

## THE BUILDING of a GREAT BANKING BUSINESS

**F**ORTY-FOUR years ago the investment banking business of S. W. Straus & Co. was founded. Today the Eastern and Western headquarters of this nation-wide organization are housed in buildings on Fifth Avenue, New York City and Michigan Avenue, Chicago, which stand out as landmarks in their communities and are regarded as distinguished architectural achievements, as well as buildings of high efficiency from the business standpoint.

When the business was young, it was conducted on a purely personal basis with a staff consisting of one bookkeeper and one office boy. One room in the old Sherman House, Chicago, was all that was necessary for the transaction of business. Frederick W. Straus, father of the present head of the business, negotiated all mortgage loans personally, inspected them himself and himself sold them to investors. The volume of business was small and the capital invested, as compared with present day standards, insignificant.

From that humble beginning has grown the nation-wide organization of S. W. Straus & Co., admittedly the first in its field of underwriting bond issues upon improved city real estate—first in financial strength, first in knowledge and experience, first in volume of business and first in the wide scope of its operations. It has offices in all principal cities and its organization, both in the purchase and distribution of securities, is unique in the investment banking field. It has financed thousands of buildings, aggregating in value upwards of a billion dollars, and its clients numbered by the scores of thousands are found throughout the United States and in practically every civilized foreign land.

Many factors have contributed to the growth of this great business institution. Most important of all of these is the fact that it was founded on the sound principles of working in good faith for the protection of the investor, for the good of the borrower and the good of the people of the community itself.

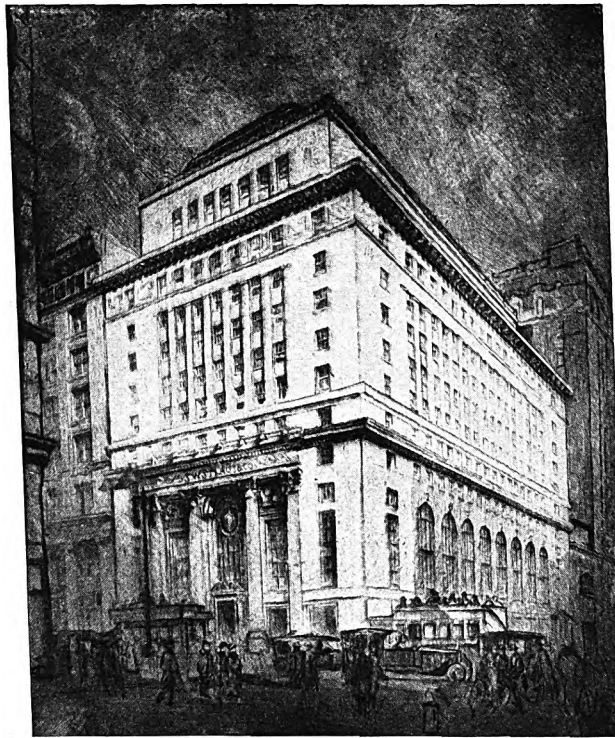
Frederick W. Straus opened his office in Chicago in 1882 after a residence of about 30 years in Ligonier, Indiana. Originally Mr. Straus conducted a small mercantile business; then he opened a private bank

and finally came his decision to leave the narrow restrictions of business proscribed by a rural community and test his mettle in the wider field offered by Chicago. His new undertakings were successful from the start and in 1886 S. W. Straus, now and for many years past head of the organization, entered the business.

The mortgage loan business of the 80's was very different in both its character and its extent than that carried on today. Then loans were made on single residences, often of brick or even frame construction. Floors were of pine; lighting fixtures for gas, and plumbing was of the most primitive type. These, however, were good loans because the margin of safety was large enough to protect the lender against adversity, and these individual mortgages found a ready sale.

At a later date there was developed the plan of making a larger mortgage available for a number of investors by requiring a series of notes payable over a period of years, and in this process may be seen the beginnings of the real estate mortgage bond as we know it today. As the business grew other innovations took place, until in the 90's money was loaned in large sums by dividing up mortgages into issues of bonds, which being of convenient denominations could be purchased by all classes of investors.

The history of S. W. Straus & Co. is in many respects a history of the first mortgage bond business, so numerous have been the features originated and developed through this organization and now in common use in the first mortgage field. Among these was the requirement that the principal be amortized and paid down year by year, and that these yearly payments be divided into twelve equal parts and deposited with the underwriting organization month by month. The benefits, both to borrower and lender alike, are obvious, for it results in a steady reduction in the amount of the obligation directly from the earnings of the property, so that no undue burden in meeting a large obligation faces the borrower at any time during the life of the loan, and the lender—the investor—constantly sees his security enhance



S. W. STRAUS CO. BUILDING, NEW YORK  
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through the steady reduction of the obligation.

This Company has contributed greatly to the upbuilding and rebuilding of American cities, to the replacement of old obsolescent structures with new, modern, fireproof buildings. Some of the most noted building operations of the past two decades were financed by S. W. Straus & Co. A few out of the many include, in New York, the Allerton Houses at 57th, 38th and 22nd Sts., the Ambassador Hotel, the Fiske Rubber Co. Building, 575 West End Avenue Apartment Building, 610 Park Avenue Apartment Building, 580 Park Avenue Building, the Murray Hill Office Building, the One Park Avenue Building, National Association Office Building, Pershing Square Office Building, the New St. George Hotel, the Westinghouse Building, and the Court and Remsen Building; in Chicago, the Burnham Building, the Allerton House, the Drake Hotel, the Lincoln Belmont Building, the Windermere, and the Chicago Produce District; in Atlantic City, the Ambassador and Ritz-Carlton Hotels; in Detroit, the Book-Cadillac Properties and the Book Building and Addition, the General Motors Building, and the 1700 Jefferson Ave. E. Apartment Building; in Los Angeles, the Ambassador Hotel, and the Gaylord Apartments; the Statler Hotels in various cities; in Pittsburgh, the Schenley Apartments; in Seattle, the New Washington Hotel and the Dexter Horton Building; in Dallas, the Cary-Schneider Building; in Louisville, Ky., the Brown Hotel; and in Philadelphia, the 19th and Walnut Sts. Apartment Building.

So far as is known S. W. Straus & Co. were the first lending organization in the city real estate field to establish Engineering and Architectural Departments, working both to the advantage of the borrower and the bond buyer. These departments have been developed to a point where they are of inestimable service to the architect or builder who brings a construction proposition to S. W. Straus & Co. for discussion. Every month there pass through the Straus organization more sets of plans and specifications than the individual architect or engineer could see in the course of a year. Knowledge and experience thus gained are at the disposal of those who come to S. W. Straus & Co. for their financing. While there is no disposition unduly to urge suggestions as to changes of plans or specifications, there have been many instances where modifications resulting from consultation with the Straus engineers and architects have worked for the benefit of all concerned.

Another development in the lending field for which S. W. Straus & Co. is responsible is the activities of the

Survey Department, which monthly collects building and construction statistics from a very large number of cities throughout the United States. Information thus secured is of the greatest value in determining what communities are in need of certain types of building, or what communities or sections of cities have reached the saturation point in certain lines of construction. S. W. Straus & Co. often have advised that a construction project be deferred or abandoned altogether, because building needs of the particular character suggested have been met. On the other hand, S. W. Straus & Co. naturally have been able to advise as to needed construction projects and such advice has been responsible for many of the most successful operations.

The essence of the Straus Plan, as the methods and policies laid down by S. W. Straus & Co. have come to be known, is that bond issues are underwritten only upon successful and profitable properties, with the result that to be a Straus financed undertaking is practically synonymous with being a successful proposition. In the long history of S. W. Straus & Co. no investor in Straus bonds ever has had to wait even a day for the payment in full of the principal and interest due him, and this is the logical result of the lending policies pursued by the organization. In another way the policy of S. W. Straus & Co. may be summed up by saying that unless a loan is good for the borrower it cannot be good for the investor. If the proposition is such as to yield the borrower a good return upon his investment, it necessarily follows that the individual bond buyer has a safe investment. If the undertaking is not profitable to the borrower, it is not likely to be so to the purchaser of the bonds.

Thus has the business of S. W. Straus & Co. developed over the four decades and more it has been in successful operation.

For many years S. W. Straus & Co. have been advertisers in *The American Architect*, in order that they constantly may keep in touch with the architectural profession and keep before it the message of S. W. Straus & Co. The constant flow of inquiries from the profession demonstrates both the interest of the architect in his publication and his desire to keep abreast of the times in that particular branch of his profession which relates to financing. More and more he is called upon to advise in matters of finance. It is natural that he should come to such an established institution as S. W. Straus & Co. for information, and through him S. W. Straus & Co. well are able to serve his client, the public.



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