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## THE FREEDMAN'S SAVINGS BANK.

There is good evidence that under Comptroller Knox's management, the depositors of this defunct institution will soon receive another dividend, making a total payment of sixty cents on the dollar. The history of the bank is very suggestive. In the year 1865, at the close of the session, Mr. Sumner moved the incorporation of the "Freedman's Savings and Trust Company," for the benefit of the frugal negroes of the South. The project was opposed, and the objection was raised that Congress had no power under the Constitution to charter a Savings bank to do business outside of the District of Columbia. Hence, an amendment was added limiting its powers to the City of Washington. By the efforts of Mr. Sumner, who recommended it as a measure of philanthropy, the bill was rapidly passed through both Houses, but at some stage of its progress the important amendment was omitted. The words "in Washington City" did not appear in the bill, and the law went into operation as an act to incorporate the Freedman's Savings and Trust Company, with a much wider franchise than was ever before

granted to a Savings bank by Congress. Whether a similar grant of excessive powers will ever be repeated remains to be seen. The corporators named in the bill were among the most eminent in the United States, and for the protection of the depositors, the assets of this bank were to be invested in no other securities than "stocks, bonds, Treasury notes, or other securities of the United States." Chief Justice Chase and several other leading men were trustees, with power to assemble at Washington and to elect their successors. The chief office of the bank was at Washington, with thirty branches at various places in the Southern States. Such an organization was not authorized by the provisions of the charter, and it violated the statute regulations for Savings banks in some of the various States. These facts, however, were unknown to the freedmen, who easily believed that the Freedman's Savings Banks were not only created by the Federal authority but guaranteed by the National Government. Hence, thousands of frugal depositors eagerly availed themselves of the privilege of laying by their earnings under auspices so favorable. In April, 1870, an amendment to the charter was proposed, which 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 were very plausible. It was contended that the rate of interest earned by the 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, but the agitation among the colored citizens was such in favor of the change that the bill finally passed, and three years' exercise of the powers conferred by the new law were enough. The career of this prosperous institution ended in sudden and irretrievable disaster. Irregular transactions came to light, and after an abortive effort at reorganization the bank finally closed its doors, and it was noted at the time, with some surprise, that the whole sum invested in Government securities was reported at the close to be less than \$500.

The nominal assets were \$2,693,000. Of this sum a large proportion was deemed worthless on account of the insolvency of the debtors and the unsalable character of the securities held. The liabilities were \$2,963,392.48, the depositors being 72,000 in thirteen States. The average of the deposits was \$40, but there were over 5,000 deposits of less than one dollar, and in a single branch the average of 890

deposits was only ninety-two cents. By the Act of July, 1874, three commissioners were appointed, who had no adequate powers 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 depositors. 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 accompanied 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 has for some years been leased by the Government, and by augmenting the powers of the commissioners. The affairs of the bank were 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. 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. With some salutary modifications the bill was again introduced last session, and became a law Feb. 1st, 1881. It confided the affairs of the Freedman's Bank to the Hon. John Jay Knox, the Comptroller of the Currency, who was appointed commissioner to close up its affairs. Mr. Knox filed his bond of \$20,000 on March 7, and he has since that time disposed of real estate for cash amounting to \$40,733.25, and the total receipts from all sources have been \$59,364.20, \$31,050 of which was invested in six-per-cent. bonds, which were continued into three and a-half per cents. He reports that three dividends have been paid since the failure of the bank; the first on claims amounting to \$2,767,086 on November 1, 1875, of twenty per cent., and a second and third each of ten per cent. on March 20, 1878, and September 1, 1880. The amount due and unclaimed upon the first dividend is \$39,248.24, and is payable to 31,967 depositors, or an average of about \$1.20 to each depositor. The sum due and unclaimed upon the second dividend is \$30,927.26, and is payable to 36,078 depositors, or an average of about eighty-five cents to each depositor; and the amount due and unclaimed upon the third dividend is \$54,539.57, and is payable to 40,000 depositors, or an average of about \$1.85 to each. The total amount of unclaimed dividends is \$124,715.87, and the average amount due to each depositor is about \$3.40. Of these dividends a large amount has been disbursed to 255 claimants since the Comptroller took possession of the assets. The original cost to

the bank for this handsome property, including the building, was \$258,315.66. It is now occupied by the Attorney-General and the Court of Claims, and yields to the bank a rental of \$20,000 a year. The estimated value of the property is \$250,000, and it is supposed that the Government will be authorized to purchase the property either for the proposed new pension building or for some other purpose, during the next session of Congress.

A small amount of real estate is held in other cities, and is estimated to be worth \$60,000. As soon as the bank property can be sold at the price at which it is held, another and final dividend is to be made to the creditors of about twenty per cent. When this is accomplished, the depositors of the institution will have had a total dividend of sixty per cent. upon their original deposits. As stated above, the total amount at the time of the failure due to the depositors was \$2,963,392.48. When the Comptroller's annual report is presented to Congress it is hoped that he will complete the history by showing the aggregate expenses incurred in winding up the Freedman's Savings Bank, from its stoppage to the declaration of its final dividend.