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AMERICAN NATIONAL BANKS EXPLOITING THE PUBLIC.—CONTOLLER OF CURRENCY EXPOSING TRAFFIC 30 PER CENT INTEREST PER ANNUM FOR LOANS

"Despite the statement of the banks generally that the interest rates on brokers' loans are raised or lowered simultaneously with the fluctuation in the New York call money market many instances of apparent discrimination were developed which show wide differences in the rates charged on demand loans equally well secured. For example, when 'renewal' rate for a certain day within the last twelve months was posted on the Stock Exchange at 16 per cent the report of one particular New York bank showed that on that date this bank was charging on loans for itself and correspondents 7 per cent on $4.900,000; 8, 9, 14, and 15 p. c. on $1,428,000; 18 per cent, on $750,000; 20 per cent, on $42,100,000, 25 per cent on $3,550,000, and 30 per cent on 900,000.

"The coterie of brokers which fixes the 'renewal' rate which appears to have such binding force upon the banks in New York City in the case of 'brokers' loan, does not limit its activities to loans but these brokers also execute orders for stocks and bonds on the floor of the Exchange. Inquiry of the Stock Exchange as to the number of brokers who are usually concerned in the fixing of the money rate brought the reply that there was, as a rule, 'four to eight or more,' the Stock Exchange being usually represented by either the President or one or more of its Governors in the consultations where the rate is fixed.

"On Nov. 10 a year ago this brokers' committee announced that the renewal rate on call loans would be 12 per cent The following day Nov. 11 they raised it to 14 per cent. On Nov. 13 the rate was raised to 16 per cent; Nov. 14 it dropped to 14 per cent; on Nov. 21 it was made 8 per cent: although other loans were made as low as 6 per cent, On Dec. 18 it was 6 per cent: Dec. 23 it was raised to 10 per cent; 29th to 12 per cent; on the 30th to 15 per cent; and remained at that rate until Jan. 5, when it was lowered to 10 per cent On Jan. 31 the renewal rate was 12 per cent; the next day Feb. 1 it was advanced to 18 per cent; dropped to 14 per cent, on Feb. 2, advanced to 17 per cent on Feb. 5, and remained at 17 per cent until Feb. 9, when it was reduced to 14 per cent. On Feb. 17 it was 6 per cent, raised again on Feb. 26 to 10 per cent and continued at 10 per cent until March 4, when it was reduced to 9 per cent. On April 16 the renewal rate was again 10 per cent. In May the highest renewal rate was 9 per cent. In June the rate was 9 per cent from the 25 to the 30th.

July opened with 10 per cent renewal rate. It was lowered during the month but returned again to 9 per cent on the 16th 17th and 27th. It is gratifying to note that since the publication of the controllers statement of July 31, regarding excessive interest rates, the renewal rate does not appear to have been advanced again as high as 10 per cent.

"It seems clear from the figures submitted that the amount of demand or call loans in the National and State banks and trust companies in New York City, plus the loans placed by them for their correspondent banks, which are affected by the rate fixed by this committee of the Stock Exchange, probably exceeds $1,000,000,000. As I pointed out in a previous statement, on this basis an advance in the renewal rate from 6 per cent to 18 per cent for one day would add $360,000 to the net profits of the lending banks for that day.

In the first part of January of this year; for example, the 15 per cent, 'renewal' rate exacted for six successive days meant on this basis, a net interest profit of about $3,000,000 or more for those six days.

"The raising or lowering of the renewal rate on the Exchange is frequently accompanied by upward or downward movements in stocks and securities; and those responsible for the fixing of the rate therefore have the opportunity, whether exercised or not, of profiting largely by operations an the stock market, which is so often and directly effected by the call money situation.

I do not, of course, undertake to say that this informed "money committee" does take improper advantage of this fore-knowledge, but there are critics who severely censure the existing arrangements. Certainly all prudent and thinking business men will agree that there is danger in the concentration of such opportunity and power in the hands of a few persons. Temptations to use this power for individual profit must arise, and human nature is not changed by high position in the financial world.—*The New York Times.*