

NATIONAL ASSOCIATION BANKS CANNOT LEND CREDIT

“In the federal courts, it is well established that a national bank has not power to lend its credit to another by becoming surety, indorser, or guarantor for him.” *Farmers and Miners Bank v. Bluefield Nat ‘l Bank*, 11 F 2d 83, 271 U.S. 669.

“A national bank has no power to lend its credit to any person or corporation.” *Bowen v. Needles Nat. Bank*, 94 F 925, 36 CCA 553, certiorari denied in 20 S.Ct 1024, 176 US 682, 44 LED 637.

“Mr. Justice Marshall said: The doctrine of ultra vires is a most powerful weapon to keep private corporations within their legitimate spheres and to punish them for violations of their corporate charters, and it probably is not invoked too often. *Zinc Carbonate Co. v. First National Bank*, 103 Wis 125, 79 NW 229.” *American Express Co. v. Citizens State Bank*, 194 NW 430.

“It has been settled beyond controversy that a national bank, under federal law being limited in its powers and capacity, cannot lend its credit by guaranteeing the debts of another. All such contracts entered into by its officers are ultra vires” *Howard & Foster Co. v. Citizens Nat’l Bank of Union*, 133 SC 202, 130 SE 759(1926).

“It is not within those statutory powers for a national bank, even though solvent, to lend its credit to another in any of the various ways in which that might be done.” *Federal Intermediate Credit Bank v. L ‘Harrison*, 33 F 2d 841, 842 (1929).

“A bank can lend its money, but not its credit.” *First Nat ‘l Bank of Tallapoosa v. Monroe*, 135 Ga 614, 69 SE 1124, 32 LRA (NS) 550.

“. . . the bank is allowed to lend money upon personal security; but it must be money that it loans, not its credit.” Seligman v. Charlottesville Nat. Bank, 3 Hughes 647, Fed Case No.12, 642, 1039.

“The contract is void if it is only in part connected with the illegal transaction and the promise single or entire.” Guardian Agency v. Guardian Mutual. Savings Bank, 227 Wis 550, 279 NW 83.

"Banking Associations from the very nature of their business are prohibited from lending credit." St. Louis Savings Bank vs. Parmalee 95 U. S. 557