



TREASURY DEPARTMENT

WASHINGTON

August 14, 1934.


COMPTROLLER OF THE CURRENCY

ADDRESS REPLY TO
"COMPTROLLER OF THE CURRENCY"

Memorandum to Mr. Eccles,

Assistant to the Secretary of the Treasury.

Sometime ago we were talking in regard to the policy of chartering banks. I told you at that time of the general policy of the Comptroller's office, and which is expressed in the attached extract from the Comptroller's annual report for 1927, which you will be interested in reading.


F. G. AWALT,
Deputy Comptroller.

Extracts from the Comptroller's Annual Report.

"This bureau is subject at all times to the demand for charters for new national banking associations. One of its most difficult problems is to avoid a conflict between the interests of the applicants and the needs of the community for additional banking facilities. There is a strong tendency on the part of many of those interested in securing charters for new banks to believe and to urge that because they or their associates are willing to risk their personal funds in capitalizing an institution a charter should be granted. The chances of success based on local banking and business conditions and the responsibility of investing the money of potential depositors which would be attracted to them is given but scant consideration. An analysis of the applications which this office has received for the establishment of new banks shows that there is too often a desire to organize banks in localities where the communities are amply served and which would not support new institutions with a likelihood of any fair measure of success."

"Extreme care should be exercised in granting charters, both for National and State banks. This has been my policy with respect to national bank charters. During the current year only 44 per cent of the number of applications received for the establishment of new national banks was approved, as compared with 52 per cent the previous like period and an average of 72.8 per cent over the eight prior years, with a high of 82.7 per cent just subsequent to the World War. In other words, despite the fact that the number of applications

Extracts from Comptroller's Annual report(continued).

received remains about the same, the number approved by this office is constantly becoming fewer and in the current year a less number of applications was approved than has been approved any year during the past 10-year period."

"A large number of failures occurring in the years 1924 to date have been in some measure due to the too liberal policy of granting charters, especially during the inflation period immediately following the war. As I have stated elsewhere in this report, an analysis of the applications which this office has received for the establishment of new banks shows that there is too often a desire to organize banks in localities where the community is amply served by present banking facilities and which would not support new institutions with a likelihood of any fair measure of success."