

BANKING

The rise of banking in New Albany is tied directly to the city's industrial expansion in the years following the Civil War. Two banking institutions were in business before the war, but the financial needs of the city's new factories resulted in the establishment of four new banks during and after the war. New Albany's financial institutions have played a significant role in the city's industrial and business progress from the days of steamboat building to the present . . .

New Albany had no bank during the first 19 years of its history. The early merchants often made small loans and kept money safely locked away for their customers. Manufacturing was on a small scale and did not need large amounts of capital.

But as the town increased in population and boatbuilding became an important industry, a bank was needed. The first financial institution which engaged in banking business was not really a bank at all. It was the New Albany Insurance Company, which carried on banking as a sideline. This company was granted a broad charter in 1832 which permitted it to loan money and carry on other banking business.

New Albany's first real bank was established two years later under the New State banking law which was enacted in 1834. It was called the State Bank and it constructed its own building at Bank and Main – the building now occupied by the New Albany Red Cross chapter. Bank Street then was called West Second, but the name was changed in honor of the bank. These two institutions – the New Albany Insurance Company and the State Bank - were the city's only banks for almost 30 years.

They handled many of the financial transactions of the shipyards and the building of the Monon Railroad.

Then in 1863, during the Civil War, the first Federal law regulating the establishment of banks was enacted. Immediately William S. Culbertson and other New Albany citizens secured the first Federal charter in the city and established the First National Bank. This new organization took over the old State Bank and moved into its building. In 1865 two more banks were established under Federal regulation – the New Albany Bank and the Merchants National Bank. Washington C. DePauw was one of the organizers of the New Albany National. Charles Fawcett, Edward Hangary and I. P. Leyden were active in the Merchants National.

In 1874 another New Albany bank – the Second National – was established under Federal regulation. Lawrence Bradley headed this new institution.

These banks provided much of the capital for the city's expanding industry. Many of the bank directors were also stockholders and directors of local manufacturing plants. During this period the old New Albany Insurance Company had concentrated more and more on the banking business. In 1857 it had changed its name to the Bank of Salem, though it was still in New Albany. In 1877 it became the New Albany Banking Company. It continued business until the Panic of 1892 forced it to close. The First National voluntarily went out of business about 1895 and the building at Bank and Main became a Knights of Pythias lodge.

After the turn of the century two new banks were established – the Mutual Trust & Deposit Company in 1904 with C. L. Balthis as president and Joseph Bruns, secretary treasurer, followed in 1907 by the Floyd County Bank with Robert W. Harris as president and John Vernia, vice-president.

Another new bank – the German-American Trust Company – was established in 1916 by Sam J. Elsby and others. A year later the United States was at war with Germany and the institution changed its name to the American Bank & Trust Company.

The depression of the 1930s and the bank holiday ordered by President Franklin D. Roosevelt brought many changes to New Albany banking. The New Albany National was closed and the Second National was taken over by a new organization – the present Union National. The American Bank & Trust Company became the American Bank. The Merchants National had merged with the Second National in 1907 after Garry Fawcett, an officer of the Merchants National had been shot and killed during an attempted hold-up that failed – the closest New Albany has come to a bank robbery.

The city's banking establishments today are the American Bank, Floyd County Bank, Mutual Trust & Deposit Company, Union National Bank of New Albany. They are an indispensable part of the community's financial affairs – as they have been since 1832.

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