Revenue bonds are not treated differently from general obligations, with the exception that not more than 10 percent of a bank's capital and surplus can be invested in the revenue bonds of a single issuer. According to the Comptroller, revenue bonds qualify as investment securities on the basis of actual earnings records. Where no historical earnings record exists, revenue bonds are ineligible for bank portfolios.

It would obviously be impossible for bank examiners to be familiar with the many thousands of public bond issues outstanding. It is, therefore, quite natural that, despite the Comptroller's exhortations, examiners should rely heavily upon the opinion of rating agencies. As a matter of expediency all public bonds rated Baa (BBB) or higher by either Moody's or Standard & Poor's have come to be eligible for bank investment as are all unrated but tax-secured bonds. All bonds rated below Baa and all unrated revenue bonds are ineligible for bank investment unless the banker has a file sufficient to convince a carefully scrutinizing bank examiner. Most large banks, as well as the major insurance companies are adequately staffed to make justifiable investment decisions independent of the rating agencies. The smaller bank must rely upon the rating agency. But, in any event, experience seems to indicate that most issues rated below Baa by both agencies are rejected out of hand for bank investment. The burden of proof is just too difficult to bear.

(B) ON INTEREST RATE

The differences of a notch in a rating, or between similar rated and unrated issues is usually between 25 and 50 basis points. This, of course, depends upon prevailing market conditions. The following table shows the spread of yields on comparable new issues for six randomly selected days in 1966:

Rating date	Years to maturity	Issue	Rating	Yield
Jan. 10, 1966	20	Los Angeles sewer	Aa	3.50
Do	20	Burlington, Mass., various	A	3.60
Do	20	Fairfax County, Va., school office facilities	Baa	3.65
Feb. 7, 1966	20	State of Maine, various	Aaa	3.35c
Do	20	State of California, construction	Aa	3.60c
Do	20	State capital construction and improvment commission, Louisiana, sales tax revenue.	A	3.80c
Do	20	Las Vegas Valley Water District, Nevada, water revenue	Baa	4.10c
Feb. 21, 1966	20	Durham, N.C., various	Aa	3.50
Do	20	Brandywine Area School Authority, Pennsylvania	A	3.85
Do	20	San Antonio, Tex., airport revenue	Baa	4.15c
Apr. 4, 1966	20	Riverside, Calif., electricity revenue	Aa	3.60
Do	20	King County, Wash., limited tax	A	3.75c
Do	20	North Bergen Township, N.J, sewer	Baa	4.00
Apr. 18, 1966	20	Los Angeles County Flood Control District, Calif	Aa	3.55
Do	20	Hempstead, N.Y., various	A	3.60
Do	20	State of Connecticut, highway	Aaa	3.37
Do	20	Western Kentucky State College, construction, education building, services D and E.	Baa	4.00c
Apr. 25, 1966	20	East Lansing School District, Michigan	Aa	3.50
Do	20	Fairfield, Ohio, sewer system	N.R.	4.00c
Do	20	Washington Suburban Sanitary District Maryland, general construction, 1966, and water supply.	A	3.60c
Do	20	Consumers Public Power District, Nebraska, Consolidated Eastern System, issue of 1966, revenue.	Baa	3.90c