Oklahoma Bank and

Commerce History Project

a program of the Oklahoma Historical Society

Interview with Mick Thompson
Oklahoma State Banking Commissioner
Oklahoma City, OK, 2/6/2012
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Audio taped and transcribed by MJH

MJH: It is Monday, February 6, 2012, and I am speaking with Oklahoma State Banking Commissioner Mick Thompson in his office in Oklahoma City. Thank you for taking some time to help with this project. So, as you were saying, if you could just tell me something about the role of your department in the industry.

MT: I'm sure you know that we're a little different than most state agencies in that we are a constitutional agency. I think the first commissioner was actually a lieutenant governor. By us being constitutional, we are different than most of the agencies that are statutory, in the way that we're structured. The commissioner has a four-year term, and it actually goes two years into the next governor's term. So you have—when the governor is elected, the commissioner still has two years left on his term. That's different than most any of the other states, in that, in most states, the commissioner changes with the governor. And so, I think that brings consistency to Oklahoma that a lot of other states…

The position of commissioner also, by virtue of that position, sits on the consumer credit board. He also sits on the securities commission board, and in an advisory capacity to both of those. Both of those positions are hired by the board, rather than being appointed by the governor. The board is appointed by the governor, and then the board hires an administrator of those two.

As far as the department is concerned, we regulate commercial banks. We also regulate credit unions. We also regulate money order companies and money transmission. We have a wide variance of regulatory authority that we have.

The department has two offices. There is an office in Oklahoma City and an office in Tulsa that handles that part of the state. Our main mission is to preserve the safety and soundness of the banking institutions and protection of the consumer. We do that…our mission is accomplished by doing examinations of those institutions that we regulate. We have a cooperative exam schedule with the FDIC and the Federal Reserve. We cooperate with them on examination cycles…

So, that's the structure of the department. Our employees are all unclassified. That means they are not covered by the merit system, *per se*. You have to discharge for cause, but it's not protected by the state. They serve at the will of the commissioner's office.

We are self-funded in that we receive no tax dollars. All our generation of fees is by the entities that we regulate. The structure of the banking department is that we have a seven-member board—five bankers, one lay person, and the commissioner serving on the board. The department's structure is that the commissioner has authority over everything that deals with the department: staffing, promotions, raises, examinations. The board is over the industry. So when they developed the department, you have two separate issues. You don't have bankers telling the department who they can hire and fire, but you have the board that does all the stuff such as branching, charters, all those kinds of things. So if it affects the industry, it goes before the banking board; if it affects the department, it goes before the commissioner.

MJH: What would you describe were some of the milestones before you took over, or particularly in your career? What I would like to know, too, is—maybe you can lead up to this—what was your background, before you got into this position?

MT: I'll get you a resume. Basically, I was a banker in southeast Oklahoma for fifteen years, and was in the legislature prior to that. I was chairman of the banking committee in the legislature, and was there about the time that Penn Square failed. That was quite an experience!

MJH: Tell me about that. So you were chair of the Banking Committee…

MT: Yes. It's funny. I was talking to a guy the other day. He asked if I had anything, and I pulled out—I just happen to have this: this is the *Oklahoma Banker* in 1983, the *Oklahoma Banker* magazine. What he wanted to know was, he was on the committee when we passed the branch banking and multi-bank holding [laws]…

Laughter…

I'd say, the milestones: I was elected to the legislature—I was working at the bank, when I got elected, in 1976—and I was the chairman of the Banking Committee, Banking and Finance Committee. The thing that we did, that I would say was a milestone in banking, was that we passed the first multi-bank holding company / branch banking laws. Prior to that, Oklahoma had no branching at all. Community banks felt like—It was a huge fight, because community banks felt like they were protecting their charters, and the value of their charters. The large banks felt like they needed to have branching activity, and be able to branch in some of these other areas that were growth areas. I think, probably, if we hadn't had the issues in the eighties, with bank failures, and hadn't had the problems with Penn Square, we probably would not have even taken it on, much less could have passed, those kinds of changes in banking.

What we were looking at, at the time when I worked at a community bank in southeastern Oklahoma in Poteau—we were looking at, how can we save communities that were losing their banks, and have some type of financial institution in that community. And it was evident that the full charter, full-blown bank could not survive in a rural community. We had to come up with some type of branching.

So it was one of the stories, I guess, when we were trying to figure out what could actually pass, was that we came up with one branch, fifteen hundred feet from the main office, and one branch within twenty-five miles. Well, as this developed, it got to be a scientific study of how we came up with that. It was really a bunch of committee members, one night, trying to figure out what we could pass. And it was kind of like, fifteen hundred feet and twenty-miles—sounded like a good deal!

Of course, I was for it, because one of the places I was going to branch, if we ever branched, was twenty-something miles away, so I thought that was a good deal. Some thought it was all scientifically done. But it was just what we thought could pass.

I think we called it the “Lobbyist Full Employment Act” because both sides employed a tremendous amount of lobbyists to either pass or kill this issue.

MJH: Was this in ’83?

MT: It may have been ’82 or ’83—I’m not sure. Because I became the majority leader the next year. I was only chairman for two years. It was about in that time frame.

We felt like, and I think it’s proved out, that that really saved some facilities in small communities, that might not have had a banking facility, once they got it. The funny part is that people who were totally opposed to that—they were the ones that branched from a small town to the metro areas. Very seldom did a metro area [bank] go to a small town. So it had the reverse effect. But on banks that were closing, they were able to buy—these bigger banks could buy—some of these failed banks and keep a facility in that community. That was the real purpose that we were driving at.

Probably the next big issue was when Congress passed branching. It allowed the savings the savings and loans to branch, and it allowed the national banks to use what they called the “thirty-mile” rule. They could go within thirty miles, and across the state line. So the only ones that could not branch were state-chartered banks. They were at a real disadvantage.

By then, I was bank commissioner. The thing that changed that was, we had some state-chartered banks that changed their charters to [become] savings and loans, so they could branch.

MJH: Didn’t MidFirst do that?

MT: Well, they bought one on sale. The first one was actually First United of Del City. They are now owned by ArVest. It was owned by the ArVest organization, but it was not ArVest. It was First United of Del City.

So state-chartered banks finally said, "Everybody is branching but us. We've got to change the law." Like I said, that was a conversion that people could accept.

Not quite intelligible…

All I've got to do is convert to an s&l, and I can branch. And so—But there are some restrictions. So much has to be real estate loans, and so forth. So a commercial bank didn't want to do that, but they really wanted to branch. So we changed that law.

So it went from a cycle of—that was a huge fight, putting those branching laws into effect. Now, it's been long enough that we can do away with all of those laws that we fought for back in the eighties. Now we have intrastate banking.

The one thing that we did, was that all the state commissioners got together and signed an agreement, that, wherever the charter is, that is the governing agency. So that, a bank that wanted to be in Oklahoma, Texas, Arkansas, Missouri, would not have four different regulators, because if they were national banks, they would only have one. So we made an agreement between ourselves—signed documents. And so now, wherever that charter is—for example, if you have a charter here in Oklahoma, and you have a branch in Texas, that bank only deals with me. If there's a bank in Texas that has charter, and they branch to Oklahoma, then they only deal with Texas. Now obviously, we coordinate, but I think that was a huge change in state-chartered banking, in that it allowed state-chartered banks to compete with national banks across state lines.

MJH: So banking commissioners, your peers, all over the country, all signed it?

MT: We all signed it. We all signed it—the agreement.

Our national organization, which is the Conference of State Bank Supervisors (CSBS)—they are the ones that coordinated the document. It was not easy, getting people to give up their perks. We wanted them to compete with national banks and not put our banks—state banks—at a disadvantage. It had to be done. It took several years of cooperation to get all the states on board to sign it. It's been in place for, gosh, I don't know, ten or twelve years.

MJH: You were talking about the Rainbolts. They were really involved in the early laws pertaining to state branching. Did you work with David?

MT: No, Gene. Because that was back twenty years ago. David was a kid.

MT's chronology is clearly off at this point…

Even Gene wasn't directly involved. I am sure he helped with some lobbying, but Gene was not directly involved. When we got down to the final thing, we certainly…I would say, he wouldn't come to us; we went to him, as we did with many other bankers, and said, "How is this going to affect you? What do you think the effect will be?" So we used them. And the same way we worked with the lobbyists. You see, I don't count "lobbyist" as a dirty word. I think lobbyists certainly have information, and you have take both sides. We used them also to give us a lot of information, as we went through the process.

I think it's proven that we actually did the right thing. We thought we were [doing the right thing], but we certainly knew that later.

MJH: Did you go through the same process with MidFirst?

MT: No. They're a national s&l, so we don't work with them.

MJH: You mentioned being in the legislature when Penn Square went down. What are some of your memories from that particular period?

MT: I would say, the legislature, and most of the bankers in Oklahoma then, and particularly ones in the legislature, did not realize the impact. It was not that big a deal—we thought. There were a lot of banks that were in trouble. A lot of banks were closing at the time. But the ripple effect of Penn Square—we didn't realize there was going to be that kind of effect, not only in Oklahoma, but nationally.

MJH: It took a while to sink in.

MT: Yeah. It was after the fact that we saw it was going to be a big deal.

MJH: So, you became Banking Commissioner in the late 1980s?

MT: It was 1992.

MJH: What did you find when you moved into the position?

MT: At that time, the agency was not self-funded. It got appropriations. What they would do, they would assess the banks, and the banks would send the money in, it would all go to general revenue, and the agency would get part of it back. My contention was, that's a tax on the banks, because they're keeping 30 or 40 percent of what the banks paid. And so, I said, "Look, they already pay all of their corporate tax; they pay all their other taxes. They shouldn't be supplementing general revenue with their assessments, especially if they're supposed to be for regulations. We don't need it, and the banks shouldn't pay it. So we started that movement.

The agency was so far behind. It was nationally accredited. Salaries were very mediocre. They were having trouble keeping examiners. Once we'd get them trained, the FDIC or the Fed would hire them. The overall condition of the department was pretty antiquated.

When we started getting banks converted—and we converted about thirty-plus banks from national banks to state banks—so we went from roughly just under $10 billion in assets to almost $40 billion in assets now. We have a lot more revenue streams coming in. We have never raised assessments in my twenty years here. We have lowered them six times. In fact, this year, we lowered assessment on the first $100 million by twenty-two percent. So, once we got control of the budget, and we started getting what the bankers were paying, we were able to get our salaries up. My average examiner has been here almost 18, 19 years. A lot of people here have a CPA degree or a graduate school of banking degree. We built this building and paid cash for it. It's a state asset, and the bankers technically paid for it. And so, we became a department that has been nationally accredited, I think, four times, by a national accrediting organization—the Conference of State Bank Supervisors. We also have our examiners, which is one of the few agencies that has both the department and our examiners—they are nationally accredited, the majority of them.

So that gives you—what we have been able to do is upgrade the department in the last twenty years.

MJH: That's quite a switch from the disasters of the 1980s.

MT: We have had only two banks close—state banks—in the last twenty years. We have had a lot of banks that would have closed and should have closed, but we were able to get them sold. If I could get a merger when a bank is in trouble, then we keep a viable facility in that community. So, we have been able to do that in a lot of cases that probably, in other times, would have required closing. When we close them—the FDIC can't close them, the Federal Reserve can't close them. We close them, and then we appoint the FDIC as receiver. So it's a lot easier to close them and give them the receivership and be done with it, and let them worry about it. It's harder on us to get one sold, but I think it's better for the community, and better for the state, if we can do that.

MJH: You're talking about state-chartered banks. National banks are different.

MT: Right. They are regulated by the Comptroller of the Currency.

MJH: Okay. What would be your outlook now? As I go around the state, I like to get outlook about what's gone on since 2008, where the industry is today, and where it is going. I'd like your take on that.

MT: I think, probably, from the industry [standpoint], our industry was never involved in the subprime stuff. Our industry was never involved in all that stuff. So we haven't had the real issues that a whole lot of states have had. Ninety-plus percent of our banks made money last year. And so—and I'll give you this—here's our mission, our goals, and how we accomplish them—it has a list of all the state-chartered banks. I will give you…

MT gave me written materials…

Overall, our banking industry is very good. We just don't have the problems that other states have had. We didn't have the highs, and we didn't have the lows.

I think the biggest thing I would say that is really worrying our banks, or concerning to our banks, is the actual implementation of the Dodd-Frank bill. I'd call it, and I told the chairman this—it's the biggest consolidation bill there has ever been for community banking. They say that it's not going to affect community banking. Well, I don't buy that. I have never seen something like this that didn't affect community banking.

With that—and there are three hundred rules that haven't been written, that are still out there. So the uncertainty, from the banks, I would say, is the biggest issue that they have right now. What, exactly, is it going to do to community banking? What are we going to have to comply with?

That's kind of what I see right now, it the uncertainty. But, I will also say that I have seen every issue come up, through all the different changes in banking, and bankers will figure it out. Community bankers will figure it out. They always have, and they will come out of this thing, whenever they figure out what it is, and survive. But, what's happening because of the uncertainty, we've got a lot of banks that looking at…I think Rainbolt bought three or four last year, that were community banks, that said, "I'm not going to do it anymore." And what we are concerned about is what goes on with the management of the banks. We don't see that there is a line of succession. People don't want to go [into it]. When you take your wife out to someplace that's successful—Dillard's or Macy's, or the theater…In these small communities, we're more concerned about how they are going to survive the succession when dad gets too old to run the bank, and the son doesn't want to go out there. Some of the banks, about the only way they can be profitable is, basically, to live out of it. If you're not in that investment to make a lot of money, you have to live out of it.

MJH: That is interesting. I showed up at Ben Walkingstick's bank the week they changed to signage. I drove up and down looking for his bank, and it was BancFirst. I have heard similar stories.

MT: This is a deal that a guy did for me. This is the history of Oklahoma banking and the Oklahoma State Banking Department. "Banking in the Indian Territory and the Oklahoma Territory." I will make you a copy of it if you'd like it.

MT handed me a document…

A guy in Poteau.

MJH: That's helpful. Have you heard of E.H. Kelly? He was a bank examiner into the 1950s. He left a collection at the History Center—boxes of handwritten correspondence.

Small talk about E.H. Kelly Collection at OHS…

MT: I'll show you some stuff—we've got some archives that you can have access to…All of our minutes and stuff should be on our website.

Anything else?

MJH: I think we've covered a lot of ground.

MJH followed MT to library…Forgot to turn off tape recorder…

End