Madison Bank & Trust Company

Founded: 1833

Location: Jefferson Street (1833–35); Main Street (1835–)

The history of the Madison Bank & Trust Company is inextricably linked with that of the state-established banking system. In 1833 the Indiana General Assembly passed an act chartering the state's second bank, creating a centralized bank with ten regional branches throughout the state, including one in Madison. The state owned one half of each branch, requiring local people to supply the other half of the capital needed for the establishment of a branch. James F. D. Lanier, a man who would later personally help to finance Indiana's war effort during the Civil War, was named president of the Madison branch. A two-story marble structure styled in the classical tradition was built to house the institution, remaining the bank's home for 120 years.

Lanier was born in North Carolina but raised in Ohio, moving to Madison, Indiana, at age seventeen with his father and mother. After graduating from the Transylvania Law School in 1823 he opened a practice in Madison. A year later he was made the associate clerk of the Indiana House of Representatives, rising to clerk in 1837. He left Indiana in 1849 to begin a banking business in New York City, remaining there until his death in 1881. Lanier remained president of the Madison branch of the Indiana bank until 1848.

In 1836 the bank opened an insurance department representing the Hartford Insurance Company. The insurance department remained an active part of the business into the 1980s. Some of the services available included fire, life, and auto insurance. In

1967 the insurance office was placed in a separate facility from the bank at the "old White property" on the corner of Third and Mulberry Streets.

After only four years in business the state banking system found itself in difficult straits. During the panic of 1837 many banks on the East Coast stopped allowing patrons to trade paper banknotes for specie (gold or silver coins) for fear that they would be depleted of coin and be forced to close. Indiana banks quickly followed suit, an illegal act under the bank's 1833 charter. In addition, the federal government, which had a large amount of specie in state banks due to local land sale revenues, began to withdraw its gold from state institutions, further weakening bank credibility and threatening the closure of some state branches.

The state board of the bank appointed Lanier to travel to Washington, D.C., to restore the bank's credit and to negotiate with the federal treasury. Lanier carried $80,000 in gold to Washington and persuaded federal officials of the solvency of the bank and of the wisdom of only taking out specie from the Indiana system on regularly scheduled intervals. In part because of Lanier's negotiations and the solid general practices of the Indiana system, the state bank was the only financial institution west of the Alleghenies not to fail after the panic of 1837. Three years later the state itself had overdrawn its accounts in the Second State Bank and catastrophe was narrowly averted through the use of over $722,000 in script payments to lenders.

In 1854 the Second State Bank folded due in part to the political influence of inflationists who wanted the bank to print more money and to the just criticism that the bank had not created enough currency to meet the demands of the growing state. The Democratic party, when it came to power in the state in 1850, pushed for the creation of a free bank law that would permit the creation of private banks. By 1854 many of the free banks were without a proper amount of specie on hand and were unable to redeem the paper currency they issued when individuals wanted coins rather than paper. A run on the free banks began in 1854, in part caused by coin brokers who wanted to take advantage of favorable market conditions caused by the Crimean War, causing the free banking system to collapse. The Third State Bank was established in 1857, with the Indianapolis institution as the central bank and nineteen branch locations, including one in Madison. The Third State Bank was a mixture of the free bank system and the more centralized system of the Second State Bank. In 1864 most of the branches became members of the national banking system.

During the Civil War the Madison bank switched to a national charter after the Third State Bank ceased operations. The new national bank had a capital stock of $300,000 and was renamed the National Branch Bank. After the war, Capt. Nathan Powell was elected president of the financial concern. He, his three sons, and his grandson guided the institution until 1916. Frank Powell organized the Madison Safe Deposit & Trust Company to carry out certain operations that banks were not permitted to engage in. The trust company began with a capital stock of $75,000. The Madison Safe Deposit & Trust Company and the National Branch Bank were sister institutions, with an interlocking board of directors and shared office space. William H. and Edward Powell followed their older brother as president of the two institutions. Edward's son, Charles Powell, was also named president, remaining in office only one year when John Tevis became president.

Tevis was active in the political life of Madison and Jefferson County. Beginning in 1892 he served two terms as county clerk. After leaving office he worked at the bank, helping to organize the trust operations of the sister institution and serving as its first secretary. He remained president until his death in 1943. Beyond banking, Tevis was active in the civic life of Jefferson County. As president of the bank he helped to establish Clifty Falls State Park, King's Daughters Hospital, the Madison Country Club, and the Madison Chamber of Commerce.

The Great Depression did not immediately affect the Madison bank. The Madison economy had been slumping for several years prior to 1929. The financial institution weathered the depression and even survived a 1931 bank robbery. Herbert L. Lyons became president in 1943, remaining as president until 1965 when he resigned to become chairman of the board of directors. After 1946 the bank expanded its services in tune with the growing economy of the late 1940s and 1950s.

In the early 1950s, after the federal government passed a new banking law, the bank's board of directors decided to merge its operations with the Madison Safe Deposit & Trust Company. The financial institution became the Madison Bank & Trust Company, the designation it retained in 1999. The combined assets of the financial institution totaled $10 million by 1955, and the number of employees stood at thirty-five.

The new entity needed a new home, and so the old building was razed, and a new $200,000 facility, made of Bedford limestone and black granite and designed by McClure & Shook of Indianapolis, was constructed. The new building offered more than two and a half times the floor space of the old facility. While the new building was being built, a section of the Gans Furniture store, next door to the bank, was used as teller space and the outside of the building was rigged with a night deposit box.

Beginning in September 1961 the bank began to offer modern services such as drive-up windows. Earlier that year Madison Bank & Trust had opened its first branch facility near the Hanover College campus, converting the town's old post office into a full-service banking facility. The second branch, housed in a mobile home until 1978, opened quickly thereafter near the new business and housing developments that had risen along the "Hilltop" near State Roads 7 and 107 since the 1950s. The bank could not open a branch within the Madison city limits until after the state government allowed branch banking within cities the size of Madison in 1963. Throughout the 1960s the bank aided civic groups or provided public service announcements by placing event schedules of groups within the bank's advertising space in the *Madison Courier*.

In 1967 the North Madison Bank merged with Madison Bank & Trust. After the merger the North Madison Bank building was used as a third branch office. All of the employees of the North Madison Bank were retained, bringing total employment at the firm to fifty-nine. By the mid-1960s, with the various mergers, the Madison Bank & Trust Company was the largest financial institution within a forty-mile radius of Madison, with assets that totaled more than $25 million. It offered a variety of services including night deposit, personal, commercial, and real estate loans, a trust department, travelers checks, and Christmas or vacation savings clubs, as well as traditional checking and savings accounts.

In 1965 Philip W. McCauley was named president by the board of directors. He had been the executive vice president since 1961, serving as a vice president and the cashier since the middle 1950s. McCauley had served in the bank in various capacities since 1930. He remained the president of the institution until 1976, when he retired to become the chairman of the board of directors.

In the mid-1970s the bank began offering a 24-hour cash machine, a unique service to the area at that time. The downtown offices of the thrift were completely remodeled in 1975, with, somewhat ironically, a retro look that gave the building a facade with an old Madison look. The financial concern also built a new drive-up branch office that cost $154,000 to construct. By 1975 McCauley could boast that the institution held more than $58 million in deposits and had undivided profits of approximately $1.1 million.

In the late 1970s the bank created a holding company to take advantage of recent federal and state deregulation legislation. Deregulation seemed to be good to the bank, and by 1980 deposits stood at $89 million. In 1984 the bank bought the First Bank of Madison, increasing its deposits to more than $135.5 million and pushing undivided profits to approximately $3.9 million. After McCauley moved to the chairmanship, Thomas V. Hambrick was named president, retaining the position until 1992.

The late 1980s and 1990s proved to be both a rewarding time and an era of change for the bank. In 1987 the bank lost its independent status, merging with Merchants National Bank of Indianapolis. Within five years Merchants was bought by National City Bank of Cleveland, Ohio. Profits and deposits continued to rise throughout the late 1980s and early 1990s. Before the merger with National City Bank, Madison Bank &Trust Company held assets of more than $200 million, falling somewhat after the merger to approximately $193 million.

In 1999 the bank employed fifty-five, total assets stood at more than $196 million, and profits were expected to reach approximately $2.4 million. The institution continued to be a part of the National City Corporation and had five branches within the Madison area to serve its customers.