



Oklahoma Bank and Commerce History Project

a program of the Oklahoma Historical Society

Interview with Clayton L. “Buddy” Green, Jr.

Liberty National Bank of Lawton

Lawton, OK, 4/17/14

Interviewer: Michael J. Hightower

Audio taped and transcribed by MJH

MJH: It is Thursday, April 17, 2014, and I am with Clayton L. Green, Jr., also known as Buddy, chairman of Liberty National Bank of Lawton, Oklahoma. We are here to discuss his history in the banking business, and what he in particular has done in the banking business, and maybe talk some about the Lawton market, and whatever else you choose. Thank you so much.

Why don't you start by telling me how you came to be chairman of Liberty National Bank?

BG: In 1997, I was approached about buying stock in B. O. E. Bancshares, which was the holding company for the Bank of Elgin. A friend of mine, Charles McElvey—as all business deals, things started out small, over lunch, and then, you know, within less than a year, I ended up buying 100 percent of it. I bought out 18 shareholders. The bank size then was about \$24 million in total assets. I think they had, probably, 10 employees.

MJH: And then was that?

BG: In '97. April 1, 1997, I believe, was when we took over.

It was really the shareholders. Most of them were 70-plus years old and were ready to retire. That was the real reason for them wanting to sell. The bank was in fine shape back then, but they were ready to retire and take their chips off the table.

MJH: Was there anything in 1997—Was the economy fairly good at that point. We had certainly come out of the 1980s doldrums...So it really wasn't so much that?

BG: They had had some troubles before that. I can't tell you the year. But they were writing down bad loans, and so forth. They had several capital calls over the years. But, you know, they weathered the storms, and got the bank to where it was clean and in good shape, and they just felt like, for their own retirement, that that's what they wanted to do. They wanted to get out of day-to-day operations.

But there were shareholders. Grover White—he was actually the president and was running the bank at the time that we purchased it. He was...probably close to 75.

MJH: That makes sense. Was that your first foray into the banking business, or did you have some background before that?

BG: No background, other than, I did a lot of business with a few other banks. And, of course, young bankers who would do banking for me, you know, they would read my financial statement, and they would say, "We ought to be partners. You go buy a bank, and..." That probably had as much to do with me getting interested—being associated with bankers, and understanding, from a customer standpoint, about the industry. I have always the kind of guy who had my fingers in different things—real estate, construction. And so, I wasn't new to dabbling in different businesses. At that time, I was co-owner of Lawrence Steel Corporation, which was a steel fabrication plant.

And so, growing up here in Lawton, Comanche County, I got to know some of the people. In fact, it practically seems like you know everyone, whenever you grow up in a small community, less than 100,000 people. So it did come about. I seem to have, I guess, an appetite for something new.

MJH: So this was your first real foray [into banking]. Describe the business climate at that point. What would be the main market? What would be the bank's focus, primary customers, that kind of thing?

BG: The bank's primary focus was ag lending, only in northeast Comanche County; and some businesses, in the Lawton area. It was really only the businesses that were somewhat associated with the directors or the shareholders. As I mentioned, there were only 18 shareholders, and so, as I remember it, the primary shareholder was Charley McElvey, and he had 17 percent. So the stock was spread over a pretty vast area, you know—ten percent here, five percent there.

They really weren't interested in expanding the bank very much, because the past administration had tried to do that, with businesses outside the area, and it didn't prove to be very profitable. So, there were calls for capital on the bank...

MJH: Was some of that energy lending, by any chance?

BG: I don't think there was. I don't know exactly. I only know of different bankruptcies that I saw getting filed, that had to do with energy. I can remember one general contractor, real estate lenders, different things that they were dabbling in outside the area.

They decided to not grow the bank, to keep the bank at a constant size, and just operate a nice, well run, community bank. And they felt like that's where their niche was.

MJH: What are the main crops in Comanche County? Cattle...

BG: Mostly cattle. We've got quite a few wheat farmers.

MJH: There are quite a few wind farmers now too.

BG: And then there are the wind farmers!

MJH: Maybe we can get to that a little later. That might be another story.

So, in 1997, I guess a group of individuals bought out the shareholders?

BG: No, it was just me. And then, I took on three banker friends, who I brought in with me.

MJH: That's interesting. So you identified some people in the banking business...

BG: And they were young. Relatively young. You know, thirties.

MJH: That's pretty young, and getting younger all the time.

So who were these other folks that you brought in?

BG: I am going to leave you with an article that was in the paper.

BG paused to locate article, "Elgin Bank Sold," now in MJH files.

MJH: You answered my question before I asked it.

So, Henson, Smith, and Russell. These were all local Lawton businessmen?

BG: Actually, Henson is from northeast Oklahoma, south of the Tulsa area. Beggs, Oklahoma. Russell is from Cordell, and Smith is a local boy, from Lawton. And he is part of the OCC, so he is a regulator. So this was his opportunity to come home, quit being a regulator, and get off the road, from bank to bank. Smith is now president of the Apache branch of the Shamrock Bank. He has been with Shamrock for about three years.

MJH: You know, Elgin, that's where Mike Leonard was from. And H. E. Leonard was Mike's dad. I visited with Mike Leonard over in Muskogee. He had a really interesting story to tell about how his dad went on the road trying to sell branch banking back in the eighties.

BG: He was a well known guy. His dad was very well known. I never met any of the Leonards, but, you know, a lot of people associate the Bank of Elgin with H. E. Leonard.

MJH: I'll bet that would be true.

BG: Well liked. Well liked.

MJH: What were some of your early challenges in the late 1990s?

BG: Probably, capital was a little bit of a challenge...I don't know if it was capital. Let me rephrase that. It was just growth, because immediately, in '98, we branched, and changed our charter, to Lawton. I built a new bank at 44th and Gore Boulevard. And so, we moved

our charter to Lawton and then branched back to Elgin. And, you know, these two bankers, being Russell and Henson, had been banking in Lawton for quite a few years. And so they had a strong customer base, and were very well liked.

So, all of a sudden, they take this 24-million-dollar bank, and turn it into a, within two years...

BG went to desk to look for documents...

But, the growth was phenomenal. We were really holding the reins in, just because we doubled the size of the bank in a pretty short period of time.

MJH: So you started with \$24 million when you bought it.

BG: Yes, and today, we're at over \$250 million, or, you know, just shy of that, you know, \$245, \$250 million. And then, last September, being September '13, we bought Chickasha Bancshares, our holding company—B. O. E. Bancshares. And so we merged Chickasha into Liberty Bank, September 30.

MJH: Is that Lindel Pettigrew's bank?

BG: Right. Lindel Pettigrew. He is now a shareholder of B. O. E. Bancshares. B. O. E. consumed Chickasha Bancshares.

MJH: He was a really interesting guy, I thought. So that happened last September, and it became [part of] Liberty Bank.

I guess, when the Bank of Elgin originally, it was just one, stand-alone location, right? So tell me about your branching experience. Was this your first branching experience?

BG: Yes, well, what we did was, we moved the charter to Lawton, and then, because of the way you had to do it, we had to then branch back to Elgin. And then, from there, we put a branch in Cache, Oklahoma, a couple of years after that. That proved to be very unsuccessful. We ended up out there hovering around \$10 million, \$9 to \$10 million in deposits, and really couldn't gain any business, you know, in excess of that. So that proved to be very unprofitable. And really, it taught a good lesson. It costs as much to build a bank in Cache, Oklahoma, as it does in Oklahoma City, except the only difference is, you have access yourself to the difference between 2,500 people to 500,000 people, or whatever the population [in Oklahoma City] is.

MJH: About when was that?

BG: Sometime around 2000.

MJH: Okay, not long after [the B. O. E. Bancshares purchase].

BG: Not too long after. Probably 2000, 2001. We built and staffed it with a full staff: bankers, tellers, management.

MJH: Isn't that where Quanah Parker's historic home is?

BG: Yes.

MJH: I have driven by there. It's not a very big place. Is it basically a bedroom community for Lawton?

BG: It is.

MJH: Maybe some farming and ranching.

BG: Not a lot of that. But it was past management. It wasn't really my decision. But I was listening to management, you know, and he was naïve, and didn't use his common sense. But, we felt like we had a good, solid customer base, and we had done so good in Elgin, you know, that it was an easy way. And we thought we could attract \$20, \$25 million in deposits. I had people that were good, hometown people, good business people, honest people to deal with, versus going into a market where you really know no one.

But little did I know, until after I closed that branch, what was really causing the big problem was that people were [not interested in banking there]. Elgin and Cache are constant rivals. One of them was always telling me, "Don't you realize why that didn't work?" And I'd say, "No, why didn't you tell me why it didn't work?"

Laughter...

He said, "Cache and Elgin are arch rivals!" Those people out there, none of them are going to bank at the Bank of Elgin! They despise each other!"

I said, "I never heard that. I never thought about that."

MJH: I wonder what's at the bottom of that?

BG: I think it's just because they in the same...They play each other in sports...

MJH: Do you know Charlie McCall in Atoka? He told a similar story. When they branched from Atoka to Antlers, somebody at the sale barn called him up and said, "Charlie, you might want to think twice about coming over here as the Bank of Atoka. It's not going to work." So sure enough, they changed their name to Ameristate [Bank]. But it was the same deal. They compete in football...

BG: And that's actually why that got us to thinking about changing the name from the Bank of Elgin to Liberty National Bank, to try to give us a unified name that everyone could grasp, and didn't necessarily tie us to the Elgin market.

MJH: So you renamed it within a year...?

BG: I'd have to check, but I think that it was, I'd say 2003 or 2004. But I need to check that.

MJH: Okay, that would be good to know. But the point is, continuing to do business as the Bank of Elgin probably wouldn't work. So now, when you go to the bank over in Elgin, it's the Liberty National Bank. And how many locations do you have altogether?

BG: We have four locations. There's a bank in Medicine Park. It's right there on the Interstate [44], near Love's...

MJH: One of my favorite places to go is the Wichitas, for hiking. So it's all making sense to me.

So you have a branch there, and the one in Elgin, and you said there's one on Gore [Blvd]?

BG: 4401 Gore Blvd. That was our first Lawton location.

MJH: And the fourth location...

BG: Elgin, Medicine Park, downtown at 629 C Avenue (7th and C).

MJH: Did you build a new bank down there?

BG: No, we actually took over Public Service of Oklahoma whenever they vacated and consolidated a lot of their administrative staff in another building, bullet proof building. We remodeled and made it look like it did a hundred years ago. It's an historical building, with the real brick, columns...

MJH: That's a couple of blocks from Roma Lee Porter's City National Bank?

BG: It's one block north and one block west. They are at 6th and B. We're at 7th and C.

MJH: So that's really your main bank.

BG: That's exactly right.

MJH: Of course, you don't go back nearly enough [to experience] the doldrums of the eighties—you came in way after that—so what have been some of your milestones since the 1990s? The dotcom bust—did that affect you? Did the real estate fiasco affect you?

BG: We had a president, Chuck Henson, who hired a guy, a former banker, by the name of John Brockman, from Duncan. I will get you the dates on that, but he hired him somewhere around 2003. John hired a lady by the name of Louise Burt, and then we hired a young banker from the Altus area by the name of Chuck Keen. And by 2006, we have grown the bank—I will have to go back and get you some numbers—but maybe,

\$180 million. It was phenomenal growth, and all of a sudden, by the end of 2006, we are in an extreme amount of trouble with bad loans, and it got completely out of hand. There was recklessness, and unbridled growth, and we were just loaning money to anyone who walked through the front door.

So, we got put under a letter from the OCC, telling us exactly what beat we were going to march to. So for about four and a half years, we were under a letter. I forget the exact dates. Going through that, between 2007 and 2011, we wrote off \$8 million worth of bad loans, but actually learned a tremendous amount from it, and became good friends, and really one of the few people that I credit, was the examiners, for saving the bank.

MJH: That's kind of good to hear—good things about the examiners.

BG: Yes. Kyle Jones, with the OKC office of the OCC, and one of his henchmen, John Stone, and John Stone was the one who really headed up our examination. But, between the two of them—and time, and getting rid of the individuals that I named, and flushing out the people who made the bad decisions, adding some capital to the bank, hiring the right people to replace them—it takes time to flush out all the bad loans.

MJH: Were they [bad loans] clustered in any one industry?

BG: Mainly real estate. Mainly real estate. The fortunate thing is, we went through that, with all the bad real estate loans, right before all the secondary market trouble started. This was in '06, and then we started having trouble in '07. And in '07 and '08, is when the secondary market problems began to surface. And so we were ahead of the curve, and so, whenever we had to foreclose on a lot of properties, we had to take foreclosures... We were at least ahead of the market before the market was flooded because of the secondary market. Countrywide mortgages, and you know about the downfall of Lehman, and all of that that transpired. And so, we were really pretty much cleaned up, and in better shape, when everyone else was really having problems.

Had we been two years further behind, unfortunately, we would have had a different end game.

MJH: If your trouble had begun to surface when all the other ones...

BG: ...when all the other ones were, because the market became flooded with foreclosed properties. The markets can only bear so much.

MJH: You learned some lessons early. When all of these things started to hit—Lehman Brothers, and Countrywide—what was your perspective? You had a different view.

BG: I felt like, you know, you can guess football games on Monday, after the Sunday game, but it was evident that that was going to happen. People would come into your institution and try to borrow money who had 500 and 600 credit scores, and then, all of a sudden,

you would see them on the street, and they would say, "We got that financing." And they got it from the underwriters with Countrywide Mortgage.

There had to be a day of reckoning. Credit card companies can only give you so much credit, and then, finally, whenever they do, this is where it exceeds your ability to pay it off. There was a day of reckoning.

We knew that there was no way that could last. But, not being in the mortgage business, we were only seeing a tiny bit of it. We had no idea, you know... You have a hard enough time keeping up with your own business, much less looking at someone else's [business]. But still, you shake your head when you see someone and say, "There's no way that their income will support buying that 75 or 80-thousand dollar house." They've got an income of \$30,000, and they're not going to get there. So you know that something's not right, but it's not your problem. We weren't in the mortgage business.

MJH: Was this area hit—of course, nobody was hit harder than Florida, maybe, or Arizona. To what extent was Comanche County and southwest Oklahoma hit?

BG: We were very fortunate, and the reason that Comanche County was not just leveled by that, is because of the base realignment. The base realignment had come out in this time, and Fort Sill was to get a new unit, from the base in El Paso. And so, all of a sudden, Fort Sill was going to spend—you know, Lawton was to get an additional 10,000 people over a three or four year period. New housing was going to be needed. And so, that timing really, really helped Lawton not have to go through that—the number of foreclosures that came out of that. We had a lot of guys that would buy [houses], fix them up... And so, the market sustained a certain amount of that.

MJH: You mentioned the base realignment.

BG: It's called a base realignment. They close certain bases, or try to consolidate the military.

MJH: Okay, so what happened here, was that El Paso [troops] were transferred up here.

BG: Yes. I can't remember the unit that was transferred up here.

So, things were looking up in Lawton. Good news. Fort Sill, and the government, was going to spend, literally, a billion dollars on infrastructure, and new buildings, facilities, barracks... And so, everyone in the city of Lawton that had anything to do with construction—whether it was concrete, or lumber yards... There were housing projects out there, to build several new houses.

MJH: I guess there's a lot of construction on the side of Interstate 44.

BG: There's a lot of stuff going on over there, and that's part of the base realignment. And then on the west side, further south than that, you will see those residence buildings...

Details on specific areas in Lawton that were experiencing building boom...

Lawton really fared well coming through that time, because as people were getting foreclosed out, through Countrywide and secondary market loans, those [homes] were being picked up by real estate people to fix up for homeowners.

MJH: You might have answered my next question. I was going to ask about this town's special relationship with the military. It makes this kind of an unusual place, doesn't it, from a banker's perspective.

BG: Certainly, military have a certain level of need, you know. They're not going to go rent a sixteen-hundred-dollar-a-month apartment, when the base housing allowance is \$850 or \$900, and so that does dictate the kind of properties that you have to have. It's no different than if you are somewhere that the median income is \$65,000 a year. They have no need for a five-hundred-dollar-a-month apartment.

MJH: I see what you're saying. Would you say that the military, in your particular experience, and maybe generally speaking for Lawton, has been made things a lot more consistent, and smoothed out the booms and busts that you see in other parts of the state?

BG: Absolutely! It has been very consistent, and we have not, to my knowledge—other than one time in my life, and I have lived here for 66 years—there was one war that was in 1991-92, and they shipped out about a third of our troops. That did have a major impact on our city. I believe that was Desert Storm. We lost a lot of troops—overnight.

MJH: You lost a lot of families; you lost a lot of housewives shopping at the supermarket...

BG: A lot of girls and the kids would go back to grandma's house, and stay with them. Restaurants suffered.

MJH: So really, in a way, the military smooths out the economy here as long as [the troops] stay put.

BG: That's right.

MJH: I haven't really thought about that. I have a vested interest—I've got a step grandson who's in boot camp over there. Grandma's out driving around picking up vibes as we speak.

BG: Good!

MJH: I don't think you can just drop in.

I remember talking to Roma Lee Porter [at City National Bank] about the base. Don't they have a branch over there, or some kind of facility? Has that ever been something you have wanted to do, on base.

BG: No. They've got a sister bank called Fort Sill National. But that's a niche within itself, and they have done an excellent job with that.

MJH: You don't think there would be a whole lot of room for you to move in over there? I don't know what kind of business they have, really.

BG: Really, it's service charges. They take those youngsters coming out of boot camp, set them up with a debit card. We're primarily focused on the community, and commercial real estate lending. That's where we really feel like we're better off.

MJH: Do you still have a pretty proportion in ag lending—cattle, wheat?

BG: No, we're probably 18-20 percent in agriculture. They require a lot of babysitting. They don't have serial numbers.

MJH: Do you know American AgCredit? I went to the branch in Ponca City. That was really interesting, because that's the one...I talked to Felix Hensley and Kent Crain, in the Ponca City office. But that's the only one that focuses specifically on agriculture.

BG: That's a tough business. That's a tough business. We've had a lot of tricks pulled on us. We've had people change cattle out. We've had people sell cattle out of trust. I mean, once the cattle are gone, the cattle are gone! And then you're dealing in the court system with it. Well, if the customer doesn't have the cattle, and they've sold them, then it doesn't matter if they put him in jail. That doesn't help you get your money back.

And so, that has caused banks to be reluctant to do cattle. It's just through dishonest acts...

MJH: Did you have any experiences through Liberty [National Bank], or is that just the way it is?

BG: We have had a few experiences like that. Nothing that...We got close. We got close.

We actually have a half-million-dollar loan, that went bad, and the guy went from having 700 head of cattle to, whenever we went out there, he actually had 67, I believe. And so, we counted it as a loss, because the collateral was no longer there. We turned it over to the lawyers, and let them pursue whatever remedy was available at the time. We were just fortunate enough that his dad had enough money, and his dad came in and bought the note from the bank. So, what was good for us, we didn't have a bad loan, we didn't have to worry about trying to trace back where our collateral went. It's just a challenge with agricultural lending. It's far better if you can take a guy's farm as collateral, and then let him operate with his own money, and not be faced with having to track failed [loans].

Pause...

MJH: So, fast forward just a little bit, and tell me about the regulatory environment, and how it has impacted you. I know about the Dodd-Frank Law...

BG: It is having a real adverse effect on us, and as far as the cost of compliance has really gone up. Whereas you used to have one compliance person, in a small community bank, it takes two and three, and so personnel cost goes up. A lot of it doesn't make good sense, to try to try to comply with what they're after. You've got a square peg trying to go in a round hole. Hopefully, hopefully, some of that will be changed.

I am very fortunate—I want this in our conversation—that we have a great relationship with the regulators. We have not been faced with brow beating. The regulators have been very reasonable. But, trying to comply with everything... There are thousands, and it becomes harder by the day, and a lot of the regulation doesn't apply to community banking. It really prevents you, and impedes you, from making loans at times because that help people out. For instance, if they can't cash flow because they're in a tough situation. If you were to comply with everything, you'd just about see them in a tough situation, without making any money. If he's going to be able, you know, to withstand a test, as to, "Can I have this loan?" By the time you check and mark all the boxes, you know he's failed, unless he's got a pocket full of money, and then he doesn't need the money!

MJH: That is a kind of catch 22. I remember Paul Freeman, up in Texhoma, in the Panhandle, said that they were going to have to get out of the residential loan business because of regulations. Several people have mentioned that. Has that been your story too?

BG: Yes. Yes. We are out of the residential...

MJH: You really are out of it.

BG: Yes. We can do them through the bank in Chickasha because we have our own mortgage company, called Washita Mortgage. But as far as Liberty National Bank [is concerned] today, we do not have a mortgage ability.

MJH: What other challenges are there in 2014? Or opportunities? What are your proformas, and where do you want to be in five years?

BG: What we would like to see is very, very minimal or moderate growth, and continue to improve our asset quality and stop a lot of the risk, sometimes, that banks take, because we are in a good economy. With acquiring Chickasha Bancshares, that economy, because of the oil play up there, housing—they are in need of housing up there, affordable housing... We think that, by taking care of our markets, we're in a great place. And we've we've got a great customer base.

MJH: How would you describe the competitive climate between banks?

BG: For the most part, the competition is what I would refer to as reasonable. Occasionally, you know, you could say, "Why did they do that?" But overall, we think that we've got good competitors. And I like that about the banking business, versus, sometimes, in other businesses, people price higher rates over stuff, that is really uncontrollable and doesn't even exist. But here in the banking business, we have, in my opinion, a proven, good

bunch of owners and bankers who want to do things the right way. While we are being forced to do a lot of stuff, you know, and dot the i's and cross the t's, still, there's a good quality of people.

MJH: That's one of the take-aways that I get. It's very collegial. Although there is competition, it's friendly competition. "If we didn't get this deal, we'll get the next one, and they will serve the customer anyway." That's what I have found.

BG: That's right. You're going to get your share of the market. And, you know, you're better off to concentrate on your own business than trying to worry about someone else's. And that's my philosophy, and that's what I try to do for my people. I don't worry about what someone else is doing, unless you see someone who's doing it better than you. Then you grab hold of it, and try to implement it in your own business.

MJH: One thing I wanted to discuss is AmQuest. Of course, BancFirst acquired it. Have you had any experience with AmQuest?

BG: I borrowed money from AmQuest, but I didn't really have much to do with it. It was just that one of their lenders had called on me.

MJH: It was a key event in BancFirst history. It put them in a whole different league. Was that in 1998?

BG: That's probably about right. It was shortly after what I did in '97. That would be about right. That AmQuest was the old Security [Bank] bunch in Duncan. It was the McCaslin family.

MJH: Can you think of anything else. You have had 17 years in the banking business. Is it fun?

BG: It is fun. I think that being a part of someone else's success is the best part about it. Having someone come in who needs help, and you can provide that help to make them successful—it the best feeling you can have.

MJH: If you had to define community banking, I think you probably just did.

BG: That is. That's what I am doing. You are part of someone else's success. You have helped someone who needed help. You know, a large of those people never forget it. And so, after you have been in a better situation to be able to make a new friend, help their business to be successful...

Occasionally, you have one that fails. But you know, I am never upset with someone for failing in their business that fails because of something that is uncontrollable. If it's a dishonest act, I will say, I can be one that can be upset, if it's a dishonest act. But if it's something that goes wrong, you just kind of have to shake your head and say, "You know, you're really on the customer's side." You just hate that for old Bob, or whatever his name is, and you say, "It's too bad that you didn't make it."

If you're in the banking business, you're going to make bad loans. They're not all going to be good loans, but don't make a loan that's bad going in. That's what I try to drum into my people: Don't go into a loan that's bad, because you're not only hurting the bank; you've hurt the customer.

MJH: The only other question I was going to ask is if you could name some of these critters.

Attention turned to game and fowl trophies mounted in Green's office...

Green named creatures he had hunted all over the world, from ibex to a bobcat he that near his house. Spain, West Texas...

BG: Have you met Bill Crawford yet?

MJH: I am going to meet him in two weeks.

Green shared story of hunting with Crawford near Abilene, Texas... Crawford was cold, feigned upset stomach, stayed in truck...

End