



THE \$3 MILLION SWINDLE

The Freedman Bank

How the Freedman's Bank Cost
Newly Freed Black Americans Their
Savings

BANK FOR THE NEWLY FREE



On March 3, 1865, Congress incorporated the Freedman's Savings and Trust Company, commonly called the Freedman's Bank. The bank was created primarily for formerly enslaved Black Americans and their descendants to deposit and save the wages they could now legally earn.

Although the Freedman's Bank was a private corporation, its congressional charter and connection to the federal government led many Black depositors to believe their money was federally protected. However, the federal government did not guarantee the deposits, leaving thousands of newly freed Black Americans vulnerable if the institution failed.



BLACK AMERICANS SAVED MILLIONS

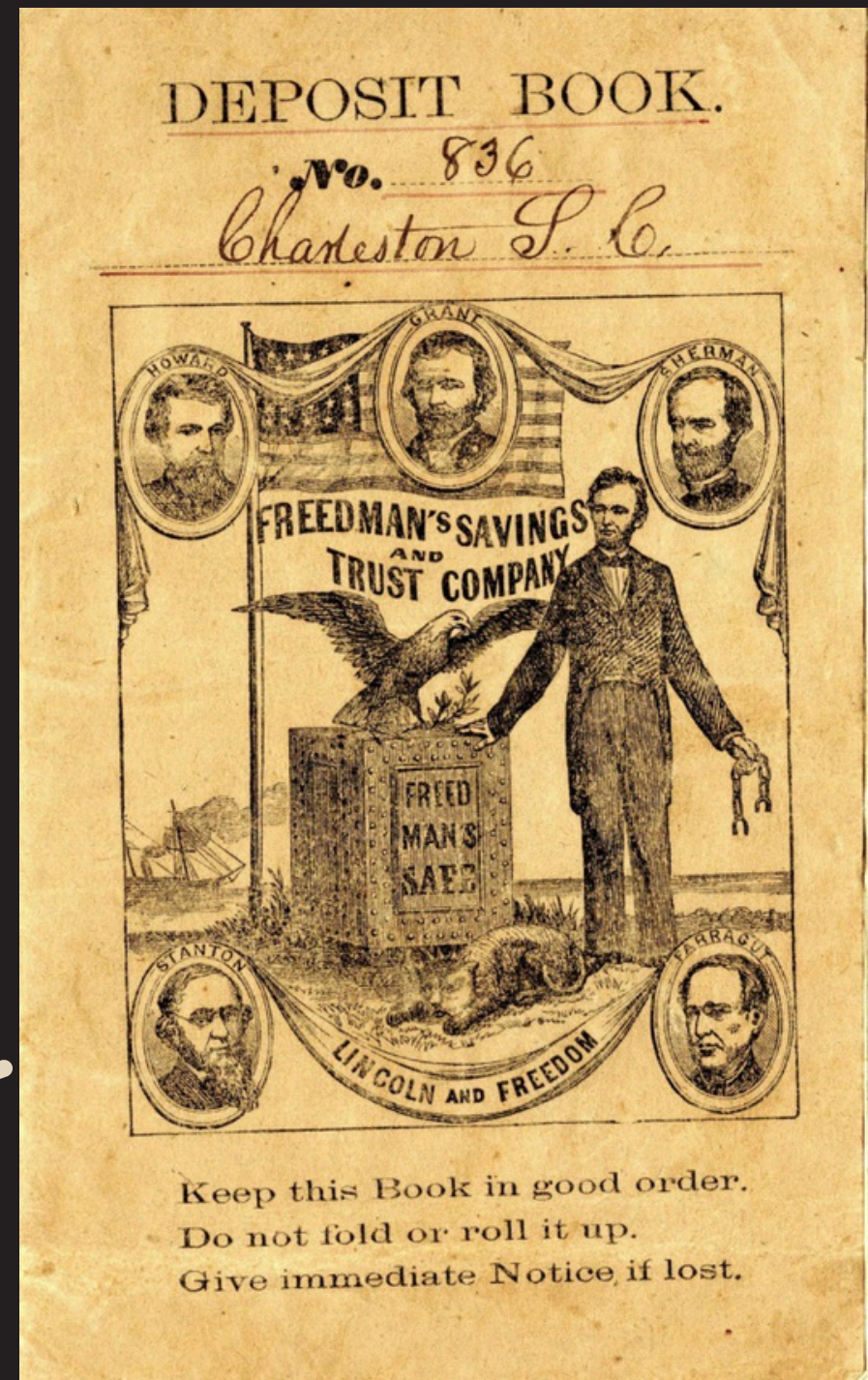


The failure of the Freedman's Bank was not due to a failure of newly freed Black Americans to save.

Farmers, laborers, nurses, seamstresses, carpenters, cooks, porters, Black churches, businesses, and beneficial societies opened accounts. Over its nine-year history, more than 70,000 clients placed money into the bank, with cumulative deposits exceeding \$57 million.

For people who had only recently emerged from slavery, these savings provided opportunities to purchase land, homes, livestock, and tools. The deposits provide evidence that newly freed Black Americans were actively attempting to establish financial security and accumulate property despite entering freedom with limited economic resources.

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THEN CONGRESS CHANGED THE RULES

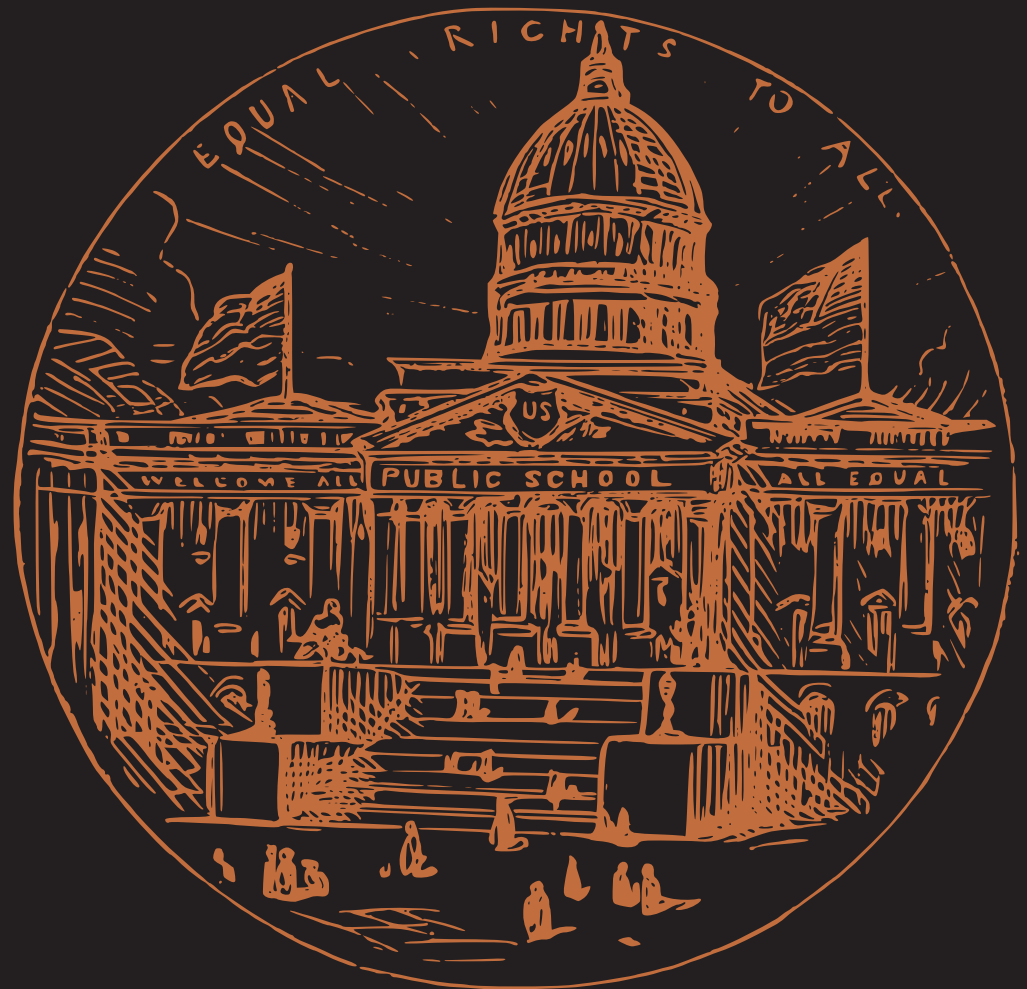


The original 1865 charter restricted how the bank could invest depositors' money and suggested that loans would not be made.

However, Congress amended the bank's charter in 1870 and removed some of those restrictions. Bank officials were now permitted to make broader investments and loans.

What followed included bad loans, overexpansion, mismanagement, abuse, and what the National Archives identifies as "outright fraud."

The savings of newly freed Black Americans were now being placed at greater risk.



FREDERICK DOUGLASS WAS BROUGHT IN



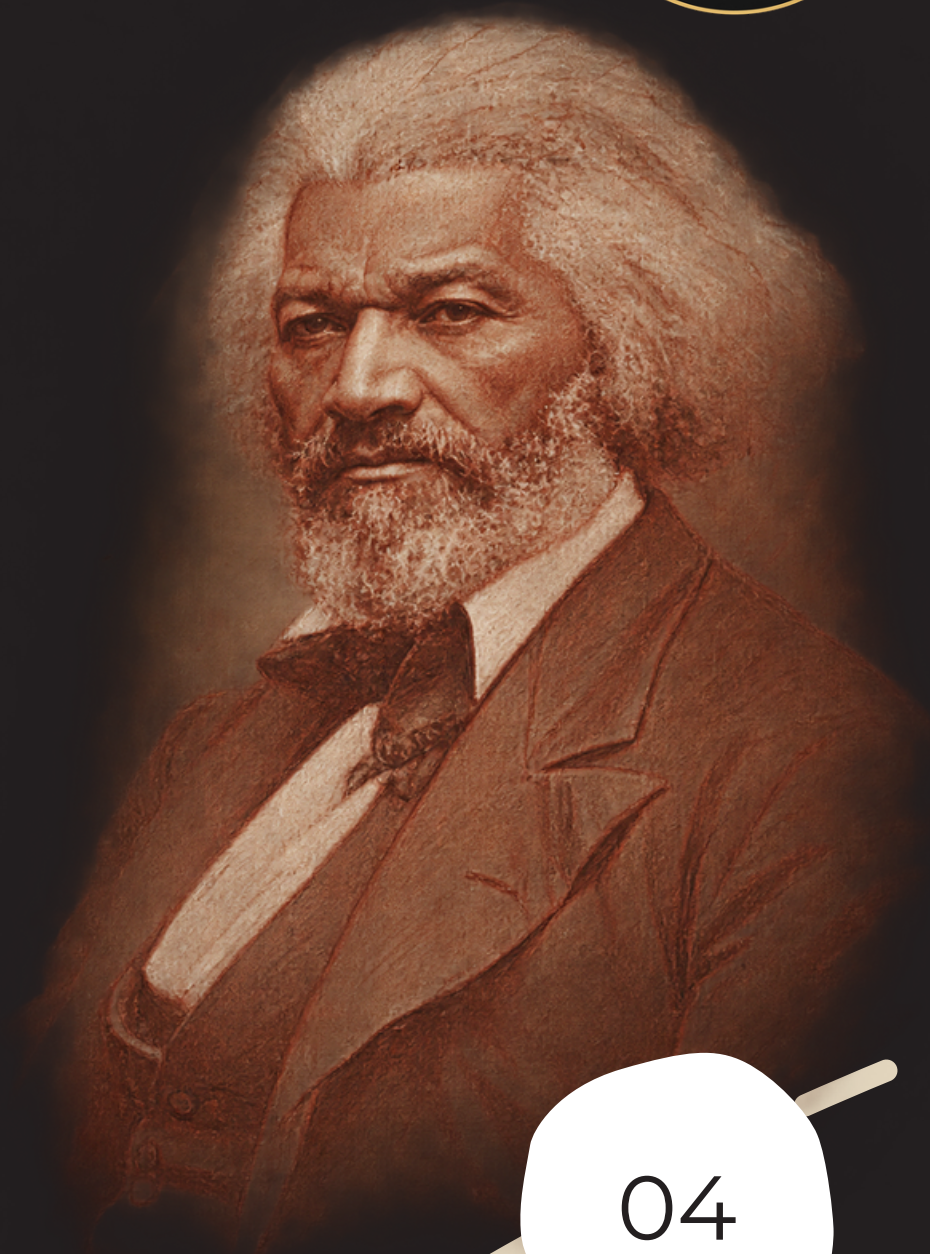
By 1874, the bank was already in serious financial trouble. Frederick Douglass was persuaded to become its president because bank officials believed his reputation would restore the confidence of Black depositors.

There was one major problem.

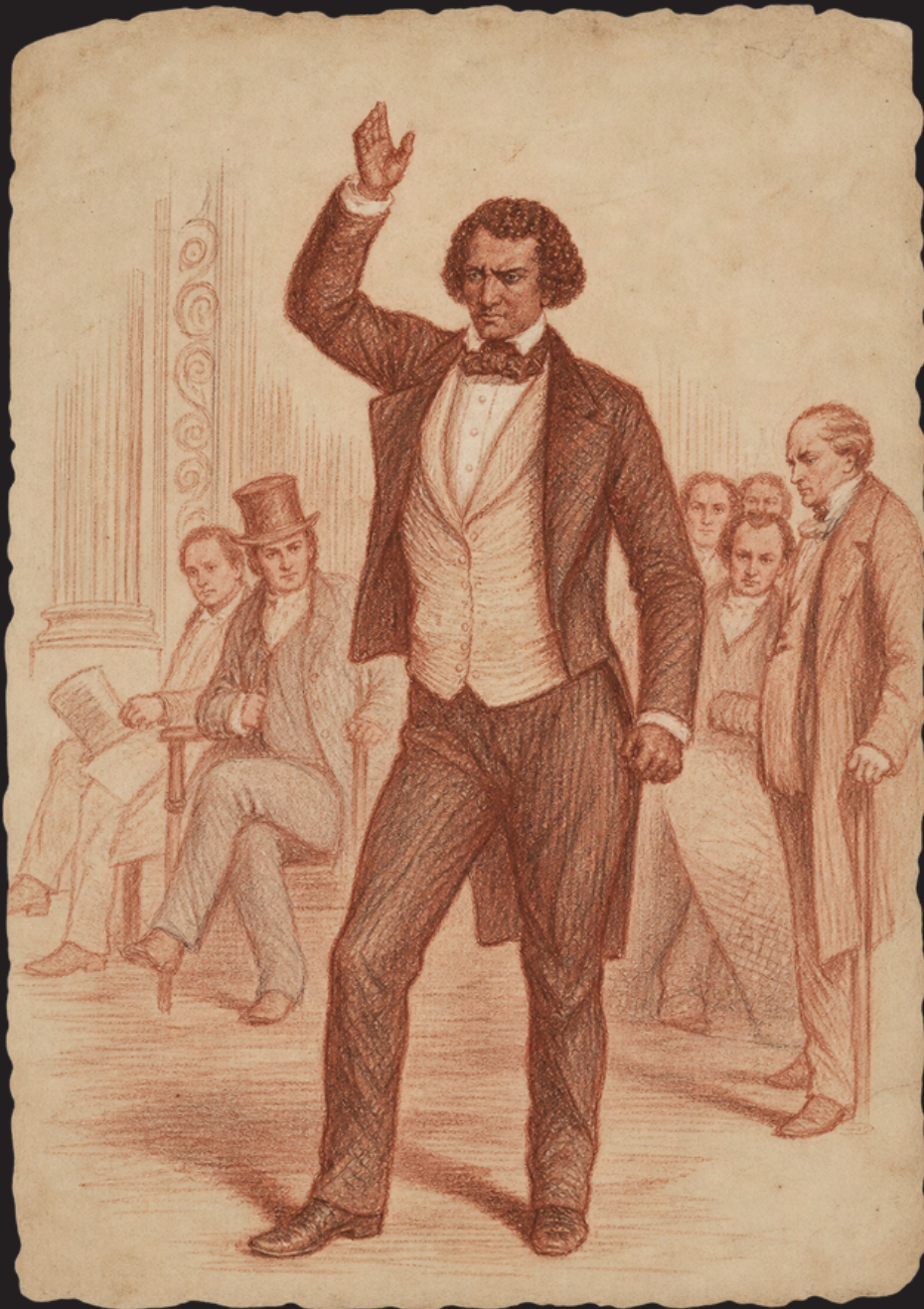
Douglass testified before the U.S. Senate in 1880:
"I knew nothing about banking."

Douglass stated that he accepted the position partly because he was told his leadership would help "inspire confidence in the soundness of the bank."

He had been asked to inspire confidence in an institution whose true financial condition he had not been told.



THEN DOUGLASS STARTED ASKING QUESTIONS



As president, Douglass discovered that the bank's main office and its branches were sending each other coded messages. Despite being president, Douglass was not given the information needed to understand them.

When he began asking what the messages meant, Douglass recalled receiving a look that suggested the information was "none of my business."

Within five or six weeks, he became convinced that the bank was insolvent.

Then he discovered something else:

"I found that I was the only trustee of the bank that deposited any money in it."

The people overseeing the bank were asking Black Americans to trust an institution that, according to Douglass, its own trustees did not trust with their money.



\$3 MILLION IN DEPOSITS. \$32,000 IN CASH



The Freedman's Bank closed in 1874.

At the time of its collapse, the bank recorded nearly \$3 million belonging to more than 60,000 depositors, but possessed only approximately \$32,000 in cash.

The Office of the Comptroller of the Currency records 61,144 depositors with losses of nearly \$3 million.

Years later, many were still waiting to recover their money. By 1880, only about 40 percent of the original value of the deposits had been refunded.

These were not simply numbers on a bank ledger. These were the savings of people who had been legally denied control over their labor only years earlier.

THE \$3 MILLION SWINDLE



The collapse of the Freedman's Bank challenges the assumption that newly freed Black Americans were unable to build wealth after slavery. Thousands of depositors saved millions of dollars only a few years after emancipation.

However, the institution created to support their financial independence ultimately failed them. Mismanagement, bad loans, and fraud contributed to the bank's collapse in 1874, leaving more than 60,000 depositors with nearly \$3 million in losses and disrupting an early attempt by Black Americans to build generational wealth.

Sources

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