



Oklahoma Bank and Commerce History Project

a program of the Oklahoma Historical Society

**Interview with Tracy Kelly, Chairman, and his wife, Polly
Spirit Bank, Bristow, OK, 7/8/2010
Interviewer: Michael J. Hightower
Audio taped and transcribed by MJH**

MJH: Introduction. Begin by telling me how your family started in the banking business.

TK: Thank you, Dr. Hightower. It's a pleasure to have you in the bank.

The Kelly family has been involved in the original American National Bank...later on in our interview, I will explain how we came to change the name. It was organized back in 1916 here in Bristow. It was starting to be kind of a boom town at that time. Cotton was king. We had five cotton gins in Bristow, and my father owned a cotton gin and farmed two miles outside of town. My dad came here in 1901 in a covered wagon, from Kansas.

He leased this ground two miles from Bristow and later bought. He only had a fourth grade education. He was one of twelve children. Dirt poor. From that beginning he married a nurse. My mother opened the first hospital in Bristow, in 1921. She was a nurse in Tulsa. Her sponsoring physician said, "Why don't you go to Bristow? They're finding oil down there, it's a boom town, and they need a hospital." This was before women had much say about anything. So, she started a hospital here in Bristow as a single woman. From that marriage in 1922, she had five sons. I am number three. The family tree expands to thirteen grandchildren.

MJH: You were born in...

TK: I was born in '26. Today, Dr. Hightower, seven of those thirteen are working in the bank somewhere. I hasten to add that our definition of "nepotism" is not hiring kinfolk; it's keeping them there beyond their competence. So, they've got to pull a long oar if they're going to work here. And I'm very proud of my family and proud of their accomplishments and their "servant heart," if you will.

This is the real heart throb and conscience of what I call, "country banking." This is a difficult message to explain to Washington, DC and our regulators in this climate. They seem to ignore the real contributions community banks are making, not only in our economy, but in the social fabric of our country. I'm getting on a soapbox now.

MJH: Stay on the soapbox as long as you want.

PK: Go back to when your dad got in the bank. Then Albert came along, and...

TK: My dad came into the bank in the early 1930s, during the bank moratorium. The bankers of that time needed capital, of course. Don't we all! But he was solicited to put some money to buy stock in the bank to keep it going. And that's what he did. From that beginning, we wound up with controlling interest in it for 75 years.

MJH: Where did his capital come from?

TK: Livestock, cotton gins, and some oil royalties, when oil was a dollar a barrel. My father had five boys, brought up to work. I'm very proud of my family indoctrination in the culture. We were not children of privilege, but children of responsibility and hard work and respect for your fellow man.

MJH: What was your father's name?

TK: Albert Kelly.

MJH: Mother's name?

PK: Her name was Dorothy. Her maiden name was Tracy. That's why Tracy is Tracy.

TK: The CEO of this bank now is the grandson of the people you're talking about, and the CEO's name is Albert Kelly. His father was Albert Kelly. That's the oldest son. The five boys were Albert, Leban (he's my rancher brother); I'm number three; and number four is Allison Kelly, who was a former national bank examiner, and has been the CEO of a bank in Okemah, Oklahoma, for over forty years; and the fifth boy is Royce.

My oldest brother is deceased. He was killed at a railroad crossing in rural Creek County, in 1977. That was Albert.

MJH: And Leban was a rancher?

TK: Yes, and here again, he was a rancher for a family owned property. We've been strong on family. The solidarity of family has been what has helped us grow and stay together.

My oldest brother, Albert, who was killed, at one time he was the assistant administrator for the Small Business Administration in Washington. SBA. Prior to that, he had a regional responsibility for the SBA, was the regional director in Texas (southwest). His office was in Dallas, and he got a little notoriety. He was with the Small Business Administration, regional director, but he said there's no such thing as small business in Texas.

This was during the Eisenhower Administration. This suggests some political overtones. My mother was the Republican National Committee Woman for Oklahoma in the 1960s. All this is a fabric not only of how we got there, but how we have tried to contribute.

I like to use the metaphor...I'm a great believer in "leaving the woodpile higher than you found it." We think that we have an obligation to serve our people. Here again, the beauty of a community bank, they know us warts and all, and you don't...it's not trickery or chicanery, it's just that you serve the people the way you would like to be served.

MJH: Tell me more about your father getting into the business. He amassed a little bit of capital from cotton gins and oil...What sort of stories do you remember from the Depression.

TK: I remember stories...under the Christmas stocking all they had was a sweet potato in the sock, and proud to get that. The people were destitute. Compound that with weevils or boll weevils, and a complete wash-out in crops...As a bank, you have to have the courage to go yet another year with credit when they weren't destroyed by boll weevils or floods. People have hardships, and the old idiom, "A hard-raised pup makes a good dog."

These people were hardened. They were wonderful people, they were honest, hard-working, they just...There was not much social order. It was ...abject poverty in some cases in rural Oklahoma.

MJH: How did that affect his (dad's), or your, politics? Has it been a consistent, small government, personal responsibility strain, in the family and in the bank?

TK: Well, it's interesting you should bring that up, Dr. Hightower. It's almost a necessity to be a conservative—to not depend on big government or anybody else for your livelihood and your well-being. "You had to root hog or die." It was that kind of a scramble. And of course, this is what created the popularity of the New Deal, and that sort of thing. It goes back to those deprived days. It still surfaces often in Oklahoma. You see the vestiges of that kind of mindset today.

My father, as I say, had a very limited education as a farm boy in Kansas, and being one of twelve children. There weren't any perks in his life. But when he came to Oklahoma and got a little bit of economic legs on him, he was a Republican delegate to the Republican National Convention when Harding was nominated. Many ballots later...history will record it. Harding finally prevailed. Anyway...

PK: He (Tracy's father) did a lot of things for people who were in need. He did it very quietly and anonymously.

MJH: What sort of things?

PK: You know some of those stories [Tracy].

TK: He was a bachelor until he was forty seven years old. He was 52 when I was born. When my baby brother was born he was 66. Which brings up another interesting bank story. This black lady was in the bank when my baby brother was born, and learned that Mr. Kelly had a new baby boy at his house. My father was 66 years old, and Betty Duncan, who was this character black lady that everyone loved, wore long denim dresses, she

looked at my dad and said, “My, my, Mr. Kelly, you’re an old gobbler, but you shore got the strut.”

PK: Now back to your dad helping people. Old timers have told you...

TK: This happened frequently: Some people called him Uncle Albert, because he would not foreclose on land and on houses and people. He had great confidence in the common man. He was their friend, and he was one of them. As a result, he brought into the family a reputation of honor and honesty and helpfulness. There was no arrogance: as I say, he taught his family, created in each of them, a servant heart. A noble heritage—that’s my interpretation.

This is why Bristow is home and will always be home. We don’t *live* here now—five years ago, we moved to Tulsa. And we have branches...

PK: I’ve heard of groceries mysteriously showing up, and gifts at Christmas time. People would not know where they came from.

TK: In the thirties, he would hire people who were unemployed, to chop wood and furnish the trees...

PK / TK: He would find jobs on his own on his own property.

TK: I have seen him load up people early in the morning and take them to breakfast and then take them to the fields to work. He said, “You can’t work on an empty stomach.” So he’d feed them and then take them to the fields. It was a paternalistic social order. All volunteer, just trying to help push them along. It didn’t pay off, but that mindset and that reputation continues today.

MJH: Can you sketch for me the evolution of the bank? The original bank from which this one came was the...

TK: American National Bank. It was chartered with \$25,000 in capital...in 1916. It didn’t grow very much until we had legislation that permitted us to branch.

MJH: And it remained American National Bank until...

TK: 1963.

MJH: So tell me what happened in 1963.

TK: In 1963, we changed the name to Spirit Bank, because at that time we were able to branch to other communities, and we didn’t want to compete with other American names in those communities, they already were taken. So we had to come up with a generic name. “Spirit” captured the kind of bank that we wanted to sponsor and be. And it’s been a marvelous marketing word also. And we really enjoy the name, “Spirit.” It’s the spirit

of helping people. That appeals to all strata. We've got some dear friends to whom spirit means "whiskey," and we appeal my buddies there too.

The one thing that has changed from pioneer days in 1916 to today is technology. Oh, this is a big, big word. It's continuing to progress, and be more sophisticated, and I think more expensive, and more exclusive.

MJH: What do you mean by more exclusive?

TK: Not everybody can start a bank now, or get in the way the Kelly family did in the 1930s. These small banks now are feeling the economic pinch of not being able to be competitive because of the enormous expenditure for technology, not only in the equipment, but also in the affording of the technology in the people to handle that kind of technology are expensive. This has really revolutionized and changed the industry.

Jumping rapidly to the current status, we now are enjoying deposits from upstate New York on remote deposit technology. We are getting deposits on a regular basis, for example, in upstate New York, owned by some Creek County people. They bought a couple of broadcasting companies in upstate New York, and we're enjoying remarkable business, not just on that account. We have several hundred remote depositors from all over the United States.

The charm of this is the fact that you can be depressed in one area and flourishing in another. That's not the present situation. Everybody is hurting economically. But for many years, Dr. Hightower, the banks, I think, were pretty myopic. These bankers sat on their charters and didn't want anyone to come into their territory. They were not interested in expanding services to their people. As a result, we were pretty locked in and not very progressive.

MJH: When did that begin to change?

PK: Branch banking, Tracy, was that happening when you were president of the OBA?

TK: It was a little before that time. It happened in the seventies.

MJH: So since the seventies, bankers have become a little less myopic?

TK: Absolutely, absolutely, absolutely.

MJH: As the bank grew, was correspondent banking an important part of your business?

TK: Indeed. The aggressive banks in the community, they leaned on the correspondent banks a whole lot more than the stay-at-home bankers. The big-city correspondent banks were very important to set the stage in the quality of service we were introduced to. Some people believed in status quo, whereas others in the banking community at that time said, "No, we're not going to stagnate, we have to have an open road," so...

Let me back up just a bit. It was in the early 1960s that Oklahoma banks adopted the Uniform Commercial Code, which kind of introduced us to the national banking community. We were going national with the Uniform Commercial Code. It changed the mortgage language, where you recorded your mortgage. It was changing the rules considerably to make us conform with the standards in the industry.

It started with Congressional legislation, but what really implemented it, was the balance of community banks... The fraternity finally awakened to the fact that we have to change these laws and not just be a unit bank state. That required state legislation for that to go through.

MJH: So nationally you have the Uniform Commercial Code, and then you have legislation on the state level.

PK / I know we had correspondent accounts with Liberty Bank in OKC—with the
TK: major city banks, we had the National Bank of Tulsa, the First National of Tulsa, Liberty, and First National of OKC.

TK: These were very important connections for us. Anything over our loan limit, they participated with us. And that's still the case.

MJH: OK, Liberty, First National of Tulsa, and First National of OKC were the big three?

TK: Yes. For example, First National of OKC, Dr. Hightower you can identify with this, because you're in the family. Charlie Vose had \$60 million in capital. \$60 million to a Bristow banker was beyond imagination. So I didn't think anything would ever let them disintegrate, but we know better. But the big banks were very dominant, in some cases a bit ruthless—but only if you let them be.

MJH: How would you describe the relationship you had with these banks? On the one hand, they have gobs of money, probably could be predatory, but then, you need them. How did you navigate that?

TK: You would keep the needle in all the time, saying to this big-city banker, "Don't you try to steal my customer." And you would put it in those blunt terms sometimes. It became a relationship deal.

PK: Personal...

TK: Yes, and we could not have made it without some quality people on the upside of our correspondent banking department. They wanted to cultivate us because they wanted our deposits. Here again, it opens the door to all kinds of maneuvering. "Mr. Country Banker, because you can put your excess deposits with my bank in the big city, we're going to be especially nice to you, and you get the ball tickets and the hotel rooms and we'll do business." This is the way they ingratiate themselves because, humanity being what it is, there was a lot of fudging going on in the early years of correspondent banking because

they would use the bank's assets for their own personal empire-building. They wouldn't steal any money. If you want me to bring my bank's deposits to your bank in the big city, what's in it for me? So they will get some nice perks.

PK: And back in the day, those correspondent bankers really took care of us at the bank conventions—the big, elaborate parties...

MJH: You mentioned Charles Vose. Was he a friend of yours?

TK: Oh yes. Charlie Vose...you'd know a good many of them.

MJH: Did you know R.A. Vose?

TK: No. There were some Hightowers in that group.

MJH: *Digression to Johnsons and Hightowers in banking.*

TK: Correspondent bankers took you up to the Beacon Club. That was where you learned to drink whiskey.

MJH: *Digression to Aunt Mary; Hoffman family in Chandler.*

How about particular people at correspondent banks, especially Liberty of OKC?

TK: McClain (sp?), C.R. Anthony was a Liberty director, and Morrison Tucker, Earl Sneed...

MJH: What I am hearing is that, up to 1962, everyone had their own little kingdoms, and there was not a whole lot going on between them, and there was not a lot of interaction with the big cities either.

TK: That's right. But the sharper big-city banks discerned all this and they worked their side of the street. They ingratiated themselves with some of us country bumpkins from the outback.

MJH: What was the motivation for branch banking?

TK: The home town banks were fighting every...not all of them...finally we broke loose from the herd, and got some breathing room. By that I mean, you could go a thousand feet from your front door and put in a drive-in. And that was liberation. It was an evolution thing, and finally it caught on that we could go to some other community and do our banking there too.

MJH: Give me a time line of your branching.

TK: This was kind of late in the game, but our big break came in 1987, when the FDIC was closing banks here in Oklahoma. So we were invited to bid on the Drumright, Oklahoma

bank, which is twenty-five miles from here, in the same county. We knew the people and we knew the territory. We bid on it and bought from the FDIC Citizens Bank in Drumright. We had to be in business the next day. It took a good [?] to assimilate that sudden burst of business.

MJH: So that was your first branch? You could have done it by 1963...

TK: That's right. The opportunities weren't quite there. But then they opened wide when they were closing those banks. In October of '87 we bought Drumright. About January of '88 we bought nine miles north of there in Oilton, Oklahoma. In about March of 1988 we bought in Cushing, in Oklahoma. Suddenly, within six months time, we had three branches.

MJH: Your headquarters were still here in Bristow?

TK: Yes.

PK: Actually, we were still American National, until we got Drumright and Oilton.

TK: What really triggered it was, we wanted to expand into the county seat of Sapulpa, and they already had American National up there.

MJH: *Digression to George Krumme's history – good source for dates.* When did you go to Sapulpa?

TK: We bought a bank up there from BOK. It ended up being BOK. I think they regretted selling it to us. We ran it as a separate bank for a little while. That was not working, so we merged that with our existing banks. I hasten to add, what enabled to do this was technology. We couldn't have done it the old-fashioned way that I had grown up with. This required hiring a different kind of mind-set people. We were denied the old country bank good ole boy system. We had to put in systems that could be applicable to any community.

MJH: That brings up an interesting conflict. What makes the country banks strongest are all the things you mentioned: honesty, being part of the community...But in order to grow, you have to adopt technologies that militate against that.

TK: You've getting to a very key deal here, Dr. Hightower. I guess it's going to be a circuitous way, but I distinguish banking not as a business, as sterile as it can be, but a good bank has to have heart. And that is what the community bank really champions, is not the virtue and honesty and fair dealing, but a *caring* attitude—wanting to improve the lot of your people. It sounds kind of paternalistic, but with a bank charter, you have more than just a business. You have what I call a ministry.

PK: And that is really why we were never afraid that BOK or one of the big banks would open a branch in Bristow. Because we know the people, and they don't.

MJH: Do you see that technology, which helps you acquire these banks and integrate your systems, hollows out that “heart” you’re talking about? Is [technology] a threat?

PK: The only threat I see is that, we have people answering our phones—a call center, and if you will—and it if all eight of those people are on the phones, then you will get a recording, and people don’t like that. They want a person to answer.

We emphasize in all of our branches, “Know their name” when they walk in the door. Call them by name. Our people are very good about that.

TK/ PK: Basically, we want them to care. We want to still be the small town bank in the city.

MJH: It can be the best of both worlds, but I suppose you have to be pretty vigilant about it.

TK: Absolutely.

MJH: You want to find some techie who is twenty years old, but he is not going to know that world.

TK: You need to have that techie.

PK: But the techies are not for the most part meeting the public. It’s the tellers—the people on the front line who are taking care of the customer.

MJH: There’s a lot [in the media] about our loss of personal connections. Technology is supposed to connect us, but in a way it is not.

TK: It’s a business, and the efficiency experts can strip you down and...They interest is in the bottom line. I guess that is what I am after. You can’t knock that. They are all stake holders. But there is a happy balance there that is not just all business, and dollar oriented. It sounds kind of hokie, but we believe that in the marrow of our bones.

PK: You can do your banking from your cell phone in your car or at home or wherever you are...

TK: ...it leaves out the personal feeling. That is the challenge of good banking today. In some respects—I’m not being over dramatic here, but that era in banking is vanishing rapidly because of the necessity to give a different kind of service to our customer base. The generations don’t really appreciate what the old time bankers cared about. They want to get in and get out and head to the lake.

MJH: Let me back up to another kind of challenge: the Penn Square debacle. Talk about your customer base, loans, and the extent to which it affected your bank.

TK: Dr. Hightower, Penn Square... We knew Pete Jennings, who was CEO of Penn Square, and we actually had some Penn Square loan participation. So it can be argued that we were in the middle of the squabble. Fortunately, we weren't extreme. We applied the old rule of moderation and we didn't get stung badly because it wasn't our policy to just dive in and endorse what those big-city correspondents wanted us to do. But we were tainted enough to follow the deal. That alerted all of Oklahoma banks—it alerted the nation to the dangers of participating banks and participating in loans.

The bank failures started with Penn Square. It was three or four years later that we started buying these failed banks.

MJH: Early on, it caused all sorts of immediate problems, but ultimately it opened up opportunities.

TK: Indeed. We wouldn't be where we are today if it wasn't for the necessity of being able to buy all these failed banks. We have the notion now that we would love to have the ear of the FDIC that just ignores what the community banks do for this country. They're tackling their own quarterback when they try to do what the FDIC is doing today. That is, closing these banks. It's just a shame that they have adopted that policy. The CEO of this bank, Albert Kelly, Jr., who has taken my place as the CEO of Spirit Bank—he will be Chairman of the American Bankers next year, and he has a platform to really do some good politically for the community bankers. But they won't hear him. They won't give him an ear in Washington with the FDIC regulators.

MJH: Why is the FDIC so deaf?

TK: Because they have a mindset. We get poured in the same mold as Bear Stearns and Goldman Sachs that are investment banks. They are not down home community banks that care about their community and their people. The vast majority of the membership of the ABA, eighty-five percent of them, are community banks. We don't claim to have all the answers, but we know they are doing the wrong thing by trying to shore up these big banks.

There are enough good banks around to marry them to a weaker bank and help them survive instead of just closing the door and taking a multi-million-dollar loss. I hasten to add, it's paid for by the banks that are still open. We pay \$4 million out of this little bank in Oklahoma just to pay the premiums on FDIC insurance. And they're just wasting it in buying these failed banks.

MJH: There were some very impassioned speakers at the OBA convention (May 2010) who talked about the clout that state organizations can have. Tell me about that.

TK: There is a collective mass that is impressive and effective. It is how union organizers get some power. Politicians get a power base and develop it. What is so difficult for me to understand is the biggest bank in the state, BOK, is not a member of the OBA or the ABA. They're just thumbing their nose at political trade associations that collectively have some power.

MJH: Do you know who else does not belong? MidFirst.

TK: It can be argued that they are not a bank. But they're banks enough to take on the others. George Records is an independent guy, and he makes more money than anybody in the state.

MJH: I've been working on a project for George, writing a book about his bank... Mentioned MidFirst's refusal to join OBA.

TK: I think they don't think they get their money's worth. The dues are on the basis of their size. They would be paying more than anybody else. They can do it independently, they feel, because they have their own lobbyists, that sort of thing. I think it's misguided, but I'm coming from a small town experience.

MJH: Tell me about... You've talked about the FDIC, political machinations in Washington. Tell me where you think we're going in the next three to five years. What sort of trends do you see?

TK: I am awfully opposed to the trends we are experiencing right now. They think that government is the panacea, the solution to all of our problems. And that is not the truth. I'm impressed with the statement, "The government can't do anything for you unless they take it from somebody else." The government, in their imposition...they create a bigger bureaucracy with less effectiveness. I am awfully opposed to the overkill that the regulators have usurped. These regulators often give you the impression, they want your job. I'm not paranoid, and there are bankers who have done terrible jobs, both in public relations and on an economic base. But there are so many good ones, they don't need to tackle their own quarterback.

They are creating another bureaucracy with this consumer credit scheme, a whole new layer of oversight that we really don't need. They're playing to the gallery. It sounds kind of self-serving, but we have lots and lots of conscientious leaders in the industry, and we don't need Washington overkill. We'd like to be left alone, not to cheat anybody. But that's the image we're getting. And of course Wall Street's mindset is ruinous to everybody. They're a bunch of greedy bastards that have gotten the press, the notoriety, and the bonus bit—that's just a horrible PR.

They're bankers, and we get painted by the same brush.

MJH: What do you see that can counteract that trend? What can bring things back to a state or local level?

TK: The Oklahoma Congressional delegation has asked that same question, and we're in the minority, Dr. Hightower. We're fighting with a short stick, simply because the Obama Administration and his ilk has the control and the political power to implement these new reforms. And they're going opposite from what really makes this country great. It's not big government. I am very proud of our Congressional delegation. They have held the

line on a very unpopular stance in Washington. It needs to be corrected politically, at the ballot box. And we are losing mightily.

MJH: Polly, what do you think?

PK: I'm not the banker.

TK: You're just a sweet little housewife.

PK: I think it's an exciting time. I think it's a very scary time to be in banking. I fear what Washington is doing to banks our size, and it seems like they have a list of "hit banks" that they are going to close, and that's scary. We are confident we are not one of them, but we feel for those that are going to go down. Our nephew Kell has an idea, and Tracy mentioned this a little bit: Let a strong bank take one of these banks that are weaker and get it going. We know how to do it. Let us do that instead of closing it, and hurting that community. It's really sad what's happening in Florida right now, because they've closed, what, three or four banks in Florida, and now with the oil spill and the economy down there, there will be a whole bunch of banks closed. They're not going to make it.

TK: This will open the door to the FDIC to say, "Look, we need to raise your assessment, good healthy banks, to meet these demands." When the FDIC director, Sheila Bear, has a line of credit with the U.S. Treasury of \$500 billion, that she has not touched, it's easier to assess these healthy banks. I can't tell you how many millions of dollars they have taken. The FDIC has just issued an assessment out of Oklahoma. It's not good.

PK: We went from, before all this happened, a \$1 million assessment each year to \$4 million. That comes right out of your profit.

MJH: That's probably enough for today. This has been great.

End