

Pacific Southwest, being a branch bank and not interested in community welfare, decided that they did not care to operate, and closed the doors of the branch, with the net result that our town of Biola has suffered greatly through depreciated values in real estate and the absolute lack of any financial arrangement whereby money could be deposited and checks handled without coming to the city of Fresno. This has worked a great hardship on our town and community and, we believe, has set back our local development a number of years.

I am taking the liberty of forwarding this letter to you in the hope that you may place this as concrete evidence showing the detrimental effects of branch banking in the San Joaquin Valley.

Yours very truly,
H. B. BIER, *Cashier.*

The CHAIRMAN. All that these instances mean is this, is it not, that the stockholders in a couple of unit banks thought they saw a chance of making more money by going into the branch-banking system, and they did so at the sacrifice of their independence. Having gotten into the system, those in charge decided against their will that the institutions could not be run satisfactorily, or at a profit, as the vendors had hoped they could be, and thereupon the vendors had to take them back again. That is an intensely human situation, but it does not seem to me to throw a whole lot of light on branch banking.

Mr. VAUGHAN. To my idea it throws this light, it throws a light on pioneering and community development that is not very apparent in branch banking. I merely mention this to bring out that one fact, that we are a little different from the East and Central West; we are particularly a pioneering country, and I am merely setting this out simply to show that the branch bank system, to develop a country and to pioneer it, does not do the same service that the unit banks do.

Senator GLASS. Well, do you not show something else there; do you not show that the managers of those two unit banks were so indifferent to the pioneering activities of the unit that they preferred to make a little more money by selling out to the branch bank?

Mr. VAUGHAN. To a certain extent that is true.

Senator GLASS. And that branch bank subsequently found that it could not make as much money as it had hoped to make out of the unit, and they turned the bank back to the bankers.

Mr. VAUGHAN. To a certain extent that is true.

Senator GLASS. That is inevitable; if you prove one case you prove the other.

Mr. VAUGHAN. But it is also within the bounds of possibility that these unit men who sold out, we will say, did sell out at a profit, which we believe they did. They believed at that time that branch banking was new and the branch would still be operated there, and that the unit in no way would be hurt.

Senator GLASS. Well, the bank was operated for a given time, was it?

Mr. VAUGHAN. Yes, for about three and a half months.

Senator GLASS. And then, in one case, turned back to the former owners.

Mr. VAUGHAN. It was the one chance, just of closing it up or letting it be reorganized.

I wish to state here that during this period of deflation, only two banks closed in the entire valley—we had about 67 unit banks.