Oklahoma Bank and Commerce History Project

a program of the Oklahoma Historical Society

Interview with Mark White
Osage Federal Bank, Pawhuska, OK, 3/17/2011
Interviewer: Michael J. Hightower
Audio taped and transcribed by MJH

MJH: It is Thursday, March 17, 2011, and I am in Osage Federal Bank in Pawhuska, talking with Mark White, who is the president and CEO of Osage Federal. I want to thank you for taking a few minutes to do this.

MW: Glad to do it.

MJH: If you could just go back to square one and tell me about your institution, how it got started, its early charter, and notable incidents in your bank's history, that would be great. Take it away.

MW: Be happy to. The bank was incorporated back in 1918. It actually was known as National Building and Loan. And I've got a copy of the original minutes—in fact, we've got the minute book downstairs in the vault, all the way back to day one. And it was actually written up in hand and typed up later, and this was the original meeting to get started, and about ten or twelve individuals in Pawhuska got it started. Typically, savings and loans were started by commercial banks. They did not want to get into home lending, because it was long term lending; they wanted to stick with commercial lending. If you will notice, two of the names when we were incorporated were Edward Kennedy, was one, and the other was Charles Stewart. The Stewart family still owns the First National Bank, and the Kennedy family owned the old National Bank of Commerce or NBC, which was later sold, and now it is Citizens Bank, so they are no longer associated with it. But those were actually with the old original banks back then.

We were incorporated March 1st, 1918, National Building and Loan, and incorporated as a savings and loan. And then in 1932, the name was changed, and it became Osage County Savings and Loan, and it didn't stay that way too long—that was June 1st, 1932, it became Osage County Savings and Loan. And then on March 8, 1935, during the Depression, when federal insurance was…became part of the Homeowners Loan Act, and FDIC insurance—the bank converted from a state to a federal charter and became Osage Federal Savings and Loan, back in 1935. We stayed that way, as a federal savings and loan—as a mutual—until 2004. And in 2004, we converted to a stock association, so we are now a federal *stock* savings bank. So we have gone through some charter changes and some name changes, so it is now Osage Federal Bank.

We're a federal stock savings bank. Something else that is kind of interesting: I was looking through the notes, there have been only eight managing officers of the bank since 1918, and that's including, very early, there were just part timers who worked on a volunteer-type basis a few hours a week. When you actually go to full-time managers, I am only the third one since 1918. Mr. J.W. Keith was president from the thirties all the way up to 19 seventy something, and I can get that date later. Milton Labadie became president in served until 1994, when I came in, and I have been serving since 1994. So there have been only three full-time managing officers of the bank in, what would that be, 93 years. Kind of an interesting side light to that. I don't think too many banks could say that.

MJH: That's actually one of the motivations for this project. When I was talking to Frederick Drummond—these institutions have been in single families, often, for generations, and that's kind of rare in this day and age.

MW: Right. We were actually a mutual. All savings and loans in Oklahoma had to be a mutual up until a number of years ago, when the law was changed. We converted and became a stock association in 2004. And without getting into all the specifics, we did it first as a mutual holding company and only sold about thirty percent of what the available stock could have been, and then stayed that way for about three years and decided in 2007 it was working fine, let's just be full stock, so in 2007 we did what's referred to as a second step conversion and we sold the remaining seventy percent of the stock and became just a full-blown stock bank with a holding company, and at that time we were listed on the NASDQ. We were one of the smallest banks in the U.S. that was publicly traded on the NASDQ.

MJH: How was that?

MW: Part of it, when you convert and you go stock, in the first step, we sold stock to our depositors, and that's the only people that could buy stock—you had to be a depositor. And when we did the second step, it was so much more stock, so many more dollars you couldn't get it all sold to depositors, so we had investors, in effect, that came in and bought it. They in effect want more liquidity for the stock, so we went on the NASDQ. We stayed on the NASDQ up until just about a year ago. By that time, a lot of trades had started to slow down, and some of the people that wanted the liquidity had sold stock, and we had fewer stockholders, so we delisted. But it's still traded over the counter bulletin board. You can look it up on the computer every day, see what the trades are and what the price is.

MJH: What kind of business is it? Who are your customers, historically and…?

MW: That's a good question. Historically, the lending was almost totally mortgage lending. Savings and loans existed to put folks into houses—that's what they were for. If you wanted a home loan in the twenties, thirties, forties, fifties, sixties, even in the seventies, primarily you went to a savings and loan. That's what they specialized in, whereas a commercial bank does commercial lending. The lines between banks and savings and loans started blurring about twenty or thirty years ago, and we started moving into consumer loans, a little bit of agriculture loans, commercial loans, commercial real estate loans, and they blurred to the extent now that there is basically no real differences between a savings and loan and a bank. In fact, we changed our charter to a federal stock savings bank, which was always an FDIC insured institution anyway.

MJH: Okay, so you're under the FDIC.

MW: Oh yes, we're under the FDIC, have been for many, many years. And we operate, realistically, very much like a community bank. We make consumer loans, we make commercial loans, we make commercial real estate, we do some agricultural lending, we do apartments, storage units, office buildings, doctors' clinics—it just goes on and on. Plus, we still specialize, though, in mortgage lending. We are still very heavy in mortgage lending. But instead of it making up eighty or ninety percent of our assets, today it's about fifty percent.

And on the deposit side, at one time, savings and loans, the only thing they offered was a passbook savings account. That was it. Then they got into certificates of deposit about thirty or forty years ago, and then with the changes in regulations and, as I said, the distinctions blurred, now a stock savings bank like us, we offer everything. There's no difference between us and a commercial bank, in that regard. We've got checking accounts, money markets, CDs, IRAs, passbook—you name it. We basically are, and operate as, a community bank.

MJH: Do you belong to the Community Bankers Association?

MW: We're a member of the Oklahoma Bankers Association. We're members of the American Bankers Association, and we're members of a specialized, regional group called Heartland Community Bankers, which is a four-state group.

MJH: Tell me about that.

MW: It's out of Topeka, Kansas—the headquarters. It has about forty members. Generally, they are savings and loans or savings banks, and are more mortgage oriented. We're a member of that group also.

MJH: So is you service area pretty much Osage, Washington Counties…

MW: Yes, for the most part. We also get into Pawnee County, we get into Nowata County, we do Tulsa County—the northern end of it, for customers who move into that area. But the majority of it would be Osage and Washington Counties.

MJH: Okay. And then you have two offices—here and over there?

MW: That's correct: Two in Osage County. We have the original corporate office here in Pawhuska; we have what has turned out to be a very large branch in Bartlesville…

MJH: Oh, that's a branch…

MW: That's a branch. And then there was a small commercial bank in Barnsdall, it was Barnsdall State Bank, and we bought it about three years ago, and now it's a branch of Osage Federal. So it's Osage Federal Bank, and it's in Barnsdall.

MJH: Since you were originally, basically in the savings and loan business, what was your experience in the eighties?

MW: That was referred to as "the savings and loan crisis," although lots of commercial banks went under also. For us, I think there was one year in there, earnings-wise, that we didn't make money. That's all.

MJH: Why is that?

MW: Oh, it was just the rapid increase in rates, [they] went up faster, and your costs on your savings went up much faster, and you could put new loans out at higher rates. In banking, it's an interest rate risk exposure. Your re-pricing of your assets, your loans, didn't take place as fast as your re-pricing of your liabilities, which are deposits. For a bank, it's backwards: a loan to us is an asset, because someone is paying us, whereas a savings account with us is a liability, because we've got to give it back. So it's reversed, compared to an individual. We only has one year in there, and we didn't lose much money. So it was basically a pretty minimal impact on this bank.

MJH: Why do you think you were so successful, when so many others were not?

MW: I think there are any number of reasons. We have had a long continuity of our board—we replaced them here and there, but the majority of our board has been with us for a long, long time. They are very attentive to the community and the needs, and making sure that banks serves them, but also makes money, so it kind of goes hand in hand. We are pretty good about maintaining employee continuity—the majority of our employees have been with us for many, many years. And I think we just get out and work it. We want mortgage loans, and we work with realtors. We are very competitive in rates. We've done things that a lot of banks our size probably don't do as much. We are a very aggressive originator and seller of mortgages to Freddie Mac, which allows us to stay in the market regardless of where rates are at, where rates are. In other words, rates drop really low, like they are right now, and some institutions don't really want to lend money because rates are so low, and they don't want to take a chance that rates go up, and they are stuck with those, whereas we'll still make the loan, and on the books we serve the customer, and yet as a back office entry, the participation in that loan is sold to Freddie Mac. The customer still deals with us; it has no impact on the customer. Their account is still here, and yet we pass that interest rate risk on to Freddie Mac.

Which may be one reason Freddie Mac has got so many problems! And not us!

Laughter

MJH: What was your experience with the Penn Square Bank debacle?

MW: It really had no impact on us. You certainly had the problems in Oklahoma. We almost had a rolling recession in housing, and then in mobile homes, and then in commercial lending, loss of jobs, and everything else. And there were some peripheral impact that hurt earnings a little bit—instead of making $300,000, we made $200,000. That's not a big deal. Our earnings are very strong right now, particularly compared to our peer group. We've been very consistent.

MJH: What are the main kinds of customers that you have? Still home loans?

MW: Still home loans, but as a community bank, which is what we are. Just the typical citizen out there in the community. We'll make them a home loan; if they want to buy twenty acres next to their brother's place that came up for sale, we'll make them a land loan. If he works at the post office and he runs twenty head of cattle on eighty acres and wants to buy the cattle, we'll make him the cattle loan. If he needs a pick-up to go work on the property, we'll make a pick-up truck loan. We know our customers. We're not out looking for, just—what would I call it?—we're always wanting new customers, but we're doing retail business only. We don't do so-called wholesale business. In other words, we don't have some car dealer come to us, and he's making constant loans and putting them together, and then we're buying the paper. That's wholesaling. We don't do that. We work directly with customers, and the people we know—they're good people. They take care of us, and we take care of them. It's kind of a mutual situation.

MJH: I think you actually have already answered my next question: How would you define a community bank?

MW: A community bank is one that takes care of the needs of the typical citizen in their community. A community bank means, for starters—and what you're in effect saying indirectly is I'm not one of those great big banks. I'm not City Bank, I'm not Chase, I'm not Wells Fargo, where they have millions of customers, and if you walk in a branch, they don't know you except by your account number. Of our customers here in Pawhuska that walk in, I would say that over ninety percent of them, our employees know them by name. You even go to Bartlesville, a town of thirty-five thousand, and I'll bet two-thirds to seventy-five percent of the people who walk in the door, our employees know them by name, even in a town that size. And when that happens, you tend to be much more…It becomes a much more personal relationship with your customer. We do a lot of that. And we've got a lot of loyalty. We don't seem to have a huge turnover in our customer base. And we're growing. Seven or eight years ago, we were about $75 million; today we're $155 million, $153 million. So we've had a lot of growth.

MJH: What would you say, in terms of the economy here, what seems to drive it? What sort of challenges and opportunities do you have out there? One reason I ask is that I was reading in *The Bigheart Times* about wind turbines, and possibly bringing that in as a whole new sort of industry. What do you see down the line?

MW: We've kind of got a bifurcated market between Osage and Washington [Counties]. Osage County is more ranching. It's the Osage Tribe and their various industries. It's government, probably, to some degree, with the county, and the city, and the state, and school district—things like that. There's not a lot of heavy industry or anything over in the Pawhuska area or in Osage County itself. So, it's probably very stable. I always say that I am cautiously optimistic. I don't see huge growth, but I don't see any real downturns, because this area avoided the housing bubble, almost totally. We never had any huge run up in price, so it's hard to have the large fall.

Over in Bartlesville, it's a little more industrial, or industry driven. You've got ConocoPhillips, you've got lots of industry in the industrial park, a lot more retail, simply because the town is much larger. There was quite a bit of downturn in Bartlesville, with the drop off in sales tax, but we never had problems with high unemployment. It's only been six percent, 6.1. Considering the nation went over ten percent at one point, we were much less than that. ConocoPhillips is, I think, a very stabilizing force in Bartlesville. Three thousand employees, a very successful company, a very stable company—and that has probably maintained housing prices, because they're always moving people in and out. That's very helpful for us. And simply, thirty-five thousand people is not a small town. There is enough support and activity, there are enough people moving in and out, and trade, and so forth, to kind of keep home prices firmed up. So we have never had a huge drop in prices over there either. It's been very stable. Never had a big run up. When it was up twenty percent a year in San Francisco, I was just waiting for the ball to drop, and it did. Or Phoenix, or Miami, or Las Vegas, where it just got over heated. We never saw that. And our appraisals coming in, there has hardly been any decline; if so, it's one or two percent, two or three percent.

MJH: Did you have a similar experience with the big energy boom in the eighties?

MW: No, there were problems, particularly in Bartlesville, in the eighties. And I was not with Osage Federal at that time. I came here in '94. I actually worked for a different thrift in Bartlesville at the time, and in some areas of town there were thirty percent declines in home prices. So there were a lot more foreclosures, you know, deeded back to banks and all. But that was back in the eighties. And then it went on for three or four years, and then it kind of went away. Values came back. We got through it! We survived!

MJH: Evidently so. Historically, are there any periods in this bank's history that you either experienced or know about from your two predecessors that stand out?

MW: Yeah, the Depression. It was very difficult. This place struggled, but it made it. There were a lot of homes that people just could not afford. I mean, what did we have during the Great Depression—twenty or thirty percent unemployment? And this is strictly more than just reading in it. I went back and looked. They operated on a shoestring for six or seven or eight years. They got by, and they made it. I give them a lot of credit for it. It wasn't easy. But I'm sure that was a difficult time. I'm glad I'm in the age I'm in now, and I'm not having to handle that! But they made it. The association never went under. It made it through some of the toughest times when literally thousands of banks were closed.

MJH: In closing—and I know you need to get back to Bartlesville—as you look ahead to the future, what sort of challenges and opportunities are out there? There are all kinds of changes: banking legislation…

MW: Yeah, there are. One of the biggest challenges right now, of course, is the Dodd-Frank Law that is probably going to bring about somewhere in the neighborhood of six thousand pages of work, of regulation changes and everything else. I think the intent was good; there were a lot of problems. But unfortunately, it looks like the banks were the brunt of the regulatory focus, and there's a lot of things that went wrong in our last financial crisis: brokerage firms that were self dealing to mortgage companies, unregulated mortgage companies that were making some of the most awful loans you have ever seen, and selling them in packages; you had securities firms putting together private label mortgage backed securities that had junk in them, it was hidden; you had the ratings companies—Standard and Poor's, Fitch—those that were giving triple A ratings to stuff that, six months after they were issued, were non-performing; I mean, that's just unheard of. And unfortunately, the regulatory process, with this new bill, puts a lot of focus on the banks, and of the eight thousand banks, there is probably a handful that were involved in some bad dealings. Ninety percent plus of them didn't have a thing to do with it, and will pay the price. And that's sad. I mean, it's going to cost and cost, and it's going to be passed on to customers. There's some stuff in it, and I hope it's amended or changed, but if not, there's going to be a lot of smaller banks throwing in the towel, sell out or merge or something. I hate to see that, because if you want to go to a multi-billion dollar bank, and you're just a number, and it's more efficient, then I guess more power to you. My personal preference is that I want to go to a bank that knows me and who I am, and that can take care of me.

MJH: What do you think about the role of technology? It's kind of a blessing and a curse…

MW: It's both. To some degree, it's actually helped smaller banks stay up with it. You take us: We've got an ATM in every location. We offer debit cards. We have a website. You can do a car loan or a home loan application online and click and send it to us. It comes in, and the next day we're looking at it and calling you on the phone and getting ready to talk to you with it. We get some apps in that way. We have Internet banking, we offer it totally free, at no charge to our customers. You can transfer money, you can look at balances, you can look at how much taxes you paid on your mortgage loan last year, or if we escrow for you, or how much interest you paid. You can go back and look at statements on your checking account. We just got started with e-statements. Today was the first day, March 17. It's been in a beta test. It's up and live and running, and hopefully running well today. People that want a paper statement can get that. We have bill pay through our Internet banking, and it's totally free, we offer it, and it is wonderful. I'm sixty-three years old, and I thought I would never like something like that! We started a few years ago, and I can't believe I didn't do it earlier. I pay my bills through my checking account online, with bill pay. We've got telephone banking—you can transfer money and check balances and do all sorts of things, just like you can with Internet banking, with the telephone, we offer that. We've got two projects going right now, one of them mobile banking, which will be with smart phones, and they have to do some changes to make it work on the screens. Actually, it works for some people now, but with a special app or something. But we're going to make it universal. We're working on that.

And then we've got another project called SWISH—I can't think of the name of it, and it's a way to make a payment to someone. It's not like bill-pay. It's just a one-time payment: Your brother calls up and begs you, and you agree to loan him $500, and he needs the money. And with SWISH, you can do it, and it will be through your account, and it sends him an email, and then he verifies it—there's some security and stuff—and when it's done, it in effect sends it from your account to his account. It's kind of a one-time payment. You know—you owe somebody $50 on a football bet, and you've got to get them the money, and that's how you do it. In lieu of writing a check, it does it electronically.

MJH: Do you see any of that kind of taking away from personal customer service?

MW: Yes, it has. And it's interesting you should say that. We've really worked at personal service and relationships. And so, back when Social Security was always on the third of the month, we got donuts, and the coffee was ready, and the cookies, people got a paper check—and I'm talking twenty years ago, fifteen, twenty years ago—and would walk in, and it was a social event, and they'd catch up on the news and visit. Well of course, what, ninety-nine percent of all Social Security is direct deposit now. Plus, instead of just the third, it's spread out all over the month. So, you know, you don't have that, with electronic banking, and Internet banking, and all the stuff we offer, which is convenient. We also have less lobby traffic than we used to have. But I guess that's just a sign of the times.

We don't have fewer customers. We actually have more customers, but we see them less, because they do so much more stuff electronically.

So that's changed banking. I kind of miss the personal relationships—just going down there once in a while and shaking hands and visiting with people. Now I go down, and there's not nearly as many people in the lobby, but we're doing more business than we ever did.

Laughter

MJH: There's always a trade-off. You give up something, and you get something.

MW: That's true. I complain, but then I do it too! I do stuff electronically.

Laughter

MJH: Any other thoughts? I know you have to go…

MW: And I apologize on the timing. I've still got about five minutes.

MJH: What we might do is take a few minutes…

MW gave me copies of documents, two audio cassettes: J.W. Keith, History; Adaline Keith, History, Vol. 1; Adaline Keith, Vol. 2. Tapes are in MJH office at OHC.

End