United States—time	52,672	57,136	63,861
Banks in foreign countries—demand	947,651	[2]938,813	893,382
Banks in foreign countries—time	10,859	11,358	4,060
Total deposits	**125,751,795**	**114,179,597**	**104,115,777**
Demand	*101,793,313*	*93,051,940*	*84,956,088*
Time	*23,958,482*	*21,127,657*	*19,159,689*
Miscellaneous liabilities—total	**871,103**	**757,250**	**676,488**
Bills payable, rediscounts, and other liabilities for borrowed money	121,549	84,240	45,679
Acceptances outstanding	72,693	58,232	55,006
Dividends declared but not yet payable	48,357	44,040	41,695
Income collected but not earned	46,728	45,499	45,449
Expenses accrued and unpaid	278,974	245,245	197,759
Other liabilities	302,802	279,994	290,900
Total liabilities (excluding capital accounts)	**126,622,898**	**114,936,847**	**104,792,265**

Consumer loans to individuals:			
Retail automobile instalment paper	174,164	169,333	160,456
Other retail, repair and modernization instalment loans	191,742	172,911	191,913
Personal instalment cash loans	317,571	312,608	310,389
Single-payment loans to individuals	1,204,933	1,207,383	1,205,670
Loans to brokers and dealers in securities	2,269,381	2,220,652	1,414,365
Other loans for the purpose of purchasing or carrying securities	2,264,758	2,296,144	921,583
Real estate loans:			
On farm land	449,614	468,271	448,577
On residential properties	3,156,607	3,153,238	3,203,587
On other properties	737,930	743,728	785,826
Loans to banks	59,374	61,303	57,939
All other loans (including overdrafts)	884,782	1,044,980	860,182
Loans and securities—total	**103,407,825**	**93,959,854**	**83,521,587**
Bank premises, furniture and fixtures, and other real estate—total	**1,079,091**	**1,143,530**	**1,201,282**
Bank premises	868,882	895,051	914,292
Furniture and fixtures	71,160	76,597	79,977
Real estate owned other than bank premises	63,522	91,671	122,728
Investments and other assets indirectly representing bank premises or other real estate	75,527	80,211	84,285
Miscellaneous assets—total	**379,940**	**353,469**	**331,830**
Customers' liability on acceptances outstanding	62,801	51,660	44,625
Income accrued but not collected	216,599	205,919	179,435
Prepaid expenses	11,930	11,792	11,920
Other assets	88,610	84,098	95,850
Total assets	**134,613,165**	**122,647,434**	**112,245,991**
Number of banks	13,268	13,269	13,274

Capital accounts—total	**7,990,267**	**7,710,587**	**7,453,726**
Capital stock, notes, and debentures	2,912,455	2,894,735	2,874,548
Surplus	3,401,995	3,190,416	3,089,817
Undivided profits	1,169,389	1,129,712	1,006,406
Reserves	506,428	495,724	482,955
Total liabilities and capital accounts	**134,613,165**	**122,647,434**	**112,245,991**
MEMORANDA			
Pledged assets and securities loaned—total	**27,727,300**	**26,632,106**	**18,541,870**
United States Government obligations, direct and guaranteed, pledged to secure liabilities	26,831,454	25,622,389	17,570,199
Other assets pledged to secure liabilities	561,779	680,101	655,191
Assets pledged to qualify for exercise of fiduciary or corporate powers, and for purposes other than to secure liabilities	300,421	299,489	275,981
Securities loaned	33,646	30,127	40,499
Secured and preferred liabilities—total	**24,843,282**	**23,442,333**	**14,852,101**
Deposits secured by pledged assets pursuant to requirements of law	23,846,867	22,569,642	13,936,664
Deposits preferred under provisions of law but not secured by pledge of assets	901,915	845,005	897,046
Borrowings secured by pledged assets	93,743	25,712	16,901
Other liabilities secured by pledged assets	757	1,974	1,490
Number of banks	13,268	13,269	13,274

[1] Includes obligations of United States government corporations and agencies not guaranteed by the United States government.
[2] Revised.

Back figures—See the following Annual Reports: 1943, pp. 80-81; 1942, pp. 80-81; 1941, pp. 126-129; 1940, pp. 144-147; 1938, pp. 164-167.

Table 107. SUMMARY OF ASSETS AND LIABILITIES OF OPERATING BANKS IN THE UNITED STATES AND POSSESSIONS, 1942-1944

BANKS GROUPED ACCORDING TO INSURANCE STATUS AND BY TYPE OF BANK

(Amounts in thousands of dollars)

Asset, liability or capital account item	June 30, 1942			December 31, 1942			June 30, 1943		
	ALL BANKS	INSURED	NONINSURED	ALL BANKS	INSURED	NONINSURED	ALL BANKS	INSURED	NONINSURED
Total assets	**92,081,685**	**80,765,023**	**11,316,662**	**109,305,505**	**97,713,102**	**11,592,403**	**116,983,581**	**105,414,414**	**11,569,167**
Cash and amounts due from other banks	25,667,360	24,525,180	1,142,180	28,809,564	27,723,412	1,086,152	26,771,369	25,707,425	1,063,944
United States Government obligations[1]	30,339,709	26,622,491	3,717,218	46,036,206	41,572,955	4,463,251	57,912,891	52,805,608	5,107,283
Other securities	8,637,868	7,211,967	1,425,901	8,286,363	7,037,939	1,248,424	7,914,650	6,775,165	1,139,485
Loans, discounts, and overdrafts	25,132,675	20,615,128	4,517,547	23,961,174	19,647,248	4,313,926	22,294,293	18,405,526	3,888,767
Miscellaneous assets	2,304,073	1,790,257	513,816	2,212,198	1,731,548	480,650	2,090,378	1,720,690	369,688
Total liabilities and capital accounts	**92,081,685**	**80,765,023**	**11,316,662**	**109,305,505**	**97,713,102**	**11,592,403**	**116,983,581**	**105,414,414**	**11,569,167**
Total deposits	82,986,623	73,026,710	9,959,913	100,152,825	89,868,741	10,284,084	107,621,968	97,321,366	10,300,602
Miscellaneous liabilities	665,434	603,606	61,828	638,689	587,315	51,374	657,726	606,085	51,641
Total capital accounts	8,429,628	7,134,707	1,294,921	8,513,991	7,257,046	1,256,945	8,703,887	7,486,963	1,216,924
Number of banks included	14,827	13,456	1,371	14,731	13,403	1,328	14,666	13,363	1,303
	ALL COMMERCIAL	INSURED COMMERCIAL	NONINSURED COMMERCIAL	ALL COMMERCIAL	INSURED COMMERCIAL	NONINSURED COMMERCIAL	ALL COMMERCIAL	INSURED COMMERCIAL	NONINSURED COMMERCIAL
Total assets	**80,394,510**	**78,709,455**	**1,685,055**	**97,368,511**	**95,459,111**	**1,909,400**	**104,555,146**	**102,405,464**	**2,149,682**
Cash and amounts due from other banks	24,914,120	24,381,860	532,260	28,139,627	27,593,375	546,252	26,049,517	25,537,614	511,903
United States Government obligations[1]	26,457,825	25,936,082	521,743	41,483,606	40,711,697	771,909	52,627,666	51,541,848	1,085,818
Other securities	6,982,370	6,790,346	192,024	6,815,643	6,632,557	183,086	6,532,988	6,348,275	184,713
Loans, discounts, and overdrafts	20,303,587	19,922,804	380,783	19,248,743	18,906,869	341,874	17,704,857	17,392,157	312,700
Miscellaneous assets	1,736,608	1,678,363	58,245	1,680,892	1,614,613	66,279	1,640,118	1,585,570	54,548
Total liabilities and capital accounts	**80,394,510**	**78,709,455**	**1,685,055**	**97,368,511**	**95,459,111**	**1,909,400**	**104,555,146**	**102,405,464**	**2,149,682**
Total deposits	72,588,851	71,162,431	1,426,420	89,478,713	87,820,427	1,658,286	96,475,864	94,582,458	1,893,406
Miscellaneous liabilities	622,388	594,204	28,184	604,225	582,450	21,775	617,011	593,666	23,345
Total capital accounts	7,183,271	6,952,820	230,451	7,285,573	7,056,234	229,339	7,462,271	7,229,340	232,931
Number of banks included	14,280	13,403	877	14,185	13,347	838	14,121	13,302	819
	ALL MUTUAL SAVINGS	INSURED MUTUAL SAVINGS	NONINSURED MUTUAL SAVINGS	ALL MUTUAL SAVINGS	INSURED MUTUAL SAVINGS	NONINSURED MUTUAL SAVINGS	ALL MUTUAL SAVINGS	INSURED MUTUAL SAVINGS	NONINSURED MUTUAL SAVINGS
Total assets	**11,687,175**	**2,055,568**	**9,631,607**	**11,936,994**	**2,253,991**	**9,683,003**	**12,428,435**	**3,008,950**	**9,419,485**
Cash and amounts due from other banks	753,240	143,320	609,920	669,937	130,037	539,900	721,852	169,811	552,041
United States Government obligations[1]	3,881,884	686,409	3,195,475	4,552,600	861,258	3,691,342	5,285,225	1,263,760	4,021,465
Other securities	1,655,498	421,621	1,233,877	1,470,720	405,382	1,065,338	1,381,662	426,890	954,772
Loans, discounts, and overdrafts	4,829,088	692,324	4,136,764	4,712,431	740,379	3,972,052	4,589,436	1,013,369	3,576,067
Miscellaneous assets	567,465	111,894	455,571	531,306	116,935	414,371	450,260	135,120	315,140
Total liabilities and capital accounts	**11,687,175**	**2,055,568**	**9,631,607**	**11,936,994**	**2,253,991**	**9,683,003**	**12,428,435**	**3,008,950**	**9,419,485**
Total deposits	10,397,772	1,864,279	8,533,493	10,674,112	2,048,314	8,625,798	11,146,104	2,738,908	8,407,196
Miscellaneous liabilities	43,046	9,402	33,644	34,464	4,865	29,599	40,715	12,419	28,296
Total capital accounts	1,246,357	181,887	1,064,470	1,228,418	200,812	1,027,606	1,241,616	257,623	983,993
Number of banks included	547	53	494	546	56	490	545	61	484

	December 31, 1943			June 30, 1944			December 30, 1944		
	ALL BANKS	INSURED	NONINSURED	ALL BANKS	INSURED	NONINSURED	ALL BANKS	INSURED	NONINSURED
Total assets	**127,794,459**	**120,609,856**	**7,184,603**	**139,226,086**	**131,765,995**	**7,460,091**	**152,617,916**	**144,440,430**	**8,177,486**
Cash and amounts due from other banks	28,570,225	27,750,323	819,902	28,279,426	27,571,209	708,217	30,911,332	30,145,888	765,444
United States Government obligations[1]	66,156,026	62,537,544	3,618,482	76,015,703	71,855,687	4,160,016	86,280,551	81,404,946	4,875,605
Other securities	7,444,630	6,592,571	852,059	7,550,960	6,749,739	801,221	7,562,853	6,760,719	802,134
Loans, discounts, and overdrafts	23,652,670	21,916,838	1,735,832	25,487,832	23,843,534	1,644,298	26,079,480	24,464,892	1,614,588
Miscellaneous assets	1,970,908	1,812,580	158,328	1,892,165	1,745,826	146,339	1,783,700	1,663,985	119,715
Total liabilities and capital accounts	**127,794,459**	**120,609,856**	**7,184,603**	**139,226,086**	**131,765,995**	**7,460,091**	**152,617,916**	**144,440,430**	**8,177,486**
Total deposits	118,099,719	111,649,837	6,449,882	129,127,408	122,414,559	6,712,849	142,076,855	134,662,133	7,414,722
Miscellaneous liabilities	733,447	698,381	35,066	824,268	782,515	41,753	926,049	895,818	30,231
Total capital accounts	8,961,293	8,261,638	699,655	9,274,410	8,568,921	705,489	9,615,012	8,882,479	732,533
Number of banks included	[2]14,632	13,458	[2]1,174	14,608	13,461	1,147	14,597	13,460	1,137
	ALL COMMERCIAL	INSURED COMMERCIAL	NONINSURED COMMERCIAL	ALL COMMERCIAL	INSURED COMMERCIAL	NONINSURED COMMERCIAL	ALL COMMERCIAL	INSURED COMMERCIAL	NONINSURED COMMERCIAL
Total assets	**114,734,158**	**112,245,991**	**2,488,167**	**125,385,978**	**122,647,434**	**2,738,544**	**137,829,775**	**134,613,165**	**3,216,610**
Cash and amounts due from other banks	27,766,100	27,191,292	574,808	27,736,549	27,190,581	545,968	30,327,497	29,746,309	581,188
United States Government obligations[1]	60,059,086	58,693,549	1,365,537	68,715,113	67,103,707	1,611,406	77,952,788	75,896,226	2,056,562
Other securities	6,145,420	5,984,550	160,870	6,293,726	6,124,056	169,670	6,331,155	6,156,841	174,314
Loans, discounts, and overdrafts	19,170,886	18,843,488	327,398	21,071,435	20,732,091	339,344	21,707,210	21,354,758	352,452
Miscellaneous assets	1,592,666	1,533,112	59,554	1,569,155	1,496,999	72,156	1,511,125	1,459,031	52,094
Total liabilities and capital accounts	**114,734,158**	**112,245,991**	**2,488,167**	**125,385,978**	**122,647,434**	**2,738,544**	**137,829,775**	**134,613,165**	**3,216,610**
Total deposits	106,349,452	104,115,777	2,233,675	116,654,134	114,179,597	2,474,537	128,701,304	125,751,795	2,949,509
Miscellaneous liabilities	697,676	676,488	21,188	778,509	757,250	21,259	891,356	871,103	20,253
Total capital accounts	7,687,030	7,453,726	233,304	7,953,335	7,710,587	242,748	8,237,115	7,990,267	246,848
Number of banks included	[2]14,087	13,274	[2]813	14,064	13,269	795	14,054	13,268	786
	ALL MUTUAL SAVINGS	INSURED MUTUAL SAVINGS	NONINSURED MUTUAL SAVINGS	ALL MUTUAL SAVINGS	INSURED MUTUAL SAVINGS	NONINSURED MUTUAL SAVINGS	ALL MUTUAL SAVINGS	INSURED MUTUAL SAVINGS	NONINSURED MUTUAL SAVINGS
Total assets	**13,060,301**	**8,363,865**	**4,696,436**	**13,840,108**	**9,118,561**	**4,721,547**	**14,788,141**	**9,827,265**	**4,960,876**
Cash and amounts due from other banks	804,125	559,031	245,094	542,877	380,628	162,249	583,835	399,579	184,256
United States Government obligations[1]	6,096,940	3,843,995	2,252,945	7,300,590	4,751,980	2,548,610	8,327,763	5,508,720	2,819,043
Other securities	1,299,210	608,021	691,189	1,257,234	625,683	631,551	1,231,698	603,878	627,820
Loans, discounts, and overdrafts	4,481,784	3,073,350	1,408,434	4,416,397	3,111,443	1,304,954	4,372,270	3,110,134	1,262,136
Miscellaneous assets	378,242	279,468	98,774	323,010	248,827	74,183	272,575	204,954	67,621
Total liabilities and capital accounts	**13,060,301**	**8,363,865**	**4,696,436**	**13,840,108**	**9,118,561**	**4,721,547**	**14,788,141**	**9,827,265**	**4,960,876**
Total deposits	11,750,267	7,534,060	4,216,207	12,473,274	8,234,962	4,238,312	13,375,551	8,910,338	4,465,213
Miscellaneous liabilities	35,771	21,893	13,878	45,759	25,265	20,494	34,693	24,715	9,978
Total capital accounts	1,274,263	807,912	466,351	1,321,075	858,334	462,741	1,377,897	892,212	485,685
Number of banks included	545	184	361	544	192	352	543	192	351

[1] Includes both direct and guaranteed obligations.
[2] Revised.

Back figures—See the Annual Report for 1941 pp. 122-125.

Table 108. Percentage Distribution of Assets and Liabilities of Operating Insured Commercial Banks Call Dates, 1934-1944

Asset or liability item	1934 June 30	1934 Dec. 31	1935 June 29	1935 Dec. 31	1936 June 30	1936 Dec. 31	1937 June 30	1937 Dec. 31	1938 June 30	1938 Dec. 31	1939 June 30	1939 Dec. 30
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cash, balances with other banks, and cash items in process of collection	21.5	24.1	24.2	27.2	26.2	28.0	26.5	27.5	30.1	30.2	32.6	34.7
Securities—total	38.0	39.1	40.3	39.5	41.4	39.7	38.6	37.8	37.3	37.8	37.0	35.5
United States Government obligations, direct and guaranteed	23.7	25.4	26.1	26.1	27.6	26.3	25.5	25.3	24.9	25.6	25.3	24.6
Obligations of States and political subdivisions	5.2	5.2	5.5	5.2	5.2	4.9	4.9	4.8	4.9	5.3	5.3	5.2
Other bonds, notes, and debentures	7.5	7.1	7.3	7.0	7.4	7.4	7.1	6.6	6.4	6.0	5.5	4.9
Corporate stocks	1.6	1.4	1.4	1.2	1.2	1.1	1.1	1.1	1.1	.9	.9	.8
Loans, discounts, and overdrafts (including rediscounts)	35.0	31.5	30.7	28.9	28.2	28.4	31.0	30.9	28.9	28.2	27.0	26.7
Miscellaneous assets—total	5.5	5.3	4.8	4.4	4.2	3.9	3.9	3.8	3.7	3.8	3.4	3.1
Bank premises owned, furniture and fixtures	2.7	2.6	2.6	2.3	2.2	2.1	2.1	2.1	2.2	2.0	1.9	1.7
Other real estate—direct and indirect[1]	1.0	1.0	1.1	1.1	1.1	1.0	1.0	1.0	.9	1.1	1.0	.9
All other miscellaneous assets	1.8	1.7	1.1	1.0	.9	.8	.8	.7	.6	.7	.5	.5
Total liabilities and capital accounts	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Deposits—total	82.5	84.0	85.3	86.7	87.0	87.6	87.2	87.1	87.3	87.7	88.0	88.8
Demand deposits of individuals, partnerships, and corporations	34.4	36.0	38.1	39.5	40.0	41.6	41.3	40.8	40.5	41.3	41.6	43.0
Time deposits of individuals, partnerships, and corporations	26.1	25.1	26.0	24.6	24.2	24.0	25.4	25.8	25.8	24.7	24.1	22.9
States and political subdivisions	5.5	5.6	6.2	6.0	6.2	5.8	6.4	6.0	6.3	6.2	6.2	5.4
United States Government	3.9	3.6	1.7	1.7	2.1	1.7	1.2	1.5	1.0	1.5	1.2	1.3
Postal savings	1.5	1.1	.8	.5	.4	.2	.2	.2	.2	.2	.1	.1
Interbank	10.2	10.7	11.6	12.6	12.5	12.6	11.2	11.3	12.2	12.8	13.4	15.1
Certified and officers' checks, cash letters of credit, etc.	.9	1.9	.9	1.8	1.6	1.7	1.5	1.5	1.3	1.0	1.4	1.0
Miscellaneous liabilities—total	[23]3.1	[22]2.8	[21]1.6	1.1	1.2	1.1	1.2	1.1	.9	1.0	1.0	.9
Rediscounts and other borrowed money	.2	.1	.1	.1	.1	.1	....	.1	....	....	....	.1
All other miscellaneous liabilities	[22]2.9	[22]2.7	[21]1.5	1.0	1.1	1.0	1.2	1.0	.9	1.0	1.0	.8
Capital accounts—total	14.4	13.2	13.1	12.2	11.8	11.3	11.6	11.8	11.8	11.3	11.0	10.3
Capital stock, notes, and debentures	7.7	7.2	7.1	6.5	6.0	5.5	5.6	5.6	5.6	5.3	5.0	4.6
Surplus	4.5	4.1	4.0	3.8	3.9	3.9	4.0	4.2	4.2	4.1	4.0	3.9
Undivided profits, including all other capital accounts	2.2	1.9	2.0	1.9	1.9	1.9	2.0	2.0	2.0	1.9	2.0	1.8
Number of banks included	13,896	14,137	14,175	14,123	14,059	13,970	13,885	13,795	13,723	13,659	13,569	13,535

	1940		1941		1942		1943		1944	
	June 29	Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 31	June 30	Dec. 30
Total assets	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cash, balances with other banks, and cash items in process of collection	36.4	37.2	34.3	33.6	31.0	28.9	24.9	24.2	22.2	22.0
Securities—total	34.8	34.2	36.0	36.5	41.6	49.6	56.6	57.6	59.7	61.0
United States Government obligations, direct and guaranteed	24.3	24.1	26.5	27.3	33.1	42.7	50.3	52.3	54.7	56.4
Obligations of States and political subdivisions	5.3	5.1	4.9	4.8	4.4	3.7	3.4	2.9	2.8	2.5
Other bonds, notes, and debentures	4.5	4.3	4.0	3.8	3.6	2.8	2.5	2.1	1.9	1.8
Corporate stocks	.7	.7	.6	.6	.5	.4	.4	.3	.3	.3
Loans, discounts, and overdrafts (including rediscounts)	25.9	26.0	27.2	27.6	25.3	19.8	17.0	16.8	16.9	15.9
Miscellaneous assets—total	2.9	2.6	2.5	2.3	2.1	1.7	1.5	1.4	1.2	1.1
Bank premises owned, furniture and fixtures	1.6	1.4	1.5	1.4	1.3	1.1	1.0	.9	.8	.7
Other real estate—direct and indirect	.8	.7	.6	.5	.4	.3	.2	.2	.1	.1
All other miscellaneous assets	.5	.5	.4	.4	.4	.3	.3	.3	.3	.3
Total liabilities and capital accounts	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Deposits—total	89.1	89.7	89.9	90.4	90.4	92.0	92.3	92.8	93.1	93.5
Demand deposits of individuals, partnerships, and corporations	44.1	45.8	47.1	47.6	49.8	49.3	52.1	52.1	46.7	47.6
Time deposits of individuals, partnerships, and corporations	22.5	21.2	20.8	19.7	18.9	16.5	16.5	16.5	16.8	17.4
States and political subdivisions	5.5	5.4	5.5	5.4	5.5	4.6	4.6	4.2	3.9	3.7
United States Government	1.2	.9	.9	2.3	2.3	8.6	7.6	9.0	15.4	14.8
Postal savings	.1	.1	.1	.1	.1	......	......	......	......	......
Interbank	14.9	14.9	14.4	13.9	12.8	11.7	10.4	9.5	9.0	9.0
Certified and officers' checks, cash letters of credit, etc.	.8	1.4	1.1	1.4	1.0	1.3	1.1	1.5	1.3	1.0
Miscellaneous liabilities—total	.8	.8	.8	.7	.8	.6	.6	.6	.6	.6
Rediscounts and other borrowed money	......	......	......	......	......	......	......	......	.1	.1
All other miscellaneous liabilities	.8	.8	.8	.7	.8	.6	.6	.6	.5	.5
Capital accounts—total	10.1	9.5	9.3	8.9	8.8	7.4	7.1	6.6	6.3	5.9
Capital stock, notes, and debentures	4.4	4.1	3.9	3.7	3.6	3.0	2.8	2.6	2.4	2.2
Surplus	3.8	3.6	3.6	3.5	3.5	2.9	2.8	2.7	2.6	2.5
Undivided profits, including all other capital accounts	1.9	1.8	1.8	1.7	1.7	1.5	1.5	1.3	1.3	1.2
Number of banks included	13,480	13,438	13,423	13,427	13,403	13,347	13,302	13,274	13,269	13,268

[1] Includes direct only prior to December 31, 1938.
[2] Includes circulating notes outstanding.

Examiners' Evaluation of Insured Commercial Banks

Table 109. Examiners' appraisal of assets, liabilities, and capital of insured commercial banks examined in 1939-1944

Table 110. Examiners' appraisal of assets, liabilities, and capital of insured commercial banks examined in 1944

Banks grouped according to amount of deposits

The tables in this section present a summary of the evaluation of bank assets and liabilities made by examiners of the Federal supervisory agencies. Since bank examinations are made at various dates during the year, these tables differ from those in the previous sections, which are based on reports submitted by the banks for specified dates. These tables have been prepared from reports of examination available during the year and do not cover precisely the banks examined in that year. The figures for 1944 include 12,945 insured commercial banks operating at the close of the year and 38 banks appraised value of assets regarded as suitable for bank investment; and (2) substandard, which represents the appraised value of assets believed by the examiners to involve a substantial degree of risk, or to be otherwise undesirable for bank investment. For a description of the procedure followed in examiners' evaluation of assets, see the Annual Report of the Corporation for 1938, pages 61-78.

Appraised value of United States Government obligations exceeds book value because the excess of redemption value of United States Savings Bonds over book value is which ceased operations or were taken over by other banks during the year. Figures for 307 insured banks operating at the close of the year were not included in the tabulations: 10 because they were not engaged in deposit banking, and 297 because reports of examination were, for various reasons, not available for tabulation. For 252 banks the figures are derived from reports of examination made in the last three months of 1943.

Evaluation of Assets

Book value of assets is the net value, after deduction of valuation and premium allowances, at which the assets are carried on the books of the banks at the time of examination.

Assets not on the books represent the determinable sound value of assets which are not included in the bank's statement of assets or are carried at nominal values.

Examiners' deductions from total assets represent the difference between the appraised value and book value of assets shown on the books.

Appraised value of total assets represents the value of all assets as determined by examiners and is segregated into two groups: (1) not criticized, which represents the greater than the examiners' deductions of unamortized premiums on other United States Government bonds purchased above par. Appraised value of other securities and of loans and discounts do not include assets not shown on the books. Assets not on the books, other than United States Government obligations, are included in the appraised value of fixed and miscellaneous assets.

Evaluation of Liabilities and Capital

Adjusted liabilities include all liabilities shown on the books and such others as have been determined by the examiners.

Book value of capital accounts refers to the net worth or equity of the stockholders (including holders of capital notes and debentures) shown on the books at the time of examination.

Adjusted capital accounts equal book value of total capital accounts plus the value of assets not shown on the books, less examiners' deductions from total assets, and less liabilities not shown on the books. The term "adjusted capital accounts" corresponds to the term "net sound capital" used in the Annual Reports of the Corporation for the years 1939-1943.

Table 109. EXAMINERS' APPRAISAL OF ASSETS, LIABILITIES, AND CAPITAL OF INSURED COMMERCIAL BANKS EXAMINED IN 1939-1944

(Amounts in thousands of dollars)

Asset, liability or capital item	1939	1940	1941	1942	1943	1944
Total assets—book value	58,254,425	65,184,983	71,697,320	80,449,956	102,021,738	118,843,675
Assets not on the books	38,996	36,777	19,851	20,089	26,346	20,897
Examiners' deductions	340,697	255,876	174,037	145,741	97,144	54,193
Appraised value	57,952,724	64,965,884	71,543,134	80,324,304	101,950,940	118,810,379
Not criticized	*54,982,653*	*62,413,390*	*69,512,512*	*78,610,078*	*100,690,843*	*117,984,985*
Substandard	*2,970,071*	*2,552,494*	*2,030,622*	*1,714,226*	*1,260,097*	*825,394*
Cash and due from banks	18,643,164	23,308,292	24,107,119	24,618,882	25,342,868	26,036,187
U. S. Government obligations—book value	(2)	(2)	(2)	26,799,729	50,067,210	65,089,147
Appraised value[1]	(2)	(2)	(2)	26,807,855	50,073,639	65,096,303
Other securities—book value	[2]21,315,369	[2]22,758,101	[2]25,759,640	6,682,798	6,055,350	5,805,695
Appraised value	[2]21,234,173	[2]22,698,345	[2]25,722,984	6,651,951	6,040,897	5,800,937
Not criticized	*[2]20,027,268*	*[2]21,659,491*	*[2]24,970,412*	*6,034,558*	*5,578,743*	*5,499,037*
Substandard	*1,206,905*	*1,038,854*	*752,572*	*617,393*	*462,154*	*301,900*
Loans and discounts—book value	16,055,860	17,037,342	19,544,145	20,136,352	18,290,697	19,562,561
Appraised value	15,898,191	16,924,352	19,467,422	20,071,927	18,251,118	19,539,481
Not criticized	*14,669,527*	*15,870,628*	*18,618,309*	*19,303,969*	*17,710,001*	*19,180,144*
Substandard	*1,228,664*	*1,053,724*	*849,113*	*767,958*	*541,117*	*359,337*
Fixed and miscellaneous assets—book value	2,240,032	2,081,248	2,286,416	2,212,195	2,265,613	2,350,085
Appraised value	2,177,196	2,034,895	2,245,609	2,173,689	2,242,418	2,337,471
Not criticized	*1,642,694*	*1,574,979*	*1,816,672*	*1,844,814*	*1,985,592*	*2,173,314*
Substandard	*534,502*	*459,916*	*428,937*	*328,875*	*256,826*	*164,157*
Total liabilities—book value	51,781,865	58,627,148	65,012,512	73,529,826	94,882,516	111,242,503
Total deposits	50,976,656	57,919,547	64,218,740	72,755,007	94,087,113	110,177,295
Other liabilities—book value	805,209	707,601	793,772	774,819	795,403	1,065,208
Liabilities not on the books	10,436	12,927	6,084	7,362	4,491	7,563
Adjusted total liabilities	51,792,301	58,640,075	65,018,596	73,537,188	94,887,007	111,250,066
Total capital accounts—book value	6,472,560	6,557,835	6,684,808	6,920,130	7,139,222	7,601,172
Assets not on the books	38,996	36,777	19,851	20,089	26,346	20,897
Examiners' deductions from total assets	340,697	255,876	174,037	145,741	97,144	54,193
Liabilities not on the books	10,436	12,927	6,084	7,362	4,491	7,563
Adjusted capital accounts	6,160,423	6,325,809	6,524,538	6,787,116	7,063,933	7,560,313

Adjusted capital accounts per $100 of—						
Appraised value of total assets	$10.63	$9.74	$9.12	$8.45	$6.93	$6.36
Book capital	95.18	96.46	97.60	98.08	98.95	99.46
Substandard assets per $100 of—						
Appraised value of total assets	5.12	3.93	2.84	2.13	1.24	.69
Adjusted capital accounts	48.21	40.35	31.12	25.26	17.84	10.92
Substandard loans and discounts per $100 of—						
Appraised value of loans and discounts	7.73	6.23	4.36	3.83	2.96	1.84
Number of banks	13,505	13,437	13,308	13,303	13,207	12,983

[1] Appraised value is in excess of book value due to the excess of redemption value of U. S. Savings Bonds not shown on the books over examiners' deductions of unamortized premiums on U. S. Government obligations purchased above par.

[2] Prior to 1942 U. S. Government obligations not available separately, included under other securities.

Table 110. Examiners' Appraisal of Assets, Liabilities, and Capital of Insured Commercial Banks Examined in 1944

BANKS GROUPED ACCORDING TO AMOUNT OF DEPOSITS

(Amounts in thousands of dollars)

Asset, liability or capital item	All banks	Banks with deposits of—							
		$250,000 or less	$250,000 to $500,000	$500,000 to $1,000,000	$1,000,000 to $2,000,000	$2,000,000 to $5,000,000	$5,000,000 to $10,000,000	$10,000,000 to $50,000,000	More than $50,000,000
Total assets—book value	**118,843,675**	**53,777**	**555,719**	**2,324,557**	**5,298,445**	**9,885,833**	**8,121,511**	**17,851,335**	**74,752,498**
Assets not on the books	20,897	40	469	1,701	2,744	2,807	1,557	3,112	8,467
Examiners' deductions	54,193	57	502	1,406	3,556	7,617	5,404	13,417	22,234
Appraised value	118,810,379	53,760	555,686	2,324,852	5,297,633	9,881,023	8,117,664	17,841,030	74,738,731
Not criticized	*117,984,985*	*52,820*	*548,363*	*2,301,135*	*5,245,057*	*9,776,597*	*8,038,280*	*17,680,274*	*74,342,459*
Substandard	*825,394*	*940*	*7,323*	*23,717*	*52,576*	*104,426*	*79,384*	*160,756*	*396,272*
Cash and due from banks	**26,036,187**	**22,440**	**200,549**	**747,529**	**1,543,449**	**2,597,352**	**1,935,285**	**4,072,948**	**14,916,635**
U. S. Government obligations—book value	**65,089,147**	**16,124**	**209,365**	**1,009,900**	**2,468,966**	**4,900,364**	**4,351,255**	**9,925,487**	**42,207,686**
Appraised value[1]	65,096,303	16,151	209,694	1,011,353	2,471,132	4,902,412	4,351,956	9,925,857	42,207,748
Other securities—book value	**5,805,695**	**1,898**	**23,390**	**121,706**	**318,016**	**710,094**	**559,668**	**1,011,901**	**3,059,022**
Appraised value	5,800,937	1,893	23,370	121,590	317,701	709,460	558,950	1,011,245	3,056,728
Not criticized	*5,499,037*	*1,690*	*21,497*	*115,455*	*304,300*	*680,303*	*536,181*	*965,209*	*2,874,402*
Substandard	*301,900*	*203*	*1,873*	*6,135*	*13,401*	*29,157*	*22,769*	*46,036*	*182,326*
Loans and discounts—book value	**19,562,561**	**12,513**	**116,383**	**421,853**	**904,539**	**1,542,601**	**1,152,740**	**2,515,380**	**12,896,552**
Appraised value	19,539,481	12,482	116,047	420,951	902,478	1,538,908	1,150,099	2,509,166	12,889,350
Not criticized	*19,180,144*	*11,889*	*111,141*	*405,252*	*869,790*	*1,480,541*	*1,108,232*	*2,437,274*	*12,756,025*
Substandard	*359,337*	*593*	*4,906*	*15,699*	*32,688*	*58,367*	*41,867*	*71,892*	*133,325*
Fixed and miscellaneous assets—book value	**2,350,085**	**802**	**6,032**	**23,569**	**63,475**	**135,422**	**122,563**	**325,619**	**1,672,603**
Appraised value	2,337,471	794	6,026	23,429	62,873	132,891	121,374	321,814	1,668,270
Not criticized	*2,173,314*	*650*	*5,482*	*21,546*	*56,386*	*115,989*	*106,626*	*278,986*	*1,587,649*
Substandard	*164,157*	*144*	*544*	*1,883*	*6,487*	*16,902*	*14,748*	*42,828*	*80,621*
Total liabilities—book value	**111,242,503**	**46,208**	**499,767**	**2,136,012**	**4,903,583**	**9,169,727**	**7,559,347**	**16,704,103**	**70,223,756**
Total deposits	110,177,295	46,037	498,687	2,132,185	4,895,176	9,145,860	7,535,770	16,612,289	69,311,291
Other liabilities—book value	1,065,208	171	1,080	3,827	8,407	23,867	23,577	91,814	912,465
Liabilities not on the books	7,563	12	60	138	256	462	200	2,427	4,008
Adjusted total liabilities	111,250,066	46,220	499,827	2,136,150	4,903,839	9,170,189	7,559,547	16,706,530	70,227,764

Total capital accounts—book value	**7,601,172**	**7,569**	**55,952**	**188,545**	**394,862**	**716,106**	**562,164**	**1,147,232**	**4,528,742**
Assets not on the books	20,897	40	469	1,701	2,744	2,807	1,557	3,112	8,467
Examiners' deductions from total assets	54,193	57	502	1,406	3,556	7,617	5,404	13,417	22,234
Liabilities not on the books	7,563	12	60	138	256	462	200	2,427	4,008
Adjusted capital accounts	7,560,313	7,540	55,859	188,702	393,794	710,834	558,117	1,134,500	4,510,967
Adjusted capital accounts per $100 of—									
Appraised value of total assets	$6.36	$14.03	$10.05	$8.12	$7.43	$7.19	$6.88	$6.36	$6.04
Book capital	99.46	99.62	99.83	100.08	99.73	99.26	99.28	98.89	99.61
Substandard assets per $100 of—									
Appraised value of total assets	.69	1.75	1.32	1.02	.99	1.06	.98	.90	.53
Adjusted capital accounts	10.92	12.47	13.11	12.57	13.35	14.69	14.22	14.17	8.78
Substandard loans and discounts per $100 of—									
Appraised value of loans and discounts	1.84	4.75	4.23	3.73	3.62	3.79	3.64	2.87	1.03
Number of banks	12,983	241	1,297	2,888	3,423	2,950	1,101	834	249

[1] Appraised value is in excess of book value due to the excess of redemption value of U. S. Savings Bonds not shown on the books over the examiners' deductions of unamortized premiums on U. S. Government bonds purchased above par.

EARNINGS, EXPENSES, AND DIVIDENDS OF INSURED BANKS

Reports of earnings, expenses, and dividends are submitted to the Federal supervisory agencies on either a cash or an accrual basis. This year income taxes are shown separately, for the first time, for all classes of insured banks.

Earnings data are included for all insured banks operating at the end of the year. Earnings for national banks reporting for the first half of the year only are also included.

Averages of assets and liabilities are based upon the beginning, middle, and year-end call report data and include figures for banks which reported on one or two call dates only. Consequently, the assets and liability averages are not strictly comparable with the earnings data, but the differences are not large enough to affect the totals significantly. Some further incomparability is also introduced by shifts between classes of banks during the year.

Sources of data:

National banks and State banks not members of the Federal Reserve System in the District of Columbia: Office of the Comptroller of the Currency.

State banks members of the Federal Reserve System: Board of Governors of the Federal Reserve System.

Other insured banks: Federal Deposit Insurance Corporation.

Table 111. Earnings, Expenses, and Dividends of Insured Banks, 1944

BY CLASS OF BANK

(Amounts in thousands of dollars)

	Insured commercial banks				Insured mutual savings banks[1]	Insured commercial banks	
	Total	Members F. R. System		Not members F. R. System		Operating throughout the year	Operating less than full year[2]
		National	State				
Current operating earnings—total	**2,214,905**	**1,201,935**	**671,527**	**341,443**	**295,709**	**2,206,692**	**8,213**
Interest and dividends on securities	1,090,253	629,920	329,700	130,633	127,550	1,087,473	2,780
Interest and discount on loans	680,708	359,067	189,084	132,557	141,262	679,260	1,448
Service charges and other fees on banks' loans	17,320	8,588	6,309	2,423	....	17,301	19
Service charges on deposit accounts	107,375	59,931	25,569	21,875	....	107,125	250
Other service charges, commissions, fees, and collection and exchange charges	78,485	35,064	18,138	25,283	538	78,234	251
Trust department	112,486	37,387	66,944	8,155	....	109,659	2,827
Other current operating earnings	128,278	71,978	35,783	20,517	26,359	127,640	638
Current operating expenses—total	**1,356,680**	**722,285**	**404,206**	**230,189**	**86,575**	**1,350,760**	**5,920**
Salaries—officers	240,354	121,873	65,595	52,886	10,093	239,102	1,252
Salaries and wages—employees	386,346	207,821	129,592	48,933	20,658	384,706	1,640
Fees paid to directors and members of executive, discount, and other committees	12,907	6,377	3,135	3,395	1,903	12,842	65
Interest on time and savings deposits	186,773	96,807	47,168	42,798	(4)	186,422	351
Interest and discount on borrowed money	1,112	452	515	145	....	1,101	11
Taxes other than on net income	97,307	53,800	29,035	14,472	14,838	96,926	381
Recurring depreciation on banking house, furniture and fixtures	41,845	24,404	10,531	6,910	3,359	41,778	67
Other current operating expenses	390,036	210,751	118,635	60,650	35,724	387,883	2,153
Net current operating earnings	**858,225**	**479,650**	**267,321**	**111,254**	**209,134**	**855,932**	**2,293**
Recoveries and profits—total	**361,726**	**193,870**	**124,220**	**43,636**	**101,473**	**360,666**	**1,060**
Recoveries on securities	92,778	50,290	32,521	9,967	31,423	92,683	95
Profits on securities sold or redeemed	129,834	68,846	47,406	13,582	30,677	129,598	236
Recoveries on loans	84,224	50,240	22,300	11,684	14,763	84,069	155
All other	54,890	24,494	21,993	8,403	24,610	54,316	574
Losses and charge-offs—total	**265,881**	**142,418**	**89,759**	**33,704**	**113,691**	**265,438**	**443**
On securities	110,439	67,556	29,587	13,296	17,625	110,386	53
On loans	70,090	41,023	19,260	9,807	68,179	70,001	89
All other	85,352	33,839	40,912	10,601	27,887	85,051	301

Non-operating profit	95,845	51,452	34,461	9,932	-12,218	95,228	617
Net profits before income taxes	**954,070**	**531,102**	**301,782**	**121,186**	**196,916**	**951,160**	**2,910**
Taxes on net income—total	202,821	120,431	63,284	19,106	122	202,071	750
Federal	187,032	111,675	57,461	17,896	....	186,342	690
State	15,789	8,756	5,823	1,210	122	15,729	60
Net profits after taxes	**751,249**	**410,671**	**238,498**	**102,080**	**196,794**	**749,089**	**2,160**
Dividends and interest on capital—total	253,193	144,001	82,000	27,192	132,912	252,079	1,114
Dividends declared on preferred stock and interest paid on capital notes and debentures	13,645	5,294	4,392	3,959	482	13,635	10
Cash dividends declared on common stock	239,548	138,707	77,608	23,233	[4]132,430	238,444	1,104
Net additions to capital from profits	**498,056**	**266,670**	**156,498**	**74,888**	**63,882**	**497,010**	**1,046**
Average assets and liabilities[5]							
Assets—total	123,168,863	70,378,946	38,529,099	14,260,818	9,164,873	....	....
Cash and due from banks	28,042,727	16,528,328	7,951,948	3,562,451	449,751	....	....
U. S. Government obligations	67,231,161	38,665,434	21,652,390	6,913,337	4,723,004	....	....
Other securities	6,088,482	3,447,852	1,682,079	958,551	628,821	....	....
Loans and discounts	20,310,112	10,936,478	6,743,473	2,630,161	3,115,939	....	....
All other assets	1,496,381	800,854	499,209	196,318	247,358	....	....
Liabilities and capital—total	123,168,863	70,378,946	38,529,099	14,260,818	9,164,873	....	....
Total deposits	114,682,390	65,801,156	35,672,528	13,208,706	8,280,998	....	....
Demand deposits	*93,267,114*	*54,293,819*	*29,992,910*	*8,980,385*	....	....	....
Time and savings deposits	*21,415,276*	*11,507,337*	*5,679,618*	*4,228,321*	*8,280,998*	....	....
Borrowings and other liabilities	768,280	472,607	249,974	45,699	23,974	....	....
Total capital accounts	7,718,193	4,105,183	2,606,597	1,006,413	859,901	....	....
Number of active officers, December 30	56,494	26,436	11,247	18,811	1,276	56,146	348
Number of other employees, December 30	229,377	121,926	71,336	36,115	9,719	228,067	1,310
Number of banks, December 30	13,268	5,025	1,786	6,457	192	13,177	91

[1] Includes 3 mutual savings banks, members of the Federal Reserve System.
[2] Includes banks operating less than full year and trust companies not engaged in deposit banking.
[3] Interest and dividends paid depositors of mutual savings banks are shown as a deduction from net profits.
[4] Interest and dividends paid depositors. See footnote 3.
[5] Averages of figures reported at beginning, middle, and end of year.
NOTE: Minus (–) indicates non-operating loss.

Back figures—See the Annual Report for 1943, pp. 96-97, and earlier reports.

Table 112. RATIOS OF EARNINGS, EXPENSES, AND DIVIDENDS OF INSURED BANKS, 1944

BY CLASS OF BANK

	Insured commercial banks				Insured mutual savings banks[1]
	Total	Members F. R. System		Not members F. R. System	
		National	State		
Amounts per $100 of current operating earnings					
Current operating earnings—total	**$100.00**	**$100.00**	**$100.00**	**$100.00**	**$100.00**
Interest and dividends on securities	49.22	52.41	49.10	38.26	43.13
Income on loans	31.52	30.59	29.09	39.53	47.77
Service charges on deposit accounts	4.85	4.99	3.81	6.41	....
Other current operating earnings	14.41	12.01	18.00	15.80	9.10
Current operating expenses—total	**61.25**	**60.09**	**60.19**	**67.42**	**29.28**
Salaries, wages, and fees	28.88	27.96	29.53	30.82	11.04
Interest on time and savings deposits	8.43	8.05	7.02	12.53	([2])
Other current operating expenses	23.94	24.08	23.64	24.07	18.24
Net current operating earnings	**38.75**	**39.91**	**39.81**	**32.58**	**70.72**
Amounts per $100 of total assets[3]					
Current operating earnings—total	1.80	1.71	1.74	2.39	3.23
Current operating expenses—total	1.10	1.03	1.05	1.61	.95
Net current operating earnings	.70	.68	.69	.78	2.28
Recoveries and profits—total	.29	.27	.32	.31	1.11
Losses and charge-offs—total	.22	.20	.23	.24	1.24
Net profits before income taxes	.77	.75	.78	.85	2.15
Net profits after income taxes	.61	.58	.62	.72	2.15
Amounts per $100 of total capital accounts[3]					
Net current operating earnings	11.12	11.68	10.26	11.05	24.32
Recoveries and profits—total	4.69	4.72	4.76	4.34	11.80
Losses and charge-offs—total	3.45	3.47	3.44	3.35	13.22
Net profits before income taxes	12.36	12.93	11.58	12.04	22.90
Income taxes on net income	2.63	2.93	2.43	1.90	.01
Net profits after income taxes	9.73	10.00	9.15	10.14	22.89
Cash dividends declared	3.28	3.51	3.15	2.70	[4]15.46
Net additions to capital from profits	6.45	6.49	6.00	7.44	7.43

Special ratios[3]					
Income on loans per $100 of loans	3.44	3.36	2.90	5.13	4.53
Income on securities per $100 of securities	1.49	1.50	1.41	1.66	2.38
Service charges per $100 of demand deposits	.12	.11	.09	.24	....
Interest paid per $100 of time and savings deposits	.87	.84	.83	1.01	(2)
Assets and liabilities per $100 of total assets[3]					
Assets—total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Cash and due from banks	22.77	23.48	20.64	24.98	4.91
U. S. Government securities	54.59	54.94	56.20	48.48	51.53
Other securities	4.94	4.90	4.37	6.72	6.86
Loans and discounts	16.49	15.54	17.50	18.44	34.00
All other assets	1.21	1.14	1.29	1.38	2.70
Liabilities and capital—total	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Total deposits	93.11	93.50	92.58	92.62	90.36
Demand deposits	*75.72*	*77.15*	*77.84*	*62.97*	....
Time and savings deposits	*17.39*	*16.35*	*14.74*	*29.65*	*90.36*
Borrowings and other liabilities	.62	.67	.65	.32	.26
Total capital accounts	6.27	5.83	6.77	7.06	9.38
Number of banks, December 30	13,268	5,025	1,786	6,457	192

[1] Includes 3 mutual savings banks, members of the Federal Reserve System.
[2] Interest and dividends paid depositors of mutual savings banks are shown as a deduction from net profits.
[3] Asset and liability items are averages of figures reported at beginning, middle, and end of year.
[4] Interest and dividends paid depositors. See footnote 2.

Back figures—See the Annual Report for 1943, pp. 98-99.

Table 113. Earnings, Expenses, and Dividends of Insured Commercial Banks Operating Throughout 1944

BANKS GROUPED ACCORDING TO AMOUNT OF DEPOSITS

(Amounts in thousands of dollars)

	Total[1]	Banks with deposits of—[2]							
		$500,000 or less	$500,000 to $1,000,000	$1,000,000 to $2,000,000	$2,000,000 to $5,000,000	$5,000,000 to $10,000,000	$10,000,000 to $50,000,000	$50,000,000 to $100,000,000	More than $100,000,000
Current operating earnings—total	**2,206,692**	**11,524**	**45,555**	**111,570**	**218,126**	**183,276**	**381,787**	**154,321**	**1,100,533**
Interest and dividends on securities	1,087,473	3,054	15,583	42,665	93,825	86,179	181,877	77,502	586,788
Interest and discount on loans	679,260	5,758	20,275	46,726	83,099	61,348	114,718	43,321	304,015
Service charges and other fees on banks' loans	17,301	172	277	510	1,147	844	1,891	672	11,788
Service charges on deposit accounts	107,125	632	2,994	7,804	16,306	13,880	26,538	8,020	30,951
Other service charges, commissions, fees, and collection and exchange charges	78,234	1,508	4,923	9,607	13,031	7,882	12,487	4,256	24,540
Trust department	109,659	39	29	268	1,574	3,518	16,103	8,515	79,613
Other current operating earnings	127,640	361	1,474	3,990	9,144	9,625	28,173	12,035	62,838
Current operating expenses—total	**1,350,760**	**8,062**	**30,807**	**74,352**	**145,821**	**123,805**	**257,695**	**99,084**	**611,134**
Salaries—officers	239,102	3,201	11,042	23,015	35,962	24,561	42,282	15,232	83,807
Salaries and wages—employees	384,706	856	3,697	11,176	28,291	28,943	71,656	29,944	210,143
Fees paid to directors and members of executive, discount, and other committees	12,842	156	665	1,586	2,769	1,808	2,603	693	2,562
Interest on time and savings deposits	186,422	957	4,818	13,111	27,085	23,750	41,893	13,369	61,439
Interest and discount on borrowed money	1,101	4	11	26	46	45	224	99	646
Taxes other than on net income	96,926	522	1,876	4,869	10,254	8,532	18,818	7,439	44,616
Recurring depreciation on banking house, furniture and fixtures	41,778	270	980	2,426	5,239	4,479	8,663	3,198	16,523
Other current operating expenses	387,883	2,096	7,718	18,143	36,175	31,687	71,556	29,110	191,398
Net current operating earnings	**855,932**	**3,462**	**14,748**	**37,218**	**72,305**	**59,471**	**124,092**	**55,237**	**489,399**
Recoveries and profits—total	**360,666**	**1,300**	**5,033**	**12,866**	**26,079**	**23,650**	**60,118**	**19,109**	**212,511**
Recoveries on securities	92,683	236	1,113	3,177	6,044	5,425	14,171	3,723	58,794
Profits on securities sold or redeemed	129,598	196	1,047	3,065	8,254	8,112	22,482	9,234	77,208
Recoveries on loans	84,069	575	1,961	4,142	7,206	6,019	13,319	3,442	47,405
All other	54,316	293	912	2,482	4,575	4,094	10,146	2,710	29,104
Losses and charge-offs—total	**265,438**	**714**	**2,659**	**8,106**	**19,501**	**17,960**	**45,616**	**14,385**	**156,497**
On securities	110,386	199	973	3,356	8,295	8,339	19,827	6,741	62,656
On loans	70,001	337	994	2,491	5,647	4,595	9,842	2,814	43,281
All other	85,051	178	692	2,259	5,559	5,026	15,947	4,830	50,560

Non-operating profit	95,228	586	2,374	4,760	6,578	5,690	14,502	4,724	56,014
Net profits before income taxes	**951,160**	**4,048**	**17,122**	**41,978**	**78,883**	**65,161**	**138,594**	**59,961**	**545,413**
Taxes on net income—total	**202,071**	**600**	**2,246**	**5,551**	**10,634**	**10,010**	**25,810**	**13,768**	**133,452**
Federal	186,342	558	2,094	5,185	10,042	9,450	24,465	12,949	121,599
State	15,729	42	152	366	592	560	1,345	819	11,853
Net profits after taxes	**749,089**	**3,448**	**14,876**	**36,427**	**68,249**	**55,151**	**112,784**	**46,193**	**411,961**
Dividends and interest on capital—total	**252,079**	**1,003**	**4,187**	**10,337**	**19,658**	**15,495**	**32,596**	**13,956**	**154,847**
Dividends declared on preferred stock and interest paid on capital notes and debentures	13,635	102	325	807	1,390	1,398	2,904	2,373	4,336
Cash dividends declared on common stock	238,444	901	3,862	9,530	18,268	14,097	29,692	11,583	150,511
Net additions to capital from profits	**497,010**	**2,445**	**10,689**	**26,090**	**48,591**	**39,656**	**80,188**	**32,237**	**257,114**
Number of active officers, December 30	56,146	2,019	5,780	9,636	11,984	6,357	7,885	2,363	10,122
Number of other employees, December 30	228,067	1,120	4,320	10,791	22,262	20,023	45,145	18,150	106,256
Number of banks, December 30	13,177	1,105	2,578	3,520	3,378	1,328	980	129	159

[1] This group of banks is the same as the group shown in Table 111 under the heading "Operating throughout the year."
[2] Deposits are as of December 30, 1944.

Deposit Insurance Disbursements

Table 114. Disbursements by the Federal Deposit Insurance Corporation to protect depositors; number and deposits of insured banks placed in receivership or merged with the financial aid of the Corporation, 1934-1944

Banks grouped by class of bank, year of disbursement, amount of deposits, and State

Table 115. Assets and liabilities of insured banks placed in receivership and of insured banks merged with the financial aid of the Federal Deposit Insurance Corporation, 1934-1944

As shown by books of bank at date of closing

Table 116. Depositors and deposits of insured banks placed in receivership, 1934-1944

As shown by books of FDIC, December 31, 1944

Table 117. Disbursements to protect depositors, recoveries, and losses by the Federal Deposit Insurance Corporation from insured banks placed in receivership or merged with the financial aid of the Corporation, 1934-1944

As shown by books of FDIC, December 31, 1944

Disbursements by the Federal Deposit Insurance Corporation to protect depositors are made whenever insured banks because of financial difficulties are placed in receivership or are merged with the aid of the Corpora- payment from the receiver because of their preferred status. **Unpaid** depositors are primarily those whose claims are disputed, and those whose claims although not filed are not yet legally barred from payment by FDIC.

tion. In receiverships the disbursement is the amount paid by the Corporation on insured deposits. In mergers the Corporation's disbursement is the amount loaned to merging banks, or the price paid for assets purchased from them.

Depositors and deposits in insured banks placed in receivership have been grouped in Table 116 to show the ways in which depositors' claims against these banks were met. Because the claim of a single depositor may be paid in several ways, the number of depositors cannot be correlated with the amount of deposits in the various categories as given in the table.

Depositors **eligible for insurance protection** are all depositors except those holding only accounts which were restricted or deferred prior to 1934, and those whose deposits were made after the termination of a bank's insured status. Depositors **not eligible for insurance protection** are those whose total accounts are thus excluded from insurance, and those whose accounts are barred from payment by FDIC because the accounts were not claimed before the expiration of the period set by law.

Depositors **paid by FDIC** are all those who receive any payment from the Corporation. Depositors **fully paid by other methods** are those who receive no payment from FDIC, but do receive full compensation for their accounts by offset, by sale of security, or by direct

Insured deposits are the deposits for which FDIC is legally liable. This includes the net amount due each depositor after deductions of offset, of amounts in excess of $5,000, and of amounts not eligible for insurance protection as described in preceding paragraphs. **Secured** deposits are those covered by pledge of specific assets. **Preferred** deposits are those which, under Federal or State law, are paid from proceeds of the liquidation before common claims against the bank are met. Deposits **subject to offset** are those met by claims which the bank holds against the depositor. Deposits **uninsured, unsecured, not preferred, and not subject to offset** are those not covered by insurance or other specific arrangement. They may be paid in full, however, by the receiver as common claims.

Deposits of insured banks placed in receivership as given in tables with data taken from the books of FDIC at the end of the year, will differ from the deposits in tables with data taken from books of bank at date of closing. This is because the former include deposits discovered or reclassified after the date of a bank's closing.

Sources of data:

Books of bank at date of closing; and books of FDIC, December 31, 1944.

Table 114. DISBURSEMENTS BY THE FEDERAL DEPOSIT INSURANCE CORPORATION TO PROTECT DEPOSITORS; NUMBER AND DEPOSITS OF INSURED BANKS PLACED IN RECEIVERSHIP OR MERGED WITH THE FINANCIAL AID OF THE CORPORATION, 1934-1944

BANKS GROUPED BY CLASS OF BANK, YEAR OF DISBURSEMENT, AMOUNT OF DEPOSITS, AND STATE

	Disbursement by FDIC (in thousands of dollars)			Number of banks involving disbursement			Deposits (in thousands of dollars)		
	Total	Receiverships[1]	Mergers[1]	Total	Receiverships	Mergers	Total	Receiverships[1]	Mergers[2]
All banks	**259,696**	**86,979**	**172,717**	**397**	**245**	**152**	**499,233**	**109,590**	**389,643**
Class of bank									
National banks	77,993	14,787	63,206	65	21	44	94,716	19,474	75,242
State banks members F. R. System	99,405	20,928	78,477	20	6	14	179,081	26,538	152,543
Banks not members F. R. System	82,298	51,264	31,034	312	218	94	225,436	63,578	161,858
Calendar year									
1934	941	941	....	9	9	....	1,966	1,966	....
1935	8,890	6,025	2,865	25	24	1	13,320	9,091	4,229
1936	14,828	8,055	6,773	69	42	27	27,528	11,241	16,287
1937	19,202	12,045	7,157	75	50	25	33,346	14,961	18,385
1938	30,474	9,082	21,392	74	50	24	59,724	10,296	49,428
1939	67,792	26,184	41,608	60	32	28	157,779	32,740	125,039
1940	74,232	4,895	69,337	43	19	24	142,389	5,657	136,732
1941	23,878	12,276	11,602	15	8	7	29,721	14,730	14,991
1942	10,824	1,612	9,212	20	6	14	19,011	1,816	17,195
1943	7,137	5,465	1,672	5	4	1	12,534	6,636	5,898
1944	1,498	399	1,099	2	1	1	1,915	456	1,459
Banks with deposits of—									
$100,000 or less	4,956	4,309	647	106	83	23	6,358	4,947	1,411
$100,000 to $250,000	12,852	11,542	1,310	108	86	22	17,609	13,918	3,691
$250,000 to $500,000	14,323	10,210	4,113	58	36	22	20,657	12,463	8,194
$500,000 to $1,000,000	24,011	13,878	10,133	49	24	25	36,807	17,591	19,216
$1,000,000 to $2,000,000	26,545	8,961	17,584	35	9	26	49,319	11,747	37,572
$2,000,000 to $5,000,000	42,317	12,409	29,908	25	5	20	77,568	16,279	61,289
$5,000,000 to $10,000,000	20,135	....	20,135	8	....	8	51,791	....	51,791
$10,000,000 to $50,000,000	114,557	25,670	88,887	8	2	6	239,124	32,645	206,479
More than $50,000,000	....	....	....	....	....	....	....	....	....

State									
Alabama	237	94	143	2	1	1	529	101	428
Arkansas	841	841	......	5	5	......	1,168	1,168	......
California	861	......	861	1	......	1	1,078	......	1,078
Colorado	8	8	......	1	1	......	8	8	......
Connecticut	1,236	1,236	......	2	2	......	1,526	1,526	......
Florida	300	203	97	2	1	1	491	217	274
Georgia	862	845	17	8	7	1	1,027	998	29
Illinois	3,273	1,220	2,053	14	6	8	6,409	1,637	4,772
Indiana	4,334	3,091	1,243	18	15	3	9,710	3,932	5,778
Iowa	1,462	385	1,077	6	3	3	5,516	498	5,018
Kansas	974	482	492	9	5	4	1,233	539	694
Kentucky	4,614	3,329	1,285	22	18	4	7,950	3,953	3,997
Louisiana	668	668	......	3	3	......	1,652	1,652	......
Maryland	3,109	735	2,374	5	2	3	4,569	828	3,741
Massachusetts	1,571	......	1,571	2	......	2	3,019	......	3,019
Michigan	5,340	139	5,201	7	3	4	12,404	160	12,244
Minnesota	640	640	......	5	5	......	818	818	......
Mississippi	257	257	......	3	3	......	334	334	......
Missouri	4,920	4,335	585	45	34	11	7,001	5,116	1,885
Montana	213	186	27	4	3	1	298	215	83
Nebraska	469	469	......	4	4	......	538	538	......
New Hampshire	118	......	118	1	......	1	296	......	296
New Jersey	79,240	25,097	54,143	37	11	26	184,511	30,916	153,595
New York	67,432	10,834	56,598	25	3	22	138,826	13,286	125,540
North Carolina	1,448	1,156	292	6	2	4	2,290	1,420	870
North Dakota	2,649	1,387	1,262	29	18	11	3,830	1,552	2,278
Ohio	1,610	1,610	......	2	2	......	2,345	2,345	......
Oklahoma	1,218	1,133	85	7	5	2	2,226	1,659	567
Oregon	962	......	962	1	......	1	1,114	......	1,114
Pennsylvania	47,386	10,121	37,265	25	8	17	67,430	14,340	53,090
South Carolina	135	135	......	1	1	......	136	136	......
South Dakota	2,411	2,388	23	23	22	1	2,988	2,862	126
Tennessee	1,278	1,164	114	12	8	4	1,943	1,621	322
Texas	2,512	2,468	44	17	16	1	3,318	3,241	77
Vermont	3,444	3,258	186	3	2	1	3,725	3,375	350
Virginia	2,887	511	2,376	6	3	3	4,735	629	4,106
Washington	935	......	935	1	......	1	1,538	......	1,538
West Virginia	1,458	1,458	......	3	3	......	2,006	2,006	......
Wisconsin	6,384	5,096	1,288	30	20	10	8,698	5,964	2,734

[1] Data from books of FDIC, December 31, 1944.
[2] Data from books of bank at date of closing.

Table 115. ASSETS AND LIABILITIES OF INSURED BANKS PLACED IN RECEIVERSHIP AND OF INSURED BANKS MERGED WITH THE FINANCIAL AID OF THE FEDERAL DEPOSIT INSURANCE CORPORATION, 1934-1944

AS SHOWN BY BOOKS OF BANK AT DATE OF CLOSING

	Assets							Total	Liabilities and capital accounts				
	Cash and due from banks	U. S. Government obligations	Other securities	Loans, discounts, and overdrafts	Banking house, furniture & fixtures	Other real estate	Other assets		Total deposits	Other liabilities	R. F. C. capital	Private capital stock	Other capital accounts[1]
Total	$105,577,803	$74,923,118	$73,477,580	$229,247,826	$22,225,616	$59,539,990	$13,360,756	$578,352,689	$497,017,139	$11,468,774	$25,130,464	$37,145,961	$7,590,351
RECEIVERSHIPS													
Total	$22,620,382	$10,154,078	$15,946,562	$65,569,217	$5,375,616	$12,293,686	$8,330,507	$140,290,048	$107,374,564	$10,122,023	$5,896,246	$12,254,299	$4,642,916
1934	185,056	603,519	273,638	1,329,865	79,365	120,319	69,565	2,661,327	1,951,992	104,963	90,000	432,100	82,272
1935	1,974,181	698,440	510,479	6,842,116	459,055	242,274	1,597,403	12,323,948	8,700,485	2,111,886	223,000	950,000	338,577
1936	2,194,712	902,215	1,955,104	6,454,624	459,700	734,874	273,559	12,974,788	11,039,098	93,695	788,000	1,069,350	-15,355
1937	2,238,648	1,293,683	2,307,696	11,107,699	486,995	837,966	1,010,689	19,283,376	14,715,286	1,132,758	755,250	2,498,815	181,267
1938	1,610,297	451,570	2,215,638	6,574,061	412,911	2,125,022	530,408	13,919,907	10,124,255	1,213,354	1,052,900	1,059,200	470,198
1939	3,329,557	1,052,424	4,855,519	21,839,422	1,845,901	7,221,558	3,781,385	43,925,766	32,557,805	4,695,820	2,249,996	2,775,001	1,647,144
1940	1,018,215	452,574	1,519,677	3,314,762	694,900	435,526	523,899	7,959,553	5,599,438	455,788	422,750	1,045,533	436,044
1941	6,462,157	3,493,431	1,810,346	5,398,218	91,311	106,615	449,458	17,811,536	14,627,158	298,526	195,500	1,582,000	1,108,352
1942	500,513	119,650	52,364	777,953	70,685	55,222	25,030	1,601,417	1,379,526	1,520	81,750	140,000	-1,379
1943	2,910,826	968,872	405,011	1,846,467	772,493	414,310	63,677	7,381,656	6,274,311	13,582	32,500	675,000	386,263
1944	196,220	117,700	41,090	84,030	2,300	....	5,434	446,774	405,210	131	4,600	27,300	9,533
MERGERS													
Total	$82,957,421	$64,769,040	$57,531,018	$163,678,609	$16,850,000	$47,246,304	$5,030,249	$438,062,641	$389,642,575	$1,346,751	$19,234,218	$24,891,662	$2,947,435
1934	....	....	....	....	....	....	....	....	....	....	....	....	....
1935	404,834	233,395	1,403,807	2,256,417	608,467	....	10,808	4,917,728	4,228,816	140	....	315,000	373,772
1936	3,109,830	2,071,296	2,080,059	8,917,554	1,277,605	1,184,658	325,362	18,966,364	16,287,262	19,769	310,000	1,664,000	685,333
1937	4,717,074	2,495,254	3,520,186	8,678,629	562,181	926,359	186,497	21,086,180	18,384,923	262,651	609,200	1,808,400	21,006
1938	8,133,887	7,018,796	10,377,037	20,896,236	2,873,257	3,913,009	2,380,489	55,592,711	49,428,383	168,674	3,726,463	2,697,650	-428,459
1939	27,451,442	27,929,162	16,266,036	44,289,765	5,142,882	15,459,743	1,049,600	137,588,630	125,038,946	679,659	6,103,500	6,381,000	-614,475
1940	30,227,874	17,183,076	17,987,527	60,687,428	4,553,388	22,840,095	458,831	153,938,219	136,731,549	157,766	7,186,655	8,666,162	1,196,087
1941	3,167,243	801,273	2,835,309	8,178,623	798,028	1,014,582	197,669	16,992,727	14,990,768	57,508	289,000	1,111,250	544,201
1942	4,159,617	3,547,766	2,275,392	7,731,137	759,861	1,824,586	354,362	20,652,721	17,195,146	584	913,400	1,748,200	795,391
1943	1,216,987	2,903,771	555,383	1,675,734	274,331	15,844	34,523	6,676,573	5,897,691	....	96,000	300,000	382,882
1944	368,633	585,251	230,282	367,086	....	67,428	32,108	1,650,788	1,459,091	....	....	200,000	-8,303

[1] Includes surplus, undivided profits, and reserve funds minus operating deficit, if any, as shown by books. Minus (–) indicates net operating deficit.

NOTE: One insured bank was placed in receivership and one was merged with the financial aid of FDIC during 1944. The Brownsville State Bank, Brownsville, Indiana, (Case 245) suspended operations on May 12, 1944, and was placed in receivership. The Indiana State banking authority was named receiver for this State bank which was not a member of the Federal Reserve System. The First National Bank of Susquehanna, Susquehanna, Pennsylvania, (Case 152) with 4,589 accounts, was merged with The First and Farmers National Bank and Trust Company, Montrose, Pennsylvania, on May 27, 1944. A disbursement of $1,098,842 was made by the Corporation in connection with this merger. Data for individual insured banks placed in receivership and for those merged with the financial aid of FDIC before 1944 are given in earlier annual reports.

Table 116. DEPOSITORS AND DEPOSITS OF INSURED BANKS PLACED IN RECEIVERSHIP, 1934-1944

AS SHOWN BY BOOKS OF FDIC, DECEMBER 31, 1944

	Number of depositors					Amount of deposits							
	Total	Eligible for insurance protection			Not eligible for insurance protection	Total	Insured			Secured and preferred	Subject to offset	Uninsured, unsecured, not preferred, and not subject to offset	
		Paid by FDIC	Fully paid by other methods	Unpaid			Total	Paid	Unpaid			In excess of insurance maximum	Other
Total	**380,510**	**289,106**	**36,233**	**12,810**	**42,361**	**$109,590,072**	**$87,137,904**	**$86,979,228**	**$158,676**	**$4,983,028**	**$6,320,584**	**$9,784,177**	**$1,364,379**
1934	15,545	11,262	937	2,761	585	1,966,373	944,764	941,008	3,756	831,832	91,005	30,607	68,165
1935	32,275	23,422	2,986	1,509	4,358	9,090,632	6,028,994	6,024,650	4,344	538,951	561,288	1,935,853	25,546
1936	41,831	30,924	4,677	22	6,208	11,240,970	8,055,590	8,055,563	27	659,381	660,363	1,048,034	817,602
1937	74,151	56,813	7,761	78	9,499	14,961,275	12,047,836	12,044,562	3,274	1,140,812	1,084,311	642,707	45,609
1938	43,700	31,765	7,390	20	4,525	10,296,261	9,087,499	9,082,444	5,055	340,557	526,183	252,043	89,979
1939	90,212	72,212	6,245	3,917	7,838	32,739,801	26,259,973	26,184,011	75,962	576,440	1,921,758	3,949,352	32,278
1940	20,671	15,681	2,937	8	2,045	5,656,748	4,895,745	4,894,723	1,022	182,441	341,818	221,323	15,421
1941	38,594	29,885	1,709	11	6,989	14,730,243	12,278,587	12,276,408	2,179	391,711	793,302	997,814	268,829
1942	5,717	4,210	562	631	314	1,816,180	1,613,939	1,612,049	1,890	59,824	80,906	60,561	950
1943	16,914	12,173	933	3,808	....	6,635,864	5,519,353	5,464,979	54,374	261,079	244,334	611,098	....
1944	900	759	96	45	....	455,725	405,624	398,831	6,793	....	15,316	34,785	....

NOTE: Only one insured bank was placed in receivership in 1944. For name of bank and other information see Note to Table 115.

Back figures—See the Annual Report for 1943, p. 105, and earlier reports.

Table 117. Disbursements to Protect Depositors, Recoveries, and Losses by the Federal Deposit Insurance Corporation from Insured Banks Placed in Receivership or Merged with the Financial Aid of the Corporation, 1934-1944

AS SHOWN BY BOOKS OF FDIC, DECEMBER 31, 1944

(Amounts in thousands of dollars)

	Total	Banks placed in receivership or merged in—										
		1934	1935	1936	1937	1938	1939	1940	1941	1942	1943	1944
All banks placed in receivership or merged												
Disbursement by FDIC	$259,696	$941	$8,890	$14,828	$19,202	$30,474	$67,792	$74,232	$23,878	$10,824	$7,137	$1,498
Receiverships	86,979	941	6,025	8,055	12,045	9,082	26,184	4,895	12,276	1,612	5,465	399
Mergers	172,717	....	2,865	6,773	7,157	21,392	41,608	69,337	11,602	9,212	1,672	1,099
Recoveries by FDIC	195,034	693	6,020	12,123	15,050	25,466	44,708	54,636	21,353	9,076	4,779	1,130
Receiverships	62,120	693	4,194	6,548	9,225	7,710	13,730	3,407	11,954	1,243	3,215	201
Mergers	132,914	....	1,826	5,575	5,825	17,756	30,978	51,229	9,399	7,833	1,564	929
Estimate of losses by FDIC	38,810	208	2,786	2,635	3,770	2,892	12,409	11,167	1,339	917	616	71
Receiverships[1]	18,611	208	1,770	1,471	2,579	1,214	9,568	653	219	292	616	21
Mergers	20,199	....	1,016	1,164	1,191	1,678	2,841	10,514	1,120	625	....	50
Banks placed in receivership or merged—liquidation terminated												
Disbursement by FDIC	48,217	521	5,149	7,393	8,085	8,489	12,780	2,743	675	2,382	....	....
Receiverships	35,815	521	5,149	6,921	7,694	5,977	7,195	1,264	675	419	....	....
Mergers	12,402	....	....	472	391	2,512	5,585	1,479	....	1,963	....	....
Recoveries by FDIC	40,446	429	3,641	5,881	6,052	7,650	11,366	2,621	488	2,318	....	....
Receiverships	28,404	429	3,641	5,475	5,704	5,324	5,846	1,142	488	355	....	....
Mergers	12,042	....	....	406	348	2,326	5,520	1,479	....	1,963	....	....
Losses by FDIC	7,771	92	1,508	1,512	2,033	839	1,414	122	187	64	....	....
Receiverships	7,411	92	1,508	1,446	1,990	653	1,349	122	187	64	....	....
Mergers	360	....	....	66	43	186	65	....	....	....	....	....

Banks placed in receivership or merged—liquidation active												
Disbursement by FDIC	211,479	420	3,741	7,435	11,117	21,985	55,012	71,489	23,203	8,442	7,137	1,498
Receiverships	51,164	420	876	1,134	4,351	3,105	18,989	3,631	11,601	1,193	5,465	399
Mergers	160,315	....	2,865	6,301	6,766	18,880	36,023	67,858	11,602	7,249	1,672	1,099
Recoveries by FDIC	154,588	264	2,379	6,242	8,998	17,816	33,342	52,015	20,865	6,758	4,779	1,130
Receiverships	33,716	264	553	1,073	3,521	2,386	7,884	2,265	11,466	888	3,215	201
Mergers	120,872	....	1,826	5,169	5,477	15,430	25,458	49,750	9,399	5,870	1,564	929
Estimate of losses by FDIC	31,039	116	1,278	1,123	1,737	2,053	10,995	11,045	1,152	853	616	71
Receiverships[1]	11,200	116	262	25	589	561	8,219	531	32	228	616	21
Mergers	19,839	....	1,016	1,098	1,148	1,492	2,776	10,514	1,120	625	....	50
Number of banks	**397**	**9**	**25**	**69**	**75**	**74**	**60**	**43**	**15**	**20**	**5**	**2**
Receiverships	245	9	24	42	50	50	32	19	8	6	4	1
Mergers	152	....	1	27	25	24	28	24	7	14	1	1
Liquidation terminated	230	7	18	52	47	54	32	13	2	5	....	....
Receiverships	176	7	18	39	38	42	20	8	2	2	....	....
Mergers	54	....	....	13	9	12	12	5	....	3	....	....
Liquidation active	167	2	7	17	28	20	28	30	13	15	5	2
Receiverships	69	2	6	3	12	8	12	11	6	4	4	1
Mergers	98	....	1	14	16	12	16	19	7	11	1	1

[1] Estimates of losses for banks placed in receivership are based on total insured deposits, unpaid as well as paid. The disbursements in the receiverships as given in the table are the amounts paid on insured deposits by December 31, 1944. For amounts unpaid on insured deposits see Table 116, page 151.

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