Quiet Hero: Victor Del Tredici and the Fall of the San Francisco National Bank

Shortly after becoming the 21st Comptroller of the Currency in November 1961, James J. Saxon declared war on stagnation in the national banking system. "If our national banks are to play the role they must in the growth and development of our economy," he told an audience in his hometown of Toledo, Ohio, "their operations must be attuned more sensitively to the requirements of today and of the future." And their numbers must grow to serve a growing population. Within 24 months, Saxon had given the go-ahead to 390 new national banks – more than twice the number of new national charters issued during the previous five years combined.

One of those charters went to a group of San Franciscans, who opened for business in June 1962 with starting capital of $4.5 million. The president of the new San Francisco National Bank was Don C. Silverthorne, a successful 35-year veteran of West Coast banking. But Silverthorne had a fatal weakness. By 1963, Las Vegas had become his home away from home. He was soon writing checks for thousands or even tens of thousands of dollars to his favorite haunts, especially the Flamingo Hotel, where he dropped more than $400,000 by the end of 1965.

Silverthorne had always been a little eccentric, a little informal in his approach to banking. Photos show him at his desk in his robe and slippers. Associates knew him as a guy they could depend on for quick liquidity. "If you kept your company's money there and happened to need a couple of hundred thousand in cash by the afternoon, you could always get it" from Silverthorne, one recalled. He made dozens of dubious loans backed by commercial real estate. One speculator, who was on the hook for more than $300,000 of the San Francisco National's money, jumped off the Golden Gate bridge when his investments turned sour.

Silverthorne's business reverses and fondness for the gaming tables drove him in search of ever more creative ways to squeeze his customers. One borrower recalled that while discussing a $50,000 loan, Silverthorne suddenly withdrew from his desk drawer a tray of jewelry, remarking how nice a particular $6000 bracelet would look on his wife's wrist. When the borrower demurred, Silverthorne demanded: "Do you want that $50,000 or not?" The borrower quickly agreed that his wife would appreciate the bauble.

More serious was Silverthorne's diversion of loan origination fees into his personal account. The practice came to light during the San Francisco National's May 1964 examination. The OCC examiner-in-charge was Victor Del Tredici. A native Californian, Del Tredici had spent his entire OCC career in the 14th national bank region, which encompassed the West Coast, Hawaii, and Alaska. That made for a heavy travel schedule, especially with all those new charters to supervise. Del Tridici and his team would often have to leave home Saturday, on their own time, to be at their destination to start the next exam Monday morning.

But somehow they got the work done, even at troubled banks like San Francisco National. At their exit interview, Del Tredici sat impassively as Silverthorne blustered and ranted, telling the examiner that the fees moved into his account were "remuneration for a substantial amount of work" he had done in connection with the bank's loans. "Mr. Silverthorne," Del Tredici replied coolly, "I'm writing a letter to the Attorney General" about the illegally diverted funds. "I'm sure you'll hear from [him]."

Del Tredici did prepare a letter to the U.S. Attorney's office, and forwarded it to his superior for transmission to Washington. There the matter sat for nine months. This was undoubtedly the result of distraction rather than deliberation. Saxon was a big-picture person, and, even if his field staff was bearing up under the load of a bigger and more dynamic national banking system, it's clear that some important details were falling through the cracks in Washington.

It did not reflect well on the OCC when a new national bank, like San Francisco National, got itself into trouble. Under pressure from its regulators, the Board of Directors voted to limit Silverthorne's lending authority and then to remove him from the bank altogether. Silverthorne would later go to prison for his crimes. But it was too late for the bank, which failed in January 1965, joining 4 others that went under that year. For a nation still scarred by the Great Depression, those numbers, while modest by today's standards, brought back haunting memories.

It was certainly an embarrassment to Saxon to be called before a Senate subcommittee, as he was in March 1965, to justify his liberal chartering policies generally and the OCC's supervision of San Francisco National specifically. And he was miffed by the testimony of his examiner, Del Tredici, whose referral on Silverthorne's dealings had been lost or overlooked in the shuffle. After the hearing, Saxon was overheard telling Arnold E. "Al" Larsen, the regional administrator who was Del Tredici's immediate boss, that "he never wanted to see Vic Del Tredici's name on an examination report again." For a long time, Del Tredici was denied that authority. Not until the 1970s, with the coming of a new generation of OCC leaders, was he brought in from the cold. For him, vindication came in his appointment as regional administrator of the district he had served so loyally, so professionally, and so selflessly. But, in good times and bad, he never lost the respect and admiration of his peers, who viewed him, as former Senior Deputy for Bank Supervision Paul Homan put it, as "the best of the best" in the business of bank examination and supervision. That meant more to Del Tredici than anything else.