PPF 3645
MUNHOLLAND, JOHN

PPF 3645

MEMBER OF THE FEDERAL RESERVE SYSTEM

FEDERATION BANK AND TRUST COMPANY

34TH STREET & EIGHTH AVENUE
NEW YORK CITY

July 2, 1 9 3 2

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Hon. Franklin D. Roosevelt
Executive Mansion
Albany
New York

My dear Governor :

For the signal honor that has come to you, the nominee of the Democratic Party for the highest office in the gift of man, Organized Labor joins all your friends, a legion, to offer not only its warmest felicitations, but its assurance that it will indicate unmistakably at the polls in November that your consideration in the past and your active interest in its affairs are appreciated.

ACKNOWLEDGED

Your cooperation in its desire to maintain a banking institution for itself and friends, to which it may point with pride, has put on the ranks of Labor an obligation it gladly assumes and asks only a very brief space in the life of mortals to requite.

We stand shoulder to shoulder and await your command.

REORGANIZATION COMMITTEE

John J Munholland
Secretary

John J Munholland

General

PPF
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August 4, 1932.

Dear Mr. Munholland:

I am sorry at my delay in acknowledging your letter of July 1st.

I am most grateful for the kind sentiments expressed towards me in your speech and for your general good wishes.

With kindest regards, I am

Very sincerely yours,

Mr. John J. Munholland,
Federation Bank & Trust Company,
34th Street & Eighth Avenue,
New York City.

MEMBER OF THE FEDERAL RESERVE SYSTEM

FEDERATION BANK AND TRUST COMPANY

34TH STREET & EIGHTH AVENUE
NEW YORK CITY

July 1, 1932.

Governor Franklin D. Roosevelt,
Executive Mansions,
Albany, NewYork.

My dear Governor:

I am enclosing, herewith, a copy of my address prepared for the Building Trades Council of New York and Vicinity at their meeting on Tuesday morning, June 28.

I could not refrain from calling attention to the valuable assistance you rendered our Committee in the reorganization of this bank. I have marked the references and you are at liberty to utilize any part of the report for campaign literature if in your opinion the same is of sufficient value.

With kind personal regards and well wishes for continued success, I am

Sincerely yours,

John J Munholland

JJM*S
Enc.

[6-28-32]

I welcome this opportunity to render a reportof the progress in the reorganization of the Federation Bank and Trust Company.

The Bank was closed October 30, 1931 by the Superintendent of Banks due to impairment of capital caused by depreciation in securities. In order to keep as liquid as possible we had in our portfolio $6,600,000. of ready marketable securities, which could be hypothecated in event we were in need of cash; these securities had a depreciation of $800,000. in thirty days. This decrease in the market value together with the depreciation from January 1, 1931 totaled $2,300,000. which, from a bookkeeping standpoint, eliminated the undivided profits of $887,000. surplus of $750,000. and impaired your capital to within $84,000. The assets were not frozen. We could have borrowed additional funds on our securities and discounted further eligible two-named paper at the Federal Reserve.

Immediately upon closing, the Superintendent of Banks presented to the Board of Directors a contract of sale with the Manufacturers Trust Company to dispose of the assets of $15,248,197. for $10,050,000. paying depositors 66 2/3 cents on the dollar.

Messrs. Frank X. Sullivan, Joseph P. Ryan and myself formed a committee which resulted in the formation of the Reorganization Committee, after Frank X. Sullivan, John Sullivan, Joseph P. Ryan, John O'Hanlon and myself conferred with Governor Franklin D. Roosevelt to enlist his aid in securing a post-ponement of the show cause order to sell the assets, which was returnable within ten days. Governor Roosevelt readily agreed to assist the Committee, telephoning to the Banking Department and arranged for a postponement.

At this conference Gov. Roosevelt said: "It is not a matter of selling or liquidating the assets, but that the Bank should be reorganized". That was the first spark of encouragement received by the Committee.

We were then required, in accordance with law, to call a meeting of the stockholders, giving the usual ten days notice. This meeting was held Monday, December 21, 1931, at which time the stockholders meeting authorized the Reorganization Committee

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to proceed in this work. Prior to December 21 we had no authority and it required that period of time to cover the necessary preliminary work.

We actually began our task December 22. Then our former employees, who had been dismissed by the Banking Department, voluntarily gave their services, working day and night, Sundays and holidays, without compensation, car fare or lunch money. Those employees retained by the Banking Department had their salaries drastically reduced, which later expense figures will verify.

We could not successfully reorganize the bank from another office. To accomplish results it was necessary to be at the bank. The officers had to exercise diplomacy in dealing with the customers who owed the bank money. We desired the loans to be paid off and at the same time retain friendly relationship with an eye for future business, as the clientele was of a high grade. The situation at the bank was unique, for at no time has a crowd collected or was there any disturbance of any kind. The loyalty displayed by the depositors was amazing and encouraging.

In our plan of reorganization, two-thirds of the deposit is available at reopening, the other one-third being retained, for which we give new stock, certificate of deposit or participation certificate, either one or all, in accord with request as made on Depositor's Consent. We were successful in securing 97% of the depositor's consents, the balance of 3% aggregates approximately $144,000. which will not affect the financial set-up. Of the 3%, letters have been mailed by the dozen to forwarding addresses, with hundres of them being returned unopened.

The officers of the bank have had many heartaches, never-the-less, we were not discouraged. Some of the legal obstacles which we were confronted with would have taxed the patience of a saint.

Over the signatures of President William Green and my own, a letter was sent out stating the bank would reopen Saturday, March 12. On the previous Friday, March 4, the learned legal members of the bar were of the opinion we could through an exparte order reopen the bank, and I was instructed to have all the new money on the line not later than Tuesday, March, as the Supt. of Banks would check up the cash either the

9th or 10th of the month. On Saturday, following this meeting with the legal profession, I started after the subscribers for the new capital stock. Some who had subscribed for $100,000. reduced their subscription to $50,000.; others from $10,000. to $5,000. and so on. We were undaunted and made the grade with additional subscriptions, only to learn on Tuesday, March 8, it would be necessary to secure a Supreme Court Show Cause Order as to why the Bank should not reopen. There existed a feeling that some attorney may institute suits against the bank in behalf of some dissatisfied depositor who had executed a depositor's consent. A number of such suits would have a nuisance value, as the name of the bank continually appearing in the public press in matters of that kind would injure the prestige of the institution and might lead to a serious condition. Then again, a Show Cause Order executed by the Supreme Court eliminates the Superintendent from all liability and responsibility. He is only interested in the financial set up, whether safe and sound for the depositors, and the personnel and responsibility of the directors and officers.

In connection with the reorganization of the bank there was created by John Sullivan, President of the New York State Federation of Labor, a Labor Committee of 35, of which the Hon. E. W. Edwards is Chairman. That Committee met weekly and rendered valuable aid in bringing about the cooperation of the affiliated organizations and the rank and file of the membership. Without their assistance it would not have been possible to accomplish the results obtained. After the meeting of December 21 we recessed stockholders' meetings on an average of twice a month until Friday, May 27, at which time there was nominated and elected the following directors:

J. Homer Platten, Westinghouse Elec. & Mfg. Co.
Philip D. Reed, General Elec. Co.
Allston Sargeant, Campbell Metal Window Co.
Charles J. Hardy, American Car and Foundry Co.
Louis A. Zahrn, General Food Corp.
Jeremiah D. Maguire, Industries Development Corp.
Richard E. Dwight, Hughes, Schurman & Dwight, lawyers
Joseph B. Ennis, Vice. Pres. American Locomotive Co.
William Green, Pres. Amer. Fed. of Labor
Edward W. Canavan, Pres. Combined Amusement Crafts of N.Y. City
Edward W. Edwards, Pres. N.Y. State Allied Printing Trades Council
John Sullivan, Pres. N.Y. State Federation of Labor
Louis Gebhardt, N.Y. Bldg. Trades Council
John J. Munholland, Vice. Pres. Central Trades & Labor Council
Frank X. Sullivan, Atty. for the N.Y. State Federation of Labor

Qualifications were forwarded to the Banking Department with the necessary references.

The assets of the bank have been audited by the Banking Department, again by the Federal Reserve and the third and final audit began Thursday, June 23, when twelve examiners from the Clearing House Association began work at 8:30 A. M. and finished their task Friday evening. An analysis of their findings was submitted Monday, June 27. The assets present a most illuminating picture. We have made a creditable showing in liquidation. Our liquidation expenses from October 30, 1931 to and including June 22, 1932 were $100,670; the largest items of expense being rent for the bank space. The liquidation net earnings over and above expenses was $261,219. Our commercial loans have been reduced to $1,760,000; mortgages and real estate owned reduced to $3,294,000; the majority of mortgages being on homes occupied by the owner and carry quarterly amortization payments with interest paid to date and with none of these mortgages in default.

Using the present market quotations on our securities we have a depreciation of $1,790,000, which figure we will use in the new financial set up and which, evoking the present rule of appraising securities rating at book value, except when the issue is in default due to non-payment of interest take full loss on stocks, likewise on foreign bonds, our depreciation is but $764,735. or a difference of $1,025,265. Any enhancement in value will benefit the institution. On the day of opening, using cash now on hand and the new capital, we will be within $40,000. of being 90% liquid and with the newcapital our cash position will be $4,076,000.

In the set up of the reorganized bank there are 47,500 shares at $50. a share, par value $20. hence the new capital structure will show

Capital	$950,000.
Surplus	550,000.
Undivided Profits	500,000.
	$2,000,000.

of the 47,500 shares, 7,500 shares are given to the former stockholders, one share of new for one share of the old, the remaining 40,000 shares valued at $2,000,000. subscribed as follows:

Mr. Owen D. Young and a group of industrial and financial leaders are subscribing for	20,000	shares - value	$1,000,000.
Lieut. Gov. Lehman	1,000	" "	50,000.
Hon. Jeremiah Maguire	5,000	" "	250,000.
Organized labor, their friends	3,060	" "	153,000.
Depositors	10,940	" "	547,000.
		Total	$2,000,000.

To Governor Franklin D. Roosevelt too much praise cannot be given for the advice, support and encouragement received by the Reorganization Committee in its efforts to reopen Labor's Banking Institution. He called into conference at his New York home the members of the Committee and the leaders of finance represented by Mr. Owen D. Young who agreed to secure the necessary finances for new capital, which has resulted in the selection on the Board of Directors of the Federation Bank and Trust Company of men who stand high in the financial world and which will bring prestige and standing to the institution.

Organized Labor Unions, their members and many friends who comprise the depositors and stockholders of the Federation Bank and Trust Company, are deeply indebted to Governor Franklin D. Roosevelt for the confidence he exhibited in helping and assisting to secure the reopening of the bank. Whenever the Reorganization Committee deemed it advisable to confer with the Governor upon some subject matter which vitally affected its reorganizing plans, he never turned a deaf ear to their appeal but rather gave to them substantial assistance which has helped to make possible the reopening of Labor's Bank and to assure to the depositors and stockholders the protection of their money.

We occasionally hear complaints as to the length of time it has required for reorganization and also many inquiries as to when the bank will reopen for business.

It required six months from Nov. 22, 1922 to May 19, 1923 to organize the bank under the most favorable conditions, when organizations and individual members had money and few were unemployed.

The bank will be closed eight months June 30; whereas the Reorganization Committee did not function until Dec. 22, 1931; six months has elapsed from that date.

Our task has been very difficult, the entire country being in the midst of an economic and industrial depression, the like of which for duration and magnitude has never before been experienced. Now, as to the reopening. The three separate audits of the assets of the bank substantiate the arithmetic of the petition of the Reorganization Committee to the Superintendent of Banks. The Superintendent in presenting the petition to the Supreme Court for a Show Cause Order is fortified with two outside audits as well as the one from his Department. As to the period of time in which the show cause order is returnable is a matter which the Court determines. We would like the order to be returned in the shortest possible time. We cannot conceive of any depositor appearing in Court objecting to the reopening of the institution; all forces are cooperating and the reopening of the bank under the same name asheretofore is only a matter of a short time.

Our own Frank X. Sullivan and John Sullivan, President of the State Federation of Labor, have been indefatigable workers and, like the rest ofus, spared neither time nor expense to further the reorganization, as after all, in order to upholdthe dignity and prestige of organized labor movement, it was our duty to bring about the reopening of the institution by which every depositor will, in due time, receive one hundred cents on the dollar.

The reopening of the bank in this period of depression will be an outstanding achievement of which Organized Labor can justly feel proud.

JOHN J. MUNHOLLAND

June 24, 1936

P.P.F.
3645

Dear Mr. Munholland:

Please accept my thanks for your kind letter of June nineteenth, enclosing copy of the resolution approved at the meeting of the Central Trades and Labor Council of Greater New York and Vicinity on June eighteenth. I was delighted to receive both your letter and the accompanying resolution.

Very sincerely ~~yours,~~ your old friend

Mr. John Munholland, \#
Secretary,
Federation Bank and Trust Company,
34th Street and Eighth Avenue,
New York, N. Y.

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SEE - PPF 3644 - for correspondence