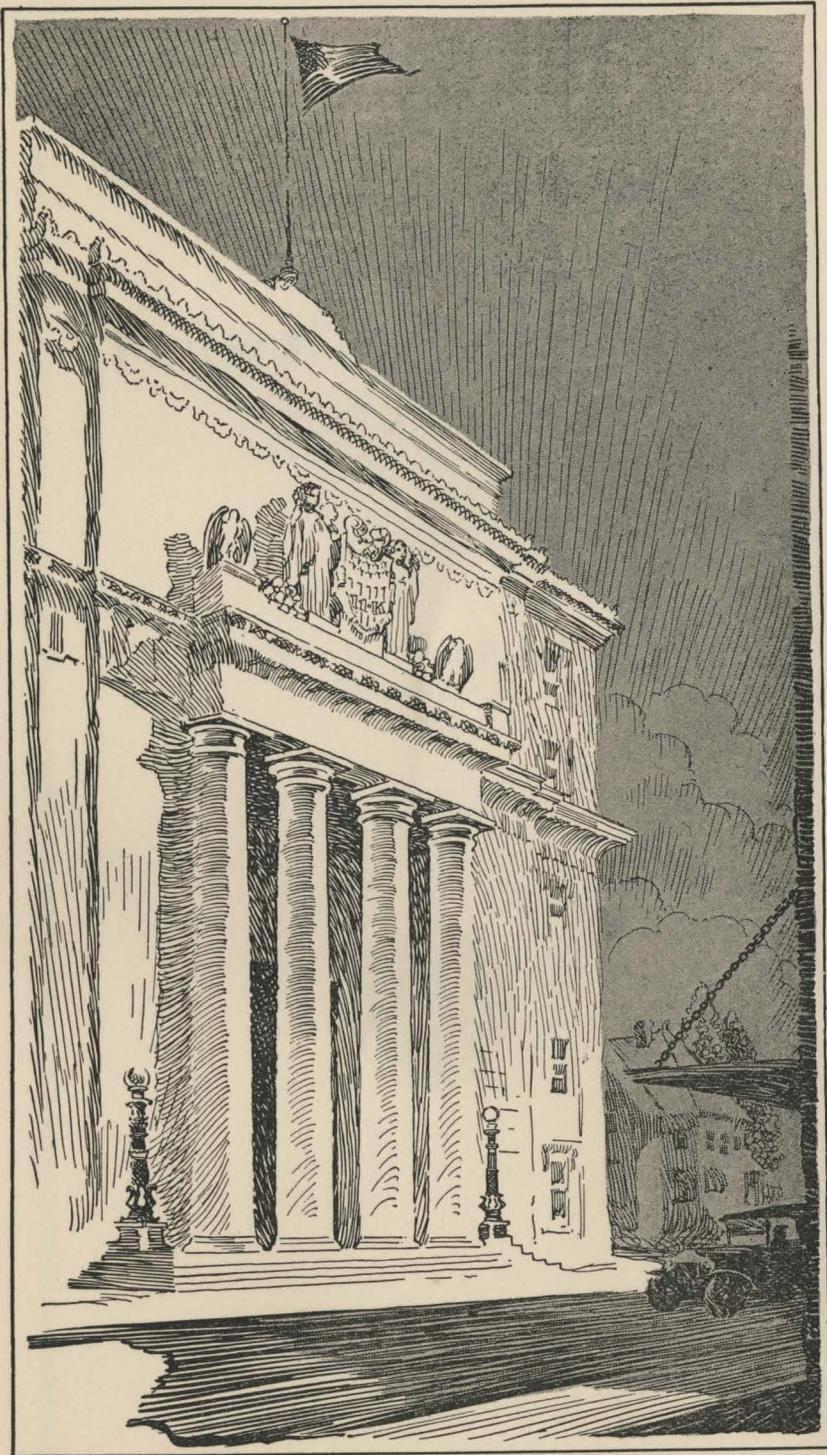


TENTH ANNUAL REPORT
of the
Federal Reserve Bank
of Dallas

For the Year Ended
December 31
1924



Eleventh Federal Reserve District



FEDERAL RESERVE BANK OF DALLAS

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Eleventh Federal Reserve District

LETTER OF TRANSMITTAL

Federal Reserve Bank

Dallas, Texas, February 26, 1925.

Gentlemen:

I have the honor to submit the following report concerning the operations of the Federal Reserve Bank of Dallas for the year ended December 31, 1924.

Yours respectfully,

LYNN P. TALLEY,
Chairman of the Board and
Federal Reserve Agent

Federal Reserve Board,
Washington, D. C.

**DIRECTORS AND OFFICERS
OF THE
FEDERAL RESERVE BANK OF DALLAS
1925**

DIRECTORS

CLASS A

J. H. FROST, San Antonio, Texas
HOWELL E. SMITH, McKinney, Texas
W. H. PATRICK, Clarendon, Texas

CLASS B

MARION SANSON, Fort Worth, Texas
FRANK KELL, Wichita Falls, Texas
J. J. CULBERTSON, Paris, Texas

CLASS C

LYNN P. TALLEY, Dallas, Texas
S. B. PERKINS, Dallas, Texas
CLARENCE E. LINZ, Dallas, Texas

OFFICERS

LYNN P. TALLEY, Chairman and Federal Reserve Agent	B. A. MCKINNEY, Governor
CLARENCE E. LINZ, Deputy Chairman	R. R. GILBERT, Deputy Governor
CHAS. C. HALL, Assistant Federal Reserve Agent	VAL J. GRUND, Deputy Governor
W. J. EVANS, Assistant Federal Reserve Agent	R. B. COLEMAN, Cashier
R. L. FOULKES, General Auditor	W. O. FORD, Assistant Cashier
CHAS. C. HUFF, General Counsel	REECE T. FREEMAN, Asst. Cashier
E. B. STROUD, JR., Counsel	W. D. GENTRY, Assistant Cashier
	J. L. HERMANN, Assistant Cashier
	E. B. AUSTIN, Assistant Cashier

EL PASO BRANCH

DIRECTORS

E. A. CAHOON, Roswell, N. M.	H. L. KOKERNOT, Alpine, Texas
A. P. COLES, El Paso, Texas	DWIGHT P. REORDAN, El Paso, Texas
G. D. FLORY, El Paso, Texas	W. W. TURNEY, El Paso, Texas
E. M. HURD, El Paso, Texas	

OFFICERS

DWIGHT P. REORDAN, Managing Director
M. CRUMP, Cashier
ALLEN SAYLES, Assistant Cashier

HOUSTON BRANCH

DIRECTORS

GUY M. BRYAN, Houston, Texas	E. F. GOSSETT, Houston, Texas
FRED W. CATTERALL, Galveston, Texas	FRED HARRIS, Houston, Texas
R. M. FARRAR, Houston, Texas	E. A. PEDEN, Houston, Texas
	J. C. WILSON, Beaumont, Texas

OFFICERS

FRED HARRIS, Managing Director
L. G. PONDROM, Cashier
H. R. DeMOSS, Assistant Cashier

MEMBER FEDERAL ADVISORY BOARD

W. M. MCGREGOR, Wichita Falls, Texas

TENTH ANNUAL REPORT
OF THE
FEDERAL RESERVE BANK OF DALLAS

The improved condition of business and industry in the Eleventh Federal Reserve District during 1924 was distinctly reflected in the operations of the Federal Reserve Bank of Dallas. The large volume of liquidation in 1923 at banks in the agricultural communities enabled them to start the year 1924 with heavy cash reserves and a much smaller amount of agricultural loans carried over from previous years. Thus fortified, the banks of the district, with very few exceptions, were not only easily able to finance the needs of their borrowing customers out of their own resources, but throughout most of the year carried a heavy surplus of idle money, which created a very strong demand for commercial paper, bankers acceptances and government securities.

The district's farm income for 1924 compares quite favorably with that of the preceding year, for, although the farmers' profits per acre were reduced by an increase in production costs and a decline in the price of cotton, this loss was largely offset by a larger yield, the production for 1924 being enhanced both by an increase in the acreage and a lighter loss from insect damage. The position of the farmers was also much stronger by reason of the fact that they had been able in 1923 to cancel much of their old indebtedness representing operating losses of previous years, and these conditions tended to bring about a more orderly marketing of cotton in the fall of 1924.

Distribution in wholesale and retail trade channels during 1924 was generally well in line with the very satisfactory record achieved in 1923. The improved financial condition of trade was evidenced by a sharp decline in the number and magnitude of commercial failures, the number of suspensions in this district during the year being 45 per cent less

than in 1923, while the indebtedness of failed firms showed a decrease of 72 per cent.

In the farming sections of the district banking conditions reflected the prosperity enjoyed by that industry, the banks attaining the most satisfactory position they have enjoyed for many years from the standpoint of liquidity of assets, although handicapped by a very marked decline in the earning power of their assets.

In the western part of the district, where the livestock industry predominates, there was but little improvement in the acute situation that has existed in that section in recent years. The process of liquidating outstanding credit obligations of the industry sustained in previous years by the producers and breeders of cattle made slow progress, and was complicated by a number of additional bank failures that added to the burdens of the situation. There are indications, however, that there has been some improvement in the industry, which is now in a somewhat stronger position.

On the whole, the situation in this district at the close of 1924 gave promise of a continuation of the recuperation and progress which have characterized business and industrial developments here during the past two years.

Reference is made to the annual report of the Federal Reserve Board for detailed statistical schedules covering the operations of the Federal Reserve Bank of Dallas in 1924.

FEATURES OF 1924 OPERATIONS

	No. of Pieces	Amount
Loans, rediscounts and investments:		
Notes discounted and rediscounted for member banks.....	48,019	\$148,382,530.78
Bills bought for our own account.....	6,882	121,236,001.22
Bills bought for other than own account.....	56	273,764.47
Purchase and sale of securities for our own account.....	314	97,447,700.00
Purchase and sale of securities other than own account.....	1,025	33,583,664.23
Currency and Coin:		
Bills received and counted.....	42,358,125	208,128,711.00
Coin received and counted.....	31,074,630	10,512,805.56
Check Collections:		
Checks collected.....	32,523,208	6,597,437,592.56
Collection items handled.....	136,487	162,618,976.69
Return items.....	778,360	34,226,725.13
U. S. Government checks paid.....	770,781	89,280,952.03
U. S. Government coupons paid.....	770,425	6,335,467.03
Transfers:		
Transfer of funds other than 5 per cent fund of national banks.....	79,498	3,320,027,788.85
Transfer of funds for 5 per cent fund of national banks.....	18,733	36,030,221.40
Fiscal Agency:		
U. S. securities issued, converted, redeemed, canceled and exchanged.....	198,366	123,011,617.16
Custody of Securities:		
Number of pieces received from outside sources.....	19,523	Not available
Number of pieces received inter-departmental transactions.....	29,521	Not available
Number of pieces delivered other than inter-departmental.....	45,520	Not available
Number of pieces delivered inter-departmental transactions.....	26,627	Not available

EARNINGS AND EXPENSES

The decreased volume of business handled is reflected in the bank's gross earnings, which were \$2,157,964, as compared with \$2,356,436 in 1923. Of this amount \$630,682, or 29 per cent, resulted from the purchase of bills, as compared with \$826,172, or 35 per cent, in 1923; \$531,356, or 25 per cent, resulted from the discount and rediscount of paper, as compared with \$1,170,022, or 49 per cent, in 1923. Current net earnings in 1924 were \$826,302, as compared with \$965,208 in 1923. The average rate on bills discounted was 4.40 per cent, compared with 4.50 per cent in 1923, and on purchased paper 3.66 per cent, as compared with 4.13 per cent in 1923. The annual rate of net earnings to paid-in capital was 20 per cent in 1924, compared with 23 per cent in 1923.

Current expenses in 1924 were \$1,331,662, as compared with \$1,391,228 in 1923, a decrease of \$59,566, or 4.3 per cent.

On December 31, 1923, after adjustments necessary in closing the books for the year had been made, the bank's capital was \$4,192,450, and surplus \$7,577,160. Semi-annual dividends were paid to member banks on June 30 and December 31, 1924, at the rate of six per cent per annum. After making provision for depreciation allowances and reserves to care for possible losses, the balance in current net earnings of \$15,236 was transferred to surplus, making that account \$7,592,396 on December 31, 1924.

INVESTMENT OPERATIONS

At the beginning of the year this bank held approximately \$6,700,000 U. S. securities, the major portion of which were of fairly short maturity, and approximately \$49,400,000 prime bankers acceptances, or a total of \$56,100,000 in its investment account.

During the year U. S. securities aggregating approximately \$57,600,000 were purchased from other Federal Reserve Banks, member banks and in the open market, while securities aggregating about \$38,800,000 matured or were sold during the year, leaving our holdings of U. S. securities on December 31 at about \$25,500,000. Purchases exceeded

maturities and sales during the first three quarters of the year, but sales and maturities exceeded purchases during the last quarter. During the year purchases of U. S. securities exceeded those during 1923 by approximately \$13,000,000, while maturities and sales in 1924 amounted to about \$10,000,000 less than in 1923. On account of the fairly steady rise in the price of U. S. securities during the first eight months of the year, the average yield on our holdings declined from about $4\frac{1}{4}$ per cent in January to approximately $3\frac{1}{4}$ per cent in August. During the last four months of the year the price declined slightly, with the result that the average yield on our holdings on December 31 was about $3\frac{1}{2}$ per cent.

During the year bankers acceptances amounting to about \$121,200,000 were purchased from other Federal Reserve Banks, member banks and in the open market, while \$144,500,000 matured or were sold to member banks, leaving our bill holdings at the close of the year at \$26,100,000. Maturities and sales to member banks were substantially in excess of purchases during the first three quarters of the year, but during the last quarter purchases were about twice as great as maturities and sales. During the year we acquired about \$11,500,000 less bills than in 1923, while acceptances maturing or sold in 1924 amounted to about \$34,000,000 more than in 1923. From January 1 to April 1 rates on acceptances ranged fairly steady from 4 per cent to $4\frac{1}{4}$ per cent. From that time until during the month of August rates declined gradually, when they ranged from 2 per cent to $2\frac{1}{4}$ per cent, rising slightly during the remainder of the year, and at the close ranged from $2\frac{3}{4}$ to $3\frac{1}{8}$ per cent.

A review discloses that our investments in U. S. securities and bankers acceptances declined at a fairly steady rate until May 26, when they amounted to \$24,452,000, the low point for the year, and that they did not vary to any great extent for about three months. Beginning with the latter part of August, our holdings of U. S. Government securities and acceptances were gradually increased and on December 31 amounted to approximately \$51,600,000.

DISCOUNT OPERATIONS

Advances to member banks by discounts and rediscounts were substantially less than in 1923. The total volume of paper discounted and purchased aggregated \$269,619,000, as compared with \$433,492,000 in 1923, a decrease of \$163,873,000, or 37.8 per cent.

The trend was seasonal, bills discounted fluctuating from a maximum of \$23,026,790 on August 28, to a minimum of \$2,672,056 on December 5, the lowest since the very early days of the bank.

Average daily holdings of bills discounted were \$12,081,000, as compared with \$25,993,000 in 1923. The number of banks served in 1924 was 492, a decrease of 125, or 20.3 per cent from 1923. Of the total paper discounted in 1924, \$51,978,000, or 35 per cent, consisted of notes secured by government obligations, compared to \$145,193,000, or 48.3 per cent in 1923.

RESERVE POSITION

The reserve position of the bank, which was largely regulated by the extent of open market investments in 1924, showed wide fluctuations during the year, ranging from a minimum, as of weekly report periods, of 43.4 on March 12, when cash reserves were \$42,977,000, to a maximum of 75.6 on October 15, when cash reserves were \$88,317,000.

The seasonal increase in reserve deposits and Federal Reserve note circulation during the last quarter of the year was accompanied by the lessened demand from member banks and gold holdings increased. During this period the bank's reserve position was strong, ranging from 56.1 per cent on September 10, when cash reserves were \$57,294,000, to 75.6 per cent (the maximum for the year) on October 15.

CLEARING OPERATIONS

The volume of checks handled in 1924 totaled 33,293,000, amounting to \$6,686,718,000, an increase over 1923 in the number of items handled of 2,586,000. The volume during the last three months of 1924 was exceptionally heavy, due to the utilization of funds realized through the marketing of the

fall crops. During this period the daily average was 120,000, as compared with 106,000 during the same period of 1923. The maximum number handled at the head office in one day was 125,580, on December 15, 1924.

The privilege of routing items direct to other Federal Reserve Banks for collection and credit on the books of this bank was availed of by 146 member banks in 1924. Notwithstanding the increase in the number of member banks using this service, which eliminates the handing of the items in our office, the year just ended witnessed a large increase in the number of checks actually handled in the Transit Department.

During the year 778,000 checks were returned for various reasons, a ratio of one returned for every 43 items handled. During 1923 the ratio was one to 50.

Clearings through the Reserve City Clearing House during the year aggregated \$1,125,000,000. This service, which effects a saving of one to two days, is of great benefit to the participating banks.

Non-cash collection items handled in 1924 totaled 136,487, amounting to \$162,619,000.

The clerical force in the Transit Department was reduced approximately eight per cent during the year.

MOVEMENT OF MEMBERSHIP

On January 1, 1924, the total number of national banks in the district was 670. During the year 17 national banks were chartered; 32 were dropped through liquidations, mergers and other causes, making a net decrease of 15, or a total on December 31, 1924, of 655.

On January 1, 1924, the total state bank membership was 193. During the year five state banks were admitted to membership. The membership of 15 state banks was terminated through liquidation, consolidations and other causes, making a net reduction of 10, or a total state bank membership on December 31, 1924, of 183.

The total membership by states, on December 31, 1924, was:

Arizona	National	6	State	2	Total	8
Louisiana	National	14	State	1	Total	15
New Mexico.....	National	23	State	1	Total	24
Oklahoma	National	35	State	5	Total	40
Texas	National	577	State	174	Total	751
		655		183		838
Totals.....		655		183		838

FEDERAL RESERVE NOTES

The average volume of Federal Reserve notes issued to this bank, in circulation in 1924, exceeded that of 1923, as the following table shows:

	1923	1924
Average	\$39,183,000	\$47,707,000
High	59,583,000	58,664,000
Low	26,768,000	39,584,000

In 1923 circulation was lowest in May and the peak reached in October, while in 1924 the low point was in July and maximum in November.

Although the movement of notes in 1924 began later than in 1923, it lasted much longer because of unusual weather conditions, open weather prevailing until mid-December. The average circulation for 1924 was 21½ per cent higher than in 1923, yet at no time in 1924 was it as high as in October, 1923, probably attributable to the fact that currency which had been shipped out the first part of the season to those sections of the district where the crop moved early had served its purpose and was returned in time to be used in supplying the needs of sections where the crop matured later.

An examination of the note circulation for the last three months of 1924 develops some interesting facts. During this period the maximum circulation was \$58,664,865 on November 7 and the minimum \$53,216,925 on October 1, a variation of \$5,447,960, yet during this period outgoing Federal Reserve note shipments aggregated \$25,790,750, a turnover of almost five times in three months, clearly demonstrating the value of the Federal Reserve note as a medium of circulation.

BANK RELATIONS

The Bank Relations Department has just completed the busiest year in its history. For the first time since the department was organized, its traveling representatives visited every member bank in the district during the course of the year's work, making a total of 877 visits to member banks, 307 visits to non-member institutions, four special visits, or a total for the year of 1,188, as against the previous year's total of 802. In addition to these visits, our field men were used in connection with a number of special missions for other departments, as well as special investigations incident to applications for the organization of new national banks and a few applications of state banks for withdrawal from the system. By comparison with the year 1923, the number of bank visitations in 1924 showed an increase of 48 per cent, while the net increase in the operating expense of the department was only 8 per cent, there being no increase in the number of field men employed.

BANK EXAMINATIONS

The Examination Department made 163 joint examinations in 1924 with state bank examiners, 12 independent examinations, and examined 13 non-member institutions in connection with applications for membership. In addition 11 special examinations of national banks were made, or a total of 199 examinations for the year, as compared with 200 in 1923. Close co-operation in this work was accorded both by the state authorities and the Comptroller's Department. Our examination staff, as in the previous year, consisted of three full-time examiners, with headquarters, respectively, in Dallas, Houston and Abilene, Texas.

COMPARATIVE SUMMARY OF EXAMINATIONS

	1924	1923
State Banks:		
Joint with State Examiners.....	163	177
Applicants for membership.....	13	8
Independent	12	10
	<hr/>	<hr/>
Total	188	195

National Banks:		
Joint with National Examiners.....	8	1
Independent	3	4
	<hr/>	<hr/>
Total	11	5
Grand total.....	199	200

INSOLVENT BANKS DEPARTMENT

During 1924, 18 member banks suspended business, of which 16 were indebted to this bank. These, added to the 27 banks already in process of liquidation, increased the number of failed banks handled by this department to 43. Of this number four have reorganized, seven liquidated in full and the balance due from one bank charged off, leaving a total of 31 banks now in process of liquidation with a net liability to this bank of \$2,173,299.24.

The employees handling this volume of work consisted of the following:

Office employees, 4; field representatives, 15; livestock inspectors, 3; livestock caretakers, 10.

Having disposed of practically all of the cattle and other livestock, it is expected that the field force will be reduced to five employees, effective January 15.

Grand total of collections for the year from all member banks indebted to us at the time of closing amounted to \$3,194,515.07.

INTERNAL ORGANIZATION AND PERSONNEL

The Board of Directors held eleven meetings in 1924, with an average attendance of seven. There was no change in the personnel of the Board during the year.

The following changes occurred during 1924 in the official staff of the bank:

W. C. Weiss, Manager of the El Paso Branch, resigned, effective March 11.

R. G. Emerson, Deputy Governor, resigned, effective March 15.

J. L. Lumpkin, Assistant Cashier, resigned, effective July 1.

R. R. Gilbert, formerly Cashier, was elected Deputy Governor, to succeed Mr. Emerson, effective March 15.

On February 7 an additional Deputy Governorship was created. Val J. Grund, formerly General Auditor, was elected to the position and assumed his new duties on March 15.

R. B. Coleman, formerly Manager of the Houston Branch, was elected Cashier at the Head Office to succeed Mr. Gilbert, effective March 15.

Dwight P. Reordan, formerly Assistant Federal Reserve Agent, but since September, 1923, Acting Assistant Manager of the El Paso Branch, was elected Director, and designated as Manager, to succeed Mr. Weiss, effective March 15.

R. L. Foulks, formerly Assistant Auditor, was elected General Auditor to succeed Mr. Grund, effective March 15.

Fred Harris, formerly senior Assistant Cashier, was elected Manager of the Houston Branch, effective March 15, to succeed Mr. Coleman.

W. J. Evans, formerly Manager of the Examination Department, but Acting Assistant Federal Reserve Agent since September, 1923, was appointed Assistant Federal Reserve Agent, to succeed Mr. Reordan, effective March 15.

J. L. Hermann, formerly Manager of the Transit Department, was elected Assistant Cashier, effective March 15, to fill the vacancy caused by the transfer of Mr. Harris to Houston.

On May 1 the Auditing Departments at the branches were discontinued and their functions, with the exception of certain verification, transferred to the Head Office. At the same time the positions of Assistant Federal Reserve Agents at the branches were abolished, and W. P. Clarke and S. H. Leavell, formerly Assistant Federal Reserve Agents and Assistant Auditors at El Paso and Houston, respectively, were transferred to the Head Office as Assistant Auditors.

E. B. Austin, formerly Manager of the Service Department, was appointed Assistant Cashier, effective August 1, to fill the vacancy caused by the resignation of J. L. Lumpkin.

The terms of Messrs. John T. Scott, Class A Director, Group 1, and Frank Kell, Class B Director, Group 2, expired on December 31, 1924. In the annual election conducted in November, J. H. Frost, Vice-President of the Frost National Bank of San Antonio, was elected to succeed Mr. Scott, and Mr. Kell was re-elected.

On December 27 the Federal Reserve Board announced the re-designation of Lynn P. Talley as Chairman of the Board and Federal Reserve Agent, and Clarence E. Linz as Deputy Chairman, for 1925.

On December 29 the Board announced the appointment of S. B. Perkins, of Dallas, as Class C Director for the three-year term beginning January 1, 1925.

On December 31, 1924, the total number of officers and employees of the bank and branches was 486, a reduction of 70 over the number on December 31, 1923.

FISCAL AGENCY OPERATIONS

The volume of business handled by the Federal Reserve Bank of Dallas and its branches in 1924 was less than in previous years as a whole. The decrease on original issues was especially heavy, the number of pieces delivered as original issues being about 20 per cent of those handled the preceding year. Redemptions showed a considerable decrease as compared with the previous year, principally on account of the large number of War Savings Stamps redeemed in January, 1923. A small increase is noted in exchanges, conversions and transfers of bonds. Subscription receipts canceled and reissued and miscellaneous items handled were in about the same volume as in 1923. The issuance of subscription receipts on original allotment was discontinued after the March 15 issue, and bearer securities delivered or trust receipts issued. The number of government warrants handled decreased two per cent from the previous year; also interest coupons showed a decrease of about 24 per cent. Transactions handled by the bank for account of the War Finance Corporation were about the same as the preceding year, a net reduction of \$9,000,000 in amount of loans outstanding being effected.

Sales of Treasury Savings Securities were handled until June 30, when the sales agency previously maintained in this district was discontinued by the Secretary of the Treasury. Purchases and sales of U. S. securities other than original issues were functioned through this department until May, when that work was transferred to the Loan and Discount Department.

On December 31, 1923, there were 43 regular and one temporary employees in the department, compared with 24 employees on December 31, 1924, one of which was temporarily transfered to another department. The reduction in number in 1924, compared with 1923, amounted to 45 per cent, the annual salary rate at the end of 1924 being \$40,160, as compared with \$74,210 for 1923.

OPERATION OF BRANCHES

The volume of business handled at the El Paso Branch in 1924, compared with 1923, is shown in the following table:

	Number		Amount	
	1924	1923	1924	1923
Notes discounted and rediscounted	5,347	10,437	\$17,577,180	\$35,339,439
Currency and coin shipments received	4,945	5,860	44,554,251	30,586,598
Currency and coin shipments forwarded	3,438	3,314	46,182,751	35,765,764
Transfers of funds.....	10,733	12,875	181,193,955	153,098,639
Check collections	2,439,059	2,436,146	329,189,098	329,339,750
Treasury warrants.....	179,504	197,040	19,392,633	17,198,448
Collection items handled.....	20,996	19,892	12,057,563	12,712,128
Return items	52,808	45,157	3,574,987	3,165,962

The expense of operation, excluding furniture and equipment, during the year was \$157,744, compared with \$168,787 in 1923.

At the beginning of the year 59 member banks (51 national and eight state) were attached to the branch. Four national banks were admitted to membership, while the membership of 17 (13 national and four state) was terminated during the year, leaving total membership of 46 on December 31, 1924.

At the end of the year the branch had three officers and 50 employees, compared with four officers and 66 employees on December 31, 1923.

The volume of business handled at the Houston Branch in 1924, compared with 1923, is shown in the following table:

	Number		Amount	
	1924	1923	1924	1923
Notes discounted and re-discounted	3,419	7,685	\$19,979,599	\$40,085,722
Checks collected	6,487,603	6,037,567	1,548,441,846	1,444,807,658
Treasury warrants handled	155,182	168,754	16,093,792	19,562,602
Collection items handled...	29,226	28,460	64,383,105	67,780,248
Return items	128,302	100,238	6,917,633	6,616,353
Transfer of funds	21,839	20,779	1,094,057,673	973,430,944
Currency and coin received			58,748,513	42,513,471
Currency and coin shipped			63,527,115	45,230,800

The expense of operation, excluding furniture and equipment, during the year was \$174,227, compared with \$191,068 in 1923.

At the beginning of the year 143 member banks (103 national and 40 state) were attached to the branch. Six national banks were admitted to membership, one of which was the conversion of a state bank member, making a net addition to membership of five. The membership of six state banks was terminated, leaving total membership of 142 on December 31, 1924.

At the end of the year the branch had three officers and 63 employees, compared with four officers and 66 employees on December 31, 1923.

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