

In a letter dated May 6, 1938, to Mr. Diggs, Acting Comptroller of the Currency from Mr. A. P. Giannini, the latter makes comments and assertions respecting the attitude of the national bank examiner as reflected in his report of examination of the Bank of America N. T. & S. A. made as of August 31, 1937, and completed on April 20, 1938. Without attempting to prove or disprove Mr. Giannini's assertions they indicate that in the mind of this prominent banker at least, the examiner is unduly restrictive and attempting to bring about more aggressive liquidation under present depressed conditions. Excerpts are as follows:

"Knowing the condition of the bank as well as I do, I am constrained to remark that the writer of the last report either failed to make a proper study of certain matters which he has seen fit to criticize, or he has concocted problems for reasons best known to himself. He has succeeded in presenting a warped picture of the condition of the bank by the simple but effective process of over-emphasizing the importance of matters having minor significance, making obscure the reference to improved conditions, and exaggerating problems to the extent that even though certain progress has been reported, its importance is dwarfed by the enormity of the exaggerations.

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"Before completion of the examination the excess of market value over book value of U. S. Government bonds held by the bank had increased to \$2,800,000 and as of April 28, 1938 was \$8,256,000. Government and guaranteed issues at the present time are selling on an average of 4.97 over par value. With our investment of \$376,899,000 carried at a premium of only 2½ points, we do not admit 'a highly inflated situation' (as charged by the examiner). Moreover, premiums are amortized to the first call date and to imply a dangerous situation with respect to our investment in U. S. Government bonds is to impugn the credit of the Federal Government. Furthermore, it is inconsistent for a Federal examiner to refer to a large holding in securities of the Government as indicating a potentially dangerous condition when the safety of depositors' funds in postal savings, the insurance of banks by the Federal Deposit Insurance Corporation, and the old age benefits of the Social Security Act, are all contingent upon the safety of funds in Government bonds.

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"The exaggeration lies in the fact that loans aggregating \$112,700,000 are referred to as constituting a major asset problem, whereas on analysis the adverse classification is found to be \$5,327,000, doubtful, and \$1,751,000 loss, less than 4/10 of 1% of total assets.

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"While I attribute certain gross errors appearing in examination reports to the lack of understanding on the part of the examiner, it has become increasingly apparent to me that the management of this bank is being subjected to undue criticism, and malicious and slanderous harassment. Slight consideration is given to the fact that since 1932, not only has the management overcome obstacles that were generally viewed as insurmountable, but without preferred stock from the Reconstruction Finance Corporation it has carried the institution forward to a point which marks the most successful era in the history of the bank, and this in the face of economic conditions which it must be admitted have not favored such an advance.

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"We are told that a ruling has been made by your office that real estate loans classified as unlawful because of non-conformity will continue to be so classified as long as they remain in the bank, regardless of reduction in amount, improvement in security value, or any other changes which should make the loans conforming. This ruling appears to us to be further evidence of the lack of cooperation on the part of your office.

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"I am still hopeful that fair-minded and unbiased authorities in Washington will shortly see to it that proper consideration is given to the affairs of this bank and proper treatment afforded the institution. It has been my desire to secure some relief from heavy responsibilities and worries to which I feel my many years of service in the economic field entitle me. However, this is not possible as it is not my disposition to relax my efforts in behalf of the institution while an unfriendly attitude exists in Washington."