

The fruit turned sour

The Brief History of The Germantown National Bank

by ROBERT R. MOON

This article is the fourth and last of a series about the national banks of Columbia County in New York State and deals with the history of the Germantown National Bank. While only in business for nine years, this bank generated more controversy and headlines than all of the other banks in the County combined.

Origin of the Bank in Germantown

THE organization of the Germantown National Bank in the early 1920s was typical of many rural banking institutions that came into being in that era. The National Banking Act, amended on March 14, 1900, permitted the establishment of national banks with a minimum capitalization of only \$25,000 in communities of less than 3,000 people. The previous minimum had been \$50,000. Also, many of these small hamlets and towns wanted their own bank because of the primitive transportation facilities at that time. Of course, another option should have been branch banking, but national banks were not allowed to establish branches outside of their own communities in the early part of this century.

On the east bank of the Hudson River, the hamlet of Germantown, a community of about 1,000 people, had been a farming community since it was first settled by Palatine immigrants in the early 1700s.

Around 1920, a group of the local fruitgrowers were finding it increasingly inconvenient to travel to the banks in Hudson, 12 miles away, which, at that time, was a round trip journey of half a day. Accordingly, a town meeting was called in September 1921 to discuss the possibility of organizing a national bank in Germantown. The reaction was favorable and a committee was formed, with Robert R. Livingston as its chairman. He sent his first letter to the Comptroller of the Currency on September 12, 1921 requesting the paperwork related to organizing a national bank.

Mr. Livingston was one of the largest fruitgrowers in the area, with 500 acres on the Hudson River. He was a descendant of the Robert R. Livingston who signed the Declaration of Independence and later administered the oath of office to President George Washington.

Several rounds of correspondence followed, and in November 1921 a national bank examiner came to Germantown to interview the would-be officers and directors of the bank and to familiarize himself with the community in general. In his report he recommended that the application be approved and "if satisfactory officers are obtained and proper management is displayed by the Directors the situation should insure reasonable success."

The official Organization Certificate was filed on January 7, 1922 with a capital stock of \$50,000 and the bank was assigned Charter 12242. A tract of land was purchased on which to construct a bank building, and several months later, on October 2, 1922, the Germantown National Bank opened for business. As



Series of 1902 Plain Back Blue Seal \$10 note on the Germantown National Bank signed by J. R(aymond) DuBois, cashier and Robert R. Livingston, president.

an example of the importance of fruitgrowing to the area, the bank adopted the slogan "The home of good fruit" and placed it on their stationery.

Mr. Livingston was elected president of the bank and would be the bank's only president during its existence. Clyde DeWitt, a local businessman who was also the Columbia County Clerk, was elected the vice-president. The bank's cashier was J. Raymond Dubois who had moved from Wappingers Falls, New York where he had had banking experience. The first teller hired by the bank was Lloyd Boice, a recent graduate of New York University and the son of Arthur Boice, a member of the bank's Board of Directors. The bank was an instant, if modest, success. Its assets quickly rose to the \$500,000 level and remained in that level for several years. On the surface, the bank appeared to be doing well, but problems were developing.

The Storm Breaks

In January 1931, Clyde Dewitt, the bank's vice-president, was arrested and charged with embezzlement of County funds. Mr. DeWitt, who had been the County Clerk when the bank was formed in 1922, had been elected Columbia County Treasurer in 1927. As a Republican in a heavily Republican area, he must have felt that he would be in the Treasurer's post for quite a while. However, in 1930, when he was up for reelection, DeWitt had the misfortune of being on the ballot at the same time that Franklin Delano Roosevelt was running for reelection as Governor of New York State. Governor Roosevelt won in a landslide (which would help propel him toward the White House in 1932) and his coattails helped many Democrats attain local offices. One of the beneficiaries of the Democratic sweep was an obscure politician in Columbia County who happened to defeat Clyde Dewitt by 400 votes out of a total of 15,000 cast.

Mr. Dewitt found himself in a bit of a quandry. He had been playing fast and loose with the County Treasury, including chartering a train and taking a railroad car full of friends to New York City to have a good time. At the end of his term in December 1930 the County books were short approximately \$87,000. DeWitt had been able to get away with "cooking the books" because of his affiliation with the Germantown National Bank. Both the bank and the Treasurer's office used the same type of Burroughs office equipment, so during the day Mr. Dewitt would keep one set of books at the Treasurer's office, and in the evening he would let himself into the bank and make up a complete set of spurious transactions and substitute them the following morning. While he may have been caught eventually, his reelection defeat brought the matter to a head very quickly.

In order to cover the deficit, he wrote a check for \$87,000 on his personal account at the Hudson River Trust Co. in Hudson and gave it Raymond DuBois, the cashier of the Germantown bank where the Treasurer's accounts were kept. Mr. DeWitt assured him the check was good (although it turned out he only had \$23,000 in his account). Mr. DuBois took his word for it and never checked with the Hudson bank. He proceeded to allow over \$20,000 to be drawn on the fictitious balance created by the \$87,000 check between December 31, 1930 and January 5, 1931. On January 5 Mr. Livingston, the bank president, was informed by the Federal Reserve that the check was no good; shortly thereafter Mr. Dewitt was arrested. Eventually he would be convicted of misappropriation of county funds for personal use and be sentenced to four to seven years at the State prison in Dannemora, New York.

The Fate of the Bank

Quite understandably, confidence in the Germantown Bank was shaken and, considering that these events occurred in the depths of the Great Depression, customers of the bank began to withdraw their funds. The bank's officers, led by Mr. Livingston, attempted to stem the tide, but after almost a year's efforts, the bank closed its doors on December 29, 1931 and was placed in receivership on January 22, 1932.

Even the closing of the bank generated more controversy than might be expected as rumors circulated that some people had inside information as to when the bank would close its doors. For instance, one of the local volunteer fire companies emptied its accounts just a few days before the bank closed, presumably on the word of a bank employee.

Receivership—A Six Year Affair

What happened when a bank, such as the Germantown Bank, was placed in receivership during the Depression? The Comptroller of the Currency appointed a Receiver who was as-

Co-Operating With the Community!

This Institution places at the command of the people in this community a banking service of absolute dependability.

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Is essential in standing and working shoulder to shoulder with the people of this section.

We give positive assurance that the handling of every depositor's affairs will be characterized by the utmost safety, confidence and efficiency. Your account is cordially invited and will be appreciated.

**Germantown National
Bank**

J. R. DuBois
Cashier

Considering the fate of the bank, a rather ironic advertisement for the Germantown National Bank from a 1928 issue of the "Germantown Post."

FILE NO. 1968

ASSESSMENT UPON SHAREHOLDERS
TREASURY DEPARTMENT
OFFICE OF THE COMPTROLLER OF THE CURRENCY

No. 12242

In the Matter of
THE GERMANTOWN NATIONAL BANK
OF GERMANTOWN, NEW YORK

Washington, D. C., March 7, 1932.

TO ALL WHOM IT MAY CONCERN:

WHEREAS, upon a proper accounting by the Receiver heretofore appointed to collect the assets of "THE GERMANTOWN NATIONAL BANK" OF GERMANTOWN, NEW YORK and upon a valuation of the uncollected assets remaining in his hands, it appears to my satisfaction that in order to pay the debts of such association it is necessary to enforce the individual liability of the stockholders therefor to the extent hereinafter mentioned, as prescribed by Section 5151 and 5234 of the Revised Statutes of the United States, Section 1c 156, Act of June 30, 1876, and Section 23, Act approved December 23, 1913 known as Federal Reserve Act.

NOW, THEREFORE, by virtue of the authority vested in me by law, I do hereby make an assessment and requisition upon the shareholders of the said "THE GERMANTOWN NATIONAL BANK" GERMANTOWN, NEW YORK, for Fifty Thousand (\$50,000.00) dollars, to be paid by them on or before the fourteenth day of April 1932 and I hereby make demand upon each and every one of them for the par value of each and every share of the capital stock of said association held or owned by them, respectively, at the time of its failure; and I hereby direct William Edward Willett the Receiver heretofore appointed, to take all necessary proceedings, by suit or otherwise, to enforce to that extent the said individual liability of the said shareholders.

IN WITNESS WHEREOF I have hereto set my hand and caused my seal of office to be affixed to these presents, at the City of Washington, in the District of Columbia, this seventh day of March, A. D. 1932.

[SEAL]
of
Comptroller of the Currency

J. W. POLE,
Comptroller of the Currency

(See Inside)

REPRODUCED AT THE NATIONAL ARCHIVES

signed to wind up the affairs of the bank. This process, which could take up to several years, consisted of liquidating the assets of the bank for whatever they would bring on the market and disbursing the funds realized to the bank's creditors (i.e., the depositors) who almost always received only a fraction of what they were owed. Remember that this occurred in the days before the FDIC.

The stock of the bank lost all value immediately. So the 500 shares of Germantown National Bank stock, which originally sold for \$100 each, became worthless overnight. In addition, the owners of the shares were also subject to a federal law involving stockholders' liability. What this meant was that the shareholders were liable for a sum of money equal to the original value of their share. After all, the federal government reasoned, the shareholders elected the Board of Directors who selected the bank's officers who fouled up the affairs. In other words, if you owned say five shares of stock which originally cost \$500, not only was the stock valueless but you were assessed by the bank's receiver an additional \$500!

Needless to say, when the notices were sent out on March 7, 1932, with a due date of April 14, 1932, the assessment created additional hardship in the Germantown area. Quite a few shares were now in the hands of widows or had been given to children as Christmas presents. However, the receiver was not in a forgiving mood and many people had to take out new mortgages on their homes to pay their assessments.

Many of the bank's assets were sold for only a fraction of their original cost. This was the Depression, and there was definitely a glut on the market because of the hundreds of banks in receivership around the country. (For example, the bank building itself, which had cost \$24,000 to build, was sold in 1937 for \$3,500.) It took six years for the receiver to wind up

the affairs of the bank. When he closed his books in April 1938 the depositors had received about 68 cents on the dollar.

At the time of closure, the national bank examiner stated "The bank was badly extended prior to January 6, 1931 on which date the account of C. H. DeWitt, County Treasurer, became overdrawn \$64,000. The publicity resulting from this and the prosecution of Mr. DeWitt, who was also a director of the bank, reflected very unfavorably on the bank, and deposits continually declined and liabilities for borrowed money steadily increased. The failure of the bank was due to incompetent management and lack of supervision by directors."

Aftermath

Mr. DeWitt, who was paroled from State prison in September 1934, came back to the area and started a heating and plumbing business in Hudson and apparently lived out his life quietly. Mr. DuBois, the cashier, who was suspected of being involved with DeWitt (nothing was ever proven), left the area never to return. Mr. Livingston, who reportedly lost \$50,000 in the bank's failure, remained active in farming and was later a member of the New York State Bridge Authority. He died in 1962 and his farm is now part of Clermont State Park. Mr. Boice, the bank's first teller, left the bank in 1926 to work for a local insurance firm. The firm was very successful and also became involved in real estate. Mr. Boice died in 1983.

Germantown was to be without banking facilities until the First National Bank and Trust Company of Hudson opened a branch there in February 1955. In December 1955, the First National and its Germantown branch merged with the State Bank of Albany. In 1984, after merging with the Mohawk National Bank of Schenectady, State Bank became Norstar Bank of Upstate New York. The original bank building is now the home of the Germantown Telephone Company.



The Germantown National Bank building c. 1930.

Syngraphic Analysis

The chances of locating a Germantown National Bank note are about what you might expect considering it was a small rural bank that wasn't around for a very long time and issued an amount of circulation that was barely above pocket change. That is to say, the odds are rather long. To further complicate the chase, John Hickman once explained to me that notes from banks that went under are usually harder to find because the neighboring banks made an extra effort to remove the failed bank's notes from circulation. They felt it was bad advertising to remind customers of problems in the banking industry. This was especially true during the Great Depression.

The Germantown National Bank issued only 1151 sheets of \$10-\$10-\$10-\$20 Series of 1902 Blue Seal Plain Backs between 1922 and 1929 and 191 sheets of Series of 1929 Type I, \$10s and 49 sheets of Type I, \$20s between 1929 and its demise in January 1932. The last shipment of notes to the bank was four sheets of \$20s on December 14, 1931. A total of only 4,604 large-size notes and 1,440 small-size notes was issued over the bank's nine-year history.

When the bank closed, only \$760 in large-size notes was outstanding along with \$8,760 in small-size notes still out. Interestingly, the large-size amount is broken down into 51 \$10s and 12½ \$20s. Needless to say, most of that amount has been redeemed and destroyed since then.

Until the mid-1970s, the only generally known Germantown note was a Series of 1902 Plain Back serial number 50 which had appeared as Lot 2228 in the Grinnell sale in 1945. Apparently the note was purchased by the late Bill Donlon, because it appeared in one of his price lists in the mid-1960s. Then, in 1976, a small-size \$20 surfaced. The note grades very good to fine and is serial number A000016A. In 1982, the population expanded when old-time detective work by the author ferreted out two more notes in the immediate Germantown area—both Series of 1902 Plain Back \$10s.

Syngraphic Vignettes

by ROBERT H. LLOYD

WHILE reminiscing on foreign note collecting you can make a real study by limiting yourself to notes of the World War I period. You might restrict the collection to those countries whose notes were wildly inflated. This would confine it to Germany, Austria, Hungary, Poland and Russia, and maybe a Baltic state or two. The decline of the franc, lira and drachma came much later, and even later came the great Hungarian inflation which produced notes in the hundred billion denomination.

The German issues were the most numerous. Some of the new states lost control of their budgets as soon as the war ended. Cities and villages turned out "notgeld" in Germany and Austria. These were small bills from 1 pfennig to perhaps 5 marks to replace hoarded coins. They were wonderfully colorful and full of folk-lore in the design, but alas, many never saw actual use. Some had no purchasing power whatever by the time they had left the printers. They were little more than souvenirs that could be sold to collectors. There was a considerable

One of them is serial number 2-A and is held by the family of a former bank employee. The note grades very good. It was carried as a souvenir for a number of years by the employee.

The other is serial number 444-B and grades very fine. It was found as part of a local coin collector's estate and is pictured in this article.

Since then, further research has failed to unearth any other examples so the number of notes reported to me presently stands at 3 large-size and 1 small-size. If anyone knows of any other Germantown notes, I would greatly appreciate hearing from you at: P.O. Box 81, Kinderhook, New York 12106.

Acknowledgments

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profit in such sales. One could acquire a group of several hundred different notes for \$5. If you wanted the notgeld for trading purposes you could purchase 500 mixed notes for \$7.50. It was fun locating the cities and towns on the map.

Less than two years later they had all passed from use. The Reichsbanknotes were coming out in values of 5,000 and 10,000 marks and higher. A single 50 pfennig note had no purchasing power at all. This was inflation on a grand scale, surpassing anything in world experience. Mark notes of 50,000 and 100,000 were out by 1921, and next year saw notes valued in millions of marks. In 1923 the denominations were millions (billion) and billionen (trillion).

The race to get notes in print in order to keep up with the falling mark resulted in some unfinished currency. If memory serves, the 50,000 mark note was available fully printed, where the black frame never got its overlay of green and brown, and with changes in watermarks and style and size of several serial numbers. Hence, there was plenty of variety to please any real collector.

One could fill albums with Reichsbanknotes alone. The main problem would be condition. Some short-lived notes were well-used and are scarce in choice condition. Other short-lived issues are a glut in crisp condition, having been left behind in the rapid fall of the mark. They were too low in value to be usable. You would have to go through many dealer stocks to build a nice set.