

National Banking on Staten Island

The 100th Anniversary

by WALTER T. DORNFEST

(PART III)

The Stapleton National Bank
1902-1928

Conclusion

THE growth of business in Stapleton early in the twentieth century required the infusion of new capital into the economic mainstream of that community. In addition, the progress of previously routine matters of commerce was becoming more difficult because the nearest commercial bank in the area, the First National Bank of Staten Island, was in New Brighton, a good distance away.

In an effort to deal with these problems, and to profit from them, Stapleton businessmen influenced by Robert D. Kent of the Port Richmond National sought a solution. It came in the form of a request for forms from Washington for the purpose of organizing the Stapleton National Bank.

The applications were filled out in October 1902, and the bank was organized at a meeting held at Felten's Hall on the afternoon of November 12th. Capital stock of \$100,000 was paid in, directors were named, and they determined to meet on the 17th to elect officers.¹

During the first meeting of the new Board of Directors, held at the offices of Anderson and Flake in Stapleton, Ferdinand C. Townsend was chosen President; Robert D. Kent, Vice-President; Ulrich W. Becker, Second Vice-President and Robert H. Gill, Cashier. Townsend was especially well regarded locally for his long experience in banking, considerable executive ability and expertise in accounting practices.²

The bank purchased \$25,000 worth of United States bonds to secure its circulation, received charter number 6562 from the Comptroller of the Currency, and opened for business on January 2, 1903. The temporary location of the Stapleton National Bank was the brick building at 255 Bay Street at the foot of Broad Street. It still stands today. All visitors to the new bank were greeted by Mr. Gill who attentively showed off the safe and banking rooms. Business was very brisk and government examiners considered the institution well-managed by capable officers, and further thought that it had good prospects for success. By the end of the year, deposits totaled \$186,294.³

A question of unfair competition from the First National seems to have been an immediate concern of the officers of the new Stapleton bank. Early in 1904, Arthur O. Townsend, attorney for the bank, inquired of the Comptroller of the Currency if it would be acceptable practice to institute certain conveniences for its customers. These included having runners pick up deposits from other Staten Island towns and bringing them to the bank; and making arrangements with a national bank in Manhattan to receive deposits there for proper credit to the Stapleton National Bank.⁴

When attorney Townsend was informed by the Comptroller that all such operations hinting of branch activities were forbidden practices for national banks, he at once contacted President Townsend with the news. Ferdinand Townsend was quick to reply to Washington that such procedures as had been described were indeed known by him to be illegal, and that the purpose of his attorney's letter had been to ascertain the position of the First National Bank, which was very actively engaged in such practices. The president asked the Comptroller of the Currency to direct the First National to cease its improper activities since they were subjecting the Stapleton National to a "class of competition" to which it could not reply.⁵

In the earlier story of the First National Bank it was pointed out how the Comptroller had waged a paper war with that institution since 1899 over its abuses of national banking regulations. The First National was repeatedly cited for infractions, but failed to completely obey the law, even under direct federal pressure. However, the bank's infractions of the law do not seem to have ever been severe enough to elicit penalties, and the whole question died in 1905 when the First National of Staten Island liquidated.⁶

But the problems of the young Stapleton National Bank were far from over. In January 1904, the Bank of Staten Island, a state chartered institution in Stapleton, collapsed due to fraud and President Townsend of the Stapleton National was accused of increasing the hardship of many depositors of the nearly insolvent bank. He learned that the troubled Bank of Staten Island still had a credit balance of \$80,000 at the New York Clearing House, so as quickly as he could, Townsend had contacted certain Bank of Staten Island depositors with whom he was acquainted and gave them this information. He then had them draw checks in the amount of \$70,000 on the failing bank and deposit them in the Stapleton National Bank for collection. The checks were then rushed to the Clearing House where most cleared immediately, and the funds were on their way back to Staten Island before the end of the business day. It was estimated that about 300 depositors got their money in this manner, and all opened accounts at the Stapleton National Bank.⁷

It was believed that these transactions cost the remaining Bank of Staten Island depositors another 6% in addition the the 35% they would probably lose due to the theft of securities and shrinkage of the bank's paper. When questioned about what had taken place, the examiner working at the failed bank said that Townsend's actions were of dubious legality, but that the money probably could not be recovered for a more equitable

distribution. Many hard feelings resulted from this scheme, but Townsend did later make an effort to help as many Bank of Staten Island depositors as possible. Before the insolvency was generally known, he wrote to President Prentice of the Bank of Staten Island offering to negotiate for the purchase of the property and assets of the suspended bank. Then Townsend offered to take over the remaining securities of the insolvent bank at face value in order to do away with the need for a receiver: his offers were declined.⁸



First home of the Stapleton National Bank, ca. 1906.

Over the next three years, old animosities mellowed and the Stapleton National Bank continued to grow in both deposits and reputation. But early in August 1907, the bank again suffered embarrassment. During a routine audit, examiner Howell S. Bennet discovered a deficit, which he brought to the attention of the president. Townsend was stunned and could not believe that there was a problem. He felt that there must have been a clerical error; further investigation led to Robert H. Gill, the bank's well-liked and trusted cashier. When called before bank officials and Bennet, Gill admitted taking money in the amount of \$30,000 with which he had speculated on Wall Street and lost. Gill was in charge of all notes and when one was cancelled at maturity, instead of turning the money over to the bank, he kept it and entered on the books that it had been extended.⁹

Mr. Gill was kept under surveillance for a day or two while he tried to raise funds to replace what he had stolen, but failing that, he surrendered to federal authorities and was arrested by the United States Marshal. He was released on \$5,000 bail to assist Bennet in correcting the accounts, but on August 17th the bonding company turned Gill over to the court and he was jailed in Brooklyn.¹⁰

The cashier was charged with stealing money from a national bank; falsifying his accounts; and verbally giving false information to a bank examiner. The bank decided not to prosecute since there was no hope of recovering the money. All Gill had was twenty shares of Stapleton National Bank stock, and these he turned over to the bank.¹¹

The bank's loss was partially covered by a surety bond on Gill in the amount of \$15,000, and the directors signed an agreement to make up the balance out of their own pockets so that public confidence in the institution would not fail. Meanwhile,

President Townsend maintained that the business of the Stapleton National had in no way been disturbed. He pointed out that the bank had \$500,000 in deposits and \$47,000 in undivided profits. Bank examiner Bennet agreed, noting that the bank was prosperous, taking into account the defalcation; and that the officers and directors were capable men. By this time too, Martin H. Scott had been named Cashier, a man who was to become an untiring worker for the success of the institution.¹²

There followed a period during which the directors, who had agreed to cover half of the bank's loss, tried to recover their money from bank funds. Cashier Scott was totally opposed to this and claimed that the directors had no right to vote themselves this money. When the directors proceeded to pass a resolution in October 1910 calling for them to be repaid and indicating they would ask the shareholders to approve their actions, Scott informed the Office of the Comptroller of the Currency, seeking advice on how to handle the situation.¹³

Mr. Murray, the Comptroller, was himself not sure of how to counsel Scott, and sought guidance from his own staff. Murray was told that the \$15,000 from the directors of the Stapleton National Bank should be considered a gift that they had no power to recover. They had paid it to protect the bank and themselves because they felt some responsibility for the defalcation of the cashier. If they had felt no obligation, they would have asked the stockholders for an assessment to cover the loss. There was no indication in their resolution that they would seek repayment in the future. If there had been, the money would have constituted a loan and could have been collected. The bank would also have had to show this money as borrowed funds. Since the funds were an outright gift, only a unanimous vote of the stockholders could approve repayment. Comptroller Murray so informed Scott.¹⁴

The outcome of the vote of the shareholders has not come to light. But whether the directors managed to accomplish the return of their money matters little to the progress that the Stapleton National continued to make.

In December 1910 it was announced that the bank would construct a new building on the northeast corner of Bay and Water Streets, not far from its current temporary quarters. The building contract was given to Charles L. Wolff, who completed the structure in time for the Stapleton National to move in on August 8, and open for business on August 10, 1911. The building was a fine one story structure constructed of tapestry brick with limestone trimmings, and had large limestone columns at the main entrance. The interior was of Ionic style designed by Charles D. Rigali.¹⁵

The bank's location was considered ideal, being in the heart of Stapleton. It was served by two trolley lines and a steam railroad, and was in the middle of a chain of 1000' piers built in New York City. This, plus the fact that there was hope that the proposed subway tunnel to Brooklyn would soon be built, raised great expectations that Stapleton would become an important commercial center.¹⁶

While the Stapleton National Bank continued to grow, showing deposits of \$581,750 in 1913 and \$1,314,400 in 1919, all was not well as far as the Comptroller of the Currency was concerned. Examination reports criticized the lack of attendance of directors at board meetings, pointing out that Kent had not been present for two and one half years, Townsend for one, and that Moody only appeared once a year at the meetings that were held at the bank monthly. In addition, there was an excessive loan on the books to Vice-President Kent, which the Deputy Comptroller wanted reduced.¹⁷



Third charter, red seal, plain back.

The years from 1920 through 1922 must have been a very stressful period for the officers and directors of the Stapleton National Bank, but especially for Cashier Scott. Because the business was so successful, the bank was planning to build an extension to its present facility. At the same time, however, the bank was coming under heavy criticism from Washington because of some of its practices. Scott's correspondence with the Office of the Comptroller clearly illustrates his aggravation with the way his management was brought to task by bank examiners, as well as his general dislike of all examiners.¹⁸

On one occasion Examiner Horn stated that a liability on the account of letters of credit, issued and outstanding amounted to \$210,000, which exceeded the bank's capital and violated the Federal Reserve Act. Scott replied to the Comptroller that the bank held a letter of credit for \$135,000 against the outstanding amount and that the liability of the bank was actually only \$75,000. He added that Horn did not seem to understand the nature of a contingent liability. Scott also complained that he could not understand Horn's criticism of the method in which the record of circulation of national bank notes was handled. He went on to say that two previous examiners had said that he was doing it correctly, and that Horn's report was full of misstatements.¹⁹

After another brief exchange between Scott and the Comptroller's Office, the atmosphere calmed considerably. The remainder of 1920 was occupied with routine letters to and from Washington in which Scott inquired about proper procedures when various questions arose.²⁰

The Stapleton National had wanted to expand its place of business as early as 1919, but plans were delayed when the Dock Commissioner had made known his intention to condemn the east side of Bay Street for future expansion. In 1921 he abandoned his plans, and the bank went ahead with its projected development. At a meeting of the Board of Directors held on April 28th, a contract for construction was awarded at a cost of approximately \$40,000. The architect was James Whitford, who designed a two story structure to be built on the site of 65 and 66 Canal Street, adjoining the current building. Construction began in July 1921, and was completed in March, 1922.²¹

In September of 1922 the Charter of the Stapleton National Bank became due for renewal, and Scott received a letter from Acting Comptroller W.J. Fowler directing him to take the necessary steps to increase the capital stock of the bank from \$100,000 to \$200,000. This action was taken because the Attorney General of the United States had recently decided not to incorporate any bank in New York City with a capital stock be-

low the latter amount. The attorney for the bank, John G. Clark, replied that the bank had been profitable for twenty years, was sound and attractive to its customers, and had no desire to increase its capital stock. Washington insisted, and on December 6th the application to augment the stock was made to the Comptroller, pending approval of the stockholders which was obtained on January 23, 1923. The certificate to increase shares to 200,000 was issued in February.²²

Favorable comments continued to be made about the Stapleton National Bank in the local press, alluding to the "astuteness and financial acumen of the officers" of the bank. Deposits had showed only a moderate gain since 1919, totaling \$1,335,442 in 1923, and bank examiner J.B. Funsten commented that the institution was "capably managed and had suffered very few losses."²³

Scott, whose personal behavior frequently seemed to be erratic, once again began to display this tendency. In the Examination Report of April 7-9, 1924 Mr. Funsten voiced his concern that the bank was too much of a one man operation to insure its safety. If he was so inclined, Scott could easily conceal bank transactions and cause considerable problems. The cashier appeared to Funsten to be a "nervous crank." Scott objected to the assets of the bank being sealed during the examination and at one point said he couldn't stand the official procedures any more and threatened to leave. Scott told Funsten that if he wanted the bank he could have it and run it himself. He went on to criticize the Treasury Department and previous examiners.²⁴

Later in 1924, during the next examination of the Stapleton National, Examiner W.A. Culver expressed similar feelings about Scott. He observed that Scott and President Bruns had been in disagreement for a number of years, and that various directors intended to try to terminate Scott's employment. Culver went on to state that the majority of the stock of the bank was now in the hands of two large insurance companies in Manhattan. It seemed to the examiner that with the aid of sympathetic directors, the bank might be consolidated with the Fidelity International Trust Company of New York.²⁵

In spite of the friction between the cashier and those who controlled the stock, the bank continued to operate conservatively. But there is further evidence that most of the officers and directors had reached a point where they were no longer the enthusiastic bankers they were at one time. In 1925 negotiations took place between the Stapleton bank and the Port Richmond National Bank to consider a consolidation. The plan put forward would have had both banks give up their national charters and jointly become a trust company. However, the directors of the

Stapleton National Bank voted the proposal down, and the Port Richmond bank went on to assume trust authority within its own organization. Undaunted, the Stapleton directors favoring merger or consolidation prepared to elect new members to the board in January 1926 who would accept a change of status for the institution.²⁶

The new year witnessed one of those minor irritations in the life of a bank which endeavors to project a conservative image, but is not always successful. During a routine examination Scott reported a minor defalcation by the former head bookkeeper, John Wall. Wall had used his account at the Richmond Borough National Bank to put through a check for \$300, which he then removed when it came back to his institution. He then made false entries in his books to cover the crime. The full amount was recovered under the bank's bond with the American Surety Company, and the U.S. District Attorney voiced his desire to locate Mr. Wall.²⁷

After having held the office of President of the Stapleton National Bank for seventeen years, Charles A. Bruns decided to step aside, and John G. Clark became the new president of the bank. The institution continued to receive good reports on its operations, but Scott was still characterized as erratic though thoroughly honest. At this point he seems to have regained the complete confidence of the Board of Directors.²⁸

By 1927, bank deposits had reached \$1,566,685. Slow and steady growth was being recorded, but the three insurance companies holding the majority of the bank's stock were apparently anxious to leave the banking business on Staten Island. In view of what would happen to the financial community in 1929, it is probably fortunate for most of the directors and shareholders, most of whom were Islanders, that an interested buyer was found in the Corn Exchange Bank.²⁹

It should be recalled that the Corn Exchange, a state bank, had taken over the First National Bank of Staten Island in 1905, and had successfully run it as a branch since then. That bank was now ready to expand its business in Richmond County, and on February 28, 1928 was able to make an offer for Stapleton National shares that was agreeable to all eleven stockholders. These shareholders met at the bank on April 13th, and passed a Resolution of Voluntary Liquidation to take effect on April 30, 1928 at 4 P.M. The Corn Exchange Bank thus acquired its second branch on Staten Island, and the institution that was to become the Chemical Bank continues to operate today in the same Stapleton building on Bay Street.³⁰

OFFICERS

Presidents

Ferdinand C. Townsend	1902-09
Charles A. Bruns	1909-26
John G. Clark	1926-28

Vice Presidents

Robert D. Kent	1902-24
Ulrich W. Becker	1902-12
Alonso B. Pouch	1912-(23)
Martin H. Scott	1924-28
John G. Clark	1926
William L. Flake	1926-28

Cashiers

Robert H. Gill	1902-07
Martin H. Scott	1907-28

Parenthesis - year approximate

FOOTNOTES

1. Application to Organize a National Bank (Form 339), October 3, 1902. *Staten Islander*, November 15, 1902.
2. *Staten Islander*, November 19, 1902.
3. *Staten Islander*, January 3, 1903. United States Comptroller of the Currency, *Examination Report*, Stapleton National Bank, February 26; August 24, 1903. United States Comptroller of the Currency, *Annual Report*, 1903 (Washington, D.C.: Government Printing Office, 1904), p. 992.
4. Arthur O. Townsend to Comptroller of the Currency, January 11, 1904.
5. Ferdinand C. Townsend to Comptroller of the Currency, February 17, 1904.
6. Walter T. Dornfest, "The First National Bank of Staten Island at New Brighton, 1886-1905," *Staten Island Historian*, Vol. 1 (N.S.), No. 4 (Spring 1984), pp. 37-40.
7. *Staten Islander*, January 6, 1904.
8. *Ibid.* World [Staten Island], January 16, 1904.
9. *Staten Islander*, August 21, 1907. Martin H. Scott to Lawrence O. Murray, Comptroller of the Currency, October 14, 1910. United States Comptroller of the Currency, *Examination Report*, Stapleton National Bank, April 16-17, 1908.
10. *Staten Islander*, August 21, 1907.
11. *Ibid.* *Examination Report*, SNB, April 16-17, 1908.
12. *Ibid.* Scott to Murray, October 14, 1910. *Staten Islander*, October 2, 1918.
13. Scott to Murray, October 14, 1910.
14. E.F. Quinn to Lawrence O. Murray, n.d. Murray to Scott, October 19, 1910.
15. *Staten Islander*, March 18, August 12, 1911. *Examination Report*, SNB, August 14, 1911.
16. *Staten Islander*, March 24, 1923.
17. Comptroller of the Currency, *Annual Report*, 1913, p. 591. *Annual Report*, 1919, p. 615. *Examination Report*, SNB, September 23, 1918; March 24, 1919; March 26-27, 1920. T.R. Kane, Deputy Comptroller of the Currency to Board of Directors, Stapleton National Bank, April 8, 1920.
18. Kane to Board of Directors, SNB, April 8, 1920. Martin H. Scott to Comptroller of the Currency, May 4, 1920.
19. *Ibid.*
20. Scott to Comptroller of the Currency, May 27, 1920. Deputy Comptroller of the Currency to Cashier, SNB, June 1, 1920. Scott to Comptroller of the Currency, September 30, 1920. Deputy Comptroller of the Currency to Cashier, SNB, October 5, 1920. Scott to Treasurer of the United States, December 15, 1920.
21. *Daily Advance* [Staten Island], April 29, 1921. *Staten Islander*, March 15, 1922 and March 24, 1923.
22. W.J. Fowler, Acting Comptroller of the Currency to Cashier, SNB, September 12, 1922. John G. Clark to Comptroller of the Currency, October 20, 1922. C.C. Crissinger, Comptroller of the Currency to President, SNB, October 21, 1922. Deputy Comptroller of the Currency to Daniel C. Borden, Chief National Bank Examiner, February 8, 1923. [Notice to Shareholders], Stapleton National Bank, December 7, 1922.
23. *Staten Islander*, March 24, 1923. Comptroller of the Currency, *Annual Report*, 1923, p. 145. Comptroller of the Currency, *Examination Report*, Stapleton National Bank, April 7-9, 1924.
24. *Ibid.*
25. *Examination Report*, SNB, December 1-2, 1924.
26. *Examination Report*, SNB, June 22-23 and December 10, 1925.
27. Owen T. Reeves, Chief National Bank Examiner to Comptroller of the Currency, July 1, 1926. Robert F. Smith, National Bank Examiner to United States District Attorney, Brooklyn, July 1, 1926.

(Continued on page 36)



Interest Bearing Notes

Larry Adams

Welcome to 1987 and best wishes for the New Year! It is late November as I write this, and while we've had some snow and cold weather, it's not as bad as last year. Planning is now underway for your Society's 1987 activities and programs.

NATIONAL PAPER MONEY CONVENTION — ST. LOUIS

Although I was unable to attend the St. Louis show, things went off as planned at our regional meeting on November 15, with Eric P. Newman and Gene Hessler as speakers; counterfeit detectors and early U.S. Loan Documents were the respective topics. Members and guests also enjoyed a cocktail reception hosted by Eric P. Newman and Gene Hessler at the Mercantile Money Museum. Things started out on a sad note with the sudden passing of Ted Uhl, President of the International Bank Note Society. He suffered a fatal heart attack on November 12. His enthusiasm in the hobby and numismatic world will be missed. Roger Durand, who was present for the entire convention, says "That in general, dealers thought the show was a financial success for them, but they were disappointed with the attendance." The SPMC table was busy, manned by several members. We sold over \$500 worth of books, pins and sheets. We also gained some new members. Thanks to all who helped with the table.

SPMC Board Meeting — November 14, 1986 — St. Louis.

Roger Durand, SPMC Vice-President, presided at the Board Meeting held at 7:30 A.M. November 14. Several important topics were discussed and voted on:

- The Board voted to increase display advertising rates in *PAPER MONEY* by 37% over the current rates. Classified rates in Money Mart will be increased from 5 to 10 cents per word. Editor Gene Hessler says even with this increase our advertising rates are considerably lower than rates charged by commercial publications.
- Voted to increase the price of back issues of *PAPER MONEY* to \$2.50 each. These back issues will be advertised in *PAPER MONEY*.
- Voted to bill members annually for dues on a 12-month basis, rather than billing all members at one time during the year. This would apply primarily to new members.

SPMC Board Meeting

- The Society will look into an engraved type of Life Membership card, and the Board approved that Life Members be furnished with an appropriate certificate. (Details on design, etc. will be investigated.)
- On the subject of Life Members, the Board voted to provide a separate numbering system for Life Members, starting with #1. All current Life Members' and Honorary Life Members' names will be put into a lot and new numbers will be assigned by draw.
- The Board approved arrangements with authors and distributors so that the SPMC will handle additional books on obsolete notes that were not published as a part of the Wis-

mer Series e.g., *Florida* by Cassidy, *Tennessee* by Paul Garland. We also hope to have the *Nebraska* book by Walton available for sale.

- We will also be working on a vigorous program to market the backlog of Wismer books now on hand. Libraries will be contacted. Some Society books have already been reviewed, with copies of the reviews being used to help sell the books.
- Some discussion was also held on possible co-sponsorship of other shows in the future, such as the one in St. Louis. It was the feeling of the Board members present that if the SPMC were to co-sponsor the show, the SPMC would prefer that exhibits and educational forums be an integral part of the show, and that the SPMC might be responsible for the staging of exhibits and educational forums. We will also be continuing with many regional meetings in 1987.
- There was also some discussion as to changes and revisions in the SPMC by-laws (almost unchanged for 25 years). Various Board Members are working on this, and additional suggestions for changes were solicited. This topic will be brought up in Memphis in 1987 for final action.

In general, membership has grown as you have seen by the reports of the New Membership Coordinator.

NOMINATING COMMITTEE FOR 1987

Each year, five members are elected to three-year terms on the SPMC Board of Governors. The following governors' terms expire in 1987: William Horton, Jr., Peter Huntoon, Charles V. Kemp, Jr., Donald Mark and Steven Whitfield. I have appointed the following committee to develop a slate of candidates for this year's election:

- C. John Ferreri, Chairman, P.O. Box 33, Storrs, CT 06268
- Douglas Murray, P.O. Box 2, Portage, Michigan 49081
- Charles Colver, 611 N. Banna Ave., Covina, CA 91724

If you have ideas with regard to potential candidates, anyone on the nominating committee will be pleased to hear from you. In addition, candidates can be put on the ballot if:

—A written nominating petition signed by ten members in good standing, and

- A written acceptance from the nominee are received by
Robert Cochran, Secretary
P.O. Box 10895
Florissant, MO 63139

by no later than March 1, 1987.

Mail ballots will be distributed in the May/June issue of *PAPER MONEY*. Results of the election will be announced at an SPMC general meeting in 1986, most likely the ANA Convention. The publication schedule of *PAPER MONEY* precludes the announcement being made in Memphis, as the May/June issue is sent out about June 1, shortly before the Memphis Convention, with not enough time for all to receive their magazine and return the ballots.

By next time around I should have some preliminary plans for our 1987 events and meetings. That's it for now. Happy Collecting!

(Continued from page 8)

- W.E. Stearns, Deputy Comptroller of the Currency to United States Attorney General, July 3, 1926. O.R. Luhring, Assistant Attorney General to Comptroller of the Currency, July 13, 1926.
- 28. *Examination Report*, SNB, June 15-16 and December 1-2, 1926.
- 29. *Examination Report*, SNB, December 1-2, 1926. *Resolution for Voluntary Liquidation* [Stapleton National Bank], April 13, 1928.
- 30. Dornfest, "First National Bank . . .," p. 40. *Resolution . . .*, April 13, 1928.