

Parish Bank vs. The Great Depression

A Look Back from 1991

By Harry Heninger and Scott Degitz

In 1912, a new bank was founded in the ol' border town of Momence, Illinois. Parish Bank, as it was called, was an independent bank founded by W.W. Parish because he didn't like the way other nearby banks were run. During the 1920's, the state ruled that there could be no more independent banks, and Parish Bank became Parish State Bank. As 1929 rolled around, Parish Bank hired my grandfather, Harry Heninger, to be a teller and a bookkeeper (a job which included sweeping sidewalks and cleaning spittoons). After 32 years of loyal service to the bank, he acquired the position of Vice President. Currently, he is winding up his 62nd year of service to Parish Bank. I spoke with him about the effect of the Great Depression on Parish Bank.

It was 1931 when the directors of the 1st National Bank of Momence (an establishment directly across from Parish Bank at the time) were called to Chicago by national bank examiners. If the directors desired to keep their bank open, they would have to put more capital into its account. They managed to amass \$20,000 - \$40,000 and 1st National was kept alive.

The situation continued to deteriorate at the bank, however, and before long the directors received another summons to Chicago. They refused to continue their ridiculous attempt to alter fate, and 1st National closed. The directors of 1st National Bank felt obliged to call Parish Bank, the only other bank of Momence, to warn them of this closure, for a run on Parish was destined to occur as the townsfolk heard 1st National's fatal end. On December 13, 1931, W.W. Parish chose to close his bank but felt sure that he could reopen in a short period of time.

Parish Bank's \$25,000 in capital vanished into thin air. Mr. Parish immediately found out what he'd have to do to reopen and it sounded like an unsurmountable task: he'd have to show the Auditor of Public Accounts that he had \$50,000 in capital and an additional \$7,500 with which the bank could do business.

He owned 1200-1500 acres of land in Momence and tried with all he had to borrow money off of it so he could reopen, but it just couldn't happen.

His next plan was a bit more fruitful. He asked his customers if, for every \$500 they'd had in his old bank, they'd buy one share of stock worth \$115 in a new bank. In addition, he offered them mortgage on his land. For every \$50 - \$100 they'd loan him, they would get a note for that amount on his property. Many customers agreed, and he inflated the potential bank's capital to within \$10,000 of the required amount. Try as he might, he couldn't find enough loaners to reopen. He wasn't giving up yet.

W.W. Parish knew a Greek man in Lake Village, Indiana who owned restaurants in Chicago and appealed to him for the additional \$10,000. The man would agree only if he could have a certain piece of Mr. Parish's property, a piece he'd already given notes on to his customers. He returned to Momence to authorize the deal with those who already had mortgage on the land. They gave him the go ahead and he finally reached his goal of \$57,500. There was one catch: he wouldn't receive the stock and mortgage money his customers were loaning him until the bank opened.

Therefore, he would have to go in search of another short-term loan. Off he went of Drover's National Bank in Chicago where he'd had an account before Parish Bank closed, and received a loan for the amount of his promised stocks and mortgages.

On November 17, 1932, Parish State Bank reopened its doors under the new name of Parish Bank and Trust Company. All accounts from the old bank were instantly reinstated in the new one, and the old depositors were allowed to receive 60% of the money they'd had in the old bank in cash. The other 40% was put into a separate account. This account was to cover all notes and securities of the old bank that the directors didn't consider in good standing. As these notes and securities were collected, the money was applied toward the 40% account of depositor's money.

This application helped to pay back that money, and in a few years, the entire 40% account was paid off. Thus, no one who'd had an account at the old Parish Bank lost any of their principal, only interest for the time the bank was closed.

On the first day the bank opened, all the workers were worried that there would be a run on the bank. Would people be willing to give Parish Bank a second chance or would they take the old money they'd almost lost while they could get it?

Deposits on the first day of the new bank's business were 3-4 times as much as withdrawals and Parish Bank successfully got on its feet again.

W.W. Parish's defeat of the Great Depression won him an enormous amount of respect from the people of Momence. When the Federal Reserve System initiated the FDIC, depositors at Parish Bank denied the need for such insurance, for their insurance was Mr. Parish's heart.

A heart that cared for them and would always spur him to do everything in his power to ensure the security of their money, and as he had shown, W. W. Parish had the power to work economic miracles.