

First NB of Attica, NY The First National Bank Failure

COMPTROLLER OF THE CURRENCY FREEMAN Clarke reluctantly wrote in his 1865 report to Congress: "The First National Bank of Attica, N. Y., has failed, and a receiver has been appointed to close up its affairs. Its outstanding circulation, none of which has been presented for redemption, is \$44,000, secured by \$31,500 of six per cent. and \$18,500 of five per cent. bonds" (Clarke, 1865, p. 4).

A receiver was appointed for the bank on April 14, 1865, the day that President Lincoln was assassinated. The bank had been organized on January 14, 1864, under charter #199, just

15 months before. It was capitalized at \$50,000. imate creditors were owed \$122,089. When the smoke finally cleared, and the receivership was officially closed on January 2, 1867, \$76,373 worth of assets had been recovered for the benefit of the creditors. Of this, \$5,562 went to pay the receiver's salary and expenses, leaving \$70,811 for distribution.

The depositors received 58% of the money they had entrusted with the bank, the last being turned over to them in 1867 (Comptroller of the Currency, annually).

The bank had received 2,200 sheets of 5-5-5 Original Series notes, totaling \$44,000, by the date of the failure. Its circulation should have been \$45,000, because the bank had \$50,000 in bonds on deposit, so \$1,000 worth of notes was still due the bank from the Comptroller.

Only \$234 of the \$44,000 was still outstanding in 1916, when such tallies were last reported for failed banks (Comptroller of the Currency, annually). That amount had remained unchanged since 1903, when a \$5 came in. See Table 1.

Notes from the bank have proven to be rare, with only one rumored to be in numismatic hands. That they are scarce is no surprise. *Thompson's Bank Note and Commercial Reporter* dated June 1, 1870, has the following offer by The National Currency Bank of New York (444), located at 2 Wall Street: "We have a small order for suspended National Bank Notes, and are paying 1 1/2 per ct. premium for notes on the following banks . . ." The list has 18 entries representing the first 15 failed and 3 liquidated National Banks in the country.

The First National Bank of Attica is the first on the list. Their \$5 notes were worth \$5.075 to those willing to send them in. How this premium was being funded is unknown to me because there were no provisions in the law for the government to redeem the notes at above par; however, incentives like this took a significant toll on the notes in circulation.

Although the Attica depositors took a bath, the holders of the \$5 Original Series notes issued by the bank had nothing to

15 months before. It was capitalized at \$50,000.

The cause of failure was succinctly attributed to "injurious banking and insolvency of large debtors." It was a small bank and its failure was of little more than local consequence. Just who the debtors were who took the bank down are not reported by the Comptroller, but in a history written by Kane (1922, p. 36-37), the following is revealed:

It is evident from this failure that the good advice which Mr. McCulloch gave in his circular letter of instructions to bank managers. . .to "distribute the loans rather than concentrate them in a few hands," was not heeded by the managers of this institution, and disaster was the consequence. . .The loans of a bank should be diversified as fully as possible and not concentrated, as is so often the case, in a few or affiliated interests, to such an imprudent extent that the failure of one individual or interest may seriously impair the surplus of the bank, or threaten the institution with an impairment of its capital, if not insolvency. . .Failures may occur, without the law having been violated, through injudicious banking within the restrictions of law, but beyond the limitations of prudence and safety . . .

The collapse of the bank took a big toll on the bank's depositors. On the date of suspension, the bank listed assets, mostly loans, of \$194,414. Of this total, 59% were judged worthless, and 14 percent doubtful. The shareholders of the bank were assessed \$50,000 -- the capitalization of the bank -- to support the bank, but they ultimately coughed up only \$1,164. Obviously they were not in such hot shape either.

The depositors and other legit-



THE PAPER COLUMN

by Peter Huntoon



The First National Bank of Attica, New York (#199) was the first National Bank failure. The bank issued only \$5 Original Series notes. (Photo of a proof in the Smithsonian Numismatic Collections.)

Table 1. Circulation outstanding by year for The First National Bank of Attica, New York (#199). The circulation was comprised entirely of Original Series \$5 notes. Amounts for most years were rounded to even dollars; apparent discrepancies are caused by fractional pieces of \$5 notes. Data from Comptroller of the Currency (annually).

1865	\$44,000	1878	\$349
1866	no data	1879	334
1867	26,255	1880	334
1868	11,250	1881	314
1869	5,772	1882	309
1870	no data	1883	279
1871	no data	1884	279
1872	1,093.50	1885	264
1873	1,093.50	1886-88	249
1874	593.50	1889-97	243
1875	484.00	1898-02	238
1876	483.50	1903-11	233
1877	383.50	1912-16	234

worry about. The bonds used to secure that currency were sold and the proceeds deposited with the treasurer in order to redeem the entire circulation. This was the bedrock principal underlying such bond-secured currency: Bank note holders were protected.

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