



Oklahoma Bank and Commerce History Project

a program of the Oklahoma Historical Society

**Interview with Jimmy Eppler, David Young, and Scott Estes,
Citizens Bank of Ada**

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Interviewer: Michael J. Hightower

Audio taped and transcribed by MJH

MJH: Introduction.

I should tell you that I spent some of the morning with Denver Davison and Jim Hamby. It just happened that today turned out to be my Ada day.

DY: They certainly have a longer history than we do in Ada.

MJH: Why don't you go ahead and begin, David, if you want to, if that's your strong suit. Tell me about where your bank came from...

DY: I'm one of the newer guys at the bank. I've only been here about fifteen years. These guys have got much longer tenure with the institution than I do.

MJH: [Encouraging discussion...]

JE: Some of us have been here a lot of years...What's history and what is noteworthy history in those years, is the challenge to come up with. But I know, I worked here when Ralph Smith, one of the original founders of the bank, was still working here. I don't know how else to elaborate on that.

DY: Date wise, I know that the bank started in February of 1967.

MJH: Did it begin then, or was it bought from another institution?

DY: It began at that time?

MJH: Why 1967?

DY: One of the driving forces was Jack Conn.

MJH: That guy keeps showing up.

DY: He had a banking history in Ada, at the old Oklahoma State Bank. And then, left there, and went to Fidelity Bank in downtown Oklahoma City. He helped Mr. Smith of this bank...

JE: with help from the Kerrs and the McGees.

MJH: So Ralph Smith and Jack Conn were really the founding fathers of this place. So, what drove him to found this bank? He was from Ada...

DY: He was formerly with the bank that was exactly on the corner across the street there, the Oklahoma State Bank.

JE: I think the polite way to say it is that Mr. Conn was relieved of his position at that institution.

MJH: OK, that's politic...

Laughter

JE: and looking for a way to set up some competition.

MJH: OK, competition with the Oklahoma State Bank. So there was a little rivalry going on there?

JE: Again, that's very polite way to say it.

MJH: We're all polite guys. We can make this civilized.

So the bank was set up in February 1967. Was there anything in particular about the economy back then? What sort of lending were you interested in doing? Primarily agriculture? Were they interested in cotton, oil and gas...?

DY: I don't know if they had a particular focus of lending, but I do know that one of the original shareholders at one of our shareholder meetings a year ago talked about when they originally started, and they wanted it to be a locally owned bank, for the citizens of Ada. They wanted it to be something based in the community and not—I guess, from some of their other experiences—not to be at the whim of outside influences.

MJH: Of course, that would have been before a lot of these outfits started moving in...

DY: Well, there were some from Oklahoma City that had fingers in some of the other banks. They wanted to be local.

MJH: So, in terms of the philosophy of the bank, what's the difference? What's the difference between being owned and controlled and somebody else...It's all money, it's all lending...What's behind it?

JE: It's all customer focus.

DY: It's a local management team where you can make decisions locally.

SE: Plus, with local ownership, and the same local management, we see whatever we do in a community as an investment in that community. As Ada goes...The better Ada does, the better the bank will do. The bank can't do well if Ada doesn't do well. Sometimes, when you have an outside ownership, they're not as interested in Ada as they are in just the business. So, there's that connection—it's one way to separate the local ownership from ownership that's outside of the area.

DY: Getting back to the community—if this is the only community that you operate in, that's where your focus is, that's where you're pumping dollars in. If you have outside entities in town that have corporate headquarters someplace else, they may be great corporate citizens, but the focus is going to be someplace else.

MJH: Do you see examples around here of—I don't have to mention banks' names, but—do you see bankers come in here from elsewhere, and it's real clear that they're not quite as community focused?

DY: Absolutely.

JE: Yes, night and day.

MJH: Can you pin down any examples?

DY: I can. Several years ago, the United Way has a financial institution committee, and I was in charge of that, and normally they have a little card, and they go back, and they'll usually...what institutions will do (at least what they did the year before, and whatever)...There was a bank that had been bought out by a larger bank from out of state, and went from a bank that supported the community in a pretty good way to being told that they couldn't give anything, that if you could get on the calendar at their headquarters a year in advance, there was a chance you could get something.

MJH: So the decisions are made out of state...

DY: Then again, I'm sure they are great corporate citizens, but it really hurts the local community.

MJH: I have a question...I've talked to folks, went up to Bristow, met with Tracy Kelly up there, and talked to some wonderful folks who have very much the same mentality—they certainly do at Spirit Bank. So, how do these other outfits compete in the market out there? Don't they come in as the big corporate giant? How do they get loyalty from their customers? What do they have to offer that you don't? It seems to me that choosing a local community bank would be a no-brainer.

DY: You have a lot of habits. If people have been banking some place, it's hard to get them out of that habit, sometimes. You have a lot of, probably, lack of knowledge or

understanding by the people as to really what a difference it makes from the standpoint of what gets put back in the community. Things like that.

You have some larger institutions that maybe are able to spread operating costs out over many, many locations, and maybe are more competitive on rates. Things like that. There are several different factors.

JE: Then you've got a general population that isn't always thinking community. They are thinking, what is best for me?

MJH: OK, if they can get a tenth of a percent off of a loan...

JE: They are thinking very short term in their thought process, and not be about the whole community. I'm not faulting them, because all of us have that tendency. But that is a reason many of those places...

SE: Also, in today's population, a large number of them are not community minded. Period.

JE: I mean, you look at Kiwanis Club, your rotary clubs, the attendance and volunteerism ... I mean, there is some waning of that attitude.

MJH: OK, what do you attribute that to? It obviously has a direct impact on your attracting customers. What do you attribute that waning interest in Kiwanis, or whatever it may be?

JE: I think it's all generational, but...

DY: We see it across all the generations. You would love to be able to blame the "me generation," or something along those lines, and they are...and while, yes, the majority of that generation is less community focused, you find that in all the generations.

JE: I think you've got more choices...I have more choices of what I can spend my time with today than I ever have. And, so, I can't do it all.

MJH: That leads to the question—a little bit random, but that's good with me—can you pin some of it on technology? To what extent is a community bank—and I guess this is the only one, right? You don't have a Citizens' Bank in other towns? So, this is your one location. OK. So, in what sense do you find that technology is helping you, and to what extent is it hurting you?

JE: Helping. Again, it gives our customers more opportunities and choices, because we are able to provide things we couldn't provide years ago. I can remember the first computer we got. I don't have any idea what year it was. But we looked at it, and we thought, boy, we are going to be so much more efficient and faster with so many things. My thought process was, wow: I'll have more time to do whatever else there is. And then, you see us all today, and we don't seem to have time to get done in a day what needs to be done.

MJH: And we never went paperless, did we?

JE: Haven't yet.

MJH: That never really pan out...

DY: Some of us less than others...

Laughter

JE: Technology has...I don't know if efficient is the right word, but I think we are able to cover more information in a day than what we have ever been able to do.

Those are some of the advantages.

The disadvantage is that technology is expensive.

DY: Fraud and risk... (?)

SE: Fraud, of course, is a major issue.

MJH: Clearly, the benefits outweigh the disadvantages.

In a community bank, you really pride yourselves on knowing your customers personally, and you get to know them by name. You like to see them walk in the lobby, make their deposits, and do their thing...

JE: You like to go to the football game with them, you like to see them at the air show, you like to see them at the events downtown, and you go to church with them... You live with them.

MJH: In a small town like this, does that hold together pretty well?

SE: That is the difference between us and the other guys in town.

MJH: You mean, maintaining that kind of focus.

Tell me about when you were started. What sort of borrowers did you have out there? Has that changed over time? Is there a particular market that you have focused on?

JE: I have seen more commercial lending now than we did fifteen years ago when I started here.

DY: When we first started we didn't do much real estate lending at all. And now, that's really important for us.

MJH: So what were you doing in the sixties and seventies?

DY: A lot of consumer stuff...

MJH: Did you get very heavily into energy?

DY: We do a fair amount of oil and gas stuff.

MJH: Is this at all a center for that? We're not too far from Oklahoma City...

SE: In the early eighties it was, not so much now. That's more southeast...

MJH: A couple of questions: To what extent has branch banking affected you? We have talked a little bit about that in terms of competition from the big boys. And also, the whole eighties fiasco—how was this bank was positioned to withstand that?

DY: We have always been a pretty conservative bank, and stayed out of that eighties stuff. Again, we did have some oil and gas, and we had some people who had some hard times, and we worked with them through those. We had some that we worked with a lot longer than we would have liked to, but most of the people made good on what...

MJH: Do you feel like maybe you gave people more, I don't know it leeway is the word—room to work with than some outfit based in Dallas or wherever.

DY: Definitely.

SE: And again, the incentive is there again for us because that person is not just a loan account to us: they are a business in Ada, they are a family in Ada and...it's more than just an account. This doesn't come as a surprise. These are customers, and you know their business almost as well as they do, and in some cases better than they do. You see these things coming, and you have the opportunity to work with them throughout the entire cycle of events.

JE: An interesting side note is that, during the Penn Square collapse, debacle, whatever you want to call it, we had an examination team in our bank during that time. They were here two or three days, and then one day, all of them just pack up and leave, and don't say a word to us. They're just gone! They had gotten a phone call, and they all went to Penn Square, and our exam was just put on hold, until they could find their way through that mess.

MJH: It was that abrupt?

JE: They just were gone. We had no idea why they left, or where they were going.

MJH: Kind of hush-hush.

What you are saying is that you have a pretty conservative philosophy, that you are not going to just jump in—if Bob Hefner says it's time to drill to 50,000 feet, it's not the best idea always.

What would you say, in the sixties – seventies period, what would have been the biggest challenges? You mentioned the oncoming of technology, other banks moving into the area with more financial clout, but then there were your customers... Any others that stand out at all? Any regulatory things?

JE: We work here, number one. *We* work here. The people that were here before us, during that time, I know they have mentioned how the regulatory climate first became an issue during those time frames. It was Reg Z, when it came in... When did they quit telling banks what they could pay and what they could charge? That was the late seventies?

DY: That was into the Carter Administration, wasn't it?

JE: Which would have been...

DY: Late seventies. Carter left office in '80.

JE: Those were, I think, some of their challenges.

MJH: That was the Volcker era too, I suppose. Interest rates climbed up to twenty percent, that kind of thing.

JE: That is when I began working here, was during those times.

MJH: I guess it's been rosy ever since, now that you been through that.

Laughter

JE: You had the Penn Square issue, which didn't affect us so bad lending wise, but you had the examiners coming in at that point in time that had a whole new mentality of how they looked at your asset quality.

MJH: OK, they are coming in and looking through a federal lens, and looking at your customers...

JE: ...and looking at all your customers, who you are telling them, "Look we know these guys. Some of them are struggling through the process, but we are still trying to be a community bank in a one-size-fits-all category, from the regulator's side." Those were difficult times. Of course, we have ridden the rate cycle, which is always a challenging thing to do, because you are pricing loans and deposits, and what you may think is a fixed rate loan in writing, becomes a variable rate loan because of the economy. If you have a fixed rate loan at 6.5% right now on your home, and you can now go in and refinance it at 4.5, is your fixed rate loan a fixed rate loan?

The rate cycle has been through there... We have had our own huge burdensome load of regulatory burdens to carry through those times, and managed our way through. **It hasn't been a bed of roses, but it has been a fun road.**

MJH: Good, well, you've got to have fun. I couldn't agree more with that.

So, when these regulators came in, particularly in the eighties, and were scrutinizing everything, up one side and down the other—I'm sure you were polite, but was it adversarial?

DY: It went from adversarial—and I first got in also about the same time he did—to more consultive (*sic*) in the last ten or fifteen years, but yet it had the same amount of adversarial relationship, but they've been more helpful and we have a much more positive working relationship.

JE: And [they] were concerned about the next turn, because of the events of the Wall Street collapse and all that. We're afraid it could turn back to adversarial.

MJH: OK, that's really where I wanted to go. So there were challenges early in the bank's history. Where are you now? In terms of the last two years, and looking ahead to the next however many... I'm sure you see challenges out there. What opportunities do you see coming out of all this? Do you think you might have a competitive advantage, in the next few years, over other institutions? Are you more flexible?

SE: As regulatory burdens become larger and larger, the larger competitors are going to turn the screws down on the things they don't do for customers, and **I think you will see customers go back to those institutions that know them personally and take care of them.** And that is where our advantages will come in. During the last few years, we have met one on one, "we know you, and you know us" type of relationship.

MJH: Do you have a sense here, and maybe you can speak for others—you characterize yourselves as a community bank, right? Are you members of the Community Bankers' Association? I don't know much about that outfit yet.

Anyway, and you might be speaking for others, where do you stand on legislation that is working its way through Washington? Do you get the sense that it is overkill? Do you get the sense that it is...

SE: It's not overkill. It is totally to the left of the target. The target was the institutions that brought the economy down. And they were carved completely out of this. And instead, the legislation is going after the folks that have been doing business the right way all along.

MJH: That's what I gather. Were you at the OBA in Tulsa?

DY: Yes.

MJH: Sure, I remember seeing you there. A couple of the speeches (I had a booth for the Historical Society—old pictures and cool maps...) and I listened to some of those speeches, and they were loaded for bear. And I read in the bankers' magazine, Roger Beverage's editorials and what not...

JE: You don't walk away from him wondering what he was thinking, do you?

Laughter

MJH: No, he doesn't leave you wondering. He's pretty straight.

JE: He's an open book.

DY: That's exactly right. They set off to reform what caused the global economic meltdown, and they zeroed in on...

JE: And we weren't part of what caused the global meltdown. We, as in community banks all across America.

DY: And then they introduced into it all of the consumer financial protection stuff, which is great, but they bring the argument up like, banks are unregulated, and when you are in a small community bank, and you know how often you have examiners in, you have directors' exams, you have people that we hire to come and examine us between exams to make sure that everything still is on the up and up, and going right, and then they bring another 2,300 pages of bills that's going to drop on us, probably 5,000-plus pages of regulations, for an already overregulated industry. And the thing is again, when you are a banker, a community banker in a small town in a county of 30,000 people, you don't last in business by taking advantage of customers and doing things that you shouldn't be doing. You don't have that big of a pool to draw from. You have to do things the right way and treat people the way they would want to be treated, and things like that. If you're in New York City and have 5 million people, potential customers, maybe you can do that, but here you can't. Somehow, we found ourselves right in the bull's eye of their target.

MJH: What do you think has been driving that? How did they miss the target so completely? Is it the insulated Washington culture, a sort of liberal mentality...

JE: Ineffective lobbying groups? I don't fault our group at all, because they did everything they could with the resources they had available to them, not just financially, but with the number of votes behind them. Community banks do not represent the largest portion of the population.

MJH: That brings up a good question: What percentage of the population do you think community banks services?

JE: Community banks as a whole, as opposed to the J.P. Morgan Chases and the Citi Banks—those groups—we have a different population that we work with. They touch the

entire spectrum, and draw on a larger number of people, and therefore feel like these guys have got more voters behind them. That's how they are able to get away with it. Washington bankers are the same way.

DY: That's also happening pretty much along party lines too. I mean, they just passed it last week, and it's with the president now...

JE: It was very much along party lines.

MJH: I imagine, too, that all the regulation increases your cost of doing business. How will that happen? What sort of costs will you see rise from all this? Maybe you have to hire attorneys to wade through all these regulations...

DY: When we started, we didn't even have a compliance officer. Scott became a compliance officer part-time, in addition to his lending duties, originally. And now, in our compliance department, we have five and a half (?)...four or five, and a part-time person. And that's all overhead.

JE: There's no profit in any of it.

MJH: No, there's loss of it.

DY: There are very tangible costs with the regulations that have been extended.

JE: There's not a way that I can put a dollar amount to what is coming. There's obviously already been a good amount of time spent trying to understand what some of the laws they are proposing and what we can do in the way of letter writing and phone calls to counteract that. Have we spent dollars already because of the legislation? Yes. What are those dollars? Well, I don't know, because I was going to be here today anyway...So we have spent time and energy on it already and...

DY: The Oklahoma delegation has been very supportive of things. Our people have really got a good grasp on it.

JE: So once again, all the Oklahomans at least understood and got it right.

SE: And of course, you've got dual costs associated with it. You've got of course the cost that it would generate, in the form of additional compliance people, additional regulations, additional paper costs—now you have to have people sign seventeen pages instead of just seven—as well as the lost key opportunities that you would have undertaken as well, per the regulations. We can no longer charge diss (?) fees, no longer generate fees from this area...I don't think those will be near as large as the cost side of it, but it's going to strike both sides of the income statement.

DY: And some of those things are done in the name of "for the consumers"—like the interchange, where the retailers will be charged, they will price fix what they can charge

on their interchange, on their debit card usage, so they will cram that down and the big retailers are lobbying for that, and all that does is transfer what is profit for banks to profits for the retailers, but yet they look at the entire Visa / MasterCard payment system, and that was all privately built, privately funded, millions of dollars over forty years probably of time, and now it becomes just a government utility.

JE: And the things that they are saying, we are going to determine what the actual costs of the transactions are, and that's all the bank is going to be able to give to itself from the merchant. Okay, that's all well and good, but who gets to define the costs? And is it simply going to be what it costs for the electricity and the computer wire, that that transaction ran up and down, or is it going to include the cost of developing the second generation of technology, all the _____ that go with that, the fraud losses that all of the banks are suffering, the rewards programs that banks place out there for their customers to use those cards, brand marketing—banks spend a ton of money advertising their logo. The Olympics two years ago—the Visa logo was everywhere. If they can only now charge the cost of the transaction...those things don't go away.

MJH: Where do you think your main opportunities are to try to counteract any of this? Is there any sort of...Has all the lobbying been done that can be done? Where do you stand in terms of influencing future policy?

JE: Now that the law is there, they go to interpreting that and trying to put it out into a form that regulators can monitor for. So interpretation is now part of it, and many of the groups that we belong to—community bankers and independent bankers, and those kind of things—will try and have an influence on how those go, and how those act. And so, we feel like we have a—even though it may be a small voice, we feel like we will have a voice in that process. And then we are all free to write all of those entities individually and express our concerns and opinions. And I'm sure they welcome those.

I don't want to sound like our hands are tied, but I think the decision has been made as to what's going to be done and now they've just got to carry it out. If that's a fair way to put it. We decided that we're going to put it here, and so here it is. Now we've got to figure out how to get it there.

MJH: In spite of your best efforts—lobbying groups, letter writing campaigns, whatever it may be—in spite of all those efforts, do you feel like your voice wasn't really heard in the process?

JE: Not that it wasn't heard, but from my point of view, the decision was made that the banks are bad. We've got to do something to regulate the banks. There was no looking to see, were banks out there that had no hand in this thing? Were there banks that had a hand in this thing? Were there non-bank entities that have a lot to do with mortgages and those kind of things that had a hand in this thing—insurance companies, mortgage brokers, appraisers, the whole group—that are not regulated like a bank is, that had their hand in this thing.

- MJH: What do you think the perception has been, over time, of bankers, in your town in particular? Has it always been a positive, mutually supportive relationship? Have there been periods when there has been more antagonism? How do you perceive your community role over time?
- JE: Looking at this town, and the other small towns I've been from—this will sound real braggadocios—if it's been done and accomplished in a town, there have been bankers involved in that process. And I hope that doesn't come across as arrogant as it sounds, when it comes out of the mouth. In most of the things that a town accomplishes, there's been a banker or bankers involved in that process.
- DY: That's on the community level and on the individual level. We've got a customer that was talking about us being dream makers. We kind of laughed at that at first, but when you talk about the opportunity to help people finance their homes, put people in businesses, help them educate their children—you really do help people accomplish a lot their dreams. I think people respect that, and I think in our area, I don't think that's really waned. I think they definitely see the difference between a Goldman Sachs and Citizens or a Visions [Bank] in a town like this.
- MJH: It strikes me, in a lot of the research I've done, I've been looking in the old bankers' magazines, I've looked in the minutes of speeches made, 1905, 1906...and my favorite one, was from Madill, I believe, the President of the OBA in 1906...and the whole point of it was, "If I could put a motto above every financial institution in the land, it would be three words: 'Other People's Money'." And it's really a wonderful speech that he gave 104 years ago. But a lot of the things you all are saying...it doesn't sound like things have changed too much.
- JE: And really shouldn't. Those are core values that could be in any community, especially smaller communities, alive and growing. You think about in some of the recent years here. We were in a bind with our courthouse and our jail facilities. How do you finance that in a small town? Well, you've got few options. But bankers came together and helped find a way to do that in this community, and make it viable and workable for the county and even a better deal for the county. You looked at when it was time to have a new hospital, popular or unpopular as it was, people in all the local banks came together to help make that happen, because those people had the foresight to see what makes a town good and things you need for a town. And that is in community after community after community, not just in the Ada community. You could go to all of those places and ask, what new industry is in this town, what is new to the community, and how did that happen? And generally, there is a banker or bankers involved in making that happen.
- MJH: So you'd say, that there has been a pretty collegial atmosphere. There are a number of banks here. I drove by, I'm not sure how many, but there are quite a few.
- JE: Way too many.
- MJH: Are there too many, do you think?

DY: There should be only one, my opinion!

MJH: Good point. That goes back a long way. Back in the day, you could get your charter for \$10.00, and if there was an empty corner lot, it didn't stay empty for long. I call it "the scramble." There's a whole body of correspondence in the archives, which are letters, some of which are one-liners, scrawls, to the secretary of the territory in Guthrie. "Please send two or three blanks. I want to set up a charter." I found one set—this was in Lathram or Carnegie in western Oklahoma—and I was able to piece together a whole series of letters, and we're talking about one-or-two liners, some of them kind of hard to read. This packrat had stuffed everything in a drawer...

JE: There are real people like that? That just put everything in a drawer?

MJH: I've gone through his collection, the E.H. Kelley Collection (he used to be a bank examiner) and I found a rock. I thought, "What the hell is this doing here?" He put it in an envelope, just thought it was interesting, was out in a field one day and found an interesting rock, and it wound up in the Historical Society...I told the archivist, "I found a rock!"

Laughter

In this one community, I found three or four letters in succession, "Dear Secretary Grimes, (about 1903) Want to set up a bank in Lathram. Is anybody else there?" And then three or four days later, somebody else would write in, "I hear so-and-so is thinking about setting up a bank." And then three or four or five days later is another one. So when you put all these things together you think, golly, these guys were in a race. It was really a scramble, and I have this great wild western image of [bankers] squaring off at high noon and all that. So, too many banks has been a theme for a long time.

DY: We get along well with the other bankers in town. But there are definitely distinctions between those that have the ability to be supportive of the community to a greater extent. Even the ones that are branches from out-of-town places...I'm sure there are individuals, if were up to them, would do more. Still some good people.

MJH: Anything other than overcoming the arduous regulations going forward? How about the economy here? Did the recession hit very hard in this area? Is that something you need to move through?

DY: I've told a lot of people, it's been a great time to be a banker in Ada, Oklahoma. You look at the country in general, the coasts, and different things, and all the things going down. Our economy has fared pretty well for the most part. Our unemployment rate has stayed pretty low, we have fairly broad diversification. One of the entities that I think has helped us a lot has been the Chickasaw Nation having their headquarters here. They employ a tremendous amount of people, and that's been a big asset for the Ada area and Pontotoc County.

MJH: Can anyone think of anything else, either historical or present oriented?

DY: On the historical stuff, one of the things we were wanting to show you to see if you wanted it for your archives was a collection that Mr. Conn had left us. He was one of the founders and original board members and all...He is also the person, I guess when he left here he went to Fidelity, and he became Chairman of the American Bankers Association, and then in the Oklahoma City downtown, when they had the "Conncourse," which is spelled c-o-n-n-c-o-u-r-s-e, and it's named after him. He was the driver on that project.

MJH: I learned about that about two hours ago. I was talking to my brother, Johnson Hightower, he's at Stillwater National Bank at the Waterford. I mentioned I was down here, and he said, "Jack Conn was down there. You know that's where the Conncourse came from."

DY: It's got two "n's" in it.

He left not only a lot of banking artifacts he's collected through the years, but also a lot of writings and letters, and theres' a scrapbook...

SE: He wrote a book as well.

MJH: I've seen that. And there are letters as well?

DY: You're welcome to read through any of those that you'd like.

MJH: How about artifacts?

DY: He collected these from older banks. It's a nice collection...

Mingled voices

JE: They were put on display when this bank opened. They weren't used here, the way I understand it.

MJH: Where is it?

SE: We've got most of it in the vault downstairs waiting for you to look at.

MJH: I'm in! I don't want to take too much of your time...

Transition from board room to vault

End