United States

There are in the United States four kinds of savings banks: (1) Mutual or Trustee Savings Banks; (2) Stock Savings Banks; (3) Postal Savings Banks; (4) School Savings Banks.

**I.** *Mutual Savings Banks* are organized under state laws, and are under the supervision of an officer usually appointed by the governor. They have no capital, and do a strictly investment business. All their earnings go to the depositors, either as dividends, or to a surplus fund, which, in the event of liquidation, also belongs to the depositors. Their management is vested in a board of trustees, a self-perpetuating body who serve without pay, except for specific service such as appraising property. Executive officers and clerks are paid moderate salaries. The proportion of annual expense to each dollar of assets is sometimes less than ∙0025. The rate of interest on deposits usually ranges from 3 to 4%. Depositors have no voice in the management, except as citizens of the state, through their representatives in the state legislature. Nearly all the states limit investments carefully, though a few permit con­siderable latitude: in New York the deposits in saving banks are considered next to government bonds as safe investments. In that state the deposits in savings banks are exempt from taxation, but a franchise tax of 1% annually is imposed upon the surplus. In most other states the deposits are taxed for state purposes. The amount which each person may deposit in any year or half year is sometimes limited by the by-laws, and the total sum to be received from any one depositor is usually limited by state law. Deposits are in practice generally payable on demand, though the banks reserve the right to require notice, generally from sixty to ninety days, and sometimes enforce this right in times of panic. The first savings bank incorporated in the United States was the Provident Institution for Savings, incorporated in Boston in 1816. The oldest in New York is the Bank for Savings, of New York City, incorporated in 1819. The largest deposit of any bank of this kind in the United States, $108,720,523·82, was in 1910 that of the Bowery Savings Bank of New York. Mutual savings banks are confined chiefly to the states in the eastern portion of the country. The only mutual banks outside the north-eastern states were in 1910 three in Ohio, five in Indiana, fourteen in Minnesota, one in West Virginia, one in California and two in Wisconsin.

Though the laws governing mutual banks vary in the different states, the following abstract of the New York Savings Bank Law of 1875, re-enacted in 1892, and subsequently amended, gives the main principles on which they are organized.

Thirteen or more persons may incorporate a savings bank, two- thirds of whom shall be residents of the county where the proposed bank is to be situated. When the certificate of organization is filed with the superintendent of banks, who exercises supervision over all banks chartered by the state, he is required to ascertain whether the bank is in fact needed in the community where it is to be organized, and to investigate the character and general fitness of the trustees. The present superintendent of banks requires that the incorporators of a savings bank shall defray personally the expenses of the institu­tion until its earnings are sufficient to meet such expenses, and also return dividends at the rate of not less than 3%. The board of trustees have entire control of the management of the bank. They elect the president and other officers. A trustee who borrows any of the bank's funds, or who becomes a surety for any other borrower, forfeits his office. Bankruptcy or an unsatisfied judgment of ninety days’ standing will also void his office. Trustees are not allowed to have any interest in the profits, or to borrow the deposits or funds.

The trustees of any savings bank may invest the moneys deposited therein and the income derived therefrom as follows: (1) In the stocks or bonds or interest-bearing notes or obligations of the United States, or those for which the faith of the United States is pledged, including the bonds of the District of Columbia. (2) In the stock or bonds or interest-bearing obligations of this state. (3) In the stocks or bonds or interest-bearing obligations of any of the United States which has not within ten years defaulted in the payment of any part of any debt authorized by its legislature. (4) In the stocks or bonds of any city, county, town or village, school district bonds and union free school district bonds, issued for school purposes, or in the interest-bearing obligations of any city *or* county of this state. (5) In the stocks or bonds of a number of specified cities without the state, subject to the condition that if at any time the indebtedness of any of said cities, less its water debts and sinking fund, shall exceed 7% of its valuation for purposes of taxation, its bonds and stocks shall cease

to be an authorized investment. (6) In bonds and mortgages on unencumbered real property situated in this state, to the extent of 60% of the value of such property. Not more than 65% of the whole amount of deposits shall be so lent or invested. If the loan is on unimproved and unproductive real property, the amount lent thereon shall not be more than 40 % of its actual value. No invest­ment in any bond and mortgage shall be made by any savings bank, except upon the report of a committee of its trustees. (7) Also, by virtue of a law passed by the legislature of 1898: In the first mort- gage bonds of any railway corporation of this state, or in the mortgage bonds of any such railway corporation of an issue to retire all prior mortgage debt of such railway corporation, provided the bonds satisfy certain precautionary conditions. Not more than 25% of the assets of any savings banks shall be loaned or invested in railroad bonds. There are other limitations of the amounts to be loaned or invested in the securities of any one railway. Street railway corporations shall not be considered railway corporations within the meaning of this section. An act passed in 1900 permits the investment of deposits in the bonds of certain railways situated in other states. These investments must conform to conditions assuring safety.

Savings banks in New York are preferred creditors of insolvent state banks and trust companies. In 1901 a law was passed providing for a tax of 1 % on the surplus of savings banks, computed on the par value of their securities. On July 1, 1910, deposits in the savings banks amounted to $1,526,935,581·84, distributed amongst 2,886,910 depositors; interest credited for the preceding year amounted to $53,828,625·03; expenses for the year 1909 were $5,000,053·55 or $2·90 for each $1000 of resources. Loans on real estate, secured by bond and mortgage, amounted to $805,053,044\*63, and investments in stocks and bonds, market value, $658,872,348·85.

Other important items in the assets of these banks are: State bonds, $43,719,111·66; city bonds, $305,695,035·71; railroad bonds, $250,346,600. Deposits received for the year 1909 were $390,709,469·44.

According to reports made to the Comptroller of the Currency there were on April 28,1909, a total of 642 Mutual Savings Banks in the United States, with $3,394,926,005 aggregate resources. The loans and mortgages of these banks amounted to $1,590,181,366·19, and their investments to $1,599,532,371, classified as follows:

United States bonds $33,353,576·12

State, county and municipal bonds . . 685,099,502·18

Railroad bonds 743,425,893·93

Other stocks and bonds, including rail­

road and bank stocks . . . 137,653,399∙71

These banks had, on the date named, a surplus fund of $202,065,316·85, and $3,144,584,874 individual deposits. The Mutual Savings Banks hold more than 22 % of the aggregate indi­vidual deposits of all the banks in the country.

2. *Stock Savings Banks* are found in the more purely agri­cultural parts of the country, the southern, Mississippi Valley and western states, where only a small proportion of people earn wages in manufactures and commerce; suitable investments are not numerous, the benefits of mutual savings banks are not familiar, and the people are unwilling to accept a low rate of interest. In some states having stock banks there are no laws relating to banking, and in others the savings banks carry on their business under the same laws as commercial banks. Several of the states restrict the investments of the stock savings banks. Prior to 1865, when the issue of circulating notes by state banks was suppressed by a prohibitory tax, there was a distinction between state banks and stock savings banks; the former could issue notes, while the latter, as a rule, could not. Stock savings banks are conducted frequently as adjuncts of state and national banks, occupying the same rooms and being under the same management. Many of the national banks chartered by the Federal government maintain “ savings departments,” though the deposits received in these departments are on the same legal footing as other deposits and are not specially invested. Similar departments are also to be found in many trust companies and state banks of discount.

The law of the state of Iowa is typical of those states where stock banks are under public supervision. A savings bank may be organized by not less than five persons. In towns of ten thousand inhabi- tants or less it must have a capital of $10,000, and in towns or cities with more than ten thousand inhabitants $50,000. The usual corporate powers are granted. The amount of deposits is limited to twenty times the capital and surplus. The usual provisions for repayments of deposits are made, and in addition the savings banks are given the privilege of requiring sixty days’ notice for the withdrawal of savings deposits.

The banks are allowed to invest their funds in the following securities: (1) Stocks, bonds or interest-bearing notes of the United States. (2) Stocks bonds or evidences of debt-bearing interest of the