

NH, Lancaster

****Lancaster National Bank***

Charter 2600

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[1881-1935]

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A latecomer to National Banking in the state

Name is still used today

History and Commentary

LANCASTER NATIONAL BANK (Charter 2600)

National Bank Chartered

No doubt after the tragic failure of the White Mountain Bank in 1865, and with memories of the earlier non-renewal of the Lancaster Bank in 1853, many residents of the town were skeptical of the banking system. However, in 1868 the Lancaster Savings Bank was chartered by the state and afterward did a modest business.

Whatever the reason, it was not until 1881 that Lancaster had its own National Bank catering to the needs of commerce, by which time the Littleton National Bank had been established in a nearby town.

The incorporators of the Lancaster National Bank included some of the district's leading citizens, namely William S. Ladd, Chester B. Jordan, Ira W. Drew, George Van Dyke, William Clough, F.P. Brown, Charles T. McNally, J.H. Dudley, Ossian Ray, W.R. Danforth, George M. Stevens, Charles A. Cleaveland, E.C. Garland, W.F. Dodge, B.A. Taylor, David H. Beattie, George R. Eaton, Frank D. Hutchins, Everett Fletcher, Burleigh Roberts, Charles A. Bailey, A.M. Beattie, J. I. Parsons, A.R. Evans, F.N. Day, John C. Pattee, E.W. Scribner, Robert McCarten, S. Cole, L.T. Hazen, and S.E. Paine.

Capitalized for \$125,000 the new Lancaster National Bank began business on January 1, 1882. George R. Eaton elected as the founding president, Everett Fletcher the vice president, and Frank D. Hutchins the cashier.

Among the directors, Ossian Ray, George R. Eaton, William Clough, Chester B.

Jordan, Anderson J. Marshall, and Everett Fletcher were residents of Lancaster, while Seneca S. Merrill was from Colebrook and Royal H. Porter and Henry O. Coolidge were from distant Keene.

Coolidge had been cashier of the Ashuelot National Bank of Keene and Royal H. Porter had been cashier of the Cheshire National Bank in the same town and had served since the bank's founding in 1864. The Cheshire National Bank made an investment of \$5,000 in 50 shares of the new Lancaster National Bank stock. At the time the Keene institution was having difficulty finding profitable local and regional loans and was making many distant investments.

Examiner Dearborn Pays a Call

The first audit of the new bank was on January 20, 1882, by C.V. Dearborn, perhaps the most widely experienced examiner in the state at the time. Of the authorized capital, \$80,261 had been paid in thus far. No bonds had been purchased to guarantee circulation. Loans and investments had been made to the extent of \$32,429.84, plus \$4,706.51 on deposit with the National Bank of Redemption, Boston, selected to be the correspondent bank in that city. Total assets of the bank amounted to 95,661.28, including \$14,472.29 deposited by customers.

The bank rented space for its offices and thus far had expended \$1,139 on furniture and fixtures. On hand in cash was \$4.94 in Fractional Currency bills (almost gone from circulation by this time) and minor coins, plus \$30 in silver and \$330 in gold coins, these kept in a "large iron fireproof safe with steel chest, time and other good locks." The bank's affairs were conducted on premises by cashier Frank D. Hutchins, who drew an annual salary. There were no clerks to assist him.

Examiner Dearborn's audit report to the Comptroller of the Currency was confidential at the time,¹ and included these remarks:

In accordance with instructions in your letter of the 15th of December last, I visited this Association on the 20th instant, taking the count at the close of business on that day. The notes and bills discounted including 77 pieces are entirely of a local character and nearly all business paper....

The capital stock to the amount stated has all been paid in cash in the first instance, but two demand notes of \$2,500 each with good collateral, one made by Mr. Ray a director and the other by his wife, were first given to the Cheshire National Bank of Keene (Mr. Porter, cashier) for money to pay into the bank on account of their subscription for stock. Those notes have since been purchased of the Cheshire National Bank by this bank and are now held as a part of the loan and discounts. I am not certain whether these will be deemed to be stock notes or not, and should like your opinion of the matter. There are no others....

This is a good location for a National Bank, there being no other in the state north of Littleton, and with a good lawyer for cashier, and with three able lawyers and two successful cashiers on the board of directors. I think they must do not only a large and successful business but must do it in accordance with the law.

¹ Many if not most of such reports were not unsealed until the early 21st century in connection with research for the present text.



Bird's eye view of Lancaster published in 1883, lithograph by Beck & Paul, Milwaukee.



This detail from the bird's eye view shows the two-story small wooden frame Lancaster Bank building near the center of the image, located two structures to the right of the one marked "20" on the roof, and a few steps to the left of the left end of the covered bridge.



The Bank Buys a Building

In 1882 the Lancaster National Bank directors, secure in the anticipation that the institution would operate on a profitable basis, and pleased with the reception already accorded to it, decided to purchase a building. For about \$3,000 (the amount carried on the books) a small two-story wood frame structure was acquired.² The building contained banking rooms on the ground floor and offices on the second, plus one or more rooms in the attic.

By the time of Dearborn's next visit, on April 12, 1883, the full capital of \$125,000 had been paid, and \$112,500 in National Bank bills had been received and put into circulation.

By this time cashier Hutchins had a clerk who was paid \$600 annually. Further:

Since my examination of this bank soon after it began business, January 20, 1882, the remainder of the capital has been paid in cash as certified and there are now no stock notes.

It has done a very good business, paid three percent in dividends the first day of January, made no losses, charged off all the furniture and fixture account, nearly all the premium accounts, and has accumulated a very respectable interest account.

The banking house has been purchased since my former examination and is a good investment. No interest is paid on deposits except in a few special cases and then at a low rate. There are 123 depositors and but one account overdrawn.

The bank remained strong and healthy, paid regular dividends from profits, and on May 16, 1885, Dearborn could offer high praise: "The business of this bank is increasing from year to year. It has made no losses, divided 6% and increased its undivided earnings \$4,000 and upwards. The officers of this bank seem to be making the most of a good opportunity to have as good a bank as there is in the state."

² Usually described correctly as two stories, but designed as one story in a later account (W.A. Heard, November 13, 1888).

An 1887 View of the Bank

The Lancaster National Bank reduced the amount of its currency sharply, to the point at which examiner W.A. Heard reported on February 10, 1887, that just \$28,800 worth of bills had been received and circulated. Cashier Frank D. Hutchins now drew \$1,500 annual salary, and his teller, Charles A. Bailey, earned \$750. Directors included president George R. Eaton, William S. Ladd, Frank D. Hutchins, Burleigh Roberts, Irving W. Drew, George M. Stevens, William Clough, Royal H. Porter, and H.O. Coolidge.

Heard advised the Comptroller:

Lancaster is the shire town of Coos County, beautifully located in the mountain region of northern New Hampshire about 40 miles from Canada line. It has a population close on to 3,000. The principal business of the surrounding country at this season is lumbering which is carried on to immense proportions. A large proportion of persons engaged in this enterprise are customers of this bank so that at this season of the year the bank has a demand for all the money it can raise to supply the needs of these parties, no other National Bank being nearer than 20 miles.

The directors are men of good business reputation, all but two live in the immediate vicinity of the bank, and they are endeavoring to manage successfully the business of the institution. The loans as you will observe are numerous [totaling \$219,182.89] and are well distributed within a circle of 20 to 25 miles.

In retrospect the directors of the Lancaster National Bank earned high marks for not succumbing to the allure of “western paper,” the high-yield bonds that turned in excellent results until the land and growth boom collapsed in the American Midwest.

Siwooganock Guaranty Savings Bank Formed

As certain other National Banks were wont to do, principals of the Lancaster National Bank set up an in-house bank for savings, such being able to write mortgages and engage in certain businesses from which the National Bank was prohibited by law. Certainly for the citizens of Lancaster the name selected, the Siwooganock Guaranty Savings Bank, must have been hard to remember and spell. Or perhaps not, as it endured thereafter. Officers of the savings bank included William S. Ladd, president, and Frank D. Hutchins, treasurer. Trustees included William S. Ladd, Frank D. Hutchins, George R. Eaton, Chester B. Jordan, William Clough, Everett Fletcher, and Charles A. Bailey.

Examiner W.A. Heard was in town again on November 13, 1888, and soon reported that all was well, as usual. A visitor to the bank was apt to see three staff members on hand: cashier Frank D. Hutchins, Charles A. Bailey (now promoted to assistant cashier), and clerk Harry F. Bailey. Often a bank had secretarial help as well, but this was not reported in statements and was charged among miscellaneous expenses. Examination of correspondence from this era, without specific reference to the Lancaster National Bank, reveals that most cashiers, presidents, and others wrote their own letters by hand.

The Lancaster National Bank completed the decade of the 1880s in a fine manner, well run, profitable, and with a strong and healthy business based on sound loans and investments, still notably free of “western paper.”

More Competition in the 1890s

The examination of March 28, 1890, by Charles M. Dorr, noted that founding president George R. Eaton was still in his position, as was the first cashier, Frank D. Hutchins. There was no assistant cashier, but William H. McCarten at \$600 annual salary and George R. Leslie at \$400 served as clerks. Assets totaled \$304,942.14, and \$28,800 was the amount of National Bank bills bearing the Lancaster imprint. During this era, many National Banks switched their investments from bonds deposited for currency, to other instruments deemed to be more profitable. Across the country in 1892 the circulation of National Bank bills dropped to a low of about \$192,000,000, as compared to \$361,000,000 a decade earlier in 1882.³

In 1891 the Lancaster Trust Co. was incorporated under a state charter, and on June 21, 1891, Henry O. Kent was named as president, Chester B. Jordan and George Van Dyke as vice presidents, Henry P. Kent as treasurer, and Willie E. Bullard as secretary. Directors included Henry O. Kent, Frank Jones (Portsmouth brewer who was developing multiple banking connections in the north country, George Van Dyke (lumber and railroad magnate), Ezra Mitchell, C.C. O’Brion, Chester B. Jordan, Erastus V. Cobleigh, Edward R. Kent, and Willie E. Bullard—a powerful roster of local and state men. This new commercial bank shared facilities with the older Lancaster Savings Bank chartered in 1868. Now, for the first time, the National Bank had serious competition with discount-type commercial loans.

Dorr, in his examination of June 2, 1892, told of changes in regional banking:

This bank has had to meet sharp competition from the Lancaster Trust Co., a new corporation with a capital of \$10,000 organized the past year. It has also lost some business by the establishment of the Berlin National Bank.

Notwithstanding these drawbacks their deposits show a gratifying increase. They have paid the usual semi-annual dividend and have added about one thousand dollars to undivided profits. The general condition of the bank is good and as the business of the town appears to be increasing, the future outlook is encouraging.

In the meantime the Littleton National Bank, whose existence antedated (1871) the Lancaster National Bank, continued to do much business in the same region.

The amount of National Bank bills received and in circulation jumped up to \$112,500 by time of Dorr’s audit of June 1, 1893. The aforementioned banking competition seems to have done no serious harm, for 4% semi-annual dividends continued to be paid, and the bank remained in healthy condition.

The Lancaster National Bank breezed through the 1890s, completely escaping the Panic of 1893 and, a few years later, the tough financial conditions experienced in many other areas of the state circa 1896.

Into the New Century

President George R. Eaton died suddenly at his home in Lancaster on February 11,

³ Cf. Peter Huntoon manuscript draft and notes, copy to authors in 2002.

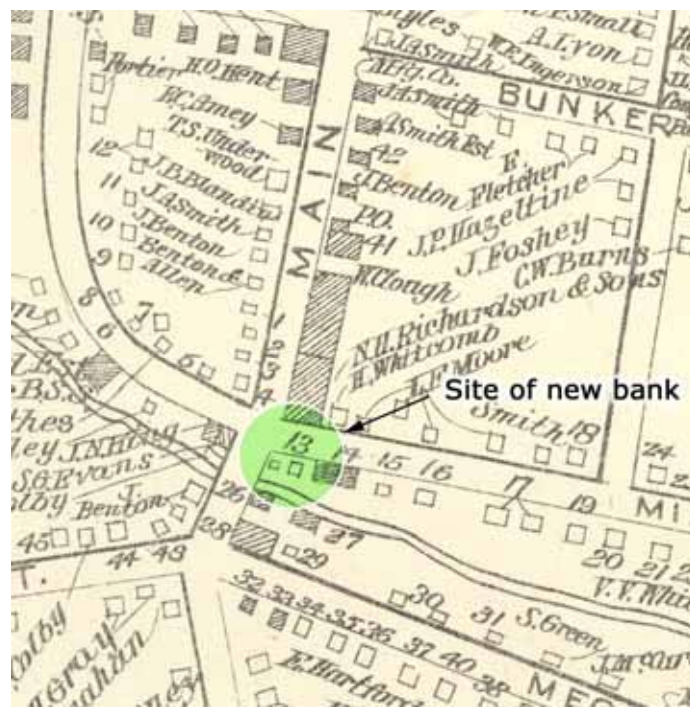
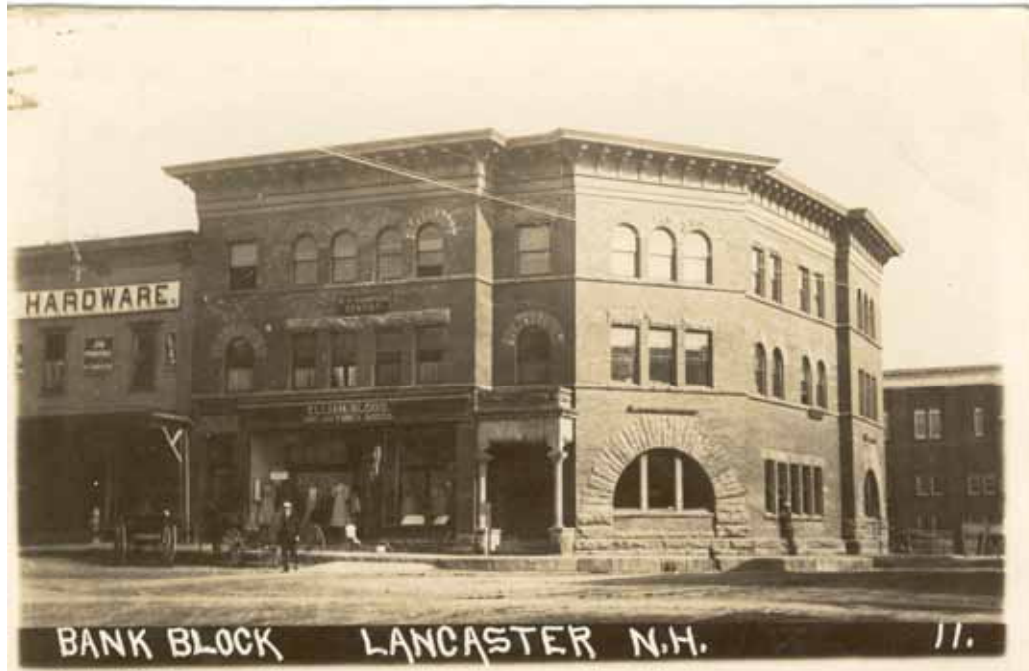
1900. George M. Stevens was elected president soon thereafter. He had been a board member of long tenure, was in the insurance business, and at one time was high sheriff of the county. This was the first change in the presidency since the bank's founding in 1881. Frank D. Hutchins remained as cashier. Burleigh Roberts served as vice president, William H. McCarten held forth as teller, and Roger Rhodes did his duties as bookkeeper.

The report of June 7, 1900, by E.H. Carroll, noted that the bank had acquired \$125,000 in 4% bonds due 1907, against which posted security the same amount was issued in National Bank bills, this being per new federal regulations of the year, permitting full circulation to the face value of the security.

The directors included president George M. Stevens, cashier Frank D. Hutchins (who also served as treasurer of the in-house savings bank), vice president Burleigh Roberts who was a dry goods dealer in town, bank teller William H. McCarten, attorney Irving W. Drew, physician William H. Leith, merchant Charles T. McNally from Groveton, hardware dealer James L. Moore, and merchant Kimball B. Fletcher.

In the meantime the Groveton National Bank had been chartered at \$25,000 (the minimum federal requirement) in a town not far from Lancaster. However, it was more of a sham bank than anything else and was a speculation projected by certain Berlin interests controlled by the rascally Albert H. Eastman, with whom bank examiners would play a cat-and-mouse game for the next decade. The new institution posed no threat of any kind to the Lancaster National Bank. On April 24, 1902, the Groveton National Bank folded its tent and quietly moved to Gorham, where it changed its name.

Similarly, the Coos National Bank of Groveton was chartered on May 1, 1900, with a capital of \$25,000. However, this bank would enter competition and remain such for most of the remainder of the currency-issuing period, during which time the town of Lancaster was included as part of its trading area. Eastman was not involved with the Groveton bank.



A New Building for the Bank

In 1902 construction began a handsome new brick headquarters for the Lancaster National Bank. Prominently situated in the heart of the commercial district, at the corner of Main and Middle streets, it was on the site of the wooden building the bank had occupied since 1882. In 1902 and 1903 the new edifice was carried on the books at \$18,000, increased to \$38,018.50 by June 1904, reflecting completion. In this era currency in circulation remained at \$125,000, equal to the full capital of the bank.

On January 26, 1906, examiner Norwin S. Bean noted that William H. McCarten had been newly elected as cashier at a salary of \$1,000, succeeding Frank D. Hutchins. Concern was expressed regarding large loans to the Connecticut Valley Lumber Co. and its main owner, George Van Dyke, but Bean was assured that all was well, despite the fact that Van Dyke borrowed funds heavily and from several different banks at the same time. The Siwooganock Guaranty Savings Bank continued to be maintained in the same facility, as it would for the remainder of the currency issuing era.

Bean in his examination of July 11, 1907, felt that the bank was overcapitalized: "The business of this bank shows no great change. \$75,000 would be ample capital. No bonds owned. The loan account comprises over 800 small notes." The reduction of capital would not have been a negative situation, so long as adequate funds remained on hand for loans. Such reduction would have resulted in a distribution of a cash refund to all shareholders. On the other hand, a reduction in capital might be viewed as a sign of weakness by the public, in an era in which many banks posted their capital, and sometimes their reserves and profits, prominently on the front windows or on plaques. The capital of \$125,000 was not reduced, and remained at this figure for the remainder of the period under study.

Loans to George Van Dyke

In his next audit, October 29, 1908, Bean included more comments about lumber baron Van Dyke:

The total liabilities of the Connecticut Valley Lumber Co., George Van Dyke, & Thomas H. Van Dyke are grouped at the head of my list. The relations between them are the Connecticut Valley Lumber Co., is a large lumber company of which George Van Dyke is president and chief owner. He is president of Colebrook, N.H., National Bank and most of the banks in this vicinity carry large lines of his paper.

Thomas H. Van Dyke is his brother, a large lumber operator, and a director of the Colebrook National Bank.

The Deerfield Lumber Company sells lumber to the Connecticut Valley Lumber Co., cut from land owned by the Somerset Land Co. The Royal Paper Mills Co., East Angus, Quebec, has been reorganized and succeeded by the Brompton Pulp & Paper Co., East Angus, Quebec. I do not understand the Royal notes to have any value now.

The Bury Pulp Wood & Lumber Co., Robinson, Quebec, is understood to be owned by Thomas H. Van Dyke, S.E. Watts, and A.B. Hunt. Dun [credit reporting agency] states that it is not incorporated.

Lancaster National Bank director Irving W. Drew is counsel for George Van Dyke. He is independently wealthy and his loan is secured by different collateral, and should not be counted against Van Dyke.

All the above paper is closely related. The bank does not treat it as excess, stating that it is composed of direct loans to George Van Dyke, Thomas H. Van Dyke, and I.W. Drew individually and business paper of the Connecticut Valley Lumber Co. It is my opinion that the relations between the Connecticut Valley Lumber Co., and George and Thomas H. Van Dyke are such that the success or failure of one would involve the others, and that while these loans may not be technically in excess they constitute larger accommodations to such closely allied interests than is prudent for this bank. The general reputation of George Van Dyke's paper is that it is always met eventually, but frequently not at maturity.

The next audit was by Harry F. Currier on May 12, 1909. He found the bank to be "in

good condition, well managed and moderately successful,” and the “officers capable, prudent and of good reputation.” He also commented on the loan portfolio:

The Van Dyke interests are still prominent in banks loans and discounts but from all information that I have there is no good reason to discredit these lines. Mr. George Van Dyke has always been slow in his interest payment and seems to think that any time within a month or so is near enough to maturity to pay or renew his obligations. He owns immense timber tracts and is believe to be wealthy, although a large borrower.

Not long afterward there would be a tragedy. George Van Dyke and his driver were seated in his car on a bluff at Turners Falls, Massachusetts, watching the log drive—countless logs that had jammed up the Connecticut River and were awaiting processing—a spectacular scene that drew many other onlookers along the river. Apparently, Van Dyke’s chauffeur put the automobile into the wrong gear, it leaped over the precipice and was smashed on the rocks below. The driver was killed instantly, and the severely injured Van Dyke lived for just a short time.

The Lancaster Bank’s loans to Van Dyke seem to have been taken care of by others concerned with his affairs and estate, as there is no later mention of them in audit reports.⁴

Business as Usual

During this era the examiners consistently referred to Lancaster as a “farming community,” with no mention of local industries. Nearly all loans were local or regional and were signed by at least two guarantors.

In 1916, William H. Leith, M.D., became vice president, succeeding the late Burleigh Roberts in the same post. Leith, a prominent physician, had been a director and friend of the bank for a long time. Daily business was supervised by cashier William H. McCarten. George M. Stevens continued as president. The president and directors visited the bank offices regularly, including during some examinations. In every instance, the auditors gave the institution a clean bill of health.

In 1921 the charter of the Lancaster National Bank was renewed. This necessitated redating the plates from which the Bureau of Engraving and Printing produced currency. On September 21 this letter was sent to the Comptroller of the Currency:

Dear Sir:

We are enclosing herewith our draft on New York in the amount of \$260 in payment for engraving plate for our new currency, as requested in your letter of the 19th.

Very truly yours.

William H. McCarten, cashier

On October 7 and 8, the new plates were completed—one plate with four \$5 bills and the other with three \$10 bills and one \$20. Afterward, printing commenced.

⁴ Also see Van Dyke information under the history of the Colebrook National Bank.



Leith Becomes President

The audit of August 29, 1924, by John B. Luiken reflected a change in the officers. Dr. William H. Leith had become president, succeeding George M. Stevens. H.A. Moore, a local merchant was now the vice president. William H. McCarten continued as cashier. Leith would serve as president to 1934, after which the post would be vacant in 1935, concluding the currency-issuing era under study.

The directorate in 1924 included Dr. Leith; lawyers Frank B. Pottle, Merrill Shurtleff, and Bernard Jacobs, manufacturers Rollin J. Brown and John H. Hinman, and merchant H.A. Moore, all from Lancaster, plus Garvin R. Magoon, a merchant from Coos, who sometimes styled himself as Sir G.R. Magoon, or simply Sir Magoon, from a title bestowed by a fraternal society. Total assets of the bank amounted to \$684,094.56, and bills bearing the bank's name totaled \$125,000, this being the standard figure for many years.

A later audit by Luiken, October 28, 1925, complained that director Hinman had frequent overdrafts at the bank, paid his debts slowly, and had overdue paper. Later, Hinman was prominent in real estate and was a vice-president of the International Paper Co. He continued to be delinquent in his payments.

New Paper Money

This letter reflects a change in paper money as the nation changed from the old large-size format in use since Civil War days, to smaller, more convenient dimensions:

Feb. 25th 1929

Comptroller of the Currency Washington, D.C.

Dear Sir:

I beg to return herewith the signatures asked for in connection with the new currency of smaller size, and the writer regrets very much that he did not get his signature in the center of the panels as asked for, so if you will send us another blank, I will return it with new signatures in the proper place.

Yours very truly,

William H. McCarten, Cashier

No longer did officers of the Lancaster National Bank have to ink-sign or rubber stamp their signatures. Henceforth they would be included as part of each note.

Slow Conditions in Farming

After his September 17, 1929, examination A.W. Green warned the directors that more of the bank's funds should be placed in more liquid assets. Although the depression was still in the future, across the state many banks were experiencing slow loan payments.

Green's next audit was on November 11, 1930, and it included this commentary:

This bank is located in almost entirely a farming section, potatoes and dairy, principally dairy. A meeting was held with directors and conditions discussed with them. The directors stated that although there is considerable slow farmers' paper in the bank, they consider it all collectible. They stated that farmers have been hit to a considerable extent through the rigid tuberculin test, necessitating replacement of cattle at a loss, and that prices for milk have not been favorable; however, that conditions have been improving and farmers are gradually building up, that loans are receiving their active attention and reductions in slow paper will be effected as rapidly as possible.

The matter of placing a reasonable proportion of the bank's funds in more liquid assets was discussed. The cashier stated that he has never seen the time in his long connection with the bank when this could be done without neglecting the farmers somewhat. Nevertheless, it was urged that all criticizable paper possible be collected and secondary reserves of reasonable proportions be established and maintained.

More from Green, in his audit the following year, on August 21, 1931:

Slow and doubtful paper should continue to receive vigorous attention in order to prevent or minimize losses therein. Doubtful amounts should be collected or losses determined and charged off.

The establishing and maintaining of secondary reserves of reasonable proportions was urged. The bank is located in an almost entirely farming section, potatoes and dairy, principally dairy, with some lumbering. A poor season in potatoes was experienced last year and prices for milk to farmers this year have been the lowest since 1915, it is said.

The next examination was by Howell B. Voight on September 14, 1932, who commented:

An uncollectible part of an excessive loan [beyond legal limits] portion of \$2,200 was charged to the "profit and loss" account on June 16, 1932. This entry should be reversed and personally assumed by the directors who approved the loan.

This bank is located in a farming section, and in view of present conditions the collection of loans is rather slow. The directors appear to be following the bank's affairs very closely and apart from the large lines and excessive loan listed in another section of this report there are no other matters which require special attention.

Strength

Voight was back at the bank on May 3, 1933, this being about in the depth of the depression. Among his comments he noted that the bank building, in which the Lancaster

National Bank owned half interest, was fairly assessed at \$42,000. This impressive building on a prominent corner of Main Street stands today and is still used for the same purpose.

The directors apparently are following the bank's affairs very closely. Due to the fact that this bank serves an agricultural community, many of the loans are very slow. Apart from the large lines and excessive loans appearing herein, there are no other matters which require special comment.

At a time when many other banks in the state and nation were failing or had hopeless losses in their investment portfolios, the Lancaster National Bank was sitting pretty, at least in a relative sense. Local farmers may have been slow in paying, but unlike manufacturers and big-city commercial interests, there were few insolvencies or bankruptcies. Times were difficult, but they muddled through, and in the long run the bank emerged at the other side of the depression in good health. Perhaps William Jennings Bryan was right in his famous 1896 "Cross of Gold" campaign speech, when he stated that the strength of America was truly in its farmlands, not in cities.

The last examination under study here was also by Howell B. Voight, December 11, 1935, at which time he could comment:

The character of the assets of this bank appear satisfactory with a reasonable amount subject to criticism. Similarly the character of the management appears satisfactory.