

Full Story of that Mismanaged Institution

The testimony already taken by Senator Bruce's special committee to investigate the Freedmen's bank swindle is summarized by several Washington correspondents, and it is to be regretted that the scamps who perpetrated the villainy, which is now recalled, are sheltered from punishment behind the statute of limitations. The Freedmen's bank was suggested by the military savings banks Generals Butler and Saxton established for the colored troops at Beaufort, South Carolina, and Norfolk, Virginia, where deposits accumulated rapidly, many of which were never called for. Philanthropists and schemers united in rushing the act of incorporation through Congress, the one class thinking only of its benefit to the colored race, and the other working behind the same mask to have it loosely framed in their interests. The Senate restricted the operations of the bank to the District of Columbia, but the amendment effecting this was "lost" from the bill during its passage to the House, where it was again inserted, Salmon P. Chase being added to the number of trustees, as none of the rest were residents of Washington. The bill was not returned to the Senate, in spite of these amendments, which mysteriously disappeared before it was signed and printed among the states. It was in this manner that a law fathered by Sumner and signed by Lincoln became the shelter for one of the worst frauds of our national history. Peter Cooper, William Cullen Bryant, Gerrit Smith, Edward Atkinson and John M. Forbes were named by Congress among the trustees of the new institution. But a provision of its charter vacated the seat of a trustee failing to attend the meetings of the board for six months, and Henry D. Cooke, W. S. Huntington and Lewis Clephane members of Boss Shepherd's District of Columbia ring, soon had its management in their own hands.

The company was organized May 16 1865 with its chief office at New York and branches at Washington and 32 Southern cities. The colored people were mightily taken with the idea. Circulars bearing Lincoln's portrait baited them with the representation that the bank had Lincoln's countenance, and the legend on the pass books: "The Government has made this bank perfectly safe," conveyed the idea that deposits were guaranteed by Uncle Sam. They poured their money into it freely—\$805,167 in the first 10 months \$19,952,647 in the year ending March, 1871, and \$50,000,000 altogether before the bank was forced into liquidation in 1874. The bank was removed to Washington in 1867 and taken more entirely under ring management. Congress was wickedly careless in examining its affairs. Under the nominal presidency of J. W. Alford, Henry P. Cooke, Huntington and Clephane invested \$705,000 in Union Pacific and Central Pacific bonds, in violation of law, and made use of the "available fund," the one-third of the total deposits required to be kept on hand by the charter. Congress authorized the trustees to loan half of their deposits on mortgage in 1870, and they put \$50,000 in the bonds of the Berea Sandstone company, in which Cooke was interested. The bank was afterward loaded with \$95,000 worthless second mortgage bonds of the same company.

The panic of 1873 finally ran the bank aground, and Congress appointed ex Postmaster General Creswell, Robert Purvis and R. H. Leopold commissioners to wind up its affairs. They found the bank's books mutilated and the accounts purposely kept to cover up frauds. But enough was discovered to show that Boss Shepherd's ring had made the bank a secret partner in the district frauds which ran riot in Washington in those days, and had palmed off all sorts of bogus securities, which have been particularly specified in the testimony recently taken. A discrepancy of \$40,000 is also found between the ledgers and general account. The branches were as scandalously run as the Central bank. Two-thirds of the \$150,000 loaned at Jacksonville, Fla., and the \$130,000 loaned at Beaufort S. C., is probably lost. Cashier Carey at Atlanta, Ga., confessed a defalcation of \$8,000, and was the only one of the defaulters punished. Cashier Lee at Nicksburg made loans of \$11,000 which are a dead loss. Cashier Scovel at Beaufort stole \$10,000. Cashier Woodward at Mobile \$3,875. Cashier Macomber at Wilmington, N. C., \$2,416, and so on through the list. It was a general steal from Washington to the gulf. The colored dupes were paid back \$53,000,000 of their \$59,000,000 deposits, and the bank showed \$2,093,095 in assets when it failed. Dividends of 20 and 10 per cent. have since been paid, amounting to a little over three quarters of a million dollars, and \$153,300 is now on hand for another dividend. The commissioners think a total dividend of 50 per cent. will eventually be paid, if the bank's building and real estate are sold. This Senator Bruce's committee will probably advise, with the recommendation that the commission be discharged and the business turned over to the comptroller of the currency.