

J. M. REYNOLDS
929 VAN NUYS BUILDING
LOS ANGELES

May 14, 1938.

Hon. Marriner S. Eccles,
Chairman, Federal Reserve Board,
Washington, D.C.

My dear Sir:

As a former bank examiner, I am much interested in your remarks to the New Jersey Bankers Association at Atlantic City yesterday.

I have contended during my fifteen years as a bank examiner, both state and national, that criticisms by bank examiners were entirely out of order in a great many instances. It is the policy of most every examiner, probably due to the fact that he wants to make his chief feel that he isn't overlooking anything, to criticise a large number of notes in banks upon which no criticism is due. This tends to make the banker sort of "jittery" with the result that he hesitates about making loans that might be given any criticism by examiners.

In the first place, examiners are prone to criticise certain loans, calling them capital, slow and otherwise, when as a matter of fact they do not come under the above category in any sense. A capital loan as criticised by the examiner may be simply a loan that has to be carried beyond the usual ninety days. Slow loans may be well secured and are carried for a considerable length of time, but could be collected at any time.

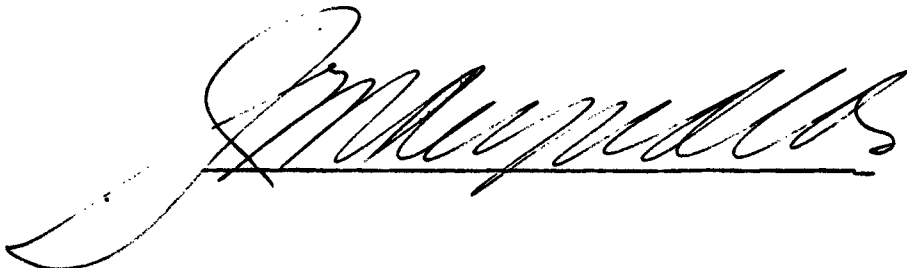
I am of the same opinion as you that a bank examiner should, in examining a bank, look to violations of the law, loans to officers and directors and especially to those corporations controlled or nearly controlled by officers and directors of banks. The matter of slow paper should be, in my opinion, judged as to whether it is slow from the standpoint of probably not being entirely good or slow because

the party doesn't want to pay. For instance, if loans can be made upon sufficient collateral it makes them good any time you want to collect, yet they are permitted to run from time to time and examiners will criticise these as being slow paper.

I believe that the fact that banks at the present time are loath to making loans to business organizations, is due to a very great extent by fear of criticism by the bank examiner in the controller's office. I do not entirely agree with a great many policies of the present administration and believe if it would adopt a policy of being friendly to business, utilities and others that there would be quite a revival in this country and I doubt very much if there will be until something of this kind is brought about.

In closing, I think you are to be congratulated for your statements in regard to these matters.

Respectfully yours,

A handwritten signature in cursive script, appearing to read 'Marriner S. Eccles', written over a horizontal line.

R:R

May 23, 1938.

Mr. J. M. Reynolds,
929 Van Nuys Building,
Los Angeles, California.

My dear Mr. Reynolds:

This is to thank you for your letter of May 14th with reference to my remarks before the New Jersey Bankers Association in Atlantic City. I was much interested to have your opinion, especially in view of your former experience as a bank examiner. As newspaper accounts were necessarily fragmentary, you might wish to have the full text of this talk, and I am accordingly enclosing a copy.

I appreciate your courtesy in writing.

Sincerely yours,

M. S. Eccles,
Chairman.

enclosure

ET:b