



## Oklahoma Bank and Commerce History Project

*a program of the Oklahoma Historical Society*

**Interview with Paul M. Freeman  
First National Bank of Texhoma  
Texhoma, OK, 8/19/2011  
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Audio taped and transcribed by MJH**

MJH: It is Friday, August 19, 2011, and I am speaking with Paul Freeman, who is president of the First National Bank of Texhoma, in Texhoma, Oklahoma. And I want to thank you for taking some time to plow through some of this history. If you want to, just begin at the beginning, with your family's involvement in Oklahoma banking, how you came to be in this area. Take it away.

PF: My grandfather was M.H. Freeman, and he was raised northwest of Dallas. He came to Texhoma early on, in the late twenties, early thirties, and settled here, saw opportunity here, and began...He actually started out in the thirties, where he kind of got a foothold was, he went to what is now known as the Yellow House in Amarillo, Texas. It's a Caterpillar dealership. The Kritsers, who still own that dealership—it's gotten very large now, but back then it was just a shop in Amarillo—and he went in to Mr. Kritser and visited with him about the possibility of selling him (and I don't remember whether it was four or six D-6 Caterpillars, D-6 might not be right either, D-something, whatever they were, they were the old cable-driven Caterpillars back then)—but Mr. Kritser, of course, (and M.H. didn't have any money, and couldn't put any money down on it), and Mr. Kritser and him talked about it, and Mr. Kritser's question was, "Why in the world would I lend you the money to buy these Caterpillars?" And M.H. told Mr. Kritser that there was a new soil bank program, and you know—and this was back when, if you built a dirt tank, the government would reimburse the landowner for the government tank. It was probably kind of like the WPA projects—it had something to do with that. And he convinced Mr. Kritser that he could keep two or three crews busy building these dirt tanks around this part of the world, and told Mr. Kritser that he would have him paid in two or three years.

MJH: Do you know how to spell "Kritser"? [Kritser is correct, per Yellow House website.]

PF: That, I couldn't tell you. That's what I've heard, but I've never seen it written.

Anyway, Mr. Kritser and M.H.—and everybody likes to trade with M.H., never forgot a name, never forgot a face, very personable—he knows how to trade very well, and he and Mr. Kritser. Mr. Kritser said, "I think I'll do this." And he sold

M.H. those Caterpillars, and he went out, built those tanks, paid Mr. Kritser back over the next two or three years. And about that time, the program shut down. So he had the Caterpillars paid for, and he brought them to Texhoma and immediately leased some farmland on the state line—and it's actually in Texas—and he used those Caterpillars, and they started dry land farming with those Caterpillars. And he planted—of course back then, wheat was the crop—and he planted wheat three years in a row and never harvested a bushel.

*Laughter...*

Dry, dry! It was in the thirties, or a little later than that, actually. He then—the only time he got off that farm, was when he was buying some cattle and pasturing those cattle on the wheat. At that point, he kind of decided that dry land farming wasn't his best opportunity, so he started in the cattle business. Over his lifetime, he was in the grain business, he used to own the elevators here in Texhoma—Freeman Brothers Grain—and he drilled the first irrigation well in Sherman County. He was very forward thinking. He built the first feed yard in this part of the world. He did lots of things, and ultimately was successful.

And then on my mother's side, my grandfather was John Norman Bridwell: B-R-I-D-W-E-L-L. He came here from...

*Brief interruption...*

Mr. Bridwell came here right after the turn of the century.

MJH: This was your grandfather on your mother's side?

PF: Yes. And he came from Kentucky. In fact, when he went to school every morning in Kentucky, when he was a little kid, he walked by Abe Lincoln's cabin. That was on his way to school, this was out in southern Kentucky. He used to tell me stories, he was a little bitty ole kid, and there was always four or five of them walking to school, and it was a mile to school, and he said he remembered that the kids who *didn't* go to school were more the mountain people, and they'd be up in those hills, and they'd throw rocks at them when they walked by! He always got a kick out of that story.

*Laughter...*

But he came out here, and his first job was, he had a team of mules, and he worked for the Bivins family, who owned the Coldwater Ranch south of Texhoma, about fifteen miles. [Cross reference "Coldwater Ranch" in Business History folder] His job was, he would hook the mules up to the wagon, and he would drive to Texhoma which, at that time, it was kind of the end of the railroad. (That's how this town came about. About every ten miles there was a town,

because they'd build ten miles of railroad, and there would be a town. This was a trade center for this whole area.)

MJH: Was it the Rock Island Railroad that came through here?

PF: It's the Southern Pacific now. But yeah, I think you're right, the Rock Island.

Anyway, he'd come to town, load his wagon with cake for the cows, and take it back to the ranch, take a day off, and do it all over again. That was his first job. And my mother was born on that Coldwater Ranch. He actually lived to be 103. So I got to know him. I never knew M.H. Freeman, but I knew Granddad Bridwell very well.

Anyway, he stayed here. He finally got enough money put together. He bought some farm ground, and farmed the rest of his life. And then my father took M.H.'s stuff—they partnered early back, and time went on, and he expanded the cattle operation, expanded the feed yard operation. Dad was a very good operator. He banked in Amarillo, Texas—the old First National Bank of Amarillo, which went Boatmen's [Bank], and Nations [Bank], and finally became Bank of America, and we still bank there. His loan officer—actually, the president of the bank of FNB Amarillo was a director of FNB Texhoma. And dad knew—his name was Gene Edwards, and dad knew Gene very, very well, of course.

MJH: And this would have been about...

PF: This would have been... That would have been in the late sixties or early seventies.

And I'll kind of give you the bank side of it. The bank, of course, was established in 1906. It was established by a group of businessmen. The Sewell family came into the ownership of the bank. Of course, Mr. Sewell's family is still involved in banking in Oklahoma City. In fact, Mr. Sewell is actually buried in our cemetery here. We still take care of his grave. I think it's his grandson, he calls me once a year just to check, and he sends some money up here to keep it nice and trimmed up. And we just kind of watch out for it.

*Laughter...*

MJH: That's what you were telling me. Now I get the connection.

PF: Mr. Sewell owned the bank, and he sold it later to Haden Hensley. And Haden Hensley was the owner of the bank, and Mr. Edwards was one of his directors, in Amarillo. And Haden, in 1974, '73 or '74, and he had one son, Bill. And Bill was not interested in the banking business, and Haden was at the age when he decided it was time for him to liquidate his investment. So he was going to sell the bank. Mr. Edwards, being on the board, was aware of that, and he called my father, and asked my father—told him—that the bank here in Texhoma would be a good

investment for my father, Jack. Well, you know, Jack, my dad, was a cowboy his whole life, and a businessman—feed yard, driving, and all that stuff—and, you know, it kind of took him a minute. His comment was, “What in the world would I do—why would I want to buy a bank?” Then he told him it would be a good investment, and he had three boys, and surely one of them would be interested in it, and we were all (two of us were in college, and I was in high school)—and dad just wasn’t interested in it, and passed on that opportunity.

And Mr. Hensley ended up selling it to a gentleman...I’ll get that name for you. I’ll have to think about it for a minute. They bought the bank, and they had bought a lot of banks in Oklahoma. He was very active in banking. And what he did, when he bought a bank, he would convert the bank from a cash method of accounting to the accrual method of accounting. When you do that, it usually gave you a little extra capital—it popped that capital a little bit. Then he’d turn around and sell it.

MJH: Is that common?

PF: He’s the only guy I ever saw do that. But he had bought the Keyes bank at one point, he bought the Texhoma bank. The man I’m thinking about, he’s dead now, but he was very instrumental early in branching law in Oklahoma. He had actually found an old Indian bank charter. And you know, back in that time, there was no branch banking law. And he had found a way to get around the branch banking law with this Indian bank charter—it was his theory, and he was going to bring branch banking all over Oklahoma.

MJH: This would have been mid to late seventies, which would have been before its time.

PF: Yes. Ultimately, he was not successful with the branching Indian thing. And I will give you his name. He was pretty colorful. Don’t let me forget to figure that name out. But you know, the accounting change—you know, if you bought a bank at, let’s say, \$1.5 million, book; well, if you change the accounting rules and went cash to accrual, you’ve got \$100,000 profit, or capital. Then if you sold it for the same price a year later, you’ve made \$100,000, right there.

He owned this bank for a year, and put it up for sale, after he completed that. By that time, Dad had had a year to think about it, and he liked the idea at that point.

MJH: Okay, he warmed up to it, Jack did.

PF: Yes. He decided that it would be a good investment. He thought it would be a good way for three brothers—thought it would be good educational things for us, if we wanted to come back here. And the deal he made, number one, he said, “I don’t need to buy this bank. You boys can buy this bank.” We had a few assets, but we didn’t have any way to buy the bank. It wasn’t like we were going to go borrow the money to do it. We didn’t have enough to do that, of course. And he

said, "I'll help you buy it, I'll co-sign the note." We did that with the First National Bank of Amarillo, with Gene Edwards. And the deal was, my oldest brother, Mark, was just getting ready to graduate from college, Oklahoma State. And the deal was—we all sat down as a family—and the deal we made was, when Mark got out of school, he came to work at the bank. If he liked working here, he could stay. If he didn't like working here, when Luke got out of college, which was two years later, Luke had to come to the bank, and Mark could go to the ranch. And I was young enough, I was still in high school, so I was kind of out of the picture. So Mark came to work here, as soon as we bought the bank in '76, and the date—I've got a lot of good dates here, and information for you—so Mark came to work here in '76. The president at that time was Jimmy Hyde—H-Y-D-E—and Jimmy stay here for a couple of years, and had another opportunity and moved on down the road, and my father hired a young man, Jim Burnside. Mark wasn't ready to run the place yet. So in about '78 or '79, Jim Burnside came to Texhoma from Buffalo. And he was president of the bank, ran the bank, and really taught Mark a lot of the banking business. Jim had been an examiner in Kansas, and his father had been a banker in Garden City. Jim was a banker through and through, knew the business. He stayed here for several years, and when Mark was kind of ready to take the reins, Jim went back to Buffalo. He's still serves as the director of the bank in Buffalo.

Mark ran the bank from about...1985...He was president here, and I had worked at the ranch my whole life, and I had worked in the bank a couple of summers. It was obvious to me that I had the opportunity to learn so much more working here at the bank. So I chose, when I got out of college, to come to work here, and I came to work here on January 17, 1983. And that's the day I ran out of money. I had about three weeks after I got out of college—I just ran around, had a big time, and when I ran out of money I came home and went to work.

But I worked with Mark here, and—oh, I forgot. When Mark's two years were up, and Luke got out of college. I said, "Mark, you know, after you've been here two years, you're just getting your feet on the ground, getting a lot of customer base built." So Luke went out to the ranch and began to help my father. He's been out there, but he's been a director ever since he got out of college. Still is a director.

MJH: But he's never really been active in the bank?

PF: Right, he's not active in the management. Of course, he's part of all the decisions of the board, but as far actually working here day-to-day, he never did that. He's always been on the ranch side.

So me and Mark worked here together until '05, and at that time, our family had an opportunity to buy a ranch. It happened to be the Coldwater Ranch that I talked about earlier—the Bivins ranch—that my mother was born on. There was an opportunity to buy that ranch, and we chose to buy the ranch.

MJH: Is it still called the Coldwater Ranch?

PF: Yes. At that point, my brother Mark—he had always kind of wanted to be out at the ranch. He had spent his twenty years here. It was a good opportunity for him to go out to the ranch, and to the Coldwater Ranch, and also handle our office. Bookkeeping and accounting have gotten more complex as time has gone on. Mark had the ability to manage the office and manage the Coldwater Ranch, and handle the feed yard—an assimilation of the cattle and selling the cattle. Everybody has their duties.

MJH: I saw a building over here, Freeman Ranch.

PF: That's out office.

MJH: So you have the feedlot business. Do you do some farming?

PF: Yes.

MJH: Feedlot, farming, cattle...

PF: ...grass ranching—we buy these little ole calves that weigh four hundred to six hundred pounds, put a couple of hundred pounds on them on grass, then put them in the feed yard...

MJH: So you don't have a cow-calf...

PF: No. My granddad—he started out in the cow-calf business in '58 or '59. It was terribly dry. But you know, the problem with the cow business in this part of the world is, when it gets dry, you just have to liquidate your cows. And he liquidated half his cows one year, it didn't rain, and he liquidated the other half the next year, and two weeks after he liquidated the last cow, of course, it began to rain. At that point, he decided he did not want to be in the cow business; he'd rather be in the yearling business. And he's been in the yearling and fat cattle business ever since.

MJH: My dad had a ranch over in Haskell County. I think it was twenty years ago when he sold it. So I kind of grew up over there, in the cow-calf business. Had a lot of bulls—Angus bulls. Then we went upscale and had Hereford and Simmental, and all different kinds, trying to grow those little rascals a little bigger.

*Laughter...*

PF: It's kind of funny, how it's all kind of turned around. Now we're back to the black [cattle]!

MJH: That's what I see, driving, all through here, is all black cattle.

PF: Yeah, the blacks have really done... In the end, the quality of the meat in the Angus breed has sure been the way to go. It's the in thing now.

MJH: Now, is that pretty common, in the cattle business, most people are in the yearling business, and just feed them, so there are not so many cow-calf operations?

PF: Out here, there are probably—there are more yearlings in this particular county. There are a lot of yearlings in Cimarron County. But if you go west of here, you're going to get into more cow-calf. And if you go east of here, you're going to get into more cow-calf. This area right in here is really, mainly, a yearling country.

MJH: Because?

PF: The weather, for one. Secondly, it takes so many acres to run a cow on, in this part of the world. We don't have the forage availability they have, even in Beaver County, or, you know, Haskell County. You know...and this is debatable. A cow-calf man will argue this. But in my opinion, this country lends itself to a yearling base, just because, when it doesn't rain, you don't have to buy the yearlings. And when you do, you give a yearling seven, eight, nine acres per head, whereas a cow, if you're on grass all year long, you've got to give forty acres a head. This country just lends itself more to yearlings than cows. That cow's mouth just gets pretty wide out here. We're shortgrass country. We don't have the Bermuda, and all that.

MJH: In terms of the bank business, you have really been active in it since...

PF: '76.

MJH: Your first day of work here was January 17, 1983.

PF: My family has been in it since '76.

MJH: What were some of the milestones? When you think of the bank business since then, you think of the boom and bust of the late seventies and early eighties. Were there any milestones? To what extent was your bank affected by the state of affairs in the 1980s.

PF: Back when I cut my teeth was in the early eighties. The early eighties was no fun for a banker anywhere, or the ag business. Actually, it was the worst set of circumstances, you know: interest rates were up to twenty percent; wheat was worth a dollar and a half a bushel; cattle were not doing well at that time; and then you had the price of land devaluating—twenty, thirty, forty percent in some cases. All those things came together in the early eighties, and there was just no way to make anybody's operation work.

Back when I came into the bank, I can remember going home—I can actually remember going home and talking to my wife, and saying, "Oh my God, I've made

a mistake. This is just absolutely no fun at all!" These are good people, been here for generations, and they're losing money right and left, it looks like they're going to lose their land—you know, just horrible stories! I remember that, the early eighties, like it was yesterday. We got through the eighties okay. Fortunately, back in that time, banks were allowed to really kind of ride with their customers, probably, a little bit more than they are today. Your losses—you have to recognize that back then, the pace and the direction of those problems probably wasn't nearly as intense as it is today. The bank—we were never in rough enough shape that we would fail. That was never an issue. But it was just tough. Tough decisions.

What's interesting, today, banking right now seems very similar to the early eighties, but for different reasons. We've got, you know, \$7.00 corn; \$11.00 wheat instead of \$1.50 wheat. That's dramatically different. But when you don't cut a crop, it's the same effect. You've got no income. So we've got the drought going on now, which has caused all the incomes to be substantially less. You don't have high priced money, which has been a godsend. And we don't have, really, devaluation of the land right now.

So you know, things aren't as difficult, as they were back then, but for the first time in quite a few years... You know, ag's had a pretty good run. When the rest of the economy was melting down, the ag business has really been pretty good. In fact, we've seen a lot of money that used to be in the equities, in stocks, in those kinds of things, now they're in hedge funds, and you've got the hedge funds out here buying real estate, farm ground. Because they don't want the money stuck in the equities, and are looking for alternative investments, they think that, down the road, we're going to see substantial inflation, and they think farm ground is a good hedge for inflation. And they also can make a decent return for their customers by leasing it out.

MJH: You actually see hedge fund managers prowling the Panhandle for farmland?

PF: They have pretty big players in the purchase of real estate in the Texas Panhandle, Oklahoma Panhandle, southwest Kansas, since about '07. They own a substantial amount of property.

MJH: So I guess you've never been very much involved in the energy business, so much? Mainly ag lending, is that right?

PF: If you live here, you're involved in it, just because—and then, the Hugoton gas field, you know, at the time, it was the largest gas field in the United States. That's no longer true, but back then it was. It was the first gas field of size that you just go plop a well on every section, and you had a gas well. You couldn't miss, in this field. So everybody has some royalty income, or most people do. There's lots of pumpers, and service units; new technology in oil and gas has really increased the number of wells that they're drilling around here. So the oil and gas business is an integral part of this area.

- In fact, the three things this area has going for it are: we have the Ogallala Aquifer—that's water; the oil and gas field; and really good weather and soils for ag production.
- MJH: So, those are the big three. In terms of the Ogallala Aquifer: Seems like I used to hear, or read a lot about depletion. Of course, it's a finite resource. Tell me a little bit about that.
- PF: It continues to deplete. But what we're finding is, there is replenishment, but this is not a renewable... We continue to draw on that aquifer, and we are using more water than it gets replenished with. That means there isn't... Down the road, if we continue on this path, we will be much more restrictive on water, which will not be a good thing. I will tell you that we have come so far from the old, pump the water down the rows, and [*unintelligible*]. The sprinklers and the efficiencies are better. That is an issue. It's a long term issue. And Kansas, Texas, Oklahoma—all three—are addressing those issues, by tightening up controls on just how much water you can use.
- MJH: Was it Tim Barnes? I think... That's why I tape these [interviews]. He was saying that Oklahoma really doesn't have restrictions, whereas Kansas does, and maybe Texas...
- PF: That's right. Kansas has been way out front in restrictions. They've had restrictions up there for, twenty years. And Texas has started seeing more restrictions and metering. The water conservation districts have become much more active in Texas over the last ten years. Oklahoma is really just starting that.
- MJH: But [the state] is starting some kind of process?
- PF: Oh yeah. In fact, there's a meeting this morning at nine o'clock. My lenders were out talking about exactly that topic. The Water Resources Board is having some area meetings. They came out for a study, and this is the road they're going to go down, this is where they see the restrictions coming in. That's exactly what they're talking about this morning.
- MJH: So that would be the state water board?
- PF: Yes. The Oklahoma Water Resources Board—OWRB. Water resource board. But yes, we're going to have more restrictions. There are some now, but they're not very tight. I wouldn't want that in print, but you know what I'm saying. Oklahoma is fairly recent in the water... It's always been plentiful out here. That is changing.
- MJH: With the drought, it's kind of hard to imagine that, but the water's all down there. There's not much coming from the clouds.
- PF: Right. Right.
- MJH: So you've been with the bank since '83. I guess what you're saying is—I don't hear that the Penn Square Bank debacle was felt—that you felt the effects here so much?

PF: No, we really didn't. That was more—Penn Square really hurt the Elk Cities and the really heavy oil and gas business. We didn't feel the effects of it out here, except, of course, there's a myriad of activities—regulations, the regulatory bodies, whether it's the comptroller of the currency or the FDIC—they kind of beefed up their staffs, and we began being more regulated...As far as our customers [are concerned]: they didn't feel much of an effect. As managers of banks, yes, we felt more regulatory pressure.

MJH: Okay. Are there any other milestones that you can think of?

PF: We put a branch in Goodwell in '85. That was a milestone for us. Goodwell had not had a bank since the Depression, when their bank failed. That was kind of a big deal for us. We put a new branch in Guymon in '05. Fives seems to be good years for us. We put a new branch about every—'95, 2005...That was a pretty big move for us, to do that in Guymon.

When we broke \$10 million was the first big milestone.

MJH: When was that?

PF: I couldn't tell you that, but it would be in the seventies. And then, kind of when we broke \$25 million, that was a pretty big milestone. Then a hundred—that would have been early 2000s. And then we broke \$150 million just recently, last year. When we bought the bank, the assets were about \$9 million. Today, they're about \$145 million.

It's been fun to be part of that. It's been fun watching...Our economy has done well out here. People have done well. You know, banks are really just a reflection on their local economy. If economies are good, and people do good in the area, banks are going to do good.

MJH: Jim Webster is big on stats—he likes numbers. And he was telling me that Texas County, at one time and maybe currently, had the highest per capita income in the state. And, I didn't realize this, but Texas County is certainly in the top ten counties in America in terms of ag production.

PF: Yes. Yes.

MJH: Those are pretty impressive numbers.

PF: Texas County is a good county. We just have lots of resources. And we've got good people out here that are pretty tough kind of people, good kind of managers...This has been a nice place to be. Now as far as growth goes, in the population and things, it has not been stellar. It's been pretty stagnant.

MJH: Texhoma—and I just drove by your office, as I said—and it seems like there are a lot of empty store fronts.

PF: Oh yes, there's very little commercial and retail. I call it the Wal-Mart effect. You see it in Guymon too. Downtown, in small towns, there's just not enough volume to support a business in Texhoma. People are too mobile, and it's easy to drive to Guymon, and you can drive to Amarillo or Oklahoma City, as far as that goes. And you know, when I was a kid, every store front down there was busy. They were all filled up. There was a dime store, and a drugstore, and you know, Saturday mornings you couldn't even park downtown, that's the way I remember it. That all changed in my lifetime.

MJH: What would you say the population is now?

PF: It's interesting. Texhoma—the population is about 1,200. That's about as big as it ever got, back in the seventies, about 1,200. From the seventies into the nineties, our population here declined here dramatically. I'm going to say, the housing in Texhoma—you know, there was twenty percent of houses in Texhoma empty. And then in the late eighties and nineties, when the Seaboard plant moved in over at Guymon, when Vall at that time built a very large hog operation here in Texhoma—their headquarters were in Texhoma...

MJH: Vall?

PF: Vall: V-A-L-L. It was a company from Spain. And they were very big in the swine industry in Europe. This was their first introduction into the hog business in the United States, and they wanted their hog operation close to that plant in Guymon. That's where they were going to slaughter their pigs. And they picked Texhoma to be their corporate headquarters in the United States! That was like, "Holy cow!"

MJH: When was that?

PF: Mid-nineties. They put a feed mill here, built elevators, put their headquarters here, and spent tens of millions of dollars on hog houses, and we began to see an influx of people about that time, and the town has been filled up ever since. We actually—if you could ever find somebody to build a house on a spec basis, you could sure have a lot more people here too. Those guys aren't going to build in Texhoma because there's just too much risk with property values, and there's too much risk when there's just a couple of employers. If one of them picked up and left... You just can't find somebody to come in and build new houses in town. Housing has always been an issue. It's the same issue in Guymon. I think it's an issue for all of Texas County. If you look, there are more people employed in Texas County than live here.

MJH: People commute from Dalhart...

PF: Absolutely. They commute... They're likely to commute over fifty miles to Texas County.

MJH: So between Seaboard and Vall, they have been big economic boosters.

PF: They have been economic boosters, but I will tell you, there's some baggage that comes with that. There are a lot of people that did not want Seaboard, or Vall here, or Seaboard. There were a lot of people that were bitterly opposed. There were a lot of people that were bitterly for it—you know, cheerleaders. I tell you, it caused, it still causes some rift. As a banker, I'm kind of like, "Let's get along." Obviously, I feel different about it.

MJH: Is it because of pollution, and that kind of thing?

PF: Quality of life. I'll just leave it at that. That would include smell, water. Also, the [*unintelligible*] and the force that's utilized in that particular business...

MJH: That was—I guess Jimmy Webster alluded to that as a change.

PF: We're more Hispanic...I mean, there's just a lot more...In Texas County, Anglo-American is...I don't know what the real numbers are right now. Jimmy probably does. But it's fifty-fifty, or less.

MJH: Anglo-Hispanic?

PF: Yes. And you know, on the kill floor over there, Guymon may have a lot of Guatemalans. They're not just Hispanic. They're people that are brought here because of jobs.

MJH: Are you active with the OBA and the CBAO?

PF: I kind of did my stint at the OBA early, and you know, I was on their Young Executives Committee and placement project with college kids, summer interns, I did a lot of that. And now I sit with the American Bankers Association. I serve on their Community and Agricultural Development Board, which is the oldest board that the ABA has. It's a very important committee for them. So I give them that. And I'm active in the...The banking industry in Oklahoma, many years ago, formed their own health insurance company for just bankers, and I'm a director of that board. We've also expanded into Texas—it's kind of an Oklahoma-Texas deal now. I'm active in that. I've tried to stay active. You know, gosh, as good as the banking industry has been to me, we all have—we should give back when we can.

MJH: I guess you style yourself as a community banker.

PF: Oh yeah, through and through. I grew up here, I've lived my whole life here. At one time, Texhoma was the last place I was ever going to live. Of course, when I got away from here for awhile, I kind of figured out it was pretty nice. Great place to raise kids. And you know, you have some of the community bank in your heart. You've got to be active and do a lot of things. I've spent the last thirty years of my life on school boards and church boards and city boards, and all those things. Now...I think I've got life backwards. You do all those things, and you have kids, and you're

already chasing your kids everywhere, and it's just chaos! Now I'm an empty nester. The kids are all out of the house, and I've already done my stint on all the boards and stuff...

MJH: How many kids do you have?

PF: Three, three children. I've got two girls and a boy. My oldest daughter's in law school at Tulsa, started this year. My second daughter is still at Stillwater, she'll be graduating this year. Hopefully, she'll get accepted, and she wants to be going to med school. And my son is in his third year in college, and who knows what he's going to do? He's still drinking beer and chasing girls. I think he's probably got more interest in coming back here than my girls do. But you never know...

MJH: Do you have any thoughts about banking today? I know things have changed pretty dramatically since '08.

PF: There are some concerns. Size, to stay efficient, size continues to grow. It seems like...I can remember thinking that, if we were a \$25 million bank, that's the place to be. And then, I can remember—we were about \$15 million in assets then—and I can remember when we got to about \$35 million in assets, about a \$50 million bank is you we needed to be. And that continues to grow. That worries me. In this part of the world, to be really efficient, you lose a little bit. We haven't. But if we grew much more than we are today, you just can't help but lose some of that community feeling. That concerns me.

The regulatory pressures and burdens placed on my customers is enormous. You know, the amount of money we have to spend just to stay compliant is ridiculous. And you know, there's just a lot of regs coming down that were caused by Wall Street and some of the major—the bad players in the industry. And they're not many bad players, but they were big enough that, we're all paying for that.

It's absolutely scary what the politicians have done to a really good system. It's strictly credit...I'll give you a really good example: When you talk about home loans in Texhoma or Guymon or Goodwell, Oklahoma, there's still a lot of houses that are \$40,000, \$50,000, \$60,000 houses. When you have the politicians in Washington, DC, making laws, they have no concept of what they're doing to this area. You know, secondary market loans at a thirty-year fixed rate—I mean, we do those, and we sell those loans, and we do those things, but more than half of the loans we see don't qualify now. And even if they did, you can't go spend \$5,000 to put out a thirty-year loan on a \$30,000 mortgage. The numbers don't work. And now then, all of a sudden, if we're going to do that, we've got to have an escrow department. Think about that: We don't have the volume to have an escrow department. You have to handle thousands of escrows to be efficient at it.

MJH: So I guess the bottom line is, you're getting out of the home loan business?

PF: The bottom line is, we either continue to do home loans and lose money, or we get out of it. And who's going to finance a home in Texhoma, Oklahoma? That's a real bind. That's not a good either/or. And you know, we do a lot of home loans. If there's a couple here that's worked for the Texhoma school system for twenty years, and just good, hard-working people, and they put four or five thousand dollars together and they're going to buy an old fixer-upper house for forty, and they need to borrow another twenty to fix it up and they only have five to put in it, those people have banked here forever and they're honest people, you know we're going to do the community thing. We don't get hurt on those kinds of loans. Those people are going to pay that home mortgage. We've had a history of that. We have never foreclosed on a house in Texhoma. Ever! And, now, we really can't do those kinds of loans, because of the regulatory pressure. And even if we do 'em, we can't make any money on 'em. So you do some things that don't make any sense, and what are you going to do? Somebody's got to finance those houses.

Those are the issues you get into, and there's just a whole spectrum of stuff over the whole system. Student loans are a nightmare. The regulatory burden to do a student loan and the rate of return is less than *one* percent. I've got \$2 million worth of student loans on the books and we're getting about eighty points. My cost of money is 1.1 percent. So we're losing money on that because you figure...community reinvestment...We're doing the right things, but there comes a point when your stockholders say, "We've got to have a decent return on our money."

And don't get me wrong. Banking has been profitable. It's done okay. But as time goes on, they're taking a system, a very capitalistic system—and we do need more regulation, because of the importance to the country, you can't have the banking system in the wild, wild West—we do need regulation, that's proven. But you can't take all of the capitalistic pieces out of it. You can't make one good thing, where everybody does it the same way, and make it work. You can't do that, because... You know, that pendulum swings, and it has gotten so far to the left, and so bureaucratic, and so burdensome... I don't really know how many people really are interested in doing what I do, because of the compliance burden.

MJH: I have talked to some who aren't. I had a really good visit with Ben Walkingstick...

PF: Oh, yeah! Sure! Yeah!

MJH: He came in from a deer hunt early. He was out in Waynoka. Of course, he's got trophies all over his walls. And he said, "I came in early to talk to you." And I said, "I hope it was worth it." But I actually got to his bank the week that they changed the signage to BancFirst. I couldn't find the bank, because I was looking for Union [Bank]. I drove by it two or three times and said, "Well, maybe that's it."

PF: He sold because of that exact reason.

MJH: And that's exactly what we...So he's a really good example of somebody...And there are a number of others. I talked to Bob McCormack down in Duncan, and of course, he talks to everybody. And he had much the same story to tell.

PF: I don't know if you saw it, but there's a bank in Dallas, I think it was last week, and they are actually—they're a small business lender. Ninety percent of the loans in that bank are to small businesses in the Dallas-Fort Worth area. And they are very successful. They've gotten so much regulatory pressure about being concentrated in one industry, they actually chose to liquidate the bank, and go out and do their own deals. They're going to continue to make those loans. They're just not going to have deposits and accounts, and they're going to liquidate that bank, and go into just a lending corporation that's funded with private sources of loans.

MJH: I wonder if that's a model for...

PF: That's very interesting. I have never seen that. I have never in my life seen a bank liquidate and go out of the banking...you know, give up their charter. And you've seen—I mean, look around you. How many banks like ours are left in Oklahoma? They are all over the state, but you look, twenty years ago—I don't know what the percentages are, but it would be dramatic.

I mean, there's Webster over in Guymon, and Baggerly...People here in this county, as far as I'm concerned, are fairly...I think they're in a great spot, because we don't have Wells Fargo and Bank of America and no community banks. We've got all community banks. MidFirst is here, and they're very large, but they're not exactly Wells, either. We still have a pretty good flavor out here, of community banks. But in parts of the state, there's no way...Is that really healthy? I don't know.

*Turned off tape recorder. PF closed by saying that he loves what he does, At fifty years old, he wouldn't trade last thirty years for anything. Likes dealing with people. Loves the diversity.*

End