

MAINE STATE LEGISLATURE

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PUBLIC DOCUMENTS

OF THE

STATE OF MAINE

BEING THE

REPORTS



PUBLIC OFFICERS
DEPARTMENTS AND
INSTITUTIONS

FOR THE EIGHTEEN MONTHS

JANUARY 1, 1921-JUNE 30, 1922

SIXTY-FIFTH ANNUAL REPORT

OF THE

BANK COMMISSIONER

OF THE CONDITION OF THE

SAVINGS BANKS, TRUST AND BANKING COMPANIES,
LOAN AND BUILDING ASSOCIATIONS
AND LOAN COMPANIES

OF THE

STATE OF MAINE

1921-22



WATERVILLE
SENTINEL PUBLISHING COMPANY

1922

BANKING DEPARTMENT

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†Fred F. Lawrence Bank Commissioner
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Victor B. Pendexter Assistant Examiner
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Claridel Bradstreet Chief Clerk
Faustena Roberts Assistant Clerk

*Resigned

†Appointed May 7, 1921

*To the Honorable Percival P. Baxter, Governor, and the
Executive Council of the State of Maine:*

I have the honor to submit herewith the sixty-fifth report of the Banking Department for the eighteen months ending June 30th, 1922, under the provisions of chapter 69 of the Public Laws of 1921, changing the fiscal year of the State and requiring that this particular report cover a period of a year and a half.

Under the prevailing conditions of liquidation and deflation it is matter of gratification to be able to point to the generally excellent condition of the institutions under our supervision. The lessened activity of several industries playing so large a part in the economic life of the State has naturally retarded the growth in our banking resources which was so noticeable in former years. This, however, is not only natural under existing post-war conditions, but any other tendency would be distinctly unhealthy.

The laws of Maine have thrown such safeguards around the depositor in its banking institutions that public confidence in them is in the highest degree justified, and the fact that savings accounts have slowly increased during these times of shrinking net incomes and relatively high living costs testifies to the continued thrift of our citizens. Much, however, needs to be done by way of education to impress upon the public the fact that general prosperity and individual welfare alike are served by depositing savings in banking institutions. The loss of such savings by an appreciable number of people who can ill-afford to lose them is an economic and social menace and every bank official owes a positive duty to counteract the growing belief, encouraged by the ubiquitous and irrepressible promoter, that every possessor of a savings account is a potential investor.

Much has been accomplished in this direction by an effective "Blue Sky" law, but such legislation is limited in its scope and properly so. The individual should not be told by law that he should not speculate or make his own investments. The real

remedy is educational. Banking should no longer be regarded as a mystery. The public should be shown that investment is a science requiring constant study and supervision, and that no institution can perform that function so satisfactorily as a bank, operating under public control, strictly regulated by law, and having the opportunity for diversification of investments which is denied to the ordinary individual. Under such conditions the depositor receives the highest rate of interest compatible with safety, accompanied by that inestimable privilege which no investment affords, the right to his deposit in full with accumulated interest on demand, or at most, after a brief notice, which in practice is almost never required.

During the recently prevailing abnormal interest rates it was undoubtedly true that opportunities were afforded with relatively slight risk, to secure a higher yield than that afforded by banks. The essentially abnormal and temporary character of this condition, however, has been strikingly demonstrated by the almost phenomenal increase in the price of high-class investment bonds with correspondingly reduced yield.

RURAL CREDITS.

The problem of financing the legitimate requirements of the Maine farmer is far from a satisfactory solution and calls not only for thorough study, but for a much greater degree of practical co-operation than it has yet received. Aroostook county naturally affords the most conspicuous field for such efforts, on account of its extensive area, the high average value of its farm per acre, and the fluctuations in the yield and price of its principal product. To maintain the potato-growing industry at its present volume of activity requires a vast amount of working capital which the farmer himself can furnish only in a limited degree. The typical Aroostook farmer owns extensive and valuable acres, but requires heavy advances to "carry" his operations through the season. If the yield is disappointing or the price low these advances are not automatically liquidated and he must be "carried" to another year.

There is no reasonable doubt that this typical farmer is entitled to the credit he seeks. The fertility of his soil is unquestioned

and he owns or has a substantial equity in his real estate. It would be difficult to imagine a series of catastrophes sufficient to destroy the value inherent in this splendid farming land. The land being the real basis of his credit, however, should be pledged to secure that credit and the necessary funds should be advanced to the largest possible degree from sources of long time investment. The commercial banks should not bear so much of the burden. In the nature of things only a limited proportion of their assets should be tied up in long time investments, however secure. Furthermore, such a policy is ultimately harmful to the farmer, for it involves pressure upon him in hard seasons, perhaps forcing sales both of his product and his real estate at unfavorable times, whereas if money was secured from long time investors, he would have a much greater degree of control over his operation.

At present the amount so borrowed upon real estate mortgages is relatively small. Both State and Federal funds are available for this purpose to a considerable extent, and savings institutions in other sections of the State could safely and profitably invest to a much greater degree in carefully selected Aroostook mortgages. To remedy this situation in any material degree, however, calls for co-operation between the financial institutions and the various individuals and organizations interested in agriculture, as well as the services of this department. The agricultural borrower should understand that his principal supply of borrowed capital should come from long time sources and that the banks should be relied upon only for such short time accommodations as are practically certain to be liquidated each season. Any other policy involves either unnecessary curtailment of operations or such extensive rediscounting and borrowing by commercial banks as to make them in effect branches of other institutions, instead of functioning normally and independently.

GENERAL STATISTICS.

The number, classes and resources of the institutions under the supervision of this department as compiled from the returns of September 25, 1920, September 24, 1921, and March 25, 1922, respectively, are as follows:

SEPTEMBER 25, 1920.

| | | |
|---|---------------|----|
| 43 Savings Banks | \$114,138,163 | 90 |
| 55 Trust Companies | } 141,723,240 | 26 |
| 25 Trust Company Branches | | |
| 6 Trust Company Agencies | | |
| 39 Loan and Building Associations | 9,248,960 | 57 |
| 3 Loan Companies | 915,766 | 64 |
| 1 Industrial Bank | 227,820 | 93 |
| <hr/> | | |
| 172 Total | \$266,253,952 | 30 |

SEPTEMBER 24, 1921

| | | |
|---|---------------|----|
| 43 Savings Banks | \$116,264,289 | 72 |
| 55 Trust Companies | } 145,429,372 | 98 |
| 31 Trust Company Branches | | |
| 8 Trust Company Agencies | | |
| 39 Loan and Building Associations | 10,176,958 | 38 |
| 2 Loan Companies | 727,114 | 21 |
| 1 Industrial Bank | 270,843 | 21 |
| <hr/> | | |
| 179 Total | \$272,868,578 | 50 |

MARCH 25, 1922

| | | |
|---|---------------|----|
| 43 Savings Banks | \$117,788,526 | 61 |
| 55 Trust Companies | } 142,440,203 | 88 |
| 32 Trust Company Branches | | |
| 8 Trust Company Agencies | | |
| 38 Loan and Building Associations | 10,585,468 | 28 |
| 2 Loan Companies | 707,601 | 91 |
| 1 Industrial Bank | 307,327 | 28 |
| 1 Credit Union | 16,104 | 09 |
| <hr/> | | |
| 180 Total | \$271,845,232 | 05 |

The following table shows the increase in resources of the Savings Banks, Trust Companies, and Loan and Building Associations during the past twenty years:

| Year | Savings Banks | Trust Companies | Loan and Building Associations | Total Assets | Gain |
|------|-----------------|-----------------|--------------------------------|-----------------|----------------|
| 1901 | \$74,623,171 03 | \$15,207,325 55 | \$2,865,380 98 | \$92,695,877 56 | \$5,462,084 44 |
| 1902 | 77,853,815 64 | 17,035,941 70 | 2,854,626 60 | 97,744,383 94 | 5,048,506 38 |
| 1903 | 80,538,169 30 | 19,914,010 63 | 2,932,206 28 | 103,384,386 21 | 5,640,002 27 |
| 1904 | 82,741,563 42 | 22,928,005 22 | 3,097,237 78 | 108,766,806 42 | 5,382,420 21 |
| 1905 | 85,590,104 63 | 27,904,858 58 | 3,192,473 92 | 116,767,437 13 | 8,000,630 71 |
| 1906 | 89,681,144 72 | 33,542,166 46 | 3,434,726 94 | 126,658,038 12 | 9,899,600 99 |
| 1907 | 92,853,235 59 | 39,848,624 25 | 3,676,452 95 | 136,378,312 79 | 9,720,274 67 |
| 1908 | 93,783,722 78 | 42,982,996 32 | 3,869,142 27 | 140,635,861 37 | 4,257,548 58 |
| 1909 | 96,254,583 74 | 44,547,034 58 | 4,085,811 58 | 144,887,429 90 | 4,251,568 53 |
| 1910 | 98,402,588 50 | 46,145,401 64 | 4,343,975 71 | 148,891,965 85 | 4,004,535 95 |
| 1911 | 97,705,409 04 | 52,370,267 02 | 4,645,137 11 | 154,720,813 17 | 5,828,847 32 |
| 1912 | 102,211,711 28 | 58,672,508 63 | 4,900,286 56 | 165,784,506 47 | 11,063,693 30 |
| 1913 | 104,515,830 88 | 62,980,976 91 | 5,205,361 05 | 172,702,168 84 | 6,917,362 37 |
| 1914 | 105,995,532 48 | 66,371,362 27 | 5,558,269 27 | 177,925,164 02 | 5,222,995 18 |
| 1915 | 106,523,164 40 | 69,707,168 45 | 5,957,696 22 | 182,188,029 07 | 5,262,865 05 |
| 1916 | 107,784,149 47 | 89,462,322 23 | 6,437,278 46 | 203,683,750 16 | 21,495,721 09 |
| 1917 | 105,872,386 86 | 104,900,140 15 | 6,671,238 79 | 217,443,765 80 | 13,760,015 64 |
| 1918 | 104,097,100 77 | 111,854,613 75 | 7,251,168 24 | 223,202,882 76 | 5,759,116 96 |
| 1919 | 107,463,361 59 | 124,539,850 85 | 8,050,930 63 | 240,054,143 07 | 16,851,260 31 |
| 1920 | 114,138,163 90 | 141,723,240 26 | 9,248,960 57 | 265,110,364 73 | 25,056,221 66 |
| 1921 | 116,264,289 72 | 145,429,372 98 | 10,176,958 38 | 271,870,621 08 | 6,760,256 35 |

NATIONAL BANKS

For the purpose of showing the total banking resources of the State, the following statement of National Banks of Maine is shown. These figures are compiled from the report of the Comptroller of Currency showing the condition of the 60 National Banks on March 10, 1922:

| ASSETS. | |
|--|------------------|
| Loans and discounts (including notes and bills rediscounted) | \$54,103,000 00 |
| Overdrafts | 31,000 00 |
| Customers' liability account of "Acceptances"..... | 9,000 00 |
| United States Government securities owned..... | 12,940,000 00 |
| Other bonds, stocks, securities, etc..... | 31,014,000 00 |
| Banking house, furniture and fixtures..... | 1,814,000 00 |
| Other real estate owned..... | 114,000 00 |
| Lawful reserve with Federal Reserve banks..... | 4,237,000 00 |
| Items with Federal Reserve banks for collection..... | 442,000 00 |
| Cash in vault and due from national banks..... | 6,228,000 00 |
| Amount due from state banks and trust companies..... | 196,000 00 |
| Exchanges for clearing house..... | 310 000 00 |
| Checks on banks in the same place..... | 75,000 00 |
| Outside checks and other cash items..... | 196,000 00 |
| Redemption fund and due from U. S. Treasury..... | 282,000 00 |
| Other assets | 90,000 00 |
| Total assets | \$112,080,000 00 |
| LIABILITIES. | |
| Capital stock paid in..... | \$7,045,000 00 |
| Surplus fund | 4,458,000 00 |
| Undivided profits less expenses and taxes paid..... | 3,650,000 00 |
| National bank notes outstanding..... | 5,565,000 00 |
| Amount due to Federal reserve banks..... | 143,000 00 |
| Amount due to national banks..... | 302,000 00 |
| Amount due to State banks and trust companies..... | 2,130,000 00 |
| Certified checks outstanding | 66,000 00 |
| Cashier's checks on own bank outstanding..... | 183,000 00 |
| Demand deposits | 27,949,000 00 |
| Time deposits (including postal savings deposits)..... | 56,752,000 00 |
| United States deposits | 479,000 00 |
| United States Government securities borrowed..... | 37,000 00 |
| Bills payable | 1,871,000 00 |
| Notes and bills rediscounted..... | 1,412,000 00 |
| Acceptances executed for customers..... | 9,000 00 |
| Other liabilities | 29,000 00 |
| Total liabilities | \$112,080,000 00 |

It appears from the foregoing tables that the increase in resources of the national banks has been at approximately the same rate as that of the State institutions and that the combined banking resources of the State now amount to \$383,925,232.05.

SAVINGS BANKS.

The forty-three Savings Banks in Maine, on September 24th, 1921, reported total resources of \$116,264,289.72 as compared with total resources of \$114,138,163.90 on September 25, 1920, and on March 25th, 1922, the resources were \$117,788,526.61.

The following tables show a comparative statement as of September 25, 1920, and September 24, 1921, and a statement as of March 25, 1922:

| Sept., 1920. | LIABILITIES. | Sept., 1921. |
|-------------------------|--------------------------------|-------------------------|
| \$104,771,853 69 | Deposits | \$106,245,722 50 |
| 6,070,661 73 | Reserve fund | 6,263,880 18 |
| 12,515 56 | Special reserve fund..... | 12,511 53 |
| 3,213,379 32 | Undivided profits | 3,542,890 83 |
| 69,753 60 | Other liabilities | 199,284 68 |
| <u>\$114,138,163 90</u> | <u>Total liabilities</u> | <u>\$116,264,289 72</u> |

RESOURCES.

| | | |
|-------------------------|--|-------------------------|
| \$24,113,642 22 | United States securities | \$27,035,055 35 |
| 6,461,010 44 | Public funds of Maine..... | 5,071,753 42 |
| 2,115,843 18 | Public funds out of Maine..... | 1,675,558 93 |
| 9,363,470 68 | Railroad bonds of Maine..... | 9,260,060 88 |
| 30,199,483 05 | Railroad bonds out of Maine..... | 30,174,151 31 |
| 8,971,931 77 | Corporation bonds of Maine..... | 9,259,353 22 |
| 1,633,812 82 | Corporation bonds out of Maine..... | 2,181,804 00 |
| 3,723,618 97 | Railroad stock of Maine..... | 3,650,158 97 |
| 951,720 50 | Railroad stock out of Maine..... | 942,778 14 |
| 1,271,915 00 | Corporation stock of Maine..... | 1,293,473 00 |
| 29,426 00 | Corporation stock out of Maine..... | 20,226 00 |
| 1,059,518 44 | National bank stock of Maine..... | 1,054,812 94 |
| 4,500 00 | National bank stock out of Maine..... | 4,500 00 |
| 88,826 00 | Other bank stock of Maine..... | 88,826 00 |
| 15,951,247 86 | Loans on mortgages of real estate..... | 17,305,307 42 |
| 2,509,728 45 | Loans on collateral..... | 2,585,130 20 |
| 220,211 34 | Loans to municipalities..... | 270,695 58 |
| 607,248 19 | Loans to corporations..... | 532,016 20 |
| 1,674,135 21 | Real estate investment..... | 1,691,162 74 |
| 80,826 93 | Real estate foreclosure..... | 102,896 75 |
| 39,983 80 | Furniture and fixtures..... | 41,013 65 |
| 9,700 00 | Premium account | 9,763 52 |
| 518,221 90 | Acceptances outstanding | 344,703 32 |
| 2,237,069 80 | Cash on deposit | 1,416,752 94 |
| 281,391 72 | Cash on hand | 240,211 65 |
| 19,679 63 | Other resources | 12,123 59 |
| <u>\$114,138,163 90</u> | <u>Total resources</u> | <u>\$116,264,289 72</u> |

| | | |
|----------------|-------------------------------------|----------------|
| 237,538 | Number of depositors..... | 237,521 |
| \$441 07 | Average to each depositor..... | \$447 32 |
| 3.904 % | Average rate of dividends paid..... | 4 % |
| \$3,828,156 63 | Amount of dividends paid..... | \$4,059,937 88 |
| 39,236 99 | Municipal tax | 43,085 66 |
| 216,816 39 | State tax | 219,911 00 |

| LIABILITIES. | March 25, 1922 |
|---|------------------|
| Deposits | \$107,676,091 15 |
| Reserve fund | 6,308,388 99 |
| Special reserve fund | 764 84 |
| Undivided profits | 3,604,226 27 |
| Other liabilities | 199,055 36 |
| | \$117,788,526 61 |
| RESOURCES. | |
| United States securities | \$28,061,286 30 |
| Public funds of Maine | 5,016,012 31 |
| Public funds out of Maine | 1,655,964 93 |
| Railroad bonds of Maine | 9,185,065 88 |
| Railroad bonds out of Maine | 29,800,353 70 |
| Corporation bonds of Maine | 9,554,202 46 |
| Corporation bonds out of Maine | 2,855,225 30 |
| Railroad stock of Maine | 3,533,858 97 |
| Railroad stock out of Maine | 934,809 38 |
| Corporation stock of Maine | 1,232,165 50 |
| Corporation stock out of Maine | 18,546 00 |
| National bank stock of Maine | 1,046,824 94 |
| National bank stock out of Maine | 3,600 00 |
| Other bank stock of Maine | 88,658 00 |
| Loans on mortgages of real estate | 17,984,938 45 |
| Loans on collateral | 2,401,118 49 |
| Loans to municipalities | 173,471 46 |
| Loans to corporations | 516,465 85 |
| Real estate investment | 1,297,312 02 |
| Real estate foreclosure | 89,274 20 |
| Furniture and fixtures | 38,772 65 |
| Premium account | 11,417 58 |
| Acceptances outstanding | 175,633 35 |
| Cash on deposit | 1,845,143 66 |
| Cash on hand | 257 276 98 |
| Other resources | 11,128 25 |
| | \$117,788,526 61 |

The confidence of the depositor in the specialist in savings investments—the mutual savings bank—continues to be justified by the results of the faithful and conservative management of these institutions.

The shrinkage in market values in long time securities held by savings institutions during the period of high interest rates is being rapidly overcome and in many cases has been completely offset by the excellent investment opportunities. With the return to more normal rates of interest the savings bank problem will take on a different phase and a complete revision of the laws governing savings investments is highly advisable. Fortunately the problem is receiving careful study by a special legislative committee which will report to the legislature in 1923.

DEPOSITS AND WITHDRAWALS.

| | |
|--|------------------|
| Deposits, September 25, 1920..... | \$104,771,853 69 |
| Deposited during the year... \$23,891,603 63 | |
| Dividends added during the year | 4,059,937 88 |
| | \$27,951,541 51 |
| Withdrawn during the year.. | 26,477,672 70 |
| | 1,473,868 81 |
| Deposits, September 24, 1921..... | \$106,245,722 50 |

CLASSIFICATION OF DEPOSITS

| Exhibit A | Sept 25, 1920 | | Sept 24, 1921 | |
|---|----------------------|--------------------|----------------------|--------------------|
| | Number of depositors | Amount of deposits | Number of depositors | Amount of deposits |
| Deposits of \$500 or less..... | 172,683 | \$17,853,983 67 | 172,363 | \$17,230,523 77 |
| Deposits of over \$500 and not over \$2000. | 53,770 | 55,705,666 66 | 53,203 | 54,892,816 35 |
| Deposits of over \$2000 and not over \$5000..... | 10,541 | 26,934,933 44 | 11,337 | 29,554,250 89 |
| Deposits of over \$5000..... | 544 | 4,277,269 92 | 618 | 4,568,131 49 |
| Total | 237,538 | \$104,771,853 69 | 237,521 | \$106,245,722 50 |
| Exhibit B | | | | |
| Deposits of \$2000 or less..... | 226,453 | \$73,559,650 33 | 225,566 | \$72,123,340 12 |
| Deposits of over \$2000..... | 11,085 | 31,212,203 36 | 11,955 | 34,122,382 38 |
| Total | 237,538 | \$104,771,853 69 | 237,521 | \$106,245,722 50 |

DIVIDENDS

The following table gives the rate and amount of dividends paid by the Savings Banks during the year ending September 24th, 1921, and a comparison with those of the previous year:

| 1920 | | RATE OF DIVIDENDS | 1921 | |
|-----------------|---------------------|---------------------------|-----------------|---------------------|
| Number of banks | Amount of dividends | | Number of banks | Amount of dividends |
| 37 | \$3,457,574 28 | 4 per cent paid by | 43 | \$4,059,937 88 |
| 4 | 265,412 31 | 3¾ percent paid by | - | - |
| 2 | 105,170 04 | 3½ per cent paid by | - | - |
| 43 | \$3,828,156 63 | 3.96½% Average rate, 1920 | 43 | \$4,059,937 88 |
| | | 4% Average rate 1921 | | |

The dividend rates paid during the past ten years are shown by the following table:

| | 1912 | 1913 | 1914 | 1915 | 1916 | 1917 | 1918 | 1919 | 1920 | 1921 |
|--------------------|------|------|------|------|------|------|------|------|-------|------|
| 4% paid by | 30 | 33 | 34 | 33 | 29 | 28 | 32 | 35 | 37 | 43 |
| 3½% paid by | 3 | 1 | - | 1 | 4 | 1 | 3 | 3 | 4 | - |
| 3% paid by | 15 | 14 | 14 | 14 | 15 | 16 | 10 | 6 | 2 | - |
| Total number | 48 | 48 | 48 | 48 | 48 | 45 | 45 | 44 | 43 | 43 |
| Average rate | 3.89 | 3.91 | 3.91 | 3.89 | 3.82 | 3.78 | 3.89 | 3.94 | 3.96½ | 4 |

For the first time in the history of the State the interest rate on deposits in savings banks is a uniform one, four per cent per annum, four institutions having increased their rate from three and three-quarters per cent., and two from three and one-half per cent during the year. This policy of uniformity has a distinct advantage, as competition based on varying interest rates is inadvisable. Four per cent, under normal conditions, must be recognized as representing the maximum of safe yield on deposits practically subject to call, and Maine institutions are to be congratulated upon their refusal to follow the less conservative dividend policy of some out-of-state institutions. The rate of interest should obviously not fluctuate with changing temporary conditions. It is true that the institutions are mutual in character, but excess earnings afford protection to every depositor through the increased reserve and where good management or good fortune increases such earnings above normal they can be distributed, when occasion requires, in the form of extra dividends.

INVESTMENTS

The following table shows the several classes of investments held by savings banks, the amount of each class and its percentage to the whole and a comparison with the same classes for one year and ten years previous:

| RESOURCES | 1921 | 1920 | 1911 | |
|---|------------------|--------|--------|--------|
| United States securities | \$27,035,055 35 | 23.25 | 21.12 | - |
| Public funds of Maine | 5,071,753 42 | 4.36 | 5.66 | 8.93 |
| Public funds out of Maine | 1,675,558 93 | 1.44 | 1.85 | 18.66 |
| Railroad bonds of Maine | 9,260,060 88 | 7.96 | 8.20 | 9.73 |
| Railroad bonds out of Maine | 30,174,151 31 | 25.95 | 26.46 | 32.63 |
| Corporation bonds of Maine | 9,259,353 22 | 7.96 | 7.86 | 6.01 |
| Corporation bonds out of Maine | 2,181,804 00 | 1.88 | 1.43 | .38 |
| Railroad stock of Maine | 3,650,158 97 | 3.14 | 3.26 | 1.46 |
| Railroad stock out of Maine | 942,778 14 | .81 | .83 | .49 |
| Corporation stock of Maine | 1,293,473 00 | 1.11 | 1.11 | .46 |
| Corporation stock out of Maine | 20,226 00 | .02 | .03 | .05 |
| National bank stock of Maine | 1,054,812 94 | .91 | .93 | 1.43 |
| National bank stock out of Maine | 4,500 00 | .01 | .01 | .02 |
| Other bank stock of Maine | 88,826 00 | .08 | .08 | .07 |
| Loans on mortgages of real estate | 17,305,307 42 | 14.88 | 13.98 | 12.55 |
| Loans on collateral | 2,585,130 20 | 2.22 | 2.20 | 2.25 |
| Loans to municipalities | 270,695 58 | .23 | .19 | .19 |
| Loans to corporations | 532,016 20 | .46 | .53 | .77 |
| Real estate investment | 1,691,162 74 | 1.45 | 1.47 | 1.65 |
| Real estate foreclosure | 102,896 75 | .09 | .07 | .29 |
| Furniture and fixtures | 41,013 65 | .04 | .04 | .05 |
| Premium account | 9,763 52 | .01 | .01 | .19 |
| Acceptances outstanding | 344,703 32 | .30 | .45 | - |
| Cash | 1,656,964 59 | 1.43 | 2.21 | 1.71 |
| Other resources | 12,123 59 | .01 | .02 | .03 |
| Total | \$116,264,289 72 | 100.00 | 100.00 | 100.00 |

The attractive basis upon which, until very recently, United States Government obligations could be purchased led to a continued increase in the amount and percentage of these securities held by Savings Banks. The resulting benefits to depositors are four-fold: the average quality of the investment has been increased from the standpoint of security; the yield on the basis of price paid exceeds in most cases that from inferior securities under normal conditions; the sharp advance in the price of these bonds has averted the necessity of reducing the undivided profits account on account of shrinkage in the value of other securities; and, finally, these Government obligations are in effect a cash reserve of the highest type.

The opportunity so afforded, however, has passed, and purchases of this type of security at a figure enabling savings banks to hold them in larger amounts than at present are no longer possible. The same underlying causes have also sharply advanced the price of other high-grade securities and bankers

acceptances. The narrowing of the field of investments which combine the requisite degree of security with sufficient yield to permit the continuance of the four per cent rate on deposits calls for keen discrimination and close attention on the part of the trustees and executive officials of every savings bank. The probable revision of the savings bank investment law as a result of the report of the special legislative committee now investigating the matter is likely to afford some assistance in this respect and it is hoped that the committee will have the benefit of suggestions from all banking officials having ideas on the subject.

VERIFICATION OF SAVINGS DEPOSITS.

Complete audits of banks under our supervision are obviously impossible, but in view of the fact that the ordinary examination does not permit of verifying the deposit liabilities, the policy of periodically checking up this important item has been in force for some years and affords depositors a practical protection of great value. In practice the work is accomplished through taking a group of institutions, savings banks and trust companies alike, in a certain section of the State, and making use of the entire force at the command of the department. On certain days the depositors are asked, through the public press, to bring in their books for verification. A gratifying percentage of the total is always secured. This is followed up by sending out slips to the other depositors, asking for information from their pass-books, and these when received are compared with the books of the bank. The results are such as to reach so far as humanly possible, a verification of this most important item of liability.

BELFAST SAVINGS BANK

On March 28th, 1922, the trustees of the Belfast Savings Bank and the bank commissioner, having, as a result of a thorough examination and consideration of the bank's affairs, reached the conclusion that its further operation would be unfair to the public and the depositors, presented a petition to Hon. Leslie C. Cornish, Chief Justice of the Supreme Judicial Court for a liquidation of the affairs of the bank under the provisions

of section 52, chapter 52 of the Revised Statutes of Maine. A temporary restraining order was immediately issued and the doors of the bank closed. Public notice of the pendency of the petition was given and a hearing was held before the Chief Justice at the Court House in Augusta on April 14, 1922, at which hearing no one appearing in opposition, the Chief Justice rendered a decree to the effect that it was inexpedient for the bank to continue the further transaction of its business and that its affairs should be liquidated and its assets distributed as the court might thereafter determine. By the provisions of the same decree, Hon. Robert F. Dunton of Belfast and Carleton P. Merrill of Skowhegan were appointed receivers to take possession of the property and effects of the bank upon giving bonds in the sum of \$50,000 each. Both receivers qualified promptly and entered upon the discharge of their duties. On May 1st, 1922, the receivers filed a detailed report of assets and liabilities of the bank as of March 29th, 1922, a summary of which is as follows:

ASSETS.

| | |
|---|----------------|
| Investments as carried on books of the bank..... | \$1,812,590 00 |
| Loans on collateral with interest to March 29, 1922..... | 76,162 80 |
| Loans on mortgages of real estate with interest to March 29, 1922 | 43,853 43 |
| Real estate as carried on books of the bank..... | 22,000 00 |
| Foreclosed mortgage of real estate..... | 3,315 76 |
| Deposits in banks and cash on hand..... | 26,994 20 |
| Total assets | \$1,984,916 19 |

LIABILITIES.

| | |
|--|----------------|
| Amount due depositors as shown by books of bank..... | \$1,858,312 18 |
| Bills payable for borrowed money..... | 45,000 00 |
| Salaries and other unpaid bills..... | 385 50 |
| State tax for six months ending March 25, 1922..... | 2,768 57 |
| Total liabilities | \$1,906,466 25 |

The condition which led to the closing of this bank was fortunately wholly peculiar to the institution affected and no other bank is in the remotest degree involved. On account of the default in interest payments and passing of dividends by certain corporations whose securities were held by the bank in relatively large blocks, its current earnings were not sufficient to justify its continuing in business. The department is assured

that the receivers will be able very shortly to pay a substantial dividend, and while the ultimate result of the receivership is necessarily uncertain there is good reason to believe that the ultimate loss to depositors will be small.

TRUST COMPANIES.

The following is a comparative statement of the trust companies of Maine as shown by reports of September 25, 1920, and September 24, 1922:

| 1920. | ASSETS. | 1921. |
|-------------------------|---|-------------------------|
| \$56,323,313 93 |Demand and time loans..... | \$54,924,043 45 |
| 11,330,659 21 |Loans on mortgages of real estate..... | 12,613,916 09 |
| 137,849 91 |Overdrafts | 79,351 45 |
| 37,935,430 79 |Stocks and bonds | 39,272,842 56 |
| 9,559,147 78 |United States securities | 12,133,469 27 |
| 11,333,112 21 |Trust investments | 11,714,145 62 |
| 2,983,677 92 |Sinking fund investments | 3,194,228 35 |
| 1,227,741 67 |Bank building | 1,409,335 57 |
| 229,427 31 |Other real estate owned | 281,168 95 |
| 252,044 66 |Furniture and fixtures | 288,291 02 |
| 713,321 14 |Due from banks and bankers..... | 396,677 98 |
| 109,426 22 |Account of acceptances | 77,887 09 |
| 6,779,628 00 |Cash on deposit | 6,304,911 84 |
| 2,618,148 26 |Cash on hand | 2,661,136 96 |
| 190,311 25 |Other assets | 77,966 78 |
| \$141,723,240 26 |Total Assets | \$145,429,372 98 |

LIABILITIES.

| | | |
|-------------------------|---|-------------------------|
| \$4,939,400 00 |Capital stock | \$5,124,400 00 |
| 3,668,700 00 |Surplus | 3,804,841 40 |
| 4,129,392 43 |Undivided profits | 4,266,045 92 |
| 64,060,847 78 |Savings deposits | 66,920,204 44 |
| 39,374,762 07 |Demand deposits | 38,200,277 46 |
| 2,905,797 84 |Certificates of deposit | 1,899,421 67 |
| 1,380,349 32 |Bank deposits | 1,254,823 18 |
| 11,333,112 21 |Trust department | 11,714,145 62 |
| 2,987,812 42 |Sinking funds for corporations..... | 3,194,228 35 |
| 2,200 00 |Unpaid dividends | 3,881 20 |
| 175,173 78 |Due to other banks and bankers..... | 157,555 92 |
| 5,195,356 46 |Bills payable | 6,760,426 92 |
| 321,029 09 |Treasurer's checks outstanding | 331,766 64 |
| 1,030,468 07 |Re-acceptances | 1,415,129 19 |
| 100,000 00 |Acceptances outstanding | 50,000 00 |
| 118,838 79 |Other liabilities | 332,225 07 |
| \$141,723,240 26 |Total liabilities | \$145,429,372 98 |

| | | |
|----------------|---|----------------|
| 173,132 | Number of depositors, savings deposits..... | 189,477 |
| 95,401 | Number of depositors, demand deposits..... | 97,013 |
| 1,012 | Number of depositors, certificates of deposit | 782 |
| 274,545 | Total number of depositors..... | 287,272 |
| \$ 624,172 82 | Amount of dividends on stock..... | \$ 635,870 00 |
| 2,179,052 44 | Amount of interest on savings deposits..... | 2,523,080 00 |
| 485,469 07 | Amount of interest on demand deposits..... | 472,993 54 |
| 3.94% | Average rate of interest on savings deposits | 3.95% |
| 12.03% | Average rate of dividends on stock..... | 12.40% |
| \$169,438 35 | State tax | \$182,862 94 |

The following is a statement of the Trust Companies as of March 25, 1922:

| ASSETS | |
|--|------------------|
| Loans and discounts | \$51,212,714 05 |
| Loans on mortgages of real estate..... | 13,522,983 60 |
| Overdrafts | 44,619 75 |
| Stocks and bonds | 40,270,770 07 |
| United States securities | 9,498,986 06 |
| Trust investments | 13,612,304 94 |
| Sinking fund investments | 3,325,551 16 |
| Bank building | 1,368,043 16 |
| Other real estate owned..... | 290,244 38 |
| Furniture and fixtures | 322,846 41 |
| Due from banks and bankers..... | 503,573 92 |
| Cash on deposit | 5,470,763 80 |
| Cash on hand | 2,277,315 51 |
| Acceptances | 305,544 85 |
| Other assets | 413,942 22 |
| | \$142,440,203 88 |
| LIABILITIES. | |
| Capital stock | \$5,165,400 00 |
| Surplus | 3,846,431 55 |
| Undivided profits | 4,342,876 65 |
| Savings deposits | 69,846,235 59 |
| Demand deposits | 32,820,472 25 |
| Bank deposits | 1,121,216 83 |
| Time certificates of deposit..... | 770,075 91 |
| Demand certificates of deposit..... | 909,396 86 |
| Trust department | 13,612,304 94 |
| Sinking funds for corporations..... | 3,325,551 16 |
| Unpaid dividends | 3,074 93 |
| Due to banks and bankers..... | 59,618 87 |
| Treasurer's checks outstanding | 384,573 91 |
| Bills payable | 4,075,581 48 |
| Notes rediscounted | 1,358,732 70 |
| Acceptances | 326,825 00 |
| Other liabilities, | 471,835 25 |
| | \$142,440,203 88 |

These versatile financial agencies, combining the functions of commercial banks, savings institutions and depositaries of trust funds, continue to expand in number, field of operation, and resources, and with the hoped for return of business activity in the not far distant future bid fair to continue their almost phenomenal development.

The policy of requiring segregation of assets for the protection of savings depositors, the legal restrictions on loans to favored parties, and the existence of capital, surplus and stockholders' liability, have given their patrons assurance of a high degree of safety. Too active competition with other savings

institutions, however, especially in restricted territory, benefits neither bank. Much more desirable is some form of co-operation to increase the total number of patrons of all institutions, leaving it to the depositor to select his own place of deposit. The only competition in banking under present-day conditions, which is consistent with public safety, is competition in service.

The growth of Maine trust companies is indicated by the following table, showing their number, the amount of capital, surplus, deposits and total assets for each of the past twenty years:

| Year | Number | Capital | Surplus | Deposits | Assets |
|--------------|--------|----------------|--------------|-----------------|-----------------|
| 1902 | 18 | \$1,676,800 00 | \$446,150 00 | \$13,039,661 65 | \$17,035,941 70 |
| 1903 | 23 | 2,022,000 00 | 885,400 00 | 14,840,408 42 | 19,914,010 63 |
| 1904 | 23 | 2,072,000 00 | 974,150 00 | 17,039,245 71 | 22,928,005 22 |
| 1905 | 26 | 2,275,000 00 | 1,283,500 00 | 21,493,524 64 | 27,984,858 58 |
| 1906 | 33 | 2,875,000 00 | 1,701,450 00 | 25,015,181 89 | 33,542,166 46 |
| 1907 | 39 | 3,158,800 00 | 1,840,336 01 | 29,929,219 04 | 39,848,624 25 |
| 1908 | 40 | 3,186,400 00 | 1,897,634 81 | 33,285,601 30 | 42,982,996 32 |
| 1909 | 40 | 3,137,900 00 | 2,071,622 81 | 34,639,209 97 | 44,547,034 58 |
| 1910 | 40 | 3,238,900 00 | 1,994,054 81 | 36,283,021 14 | 46,145,401 64 |
| 1911 | 42 | 3,339,900 00 | 2,173,807 54 | 41,929,281 02 | 52,370,267 02 |
| 1912 | 44 | 3,415,400 00 | 2,361,421 00 | 45,817,521 47 | 58,672,508 63 |
| 1913 | 45 | 3,465,400 00 | 2,505,421 00 | 47,215,159 04 | 62,980,976 91 |
| 1914 | 46 | 3,665,400 00 | 2,540,640 00 | 49,474,355 63 | 66,371,362 27 |
| 1915 | 46 | 3,690,400 00 | 2,620,665 56 | 52,605,216 62 | 69,707,168 45 |
| 1916 | 46 | 4,015,900 00 | 2,877,140 00 | 71,034,146 05 | 89,462,322 23 |
| 1917 | 49 | 4,407,900 00 | 3,264,750 00 | 83,457,235 46 | 104,900,140 15 |
| 1918 | 52 | 4,523,400 00 | 3,333,800 00 | 84,063,690 11 | 111,854,613 75 |
| 1919 | 53 | 4,623,400 00 | 3,422,250 00 | 93,440,779 35 | 124,539,850 85 |
| 1920 | 55 | 4,936,400 00 | 3,668,700 00 | 107,721,757 01 | 141,723,240 26 |
| 1921 | 55 | 5,124,400 00 | 3,804,841 40 | 108,274,726 75 | 145,429,372 98 |

BRANCHES AND AGENCIES.

A noteworthy feature of the development of Maine Trust Companies has been the establishment of branches and agencies in communities of comparatively limited population and growth. This has been exemplified since the date of the last report by the opening of seven new branches and four agencies. In some cases these represent the absorption of existing institutions, in others the affording of new facilities.

Whatever may be said with reference to the general policy of branch banking, in a State of the large area and relatively limited population of Maine, this is the only method through which many communities deserving of banking facilities can safely be accommodated. It is difficult to encourage thrift without a reasonably accessible depository for savings. In com-

munities affording sufficient volume of business and with substantial indications of permanent prosperity the independent institution may give greater ultimate satisfaction, but such an institution requires a greater minimum volume of deposits to enable it to carry its overhead and build up a surplus. It frequently happens that a profitable field exists for the creation of a branch which would not support a new institution. In such cases the resources of the parent bank are behind the venture and no branches or agencies are authorized except those of institutions whose resources and earning capacity warrant it. If a branch or agency so established should develop sufficient business it can later be taken over by an independent institution.

The Brooks Branch of the Waldo Trust Company, to which a certificate was issued on September 4th, 1920, was opened for business on December 1st, 1920.

Two branches of the Merrill Trust Company, one at Bucksport and one at Machias, were authorized under certificate of the bank commissioner on January 4th, 1921, and both opened for business on January 5th, 1921. The Bucksport Branch took over the business of the Bucksport National Bank, and the Machias Branch took over the business of the Machias National Bank.

The Harrison Branch of the United States Trust Company was authorized under certificate of the bank commissioner issued on April 20th, 1921, and opened for business on May 2nd, 1921.

The Camden Branch of the Security Trust Company was authorized by certificate of the bank commissioner issued on September 22nd, 1921, and the Branch opened for business on that date, having taken over the assets and liabilities of the Meguntioook National Bank of Camden.

The Island Falls Branch of the Katahdin Trust Company was authorized under certificate issued by the bank commissioner on August 1st, 1921, and the Branch opened for business on October 6th, 1921.

The Waterboro Agency of the Sanford Trust Company, which was authorized under certificate issued October 12, 1920, opened for business on May 2nd, 1921.

The Castine Agency of the Waldo Trust Company was authorized by certificate issued under date of May 10th, 1921, and opened for business on May 25th, 1921.

The Howland Branch of the Lincoln Trust Company was authorized by certificate issued under date of March 7th, 1922, and opened for business March 15, 1922.

The Stonington Agency of the Union Trust Company was authorized by certificate issued on May 15th, 1922, and opened for business July 1st, 1922.

The Ogunquit Agency of the York County Trust Company was authorized by certificate issued June 5th, 1922, and opened for business June 22, 1922.

INCREASE OF CAPITAL STOCK.

On January 7th, 1921, the increase of capital stock of the Merrill Trust Company of Bangor, from \$400,000 to \$500,000, was approved by the Department.

January 22nd, 1921, the United States Trust Company of Portland increased its capital stock from \$100,000 to \$150,000, which was approved by the Department.

The Katahdin Trust Company of Patten increased its capital stock from \$40,000 to \$55,000, the increase being approved by the Department on August 1st, 1921.

The Guilford Trust Company increased its capital stock from \$60,000 to \$100,000, through the declaration of a stock dividend, the increase being approved by the Department on January 14th, 1922.

LIQUIDATION OF TRUST COMPANY.

The Machias Banking Company of Machias, organized July 10th, 1916, has been liquidated, the stock having been acquired by the Eastern Trust & Banking Company of Bangor, and its assets and liabilities were taken over by that bank on March 26th, 1921. A statement of its assets and liabilities appears in the reports of examinations as of March 16th, 1921.

NEW TRUST COMPANIES.

The Danforth Trust Company of Danforth, Maine, which received a certificate of authorization on December 27th, 1920, opened for business on January 3rd, 1921, with a capital stock of \$50,000, and paid in surplus of \$12,500.

LOAN AND BUILDING ASSOCIATIONS.

The following is a comparative statement of the Loan and Building Associations of the State, showing their liabilities and resources on September 25, 1920, and September 24, 1921:

| 1920. | LIABILITIES. | 1921. |
|----------------|---|-----------------|
| \$7,187,487 35 |Accumulated capital | \$8,118,445 20 |
| 268,199 28 |Guaranty fund | 301,514 12 |
| 343,676 10 |Advance payments | 366,514 83 |
| 3,967 12 |Forfeited shares | 5,460 31 |
| 71,472 14 |Due on loans | 90,353 29 |
| 1,061,214 19 |Bills payable | 953,430 71 |
| 311,205 87 |Profits | 339,798 26 |
| 1,738 52 |Other liabilities | 1,441 66 |
| \$9,248,960 57 |Total liabilities | \$10,176,958 38 |
| RESOURCES. | | |
| \$8,731,392 38 |Loans on mortgages of real estate..... | \$9,638,102 95 |
| 166,711 94 |Loans on shares | 200,056 50 |
| 25,450 00 |Other loans | 16,450 00 |
| 61,810 68 |Real estate foreclosure | 37,163 87 |
| 139,727 19 |Stocks and bonds | 125,102 58 |
| 3,999 51 |Permanent expense | 4,512 89 |
| 118,097 25 |Cash | 144,370 90 |
| 1,771 62 |Other resources | 2,198 60 |
| \$9,248,960 57 |Total resources | \$10,176,958 38 |
| 17,548 | Number of shareholders | 18,200 |
| 133,115 | Number of shares outstanding..... | 148,184 |
| 49,617 4 | Number of shares pledged for loans..... | 52,468 1 |
| 5,881 | Number of borrowers..... | 5,969 |
| 6,754 | Number of loans..... | 6,922 |
| 4.71% | Average rate of interest allowed on adv. payts. | 4.70% |
| .56% | Average premium charged on loans..... | .63% |
| 5.96% | Average rate of interest charged on loans | 5.87% |
| 5.84% | Average rate of dividends paid..... | 6% |
| \$388,789 95 | Amount of dividends paid..... | \$440,637 47 |

The following is a statement of the thirty-eight Loan and Building Associations as of March 25th, 1922:

| LIABILITIES. | |
|--|-----------------|
| Accumulated capital | \$8,590,510 36 |
| Guaranty fund | 319,011 80 |
| Advance payments | 418,154 34 |
| Forfeited shares | 4,581 50 |
| Due on loans | 58,681 53 |
| Bills payable | 833,697 45 |
| Profits | 359,171 39 |
| Other liabilities | 1,650 91 |
| Total liabilities | \$10,585,468 28 |
| RESOURCES | |
| Loans on mortgages of real estate..... | \$10,070,687 62 |
| Loans on shares | 219,504 23 |
| Other loans | 22,984 90 |
| Real estate foreclosure | 34,706 34 |
| Stocks and bonds | 73,218 73 |
| Permanent expense | 7,756 08 |
| Cash | 154,323 14 |
| Other resources | 2,287 24 |
| | \$10,585,468 28 |

The growth of Loan and Building Associations during the past twenty years is shown by the following table:

| Year | Number of associations | Number of shareholders | Accumulated capital | Guaranty fund | Number of loans | Amount loans | Assets | | | | |
|--------|------------------------|------------------------|---------------------|---------------|-----------------|--------------|--------|-------------|----|-------------|----|
| 1902.. | 34 | 8,255 | \$2,579,991 | 27 | \$66,768 | 16 | 3,336 | \$2,467,199 | 33 | \$2,854,626 | 60 |
| 1903.. | 35 | 8,444 | 2,632,815 | 71 | 68,227 | 82 | 3,514 | 2,556,014 | 75 | 2,932,206 | 28 |
| 1904.. | 35 | 8,539 | 2,755,719 | 72 | 69,302 | 80 | 3,663 | 2,751,875 | 02 | 2,097,237 | 78 |
| 1905.. | 35 | 8,694 | 2,839,587 | 89 | 74,245 | 92 | 3,893 | 2,884,660 | 05 | 3,192,473 | 92 |
| 1906.. | 35 | 8,966 | 3,007,306 | 64 | 78,373 | 11 | 3,975 | 3,106,263 | 63 | 3,434,926 | 94 |
| 1907.. | 35 | 9,345 | 3,200,733 | 49 | 83,436 | 66 | 4,092 | 3,360,914 | 65 | 3,676,452 | 95 |
| 1908.. | 35 | 9,429 | 3,421,221 | 83 | 92,043 | 43 | 4,287 | 3,554,230 | 46 | 3,869,142 | 27 |
| 1909.. | 35 | 9,691 | 3,560,589 | 88 | 102,736 | 38 | 4,579 | 3,784,256 | 45 | 4,085,811 | 58 |
| 1910.. | 35 | 9,949 | 3,705,730 | 64 | 111,670 | 07 | 4,792 | 4,123,836 | 69 | 4,343,975 | 71 |
| 1911.. | 37 | 10,611 | 3,961,721 | 81 | 126,348 | 64 | 4,850 | 4,402,213 | 96 | 4,645,137 | 11 |
| 1912.. | 37 | 11,118 | 4,176,093 | 15 | 140,852 | 21 | 4,957 | 4,630,293 | 90 | 4,901,396 | 10 |
| 1913.. | 37 | 11,389 | 4,380,006 | 39 | 153,257 | 35 | 5,213 | 4,946,988 | 02 | 5,205,361 | 05 |
| 1914.. | 37 | 12,113 | 4,586,796 | 27 | 152,054 | 46 | 5,563 | 5,300,849 | 70 | 5,558,269 | 27 |
| 1915.. | 37 | 13,120 | 4,874,424 | 81 | 154,233 | 63 | 5,814 | 5,709,062 | 59 | 5,957,696 | 22 |
| 1916.. | 38 | 14,584 | 5,262,053 | 68 | 183,482 | 28 | 6,013 | 6,009,919 | 52 | 6,437,278 | 46 |
| 1917.. | 38 | 14,959 | 5,487,639 | 57 | 196,419 | 78 | 6,013 | 6,283,098 | 64 | 6,671,238 | 79 |
| 1918.. | 38 | 15,057 | 5,977,130 | 62 | 211,314 | 69 | 6,260 | 6,857,091 | 76 | 7,251,168 | 24 |
| 1919.. | 38 | 15,484 | 6,483,771 | 71 | 239,518 | 97 | 6,392 | 7,632,797 | 63 | 8,050,930 | 63 |
| 1920.. | 39 | 17,548 | 7,187,487 | 35 | 238,199 | 28 | 6,754 | 8,923,554 | 32 | 9,248,960 | 57 |
| 1921.. | 39 | 18,200 | 8,118,445 | 20 | 301,514 | 12 | 6,922 | 9,593,609 | 54 | 10,176,958 | 38 |

These excellent agencies of thrift and encouragement of home building and owning continue to play an important part in our financial activities, although the high cost of construction and the curtailment of employment in manufacturing centers have, for the present, retarded their expansion to some extent. In communities of sufficient size and prosperity to support them they should be afforded every encouragement, as they have demonstrated themselves to be the most effective agencies of systematic saving on a large scale yet devised.

MADISON LOAN AND BUILDING ASSOCIATION

Since the date of the last report the Madison Loan and Building Association of Madison has voluntarily terminated its corporate existence and its liabilities have been paid in full and the assets distributed among its shareholders.

MUTUAL LOAN SOCIETY

The activities of corporations having objects in view similar to those of loan and building associations, but operating along substantially different lines have recently received the critical attention of the legislature and of this department.

The Mutual Loan Society of Lewiston, a co-operative loan association authorized to do business under a special charter in 1915, is now being liquidated under the provisions of a statute enacted by the legislature of 1921, the agents for the purpose of liquidation being the directors of the corporation and the methods being pursued being to a large extent subject to the approval of the bank commissioner. A detailed report of the liquidation proceedings will be incorporated in the next annual report.

MUTUAL CONSTRUCTION COMPANY

As a result of a belief that a similar corporation organized under the laws of New Hampshire,—the Mutual Construction Co., was operating in this State in violation of law under the provisions of section 120, chapter 52, Revised Statutes, forbidding the transaction of any business similar to that of a loan and building association unless incorporated under the laws of this State, and the conviction that said corporation was operating on an unsound basis, a bill in equity was brought by former Bank Commissioner Frank L. Palmer against the corporation and its Maine representative, Emile J. Pelletier of Lewiston, to test the applicability of the statute to corporations of this character and to secure an injunction against their operations in this State. The testimony was taken out before Mr. Justice Morrill of the Supreme Court and reported to the Law Court for final determination.

On March 9th, 1922, that tribunal rendered a decision sustaining in full the contention of the department. The rescript by Chief Justice Cornish stated the following findings of the Court:

1. That the principal object of a loan and building association is to create a loan fund for the benefit of its borrowing members, the underlying idea being that by means of the system of small periodical payments people of limited means will be enabled to become the owners of homes, and thrift, economy and good citizenship will thereby be promoted.

2. In its dominant features, its purpose, its mutuality, membership, payments and loans, the defendant corporation is carrying on a business similar to that of a loan and building association in this State.

3. In some minor details of mechanism the company may differ somewhat from the ordinary loan and building association, but in the essentials it is carrying on a similar if not the same business. It is effecting the same purpose in substantially the same manner.

CREDIT UNIONS.

By chapter 93 of the Special Laws of 1921, the legislature authorized the first credit union incorporated in this State, the Telephone Workers Credit Union of Maine. These co-operative agencies devised to encourage savings and assist the small borrower have developed to a considerable extent in other states and this experiment will be watched with great interest. The corporation is subject to the supervision and control of the Banking Department. Its by-laws have been adopted and approved by the bank commissioner and it commenced business on October 28th, 1921.

The home office of the Union is at Portland. Agencies have been established at Lewiston, Bangor and Caribou with the approval of the Department.

INDUSTRIAL BANK AND SMALL LOAN AGENCIES.

The Portland Morris Plan Bank continues to be the only industrial bank organized under the provisions of chapter 19 of the Public Laws of 1917. It continues its gratifying and substantial growth, its resources having increased to \$307,327.28 on March 25th, 1922, an increase of over 100 per cent in two years.

There are eighteen Small Loan Agencies now operating in Maine under the provisions of Chapter 298 of the Public Laws of 1917. The annual fees received from such agencies amounted to \$900. The expense of supervising these agencies is payable from the fees.

"BLUE-SKY" DEPARTMENT.

It would be difficult to point to any statute of such far-reaching importance as the so-called "Blue Sky" law which is as little understood and as much misrepresented. Yet its fundamental character and practical workings are comparatively simple.

In 1913 the legislature of Maine, recognizing that the investor and speculator were at a disadvantage in transactions with security vendors, enacted a statute requiring the registration of all such dealers, with certain exceptions, the official vested with the registering power being the Bank Commissioner. The first statute proved to be of comparatively limited value for the purpose in view, as the sole inquiry under it related to the "good repute" of the dealer. If such repute were established the Commissioner was required to grant registration regardless of the nature of the securities offered.

In 1919 the statute was radically broadened in its scope, and duties and responsibilities placed upon the Commissioner, the nature of which are little understood by the general public, and too often misinterpreted by those with whom the Department has to deal.

The dealer is now required to affirmatively satisfy the Commissioner not only of his good repute, but also of the following distinct conditions:

1. That his proposed plan of business is not unfair, unjust or inequitable.
2. That he intends to honestly and fairly conduct his business, with disclosure of pertinent facts sufficient to enable intending purchasers to form a judgment of the nature and value of the securities, and without intent to deceive or defraud.
3. That the securities offered are not such as in the opinion of the Commissioner will work a fraud upon the purchasers.

In order words, where prior to 1919, dealers showing "good repute" were entitled to register and sell whatever they desired without restriction, they are now required to submit every security in which they desire to deal to the analysis of the Department, with the exception of (1) evidences of debt running less than nine months, (2) securities legal for purchase by savings banks, (3) notes secured by mortgage of Maine real estate, (4) shares of loan and building associations.

Notwithstanding the clear language of the statute, much misapprehension as to the principles upon which the Commissioner proceeds is constantly disclosed. The most frequent misconception is the notion that an attempt is made to forecast the future of the enterprise behind the security. Fortunately the law is susceptible of no such construction. No security is barred

because it is speculative, or admitted because of its apparent investment status. Purchasers must form their own judgment upon prospects of the enterprise, and if it prove a failure have only themselves to blame. It is the security, i. e., the stock or bond—and not the enterprise, which the Department investigates. The distinction is fundamental, and is noted here because of the promoter's criticism that the law acts as a damper upon enterprise.

What, then, is the purpose of the investigation by the Department? In a word, to assure the prospective investor that so far as it is possible with the investigating agencies available, the present condition and past history of the enterprise are substantially as represented, and that in the purchase of any particular security *he obtains his fair share of its future prospects*. Stated briefly, that he is being fairly treated as a partner in an enterprise, if he is asked to subscribe to stock, or as a creditor if bonds are to be sold.

While speculative securities as such are not excluded, there seems to be a direct and almost inevitable relationship between the character of the security and the methods adopted in disposing of it. A highly speculative security is usually misrepresented in some essential particular, frequently in many, and every effort made to conceal the speculative character of the offering from the "prospect."

The most constantly recurring injustice and unfairness, however, and one upon which the purchaser is invariably uninformed, is discrimination in the issuance of securities in favor of the promoters or their friends, the careful erection of a "ground floor" for the benefit of a favored few. After an enterprise has become "seasoned," especially where its securities are issued in large volume and their value fixed by market conditions, these considerations are of less moment, because the purchaser knows or should know that he is buying on the strength of present conditions and is not an original partner in the enterprise. During the development stage, where he is invited by alluring prospectuses and silver-tongued salesmen to share in the only real value which the security has—the future prospects of the business—justice and law alike demand that he be given what he supposes he is getting, an interest measured by the relation-

ship between his actual contribution in money or money's worth and that of the aggregate of such contributions by others.

The most frequent method of favoring the "insiders" is the time-honored practice of "watering" stock. No purchaser can be said to be equitably treated if he contributes a given sum and receives one share of stock where other contributors of a similar amount receive two, five or ten, and yet promoters are constantly insisting, with apparent sincerity, that such discriminatory treatment is fair. Whenever stock is issued against property, tangible or intangible, or for "services," it must not exceed in amount the present cash value of the consideration acquired. Transfer of property for a consideration computed upon its "potential" or future value as a part of the developed enterprise is a capitalization of prospects of the corporate venture for the benefit of a limited group, which is the very essence of stock-watering.

Another favorite device of the promoter, frequently resorted to in the financing of mining, oil, and similar enterprises, is the sale of shares at varying prices, both in par and "non-par" stock. The sale of so-called "full paid and non-assessable" shares at less than par value—a questionable policy under any circumstances—is particularly vicious when the parties in control regulate the price in accordance with the financial needs of the corporation and not with due regard for intrinsic values. During the development stage the contributors to the enterprise are entitled to equality of treatment, and substantial variations in the price of stock renders this impossible. We were recently urged to register a dealer in mining stock, in the development stage, where the public were asked to purchase shares at one dollar, whereas none had been sold before for more than fifty cents, the average asking price had been about thirty cents, and large blocks had been sold for twenty cents. Naturally the prospectus made no mention of this discrimination, which was carefully concealed by the process of re-organization and the transfer of the property of one corporation to another having the same promoters and directors.

Another class of promotions subjected to rigid scrutiny are those which bear the ear-marks of having been created for stock-selling purposes, with a view to allowing the public to "hold the bag" after the financing is completed. Such promotions are usually characterized by a high selling expense and an identity:

of interest between the directors of the enterprise and the parties managing the stock-selling campaign. There is no principle of law or economics requiring promoters to show their faith in their enterprise by contributing to it largely themselves, but where they fail to do so, especially where their previous activity has been of the stock-selling variety, a suspicion of their motives at once arises. A rich harvest was opened up to them by the invention of the partial-payment method of purchasing stocks. One such enterprise capitalized at \$15,000,000 applied for registration and the investigation disclosed that the stock had been sold to the extent of millions of dollars on a plan whereby the stockholder paid in only 20% of the amount of his subscription, of which payment 75% went to the "fiscal agent" as commission. When sales began to slacken large blocks were sold without any initial payment whatever, but the commission of 15% on the full subscription price was paid notwithstanding. After the campaign had been in progress for some two years it was shown that only one subscriber in six had lived up to his subscription agreement, that no serious attempt had been made to enforce the subscriptions, and that an analysis of the accounts of the corporation showed \$41 out of every \$100 collected to have been paid out as commissions. Yet this enterprise was loudly heralded as being noted for the low expense attending its financing.

The authority of the Department to limit the registration of dealers to the handling of certain specified securities was questioned in an appeal to the Supreme Judicial Court by Bartholomew J. Sullivan, and the opinion of Chief Justice Cornish who presided at the hearing in the case establishes clearly the right of the Department to require the dealer to specify the securities in which he is to deal, and holds that when the certificate issues the dealer is confined to the securities specified, and is a registered dealer in these securities alone.

During the calendar year of 1921, 203 dealers were registered, 21 were refused registration, and 19 withdrew their applications or failed to furnish the required information. The percentage of rejections to the total number of applications is not high, but when we consider the character of the securities handled the real protection afforded the public is much more apparent. Of the total number of dealers granted registration, 188 or 92½%

handled either government, municipal or public utility securities, or those of established concerns showing a history of earnings. Of those refused registration, or whose applications were withdrawn or not followed up, 30, or over 65% were in the promotion or development stage. Of the total number of new promotions applying, (61) only 15 were licensed. These had a capitalization of \$3,875,000, while the capitalization of those not registered aggregated \$94,225,000. These figures have little absolute significance, as of course the same offerings are being made simultaneously in other states, but they are valuable for comparative purposes.

The Commissioner desires to call attention to what appears to him an inconsistent policy on the part of the State, in its corporation laws. The "Blue-Sky" law in its present form, designed to protect the investor by a rigid investigation, apparently meets with general approval. At the same time, however, that the State seeks thus to protect its own citizens, its extremely liberal corporation laws permit the organization of promotions by the wholesale to prey upon investors in other states. We are engaged in unseemly competition to attract promoters through the widely advertised liberality of our corporation laws, the only apparent justification being the resulting revenue. Corporations organized under Maine laws are not required to file financial statements or other information of material value, and so long as they pay their relatively trifling franchise taxes and confine their activities to other states no Maine official has any control over them. The corporate franchise is so valuable a privilege, and its abuse fraught with such power for harm to the public, that its issuance should be safe-guarded much more carefully. One of the most serious problems confronting "Blue Sky" officials is that transactions through the mails, and advertising in out-of-state newspapers, cannot be stopped. States which encourage "fly-by-night" concerns with "liberal" incorporation laws, refusing to permit the sale to their own citizens of stock which they authorize for the purpose of sale elsewhere, are obstructing with one hand what they seek to advance with the other.

The present commissioner wishes to express his great appreciation of the services rendered at numerous times by his prede-

cessor, Hon. Frank L. Palmer, whose assistance and advice have been of inestimable value.

Accompanying this statement, you will find individual reports of the most recent annual examinations of each institution under the supervision of the Banking Department.

Respectfully submitted,

FRED F. LAWRENCE,

Bank Commissioner.

REPORT OF RECEIVER

PITTSFIELD TRUST COMPANY—PITTSFIELD

FINAL REPORT OF RECEIVER

To the Hon. Fred F. Lawrence, Bank Commissioner of Maine:

The undersigned, William L. Pushor of Pittsfield, in the County of Somerset and State of Maine, Receiver of the Pittsfield Trust Company, respectfully reports:

First—That he has disposed of all the assets of the Company.

Second—That the following is a full account of the settlement of the affairs of the Company.

RECEIPTS

| | |
|--|-------------|
| Cash from Treasurer of Pittsfield Trust Co. | \$26,318 01 |
| Collection on account of segregated loans. | 214,158 09 |
| Collection on account of non-segregated loans. | 52,810 94 |
| Bonds sold | 64,239 30 |
| Real estate sold | 2,559 87 |
| Furniture and fixtures sold. | 2,560 00 |
| Assessment on capital stock. | 41,525 24 |
| Collection on account of overdrafts. | 9,718 33 |
| Collection on account of cash items. | 506 64 |
| Interest on loans and discounts. | 8,698 25 |
| Interest on bank deposits. | 9,847 73 |
| Interest on stocks and bonds. | 9,497 17 |

| | |
|--|--------------|
| Rentals | 1,846 70 |
| W. L. Pushor, Master, account of Universal Packing Co. | 5,380 61 |
| Cancelled insurance | 33 91 |
| | <hr/> |
| | \$449,700 79 |

PAYMENTS.

| | |
|---|--------------|
| Note of the Pittsfield Trust Co. to the National Shawmut Bank, Boston, Mass..... | \$31,500 00 |
| Drafts outstanding May 27, 1913, drawn on Na- tional Shawmut Bank, Boston, Mass..... | 1,288 15 |
| Cashier's checks outstanding May 27, 1913, issued at Corinna Branch... \$1,280 95 | |
| Cashier's checks outstanding May 27, 1913, issued at Jonesport Branch.. 3,624 80 | |
| | <hr/> |
| | 4,905 75 |
| Certified check | 12 50 |
| Protested checks charged to depositors account by decree of court | 691 17 |
| Postal savings deposits by decree of court..... | 1,229 84 |
| Dividend No. 1 (50%) on savings deposits | \$124,497 02 |
| Dividend No. 2 (20%) on savings deposits | 49,798 21 |
| Dividend No. 3 (10%) on savings deposits | 24,901 96 |
| Dividend No. 4 (10%) on savings deposits | 24,899 03 |
| Dividend No. 5 (7%) on savings deposits | 17,426 74 |
| Dividend No. 6 (4%) on savings deposits | 9,960 35 |
| | <hr/> |
| | 251,483 31 |
| Dividend No. 1 (40%) on check deposits and claims | \$48,819 92 |
| Dividend No. 2 (40%) on check deposits and claims..... | 48,816 64 |

| | | |
|---|-----------|--------------|
| Dividend No. 3 (15%) on check deposits and claims | 18,312 74 | |
| Dividend No. 4 (5%) on check deposits and claims | 6,099 43 | |
| | <hr/> | 122,048 73 |
| Taxes, real estate, personal property and state... | | 2,074 78 |
| Insurance, Fire and Fidelity..... | | 3,225 64 |
| Day and night watch at Portland Mfg. Co. mill.. | | 3,028 50 |
| Fuel and repairs | | 624 51 |
| Eva F. Pooler, one-third rent from H. C. Pooler home | | 160 00 |
| Interest on postal savings deposits..... | | 15 06 |
| Interest on note National Shawmut Bank..... | | 325 48 |
| Collections | | 21 47 |
| Expense | | 26,965 89 |
| Auditing checks | | 100 00 |
| | <hr/> | \$449,700 79 |

"The assets of the company have all been sold."

Dated November 26, 1921.

(Signed) WILLIAM L. PUSHOR,

Receiver.