Mutual Savings Banks
Cornerstones
of American Life

Some ABC's of Policies and Practices
MUTUAL SAVINGS BANKS

Cornerstones of American Life

A HANDBOOK OF INFORMATION

Issued by
THE COMMITTEE ON METHODS AND SERVICES
NATIONAL ASSOCIATION OF MUTUAL SAVINGS BANKS

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COLLECTIVELY, mutual savings banks make up the oldest group of banks in the United States. Their history of 128 years almost is the history of the nation. A recent compilation has shown that 157 American banks each holds assets exceeding 100 millions of dollars — including 27 mutual institutions, a record somewhat remarkable inasmuch as mutual institutions operate in no more than 17 of the 48 states.

When so much of our thinking runs to community effort, it becomes enlightening to emphasize that mutual savings banks — foremost among American institutions — long ago were established as community organizations, endeavoring to meet the needs of their people, before any other consideration. Today they are such familiar cornerstones the public looks upon them in about the way that it regards the family church, or
school. The primary reason for the existence and progress of this type of institution rests upon the basic premise that the typical savings bank is a "mutual" institution—conducted only for the benefit of those who use its facilities.

Mutual savings banks differ from other kinds of banks in several ways. They are organized by neighborhood groups of citizens who enter into this joint enterprise for the welfare of all. The sums deposited in such institutions represent hard-earned accumulations by people of moderate means, and often constitute their first and, frequently, their only line of financial defense. Hence, the laws of the states where mutual savings banks operate, definitely specify investments in which deposits can be employed, especially with regard to safety of funds. The management of mutual institutions always has been most conservative.

Although the fact may seem hard to accept nowadays, at the beginning of the last century all banks were conducted for the profit of stockholders in regularly established companies, or private banking houses including a few partners.

Efforts to establish a type of bank which would meet ordinary needs of the average citizen, did not prove effective until The Reverend Doctor Henry Duncan of Ruthwell Village, Scotland, took the matter into his hands away back in 1810. He saw that his congregation suffered from poverty more than any other ill and he thought the only way to alleviate this condition must come by steady saving, for the demands and opportunities of days ahead. So the good parson invited his flock to leave with him whatever small funds its members might be able to spare. The idea caught on and it was not long until Doctor Duncan held a substantial reserve of small capital, belonging to his congregation. He perceived that the next step should be investment of this capital, and called in the seniors of his church to devise ways and means. Out of their efforts grew the mutual, or the trustee, savings bank of the United Kingdom.

The first mutual savings bank established in the United States was The Philadelphia Saving Fund Society, which opened its doors and received its first deposits, December 2, 1816. Its creation was proposed by Condy Raguet, associated with Richard Peters, Jr., Clement Biddle, Thomas Hale and other progressive citizens of Philadelphia. The Society was incorporated under an Act of the Pennsylvania Legislature, approved February 25, 1819.

About the same time, enterprising citizens of Massachusetts organized The Provident Institution for Savings in the Town of Boston. Prominent among its founders were James Savage, Lieutenant-Governor William Phillips, The Reverend Doctor William E. Channing and Right Reverend Jean Lefebvre de Cheverus, Catholic Bishop of Boston. This institution began business February 19, 1817, having received its charter from the Commonwealth of Massachusetts, December 13, 1816,—the oldest charter of any mutual savings bank.

Rapidly other mutual institutions were opened—The Savings Bank of Baltimore and the Salem Savings
Bank of Massachusetts in 1818, followed in 1819 by The Bank for Savings in the City of New York; the Society for Savings, Hartford, Connecticut; the Savings Bank of Newport and the Providence Institution for Savings, Rhode Island.

Such was the broad humanitarian beginning of mutual savings banks. Quite a few of the new institutions turned attention to special groups of citizens, as shown by the names of such banks, including “Artisans” and “Farmers and Mechanics” and “Seamen’s”. A number of the new titles incorporated “Five Cents” and “Dime”, indicating that the founders thought no sum too small to be saved. Sometimes these banks included in their titles “Saving Fund” or “Institution for Savings” or “Society for Savings”.

Additional mutual savings banks soon were established, between the Canadian border of New England and New York, down to and including Maryland. When these early mutual savings banks were founded, the population of the United States was concentrated upon its eastern seaboard. From origin this type of institution flourished in New England and New York and, within the year 1944, 62 mutual institutions will have passed the century mark of their progress. By conservative management, they have endured and progressed more consistently than any other group of banks—now operating in Connecticut, Delaware, Indiana, Maine, Maryland, Massachusetts, Minnesota, New Hampshire, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, Vermont, Washington and Wisconsin.

With the passing years mutual institutions — essentially individual institutions devoted to community interests—found that their local operations were expanding into state-wide and national affairs. Gradually, city and district and state groups of mutual institutions came into being, seeking to preserve and extend benefits of the system for the public. At present, state associations of mutual savings banks operate in Connecticut, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island and Washington. In 1920 the National Association of Mutual Savings Banks was organized as a clearing house of information and service for all mutual institutions of the nation, coordinating the activities of state and local groups.

The operation of a mutual savings bank is guided by its board of trustees, managers, or directors, as variously known, serving the people who use the facilities of each individual bank. Trustees receive no personal profit from the earnings of any mutual institution. There are about 8,000 trustees. They constitute a representative group in every community.

The earnings of mutual savings banks are the products of prudent investment. A substantial part of these earnings is paid to depositors in the form of interest-dividends, after payment of operating expenses, and after a part of earnings has been added to a fund by each bank as a reserve for the protection of its deposits.
The investment of such funds becomes the responsibility of the trustees, who serve the public interest unselfishly. Rate of interest-dividends always has been secondary to protection of principal—a policy which has met with wide acceptance upon the part of depositors.

Throughout the years comfortable reserve funds have accumulated from earnings, for the security of deposits in each mutual savings bank. At present these reserves collectively represent one of the highest ratios of protection ever established for any similar accumulation of capital. Deposits stand at the great total of 11 and a half billions of dollars, owned by 15 and a half millions of depositors. Assets exceed 12 and a half billions of dollars. Each one of these 15 and a half millions of accounts upon the average involves the welfare of at least two persons, often of numerous families, so that all of these accounts added together help to safeguard about one-fourth of the American people.

So it is that mutual savings banks stand forth—monuments of the mutual principle, operating for the benefit of all participants—a principle which they introduced into banking very early in the life of America.

METHODS AND SERVICES OF MUTUAL SAVINGS BANKS

Mutual savings banks provide opportunities of utmost advantage to the man or woman of moderate means.

Throughout more than a century and a quarter these institutions have served the needs of generations of depositors with unfailing safety even in periods of depression and inflation, boom times and panics. Originally organized for the purpose of receiving small sums to be protected and invested to best advantage, without the objective of high earnings, mutual institutions established and have maintained an unmatched record of security.

While the world was made over in that long span of years, from 1816 down to the present day, mutual institutions continued to function in much the way as when their doors first were opened, and today hold their
strongest position, having a record number of depositors and all-time peak deposits. The average regular account, recently amounting to $873.72, reflects the wide distribution of these savings. "Regular account" means exactly that — an account maintained for regular saving. The average of all mutual accounts, including those for War Savings Bonds, Christmas Clubs, vacation clubs, tax accounts, special anniversary accounts and others, amounts to $714.03. These figures demonstrate that mutual savings banks do not seek large sums of investment capital, always pursuing their fundamental purpose, to conserve small savings.

Mutual savings banks have offered new and extended services from time to time. As the banks grew in size some mutual institutions situated in the larger cities found it advisable to open branch offices and, in recent years, a few mutual savings banks established branches in neighboring communities. These branches rapidly became important agents of the principal offices.

Another move forward in the evolution of mutual institutions was the installation of safe deposit vaults by many banks, open to public rental for the safekeeping of documents and valuables. These departments are business-builders. They attract persons who otherwise never might enter a mutual savings bank. But, becoming acquainted with such an institution, the renter of a box frequently develops into a most desirable depositor.

Banking by mail, an innovation of a few years past, has become a popular service. Thousands of daily transactions pass between mutual savings depositors and their banks, through the mail, expediting business upon both sides. This facility has special value for depositors living or working outside of their home communities, often in foreign lands. Thousands of service men now absent are steady depositors in their home savings banks, making regular allotments from pay checks direct to the banks. In other cases, wives or relatives handle such war-time banking.

Mechanical night depositories also have proved popular. A patron who does his banking after closing hours merely inserts a key or coin into the opening of such a depository — outside the bank — and deposits his money by the simple method of automatically closing the depository.

A far-reaching development was the introduction of mutual savings bank life insurance in Massachusetts as long ago as 1908, outgrowth of an idealistic conception by the late Justice Louis D. Brandeis of the Supreme Court. He believed that life insurance could be sold without personal solicitation, and with equal safety, at lower cost than customary forms of insurance then existing. The undertaking was successful and mutual savings bank life insurance issued in Massachusetts at a recent date approximated 250 millions of dollars, represented by more than 275 thousands of policyholders.

New York enacted life insurance legislation for mutual savings banks, taking force January 6, 1939. At the beginning of 1944, insurance bought in New York then exceeded some 37 millions of dollars, and policies
numbered 40 thousands. With these examples as precedents, mutual savings banks of Connecticut made such insurance available January 1, 1942, and by the Fall of 1943 policies in force exceeded two millions of dollars, distributed among more than 2,500 policies.

Several other "mutual savings bank states" have insurance plans under advisement and it is not unlikely that they will take form within the near future. Thus savings bank life insurance has become an important integral branch of mutual savings banking.

Christmas Clubs were introduced in mutual institutions about 25 years ago and have grown to sizable proportions. They, too, are business-builders, attracting casual depositors who acquire the saving habit and open regular accounts. Of all special purpose saving, Christmas Clubs easily take the lead. At first this rather odd device was opposed in some quarters, upon the basis that it encouraged the public to acquire a stated sum for excessive spending at a certain time. This idea might have seemed logical but, in practice, Christmas Clubs have proven to be one of the most practical forms of saving. Clubs operated by mutual savings banks assist the public to save 75 millions of dollars a year. A satisfactory share of this money is redeposited in regular savings accounts, or used to buy War Savings Bonds. From the Christmas Club conception grew Victory Clubs for war savings. Other varieties of clubs sprang from the earlier roots.

The Government plan for deductions from wages for purchase of War Savings Bonds has enlisted almost 28 millions of workers as consistent savers. Mutual institu-

tions are cooperating by vigorous development of bond clubs in industries, and elsewhere. This plan has hitherto unequalled educational possibilities. The worker—white collar or blue collar—who steadily accumulates a stated sum in order to purchase a War Savings Bond is not likely to relinquish such a valuable practice. Even one bond makes him a man of property. He has won a footing in the national economy. He is a living part of it. Each additional bond gives him a larger share in the destiny of the nation. As a personal matter, he establishes a custom that is one of the strongest instincts of human nature — the will to save.

The operation of school savings systems, by means of which children likewise develop the practice of consistent saving, has been successful in many institutions. Cooperation of school officials and teachers is helpful in inculcating habits of thrift not only among school children themselves, but among parents as well, by reason of their interest in the welfare and development of their children. The practice of school savings has become an important feature of the war savings program, providing facilities for the conversion of small accumulations of money owned by school children, for the eventual purchase of bonds. A number of mutual savings banks are devoting special attention to the development of this savings medium.

Among other services, mutual savings banks of several states make loans to depositors, secured by suitable collateral, or, in some instances, by the signatures of one or two endorsers. Efforts have been made to expand
such service in connection with small personal loans to individuals, having no collateral or endorsers. The banking laws of certain states grant mutual institutions that authority.

Most mutual savings banks issue checks at the request of depositors. In several states a form of money order service is available at slight cost.

So it can be seen that the functions of mutual institutions have expanded in keeping with the demands of the times and steadily have taken on more of an educational aspect — fulfilling their mission as community institutions.

**MUTUAL SAVINGS BANKS LEAD IN WAR BOND SALES**

Mutual savings banks are putting forth intensive educational efforts to support the financing of World War II, providing many facilities which assist the public to save for the purchase of bonds. Months before the war, representatives of the banks assured the Treasury Department of full cooperation in distributing Defense Savings Bonds, first made available May 1, 1941.

Those early plans went ahead. Years had passed since mutual institutions participated in Liberty Loan operations of World War I. Now it was necessary to devise practical methods to assist the new effort. Principal among these was organization of payroll savings plans. Details were numerous and involved setting up bookkeeping arrangements which required the work of uncounted hands and hours of time, for which the banks neither sought nor received compensation.
After Pearl Harbor, December 7, 1941, the psychology of the nation underwent rapid change. From the defense phase we passed to war, requiring money in sums never conceived before. One ready means of assistance was intensified distribution of War Savings Bonds, as they soon came to be known. Every mutual savings bank in the country joined efforts as an issuing agency for the sale of war bonds and put united resources behind the war effort.

They have publicized by press and radio the part of mutual savings banks in supporting the Government and the need of further public help for that support. State and local groups and individual banks diverted a measurable part of advertising funds for this purpose. A liaison officer was appointed to coordinate efforts of the Treasury and mutual institutions in distributing War Savings Bonds. Other outstanding leaders of the mutual savings bank field took over the task of directing our great and growing effort to assure victory, so well exemplified in the successful Fourth War Loan.

Mutual institutions, up to a late date, had sold one and a quarter billion dollars of War Savings Bonds. Without stressing too strongly the part of mutual savings banks in financing the war, the claim modestly can be made that mutual institutions have contributed as large a share of efforts and obtained as important results as any other group in the country. Indications point to a wider distribution of bonds in days to come because of improved organization and deepening public recognition that everyone should save for bonds. All of these efforts are educating a new generation of savers.

Mutual savings banks have a special responsibility to lead in the thrift educational movement of the present. Every officer and employe takes part in teaching the philosophy of thrift, the strongest ruling force in our economy. For some years saving for opportunity and protection appeared to be neglected by many, since new concepts of protection—social security and unemployment plans—were projected to provide the typical citizen with security in time of need and old age. Now we see that saving continues to be the one unfailling means to achieve financial independence.

Generally, it is the goal for every employed person to save part of his earnings every pay day. This plan is not burdensome to most workers and especially provides an easy way to independence for those receiving higher wages than usual. Aside from the patriotic obligation, this well may be their best opportunity to acquire a ready capital for the future.

After an appropriate part of earnings has been set aside for War Savings Bonds, it still becomes the duty of every worker to upbuild his savings account. War Savings Bonds are long-term investments; a savings account always remains at hand in time of need.
tization basis, which provides for monthly payments regularly reducing the principal, as well as interest installments and, in many cases, an established part of taxes and fire insurance premiums.

Inevitably there are some individuals who, because of financial difficulties, unemployment and depression periods, find themselves unable to meet their mortgage obligations. However, the record of mutual institutions in dealing with distressed borrowers provides an outstanding example of public service.

Mortgage investments, which absorbed so large a part of mutual funds for so long a time, are difficult to obtain because practically all construction has been diverted to war purposes. Limited re-financing provides a restricted outlet for savings money in the form of mortgages. But mutual savings banks are studying methods and laying plans to take a vigorous part in new mortgage financing after the war, maintaining and broadening their leadership.

Funds received by mutual savings banks, whether in the form of deposits, interest upon investments, payments against mortgage indebtedness, or from various other sources of income, at once are put to work in essential channels. The building of a bond portfolio is one of the most responsible tasks that falls to officers and trustees.

Throughout the years mutual savings banks have supported the Government by investment of deposits in obligations of the United States, issued direct from the Treasury, or bought from established bond houses dealing in the open market. The Government, in every national crisis, has depended upon mutual institutions to supply money when needed.

Present war financing brought new and unequalled demands. Since Pearl Harbor, the greater part of all deposits accepted by mutual savings banks has been
invested in Government bonds. They now have so invested approximately six billions of dollars out of more than 12 billions of assets. In this way, mutual savings banks pour a steady flow of new money into the Treasury, besides their assistance in the distribution of War Savings Bonds direct to the public.

Another important outlet for the funds of mutual institutions lies in state and municipal bonds, a number of which, for practical purposes, rank as high in market security value as United States bonds. Mutual holdings of state and municipal securities total about a half billion dollars.

From the earliest period of American railroads, mutual savings banks were consistent supporters of rail financial requirements. It was the savings of the average man and woman in the East that built the railroads of the West. Principal rail bonds long ago were authorized by state laws as appropriate investments for mutual savings banks, which now have about 500 millions of dollars invested in such securities.

Mutual savings banks have invested more than 400 millions of dollars in utility bonds. Several years ago mutual institutions and the utility industry cooperated to obtain legislation which made utility bond investments legal for mutual savings banks. War conditions have opened unmeasured possibilities for the industry.

A few states permit mutual institutions to invest in other corporate bonds of premier quality. This trend has not developed very far, but the record of the best corporate bonds, reflecting the soundness of the companies behind them, conceivably will lead to closer association and more extensive investment of mutual savings bank funds in broad scale industry. Certain "mutual savings bank states" permit investment of such institutions in bonds of the Dominion of Canada and its provinces, as well as approved bank stocks.

All in all, the experience of mutual savings banks with regard to high-grade investments has been favorable, and the outlook for future investment of mutual savings bank and other large institutional funds is encouraging.
MUTUAL SAVINGS BANK FUNDS
SAFEGUARDED BY
CAUTION AND LAWS

IT IS REMARKABLE that no other sum of money in any way comparable to the deposits of mutual savings banks ever was safeguarded throughout such a long period of time with such a high degree of security. Primarily, this security has resulted from the wise management of mutual institutions. Secondly, they have had the benefits of the best legislative and supervisory judgment.

From origin the American banking system has undergone a continuous state of evolution. World War I brought an expansion of banking facilities far beyond the need. As an outcome, in the middle '20s, there were many banking failures. As a further development, a few western states set up insurance funds to protect depositors of suspended banks. Soon these funds proved insufficient and, in practically every case, left depositors with claims against defunct banks, but not mutual banks. Then came the trying days of late 1932 and early '33, when “banking holidays” were declared by state banking officials. These “holidays” meant that depositors were limited to withdrawals of small amounts of cash, or none at all. In the case of business organizations, restrictions affected transactions of every kind. In the case of individuals, it frequently was impossible to pay bills or obtain money for daily needs.

At that time all bank deposits amounted to about 42 billions of dollars and the total of money in circulation approximately was six billions. It became impossible to meet demands for currency. Banks strained their resources and those of the Federal Reserve System and the Treasury Department to obtain cash, when there actually was no urgent need for cash; yet the state of the public mind demanded cash, instantly.

THIS SITUATION grew more serious by the day until Franklin D. Roosevelt was inaugurated President, March 4, 1933. One of his first acts was to declare a “national banking holiday”, which closed all banks. Only banks able to show a high degree of security were permitted to re-open, including the mutual savings banks. Others were given time to put their affairs in order and were opened as opportunity permitted. Still others remained closed for weeks, some for months, and a number were liquidated. But the banking crisis had been broken. From that day forward it became the effort of the banks and the Government to re-establish the financial aspects of the American economic system.

The “banking holiday” re-awakened interest in the
theory of insuring bank deposits. Congressional legislation was enacted setting up the Federal Deposit Insurance Corporation, beginning business in 1933. This corporation later was authorized to insure deposits up to $5,000, the capital funds obtained partly from the Government and partly from member banks. In lieu of Federal deposit insurance, savings banks in several of the “mutual states” devised insurance systems of their own. Others joined the Federal corporation. A number of mutual savings banks are members of another Federal agency, the Federal Home Loan Bank System, designed to serve as a reserve credit system from which member institutions may borrow funds, using their mortgage investments as collateral. Each of these systems, state and Federal, is functioning satisfactorily.

Now that mutual savings banks are rebuilding their staffs, because of war conditions and resulting draft upon personnel, the public relations of mutual institutions assume more importance than ever before.

This term “public relations” is one of the most widely used in modern business, though its application is not always clearly understood. Public relations, in the sense that they apply to a mutual savings bank, really embrace the whole range of sound policies, practices, and everyday intercourse with patrons of the bank.

Sometimes public relations are thought of and talked about in big and imposing terms, yet it often is the man in uniform at the front door of a mutual savings bank who shapes the public relations of that institution. In general, the depositors of mutual institutions are men and women of average worldly experience, having only
a limited acquaintance with banking matters. Often they approach “my savings bank” with a certain timidity, because the very name of “bank” has an impressive if not a formidable ring to some of those unacquainted with banking. By reason of this psychology, the continuous efforts of every mutual savings bank worker—from office boy to chairman—is being devoted to the creation of confidence and cooperation upon the part of the bank and the public. Such an attitude of mind need not involve any elaborate forms of courtesy or services. Instead, a little plain, old-fashioned politeness and common sense do much to promote friendly relations with the public.

Every worker in a mutual savings bank has a definite individual responsibility to the bank and the public. It is their guiding thought that mutual institutions are public servants in the full sense of the term. Operated for the benefit of depositors, mutual workers have an intimate association with their communities. Conceived and developed in a spirit of benevolence, mutual institutions come within the category of the family church and school—as pointed out before.

Women are taking a larger part in mutual savings banking. Practically every bank in the system has increased the number of its women workers. By reason of their home training and understanding of family matters, they bring a special capacity to their work and, equally, have a special opportunity to perform services valuable to themselves, their bank, and their communities. A great deal has been said and written about “women in banking” and the reality has come true.

Mutual savings banking offers an especially gratifying career to man or woman. Every worker in a mutual institution has the consciousness of performing a job worth doing. Saving is the great mainspring of our war economy. Mutual institutions, having about one-eighth of all American bank deposits, and ranking as one of the principal buyers and distributing agencies of War Savings Bonds, hold a position in our new economy of which they may be justifiably proud—the banks of the people.
For Your Information:

This "mutual savings bank" is one of a system of similar institutions which, for generations, has been assisting the general public in solving its financial problems and in safeguarding its savings.

Many depositors have had savings accounts throughout the years with this bank but are unfamiliar with the history of mutual savings banks, designed to assist in the attainment of financial independence for the individual.

Accordingly, this booklet has been prepared and is given to you with our compliments, knowing that you will be interested in reading about the type of organization to which you entrust your savings.

We shall be pleased to elaborate upon any of the points discussed in the booklet.

Brunswick Savings Institution
Established 1858
A Mutual Savings Bank