SENATE

REPORT No. 1586

AGREEMENT OF INDEMNITY TO FIRST GRANITE NATIONAL BANK, AUGUSTA, MAINE

JANUARY 16 (calendar day, FEB. 18), 1936.—Ordered to be printed

Mr. HARRISON, from the Committee on Finance, submitted the following

REPORT

[To accompany S. 3777]

The Committee on Finance, to whom was referred the bill (S. 3777) to authorize the Secretary of the Treasury to execute an agreement of indemnity to the First Granite National Bank, Augusta, Maine, having considered the same, report favorably thereon without amendment and recommend that the joint resolution be passed.

The proposed legislation is identical with S. 1853, Seventy-third Congress, second session, which was favorably reported by the Committee on Finance on January 26, 1934, and which passed the Senate on February 6, 1934. The bill was reported favorably by the House Committee on Claims, but was not submitted to the President during that session of Congress.

The proposed legislation is recommended by the Administrator of Veterans' Affairs and by the Attorney General. There is attached hereto as a part of this report a letter addressed to the chairman of the committee by the Administrator of Veterans' Affairs, together with a communication from the Attorney General to the Administrator of Veterans' Affairs. In addition the Senate and House committee reports on S. 1853, Seventy-third Congress, second session, and other documents relating to the proposed legislation are attached hereto as a part of this report.

[S. 3777, 74th Cong., 2d sess.]

A BILL To authorize the Secretary of the Treasury to execute an agreement of indemnity to the First Granite National Bank, Augusta, Maine

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury be, and he is hereby, authorized and directed to execute, in the name of the United States,

2 INDEMNIPY FIRST GRANITE NATIONAL BANK, AUGUSTA, MAINE

and deliver to the First Granite National Bank, Augusta, Maine, upon receipt from such bank of \$8,547.83, an agreement of indemnity binding the United States to make reimbursement to such bank upon condition that such bank is required to make payment to bona-fide holders upon presentation of check numbered 21874, and dated July 1, 1926, in the amount of \$8,547.83, drawn by the First Granite National Bank, Augusta, Maine, on the New York Trust Company of New York, payable to George W. Wood, president of the board of managers (post fund), at the request of the Eastern Branch, National Home for Disabled Volunteer Soldiers, Augusta, Maine: *Provided*, That the Secretary of the Treasury shall, upon receipt of \$8,547.83, as hereinbefore provided, credit the general post fund of the Veterans' Administration in that amount.

> VETERANS' ADMINISTRATION, Washington, January 20, 1936.

Hon. PAT HARRISON,

Chairman, Committee on Finance, United States Senate, Washington, D. C.

MY DEAR SENATOR HARRISON: Reference is made to my letter of June 2, 1933, with which was transmitted a draft of a bill to authorize the Secretary of the Treasury to execute an agreement of indemnity to the First Granite National Bank, Augusta, Maine.

A full statement of the facts and history to date is furnished for the use of the committee.

On July 1, 1926, the First Granite National Bank of Augusta, Maine, issued check no. 21874 on the New York Trust Co. of New York payable to Geo. W. Wood, president of the board of managers (post fund), for \$8,547.83 at the request of the Eastern Branch, National Home for Disabled Volunteer Soldiers, Augusta, Maine. This check was mailed on the same date to General Wood at Dayton, Ohio, by W. T. Hanley, superintendent, post fund. On September 2, 1926, Lt. R. C. Humber, Inspector General's Department, War Department, found while inspecting the treasurer's accounts of the Eastern Branch that no acknowledgment had been received of the remittance. An inquiry at the bank brought forth the information that the check had not been cashed. On September 21, 1926, General Wood was notified that the bank would not issue a duplicate check without bond of indemnity. National Bank Examiner, W. P. McCall, notified General Wood on May 25, 1932, that in his examination of the First Granite National Bank, it was found that the check was still outstanding. On June 8, 1932, the manager, Veterans' Administration, Augusta, Maine (the National Home for Disabled Volunteer Soldiers having been made a part of the Veterans' Administration by the consolidation act of July 3, 1930, and the Executive order issued pursuant thereto by the President of the United States), was requested by the Director, National Home Service, Veterans' Administration, to again take the matter up with the bank with the view to securing the issuance of a duplicate check. This the bank refused to do without bond.

On February 25, 1933, the Director of Finance, Veterans' Administration, communicated with the bank advising that as the statute of limitation had run on this item and as the United States had taken over the general post fund, and, therefore, could not give bond, it was not thought that the bond would be necessary, and in reply under date of March 3, 1933, the bank again refused to issue duplicate check without bond. Under date of March 22, 1933, the Director of Finance, Veterans' Administration, communicated with the Comptroller of Currency outlining the problem and requesting suggestions, to which, under date of April 4, 1933, the Deputy Comptroller of the Currency replied in effect that no suggestions could be offered.

H. R. 5916 and S. 1853 were introduced during the first session of the Seventythird Congress. S. 1853 was reported favorably by the Committee on Finance (Rept. No. 238, copy enclosed), and passed the Senate February 6, 1934. It was reported favorably by the Committee on Chains, House of Representatives (Rept. No. 1784, copy enclosed), but was objected to on the floor of the House June 18, 1934, and, therefore, was not submitted to the President. The following is an extract from the Congressional Record regarding the objection in the House:

"FIRST GRANITE NATIONAL BANK, AUGUSTA, MAINE

"The Clerk called the bill (S. 1853) to authorize the Secretary of the Tressury to execute an agreement of indemnity to the First Granite National Bank, Augusta, Maine.

"The SPEAKER. Is there objection? "Mr. BLANTON. If the author of the bill is here, I would like to know why the Government should provide this indemnity. If he is not here, I object. "The SPEAKER. Objection is heard."

Before renewing request for this legislation, it was deemed advisable to receive a report from the Attorney General as to whether legislation, in his opinion, should be secured. The full facts were furnished the Attorney General as indicated by a copy of the letter of December 30, 1935, enclosed, and as will be noted from the copy of reply from the Attorney General, January 4, 1936, it is his opinion that legislation should be secured.

For your information I am enclosing copies of Private, No. 224, Seventy-fourth Congress, August 15, 1935, and Private, No. 41, Seventieth Congress, March 24, 1928, both acts being cited as precedents both in the letters of this Administration and the letter of the Attorney General.

I am also enclosing copies of H. R. 5916 and S. 1853, with the request that a similar bill be introduced this session of Congress.

It will be greatly appreciated if you will find it possible to give special attention to this proposed legislation. Very truly yours,

FRANK T. HINES, Administrator.

DECEMBER 30, 1935.

The ATTORNEY GENERAL OF THE UNITED STATES,

Washington, D. C.

SIR: Before requesting legislation as indicated by the enclosed draft of a bill,

your opinion is requested on the basis of the following facts and circumstances. On July 1, 1926, the First Granite National Bank of Augusta, Maine, issued check no. 21874 on the New York Trust Co. of New York payable to Geo. W. Wood, president of the board of managers (post fund) for \$8,547.83 at the request of the Eastern Branch, National Home for Disabled Volunteer Soldiers, Augusta, Maine. This check was mailed on the same date to General Wood at Dayton, Ohio, by W. T. Hanley, superintendent, post fund. On September 2, 1926, I.t. R. C. Humber, Inspector General's Department, War Department, found while inspecting the Treasurer's accounts of the Eastern Branch that no acknowwhile inspecting the 'Treasurer's accounts of the Eastern Branch that no acknow-ledgment had been received of the remittance. An inquiry at the bank brought forth the information that the check had not been cashed. On September 21, 1926, General Wood was notified that the bank would not issue a duplicate check without bond of indemnity. National Bank Examiner W. P. McCall, notified General Wood on May 25, 1932, that in his examination of the First Granite National Bank, it was found that the check was still outstanding. On June 8, 1932, the manager, Veterans' Administration, Augusta, Maine (the National Home for Disabled Volunteer Soldiers having been made a part of the Veterans' Administration by the consolidation act of July 3, 1930, and the Executive order issued pursuant thereto by the President of the United States), was requested by the Director, National Home Service, Veterans' Administration, to again take the matter up with the bank with the view to securing the issuance of a duplicate the matter up with the bank with the view to securing the issuance of a duplicate check. This the bank refused to do without bond.

On February 25, 1933, the Director of Finance, Veterans' Administration, communicated with the bank advising that as the statute of limitations had run on this item and as the United States had taken over the general post fund, and, therefore could not give bond, it was not thought that the bond would be neces-sary, and in reply under date of March 3, 1933, the bank again refused to issue duplicate check without bond. Under date of March 22, 1933, the Director of Finance, Veterans' Administration, communicated with the Comptroller of Currency outlining the problem and requesting suggestions, to which, under date of April 4, 1933, the Deputy Comptroller of the Currency replied in effect that no suggestions could be offered.

The Veterans' Administration has exhausted every means of having the money in question released to the Government. Before requesting legislation as indicated by the enclosed draft, it is deemed advisable to receive a report from your office as to whether legal remedy exists which may and should be enforced by the United States against the bank in question or whether, as was done in the *Biltmore-Oteen Bank case*, S. 1079 (Private, No. 224, 74th Cong., Aug. 15, 1935), or H. R. 10954 (Private, No. 41, 70th Cong., approved Mar. 24, 1928; 45 Stat. 1712), legislation should, in your opinion, be secured.

H. R. 5916 and S. 1853 were introduced during the first session of the Seventythird Congress (copies enclosed). S. 1853 was reported favorably by the Committee on Finance (Rept. No. 238, copy enclosed) and passed the Senate February 6, 1934. It was reported favorably by the Committee on Claims, House of Representatives (Rept. No. 1784, copy enclosed) but was objected to on the floor of the House June 18, 1934, and, therefore, was not submitted to the President. The following is an extract from the Congressional Record regarding the objection in the House:

"FIRST GRANITE NATIONAL BANK, AUGUSTA, MAINE

"The Clerk called the bill (S. 1853) to authorize the Secretary of the Treasury to execute an agreement of indemnity to the First Granite National Bank, Augusta, Maine. "The SPEAKER. Is there objection?

"Mr. BLANTON. If the author of the bill is here, I would like to know why the Government should provide this indemnity. If he is not here, I object.

"The SPEAKER. Objection is heard."

Should your report suggest legislative enactment, the reasons therefor will serve to supplement the reports heretofore made as the basis for meeting any objections which may be raised. If it is your opinion that action should be taken by your office in connection with the matter before legislation is considered, this Administration will be very pleased to furnish all necessary data in that connection.

Respectfully,

FRANK T. HINES, Administrator.

[H. R. 5916, 73d Cong., 1st sess.]

A BILL To authorize the Secretary of the Treasury to execute an agreement of indemnity to the First Granite National Bank, Augusta, Maine

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is hereby authorized and directed to execute, in the name of the United States, and deliver to the First Granite National Bank, Augusta, Maine, upon receipt from such bank of \$8,547.83, an agreement of indemnity binding the United States to make reimbursement to such bank upon condition that such bank is required to make payment to bona fide holders upon presentation of check numbered 21874, make payment to bona had noders upon presentation of check numbered 21874, and dated July 1, 1926, in the amount of \$8,547.83, drawn by the First Granite National Bank, Augusta, Maine, on the New York Trust Company of New York, payable to George W. Wood, president of the board of managers (post fund), at the request of the Eastern Branch, National Home for Disabled Volunteer Sol-diers, Augusta, Maine: *Provided*, That the Secretary of the Treasury shall, upon receipt of \$8,547.83, as hereinbefore provided, credit the general post fund of the Veterans' Administration in that amount.

[S. 1853, 73d Cong., 2d sess.]

AN ACT To authorize the Secretary of the Treasury to execute an agreement of indemnity to the First Granite National Bank, Augusta, Maine

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is hereby authorized and directed to execute, in the name of the United States, and deliver to the First Granite National Bank, Augusta, Maine, upon receipt from such bank of \$8,547.83, an agreement of indemnity binding the United States to make reimbursement to such bank upon condition that such bank is required to make reimbursement to such bank upon condition that such bank is required to make payment to bona fide holders upon presentation of check numbered 21874, and dated July 1, 1926, in the amount of \$8,547.83, drawn by the First Granite National Bank, Augusta, Maine, on the New York Trust Company of New York payable to George W. Wood, president of the board of managers (post fund), at the request of the Eastern Branch, National Home for Disabled Volunteer Soldiers, Augusta, Maine: *Provided*, That the Secretary of the Treasury shall, upon receipt of \$8,547.83, as hereinbefore provided, credit the general post fund of the Veterans' Administration in that amount.

[S. Rept. No. 238, 73d Cong., 2d sess.]

The Committee on Finance, to whom was referred the bill (S. 1853) to authorize: the Secretary of the Treasury to execute an agreement of indemnity to the First Granite National Bank, Augusta, Maine, having considered the same, report

favorably thereon without amendment and recommend that the bill do pass. The following letter from the Admistrator of Veterans' Affairs to the chairman of the Finance Committee explains the bill and is herein set out in full:

VETERANS' ADMINISTRATION, Washington, June 2, 1933.

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Hon. PAT HARRISON,

Chairman, Committee on Finance, United States Senate, Washington, D. C.

My DEAR SENATOR HARRISON: It is respectfully requested that you be so kind as to give consideration to introducing the enclosed proposed measure "A bill to authorize the Secretary of the Treasury to execute an agreement of indemnity to the First Granite National Bank, Augusta, Maine", in behalf of the Veterans' Administration. Precedent for such action may be found by reference to Private, No. 41, Seventieth Congress (H. R. 10954), approved March 24, 1928 (45 U. S. Stats. at L., pt. 2, p. 1712, ch. 241).

The facts making the enactment of such a measure necessary are as follows: On July 1, 1926, the First Granite National Bank of Augusta, Maine, issued check 21874 on the New York Trust Co. of New York payable to Geo. W. Wood, 21874 on the New York Trust Co. of New York payable to Geo. w. wood, president of the board of managers (post fund), for \$8,547.83, at the request of the Eastern Branch, National Home for Disabled Volunteer Soldiers, Augusta, Maine. This check was mailed on the same date to General Wood at Dayton, Ohio, by W. T. Hanley, superintendent, post fund. On September 2, 1926, Lt. R. C. Humber, Inspector General's Department, War Department, found while inspecting the treasurer's accounts of the Eastern Branch that no acknowledgment had been received of the remittance. An inquiry at the bank brought forth the information that the check had not been cashed. On September 21, 1926, General Wood was notified that the bank would not issue a duplicate check without bond of indemnity. National Bank Examiner W. P. McCall notified General Wood on May 5, 1932, that in his examination of the First Granite National Bank, it was found that the check was still outstanding. On June 8, 1932, the manager, Veterans' Administration, Augusta, Maine (the National Home for Disabled Volunteer Soldiers having been made a part of the Veterans' Administration by the consolidation act of July 3, 1930, and the Executive order issued pursuant thereto by the President of the United States), was requested by the Director, National Home Service, Veterans' Administration,

to again take the matter up with the bank with the view to securing the issuance of a duplicate check. This the bank refused to do without bond. On February 25, 1933, the Director of Finance, Veterans' Administration, communicated with the bank, advising that as the statute of limitation had run on this item and as the United States had taken over the general post fund, and, therefore could not give bond, it was not thought that the bond would be neces-sary, and in reply under date of March 3, 1933, the bank again refused to issue duplicate check without bond. Under date of March 22, 1933, the Director of Finance, Veterans' Administration, communicated with the Comptroller of the Currency outlining the problem and requesting suggestions, to which, under date of April 14, 1933, the Deputy Comptroller of the Currency, replied in effect that no suggestions could be offered.

The Veterans' Administration has exhausted every means of having the money in question released to the Government, and it would appear that there is no way of accomplishing this in the absence of legislation. I will appreciate very much a reply from you in order that we may know what action, if any, you are going to take. The same request is being made of Hon. Robert L. Doughton, chairman, Committee on Ways and Means, House of Representatives. A copy of this letter is enclosed for your use. Very truly yours,

FRANK T. HINES, Administrator.

[H. Rept. No. 1784, 73d Cong., 2d sess.]

The Committee on Claims, to whom was referred the bill (S. 1853) to authorize the Secretary of the Treasury to execute an agreement of indemnity to the First Granite National Bank, Augusta, Maine, having considered the same, report thereon with the recommendation that it do pass. This bill has passed the Senate, and its purpose and the facts warranting its passage are set out in the report of the Senate Committee on Finance, which is appended hereto and made a part of this report.

[S. Rept. No. 238, 73d Cong., 2d sess.]

The Committee on Finance, to whom was referred the bill (S. 1853) to authorize the Secretary of the Treasury to execute an agreement of indemnity to the First Granite National Bank, Augusta, Maine, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

The following letter from the Administrator of Veterans' Affairs to the chairman of the Finance Committee explains the bill and is herein set out in full:

> VETERANS' ADMINISTRATION, Washington, June 2, 1933.

Hon. PAT HARRISON,

Chairman Committee on Finance, United States Senate, Washington, D. C.

MY DEAR SENATOR HARRISON: It is respectfully requested that you be so kind as to give consideration to introducing the enclosed proposed measure "A bill to authorize the Secretary of the Treasury to execute an agreement of indemnity to the First Granite National Bank, Augusta, Maine", in behalf of the Veterans' Administration. Precedent for such action may be found by reference to Private, No. 41, Seventieth Congress (H. R. 10954), approved March 24, 1928 (45 U. S. Stats. at L., pt. 2, p. 1712, ch. 241). The facts making the enactment of such a measure necessary are as follows:

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The Veterans' Administration has exhausted every means of having the money in question released to the Government, and it would appear that there is no way of accomplishing this in the absence of legislation. I will appreciate very much a reply from you in order that we may know what action, if any, you are going to take. The same request is being made of Hon. Robert L. Doughton, chairman, Committee on Ways and Means, House of Representatives.

A copy of this letter is enclosed for your use.

Very truly yours,

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[PRIVATE-No. 224-74TH CONGRESS]

[8, 1079]

in the second point AN ACT Authorizing the Secretary of the Treasury to execute a certain indemnity agreement

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is authorized to execute, in the name of the United States, and deliver to the liquidating agent of the Biltmore-Oteen Bank, Biltmore, North Carolina, upon receipt from such liquidating agent of \$385, an agreement of indemnity binding the United States to make reimbursement to such liquidating agent in the event that such liquidating agent is required to make payment to a bona-fide holder upon presentation of draft numbered 380, dated November 7, 1922, in the amount of \$385, drawn by the Biltmore-Oteen Bank, Biltmore, North Caro-lina, on the Hanover National Bank, New York, New York, to the order of the Treasurer of the United States: Provided, That if the liquidating agent of the Biltmore-Oteen Bank is required to make payment to a bona-fide holder upon stational Bank, New York, New York, to the order of the Treasurer of the United States: Provided, That if the liquidating agent of the Biltmore-Oteen Bank is required to make payment to a bona-fide holder upon presentation of said draft numbered 380, the Secretary of the Treasury is author-ized and directed to pay, out of any money in the Treasury not otherwise appro-priated, the sum of \$385 to said liquidating agent, pursuant to the terms of the indemnity agreement authorized by this Act. indemnity agreement authorized by this Act.

Approved, August 15, 1935.

[PRIVATE-NO. 41-70TH CONGRESS]

[H. R. 10954]

AN ACT To authorize the Secretary of the Treasury to execute agreements of indemnity to the Union Trust Company, Providence, Rhode Island, and the National Bank of Commerce, Philadelphia, Pennsylvania

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of the Treasury is authorized to execute, in the name of the United States, and deliver to (1) the Union Trust Company, Providence, Rhode Island, upon receipt from such trust company of \$1,806, and (2) the National Bank of Commerce, Philadelphia, Pennsylvania, \$1,806, and (2) the National Bank of Commerce, Philadelphia, Penisylvania, upon receipt from such bank of \$16,676.71, an agreement of indemnity binding the United States to make reimbursement to such banking institutions upon condition that such banking institutions are required to make payment to bona fide holders upon presentation of check numbered 358; in the amount of \$1,806, drawn by Evarista Larravee, 50 Seymour Street, Providence, Rhode Island, on the Union Trust Company, Providence, Rhode Island, certified by such trust company, payee believed to be Bureau of Supplies and Accounts, Navy Depart-ment, dated between June 1 and August 29, 1922; and check numbered 1000 in the amount of \$16,676.71 drawn by Levin, Deluge and Kerschbaum, 35 South Third Street, Philadelphia, Pennsylvania, on the National Bank of Commerce, Philadelphia, Pennsylvania, certified by such bank, name of payee not ascertain-able, date believed to be in calendar year 1921 or 1922. able, date believed to be in calendar year 1921 or 1922.

Approved, March 24, 1928.

OFFICE OF THE ATTORNES GENERAL, Washington, D. C., January 4, 1936.

The Administrator of Veterans' Affairs,

Washington, D. C.

MY DEAR GENERAL HINES: I have the honor to acknowledge the receipt of your letter to me dated December 30, 1935, in which you ask my opinion as to whether legal remedy exists which should be resorted to in the case mentioned or whether in my opinion legislation should be secured.

It appears from your letter that at the request of the Eastern Branch, National Home for Disabled Voluntary Soldiers, Augusta, Maine, on July 1, 1926, a check was drawn by the First Granite National Bank of Augusta, Maine, for the sum of \$8,547.83 on the New York Trust Co. of New York, payable to Geo. W. Wood, president of the board of managers (post fund), and mailed on the same day by W. T. Hanley, superintendent, post fund, to Gen. George W. Wood at Dayton,

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Ohio; that this check was not received by General Wood, and has not been presented for payment, but is presumably lost; that request has been made by the Veterans' Administration, which is now entitled to the fund represented by the check, that the First Granite National Bank issue a duplicate check for the fund, but this request has been refused unless a bond is given to the bank to indemnify it against any loss on account of the outstanding check and that the Veterans' Administration, as well as the United States, is not authorized to execute such bonds; that during the year 1934 you endeavored to procure the passage by the Congress of a private act (copies attached to your letter) authorizing the Secretary of the Treasury to execute and deliver an indemnity agreement as required by the bank, and that this proposed act passed the Senate but failed to pass the House of Representatives.

Under these circumstances I have to say that in my opinion the proper course to be pursued is to renew your efforts to have the proposed private act passed by the Congress at its present session authorizing the Secretary of the Treasury to receive the fund referred to for the purposes mentioned in the proposed bill and to execute the necessary indemnity agreement. It is ordinarily the holdings of the courts that where a judgment is rendered in favor of a claimant on an outstanding negotiable instrument the party in whose favor the judgment is rendered is required to give an indemnity to the maker of the negotiable instrument especially, unless it appears that action on such instrument is barred by the statute of limitations. In this instance I am of the opinion that the United States has a legal remedy, but if the Congress would pass a special act as it has done in the instances referred to in your letter that remedy would be more expeditious than a resort to the courts.

The instances referred to in your letter, Private, No. 224, Seventy-fourth Congress, August 15, 1935, and Private, No. 41, Seventieth Congress, March 24, 1928, are cases similar to this, and it seems to me the Congress might very well grant the relief which you have sought in this case.

Respectfully,

HOMER C. CUMMINGS, Attorney General.

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