

THE FREEDMAN'S SAVINGS BANK.

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In the year 1865, at the very close of the session, Mr. Sumner moved the incorporation of the "Freedman's Savings & Trust Company." The objection being raised that Congress had no power under the Constitution to charter a savings bank to do business outside of the District of Columbia, an amendment was added limiting its powers to the District. As Mr. Sumner pressed the "measure of philanthropy," it was hurried through both Houses, but by some mischance the important amendment was omitted. The words "in Washington City" did not appear in the bill, hence the law came into operation as an Act to incorporate the Freed-

man's Savings & Trust Company, with a much wider franchise than was anticipated and a list of incorporators among the most eminent in the country. For the protection of the freedmen, the deposits of this bank were to be invested in no other securities than "stocks, bonds, Treasury notes, or other securities of the United States." As Chief-Justice Chase and several other leading citizens were trustees, with power to assemble at Washington and to elect their successors, it was supposed that, although the profits derived from investments would not be large, the funds would be safe. Indeed it scarcely seemed possible that any malversation could occur. The principal office was at Washington, with thirty branches at various places in the Southern States. This was in opposition to the provisions of the charter, and it directly violated the statutes of the various States. All this, however, was unknown to the freedmen, who had been used to look to the National Government as the omnipotent protector of their rights, and they easily believed that the Freedman's Savings Banks were guaranteed by the Federal authority. Thus it happened that the negroes so eagerly availed themselves of the privilege of laying by their earnings under auspices so favorable. Nor did any harm come of it for the first five years. But at last, certain speculative persons cast greedy eyes on the deposits of the bank. In April, 1870, an amendment to the charter was proposed in the House by Mr. Cook of Illinois. The proposed change seemed simple. It merely provided that the trustees might invest in mortgage securities and might hold and improve the real estate owned by the bank in the City of Washington. The reasons assigned for the innovation were very plausible. It was contended that the rate of interest earned by capital invested in Government bonds was so much reduced since the war that the poor freedmen did not receive as much interest as they were fairly entitled to. Another reason was that the Savings Banks in New York and in many other States enjoyed the same freedom of investment that was demanded for the Freedman's Bank. The scheme was successful and the amendment passed the House without debate. In the Senate some opposition was made. Mr. Cameron said that the change would bring disaster. He was in favor of the most stringent restrictions. He declared that the proposed relaxations would lead irresponsible managers into speculation. As to the proposed investments in real estate, the money, once invested in such property, would be fixed and could not be easily realized when wanted to pay depositors. Such investments, he said, had always in his experience proved the harbingers of ruin. Mr. Cameron added that the people concerned, and those most interested—the freedmen—having remonstrated against his course, if they want to be cheated, it was not for him to object. The bill became a law. Three years of the new *régime* were enough to squander away the funds of this prosperous institution. When the books of the Freedman's Bank came to be examined by a National Bank Examiner, evidence was disclosed which led to further inves-

tigation. Irregular transactions came to light, the concern was declared insolvent. After a feeble effort at reorganization it collapsed, and, strange to say, the whole sum invested in Government securities was found, at the close, to be \$400!

The nominal assets were \$2,693,000, much of the amount being worthless on account of the insolvency of the debtors and the unsalable character of the securities held. The liabilities were \$2,879,000, the depositors being 72,000 in thirteen States. The average of the deposits was \$40, which was very creditable to the frugality of the freedmen. There were over 5,000 who deposited less than one dollar each, and in one branch 890 deposited an average of ninety-two cents. The three Commissioners appointed in July, 1874, had no adequate power to wind up the affairs of the bank. Depositors from Nashville, Lexington, Louisville, Richmond and Charleston, and the Legislatures of North and South Carolina, memorialized Congress praying it to take the assets and assume the liabilities, or afford some other adequate help to "the dependent wards of the nation." The whole subject was referred to the House Committee of Banking and Currency. Judge Durham, of Kentucky, prepared the report for the Committee and a bill accompanying it. The Committee reported that though it was inexpedient for the Government to assume all the assets, yet it might well aid the depositors by purchasing the building erected by the Bank in Washington, a portion of which is now leased by the Government, and should reduce the number and increase the powers of the Commissioners, and require its affairs to be wound up under the general charge of the Secretary of the Treasury, with power to the Commissioners to commence suits against the trustees if there should be evidence of fraud.

By the exertions of Mr. Durham the bill passed the Senate. But it failed in the House, principally through the opposition of Mr. Rainey, the colored member from South Carolina, on the ground that it provided for the appointment of but one Commissioner. The defeat of this bill is most unfortunate for the depositors, as it must prolong the time for collecting and dividing the assets, which are not drawing any interest, while heavy expenses are accumulating. The Commissioners of the Freedman's Bank now have \$300,000 in the United States Treasury. It would require \$600,000 in hand to declare a dividend of 20 per cent. to the depositors, 15,000 of whom have claims of less than \$5 each. A large number of debtors have paid to the Institution small amounts. The Commissioners have offered the real estate of debtors for sale at auction, but owing to the insufficiency of the bids have bought in the property themselves, thus converting such indebtedness into real property. The objection has been raised that the Commissioners have not the power to acquire real estate, but that their duty is to realize money only, to be distributed among the depositors. Owing to the depression in the real estate market they cannot dispose of such property as comes into their

possession. The Attorney-General has decided that the Commissioners cannot resign their office, as they proposed doing several months ago.

As Congress reserved the right to inspect the books of the Bank, and to examine its affairs, it has been urged that some compensation may hereafter be made to the defrauded freedmen. But it is to be feared that the claims will in that case be bought up at a small percentage by speculators, and meanwhile the frugal depositors have become disheartened and discouraged. Many of them, it is said, have ceased to save, and are spending their earnings as fast as they get them. Thus disastrously has resulted Mr. Sumner's philanthropic scheme to teach the colored wards of the nation the virtues of economy and forethought, which are so essential to their new position as free citizens.