



## Oklahoma Bank and Commerce History Project

*a program of the Oklahoma Historical Society*

**Interview with Mike Leonard  
First National Bank of Muskogee  
Muskogee, OK, 4/17/2012  
Interviewer: Michael J. Hightower  
Audio taped and transcribed by MJH**

MJH: It is Tuesday, April 17, 2012, and I am in Mike Leonard's office at the First National Bank of Muskogee, Oklahoma, and visiting with him about his family's history in the banking business, and the economy in Muskogee. So with that, I will plug you in and let you go wherever you choose.

ML: I will start with my father, and how he got into the banking business. When my dad was right out of college, he went into the insurance business.

MJH: And what was his name?

ML: Harry Leonard.

And he got a call one day, that there was a banker in Elgin, Oklahoma, that was looking for a number two person. That bank at the time was, like, a four-million-dollar bank. So dad uprooted my mother, who was born and raised in Oklahoma City, and moved to Elgin. At that time, Elgin still had dirt roads. They did not even have a paved Main Street. When it would rain, they had to put plywood down between the bank and across the street to the café, to walk across to have lunch. They would put boards, because it was so [muddy]. For my mother, that was a pretty...She had to do laundry at the Laundromat that was behind the house.

So that was an experience for her, being born and raised [in Oklahoma City]. It was probably more of an experience for my grandmother, who basically thought mother had lost her mind to move to Elgin.

MJH: What was your mom's name?

ML: Carlene.

So that's where my brother and I—my brother's name is Hank—my brother and I were born and reared, in Elgin, Oklahoma. Dad eventually started buying a piece of the bank, and more of the bank, and ended up owning the bank at Elgin. And he still owned the bank when I went to college. My brother graduated from college and went back to work

at the bank. Some of these dates, by the way, you can get through the OBA or through the State Banking Department.

Then, Dad became the State Banking Commissioner. When I graduated from college, I became a national bank examiner for the OCC [Office of the Comptroller of the Currency]. I stayed with them for about two years and then went to work for the First National Bank of Tulsa. And Dad was the State Banking Commissioner. At that time, Dad also was one of the final three nominees for head of the FDIC—to be chairman of the FDIC. I forget who was even president then. But Dad had got it down to where there were three of them still being considered.

In 1978, a—actually, a customer, at that time—of mine...The bank of Muskogee came up for sale. The First National Bank of Muskogee was for sale, and he and I purchased the bank. I was 28 years old. And my partner lived in western Oklahoma.

MJH: That wasn't Wayne Cardwell, was it?

ML: No, Wayne worked at BancFirst here in town, I think, then. His wife actually worked for me when they got married. They were since divorced. But, at least I had enough sense to know that I wasn't probably mature enough or capable of running a bank at 28 years old, and it was a \$68-million bank when we bought it. I called Dad one day, and said, "Dad, I need to talk to you." I drove to Oklahoma City and I said, "I want to know if you want to go to Muskogee with me, and let's go run the bank." So Dad withdrew his name from consideration at the FDIC. He didn't really want to move to Washington anyway. And Dad came in 1979—Dad came to Muskogee.

MJH: What was your partner's name?

ML: Ron Grubb.

In 1980, I believe, or '81, we bought Union National Bank of Tulsa, changed the name to First City Bank, and, unfortunately, that bank was a problem bank when we bought it. Then the eighties hit, so that was a struggle. However, we managed through that fine. During that same period of time—and we're in the mid-eighties—Mr. Grubb had some issues with the FDIC, and issues with some of his other banks that he had. So, long story short, we bought Ron out of Muskogee, and bought him out of First City Bank, in the mid-eighties.

After that, we ended up selling First City Bank to BancFirst, and that is now BancFirst's location in Tulsa.

MJH: I have read some of your dad's presidential messages and articles in the OBA [*Oklahoma Banker*]...

ML: He was a great guy.

MJH: He must have been quite a guy. As a sideline—well, not really a sideline, just another gig—I am writing a book for the Rainbolts on their bank, and I went up to Claremore to meet Wayne [Cardwell]. So it all kind of [fits together].

ML: For Dad to be considered as chairman of the FDIC from Elgin, Oklahoma, is just unbelievable.

MJH: Do you know the back story to that? How did he get into consideration?

ML: The state banking commissioners have an organization, SBS: State Bank Supervisors. CSBS. Of course, Dad was a member of that, being the commissioner for Oklahoma, but he got involved in the leadership of that and was actually chairman-elect of the CSBS. So with the state bank commissioners across the United States, Dad had risen to being in a leadership role in that organization. That's how they got his name, was through his activities nationwide. And then also, Dad had very good relationships with the FDIC, from a regulator's standpoint. So the higher-ups in the FDIC all knew Dad and respected Dad, so between the CSBS and the regulators at the FDIC... Which one put in his name, he doesn't know.

MJH: So he essentially decided against Washington, decided against that...

ML: He decided that Oklahoma was a lot better place to live than Washington, DC. Dad and I had never worked together. Dad enjoyed the opportunity to do it. He and I worked together and...

ML: Early in his career... Where was he from originally?

MJH: Oklahoma City. He and your mom were both from Oklahoma City.

ML: Actually, he was originally from Fort Worth, but [called] Oklahoma City [home] all his life.

MJH: So essentially, once he got out of college, you spent some time in the insurance business...

ML: His dad was in the insurance business, so it was kind of a natural progression for him to go into insurance, until he got the call from Bailey Stevens—that was the owner's name in Elgin—and got the call that, "Hey, somebody gave me your name. Are you interested in being a banker?"

MJH: Apparently, he made a good choice. I was talking to Bob McCormack down in Duncan, and we started talking about community banking. So here's one story about community bankers: His dad died, and the community came together, and his mother said, "Did anybody call Harry?" And, I guess, a young Bob McCormack said, "You mean Harry Leonard?" So, who else are you going to call for your dad's funeral except your hometown banker? That story has survived. That's a pretty good one.

ML: Dad also—It was whenever Oklahoma passed branch banking.

MJH: Yes, I did want to ask you about your experience with the boom and the bust and going forward.

ML: We were in Muskogee. They had tried to pass branch banking several times, but it was always the big banks versus the small banks. The big banks wanted it, and the small banks were afraid of it. They formed a committee, and Dad basically took off about a year from the bank and travelled the state, soliciting bankers' support to get branch banking passed. And they did write a bill that limited the big banks to what the small banks would vote for it, and made it plausible for the small banks, and the bill passed. So, the original branch banking laws—Dad was the one that not only helped write them, but was the one that took that across the state of Oklahoma to all the banks, and basically took a leave of absence, so to speak, for a year, from Muskogee, to do that. The reason he could do that was because, having been State Banking Commissioner, and with the reputation he had and the fairness he had, when Dad told them something, the people knew what he was telling them was the truth. He had the confidence and respect. And he's probably one of the few people who could have done that. Dad really didn't have a dog in that hunt. He just knew, for the state of Oklahoma, and for banking, it had to happen. And his philosophy was, let's make it happen the right way.

MJH: Were his ideas part of the final legislation?

ML: He basically helped write it. He helped write the legislation, and then, before it went in...Of course, every representative had their banker, and they were telling them to vote for it or not vote for it. Before they ever introduced the bill, Dad took that bill and went around the state for about a year, talking to every banker, to say, "Let's support this bill, because it's better...It could be crammed down, eventually, by the big banks. This is something we can live with, and as community bankers, let's support this bill. And again, he got that bill passed.

MJH: Were there any particular friends, like Klewer or Rainbolt, or any others at the OBA who were helping him? Or was he kind of running a one-man promotional show?

ML: Well, there was a committee, and I don't remember who all was on the committee. But Dad's the one who took off the leave of absence to chair that committee and work full time. Dad's the only one who took off from work full time to work on it. I'm sure the Rainbolts were involved. Gene and Dad had known each other forever.

I'll tell you, if you promise not to write it. If Gene wants to tell you, that's fine, but I'll tell you a funny story about Dad and Gene, if you promise not to write it.

*Turned off tape recorder...*

The building that we started in was an old building. We were growing. When we came to Muskogee, we were \$68 million; we were the third largest bank in town. Commercial

Bank was the largest; Citizens Bank was the next largest. We finally grew out of the facility we were in, and at the time, the old Siebers (sp?) Hotel was getting ready to be condemned and demolished. So, we worked with—and Dad did an awful lot of this—I did basically the behind the scenes stuff, and Dad did the PR part of it. We worked with the city, the county—we made some incremental tax... Long story short, we refurbished that 10-story Siebers Building, which is where BOK is now. And the bank occupied, at that time, the first four floors, in essence. The building we were in, we gave to the school system—our old building—and it is now the Muskogee Public School's administrative headquarters, administrative offices. We donated that building to the schools.

MJH: Did you move into this building after that?

ML: In 1999-2000, BOK approached us. By that time, BOK had already bought Citizens Bank, here in town. At that time, we were larger than the next two banks combined. We were over \$300 million, and we were larger than BOK. We were larger than the next two banks combined. So BOK—long story short, we sold to Bank of Oklahoma, in 1999-2000. And that's why they are in the building they are in now. That was the old First National Bank building. At that time, Dad retired, and then, unfortunately, passed away in 2001. Dad had had, leading up to that, a series of—his health was declining, for several years.

We sold to BOK in 1999-2000. In 2001, this bank was chartered.

MJH: So this bank was only chartered in 2001. But you retained the First National Bank of Muskogee name?

ML: It was chartered with the First National Bank of Muskogee's name. I had a one-year contract with BOK, and a two-year non-compete [agreement]. So, I did not come back to this bank until all that was over, which was 2004, maybe—latter part of '03.

MJH: Were you intending to get out of banking altogether, then, when you sold to BOK?

ML: What it was, that was at the peak of prices that people were paying for banks. The price was at a level that our shareholders really had no choice except... It was the smart thing to do, because it was at the peak of the prices. I thought that I could work with BOK for awhile, and then retire, yes, and neither one of those worked out. I am not very good at working, maybe, for the big banks. I do a good job at community banking, but not a very good job in working for the big banks. And then I got bored. I wasn't that old at that point in time, and I got bored and decided to come back here.

MJH: Tell me a little bit about your experiences in the 1980s. Penn Square Bank and so forth—did that have a direct impact on you, or was it more collateral [damage]?

ML: The 1980s were so much worse in Oklahoma than the banking—quote—“crisis”—we are going through now. It was not even close. Real estate values, farm land, that you were selling for \$2,000 an acre—there were no buyers at \$500 an acre. The oil but in

Oklahoma led to the real estate bust, which, you know, the joke back then was, “Live on the edge: Bank in Oklahoma.” Or, “the bank of the week”—which bank in Oklahoma were they going to close that week? The eighties were extremely difficult in banking in Oklahoma. A lot of banks closed. There were, as there probably always is, and is today, more banks than there were bankers. Those banks that were well managed; those banks that hadn’t taken a lot of risk; those banks that were a little more conservative—did fine.

Now, were our earnings impacted? Sure. Did we ever lose money? No. Was it tough when prime hit 20 percent? Absolutely! We had borrowers who couldn’t pay 20 percent. So, you’d be paying somebody 16 percent on a CD, you were charging 15 percent on your loans, because borrowers, some of them, just couldn’t pay more than that. I mean, can you imagine paying 15 percent on a loan?

MJH: No!

ML: So, it was a very, very difficult time in banking in Oklahoma. The Union Bank, or First City Bank—it really was a struggle, it did have some loss years, but again, we managed through it. But, I actually got, for about a year and a half or two years, I actually got an apartment right next to the bank, because I would go over there on Sunday night or Monday morning, and I wouldn’t come home until the weekend. Literally, you worked from seven o’clock in the morning until midnight, or whatever, working through all those loans they had, and the problems they had. It was just horrible!

*Laughter...*

But, it was a great experience. You sure learned a lot. It makes you a better banker in the end.

MJH: As you say, it makes you conservative, and makes you tighten up everything you’re doing.

ML: And the good thing—those were not our loans. We bought that problem. And then when the economy turned, it just compounded itself. So, it wasn’t like there were loans that we put on the books, that we were having to work out our own deals. They were still problem loans that we had to work out of.

Muskogee, it did fine. Thank goodness it did, because it helped to service the Tulsa operation.

MJH: What locations do you have now? Is it just this one? Do you have some branches?

ML: No, right now we’ve got this location, and we’ve got a branch here in Muskogee, on the east side. Then, in ’04, maybe in ’05, we bought First National Bank of Sallisaw. And Sallisaw also has a branch in Roland. And then, about five years ago, we opened a branch in Tulsa, at 101<sup>st</sup> and Sheridan. It’s in a strip center, in a store front, but we have been so successful, that we’re getting ready to build that building right there...

*Pointed to architectural rendering of new building?*

...at 101<sup>st</sup> and Mingo.

MJH: Is that right? That's a growing part of town, for sure.

ML: Our success in Tulsa has far exceeded our expectations.

Buying Sallisaw gave us the size and the lending limits to be able to compete in the Tulsa market for our niche. We're not trying to be a retail bank. It's too expensive. We can't compete with the BOKs and the IBPs and the ArVests that have a bank on every corner. So, that's not our niche. Our niche is small commercial business, giving community bank service to those customers. And it has just been wildly successful.

MJH: Do you have any comments about post 2008, about the regulations that have come down from Washington? What is your take on all that?

ML: The strategic plan for this year...The number one threat to banking today, in my opinion—in our bank, today—is regulatory. In my opinion, Congress does not understand that banks need to make a profit to stay around. The Consumer Protection...They don't want us to charge consumers for that protection. Consumers really don't necessarily want that protection, if they have to pay for it. What Congress has done is, we have to give all this—quote—“consumer protection”—and to pay for it is unbelievable. I have a full-time compliance person who does nothing but right now but compliance. A senior v.p. of our organization does full-time compliance work. That is an add-on to my cost that I did not have four years ago. And we are getting ready to hire him an assistant. So I will have two full-time compliance people, just to keep up with all this, and stay compliant with all these rules and regulations.

Then, Congress wants to regulate the profit that banks can make on certain products—ODP [overdraft protection?] or credit card ODP, when the consumer has got a choice. They can go to somebody else. They don't have to bank with me, if they think I am charging too much. They don't have to write overdraft checks. That's a choice. You probably don't write a lot of overdraft checks, so that overdraft fee doesn't bother you at all. And they want the convenience of that debit card. But Congress, in some of the stuff they have passed, for the big banks, they have actually made it so they will lose money being in the debit card business. Why do they want to offer that service? Why do they want to offer that convenience for consumers?

So, regulatory is a huge risk right now. Has it affected the way we, other than adding staff to try to keep up with all the regs and stay in compliance with all the regs—have we changed the way we do business? No. We're still trying to service our customers. We're still growing. Good things are still happening to us. But is it getting harder to make money in the banking business? Absolutely.

Banks are going to have to find other sources of income.

We just started, this year, a reverse mortgage division. So, we're now doing reverse mortgages, which we have not done before, and we're doing it nationwide. Have you ever seen Fred Thompson on TV?

MJH: Yes.

ML: The company that Fred Thompson works for, in those ads—we actually buy leads from them. People call in, they say, “I saw Fred Thompson, and I am interested in a reverse mortgage.” We buy leads from them. Then, I've got an operation set up in Tulsa, where they call these people and say, “We got your call, that you were interested in a reverse mortgage, and we can explain to you what it is.”

We just started this in January. We think that, by the end of this year, we will be doing about 50 reverse mortgages a month.

MJH: And a reverse mortgage means that you...

ML: A reverse mortgage is...First of all, you have to be 62 to qualify. You're 62 years old, 65 years old, and you were going to retire, but with everything going on, you just can't. Your retirement fund is now down to virtually nothing, that you thought you were going to retire on. It's earning .25 percent, if you've got it in CDs. But your house is free and clear. That's the biggest asset you've got. Now, that describes a lot of people, okay? Or, it's like, “I'm just struggling, and if I didn't have a house payment, I would be okay.” And they still have a lot of equity in their home. What a reverse mortgage is—I'll use the home screen...Let's say your home is worth \$250,000. You borrow, say, \$150,000, and you never have to make a payment. You pay taxes and insurance, but the interest accrues until you're dead. Upon your death, if there is equity in the home, your heirs will sell the house, recoup the equity—which normally there is. If you live way past your life expectancy, and there is no equity in the home, the government takes it and sells it. But, you've been paying insurance every year, in addition to that, so you cover the government's losses, that they have. But, the point being...

*Phone call...*

So, for that segment of homeowners, okay, it allows them to either retire, or stay in their homes, for the rest of their lives, as long as they pay taxes and insurance. So, it's a product that has been around for a long time. It's very, very regulated by HUD, to make sure that you don't take advantage of the older population. So it's very strict, very regulated. But it's a great product, for people whose, maybe, children are having to help subsidize their parents. But yet, they've got all this equity in their homes. Well, the kids can have it now or have it later, but with subsidizing through a reverse mortgage, you may not inherit the home, with the equity in it, but you don't have to help subsidize your parents. It's a great product.



MJH: That's a good example of the way that you are trying to bring in a new kind of business.

ML: You've got to find other sources of income, which is what we are doing, and we have to continue to do. We have a full financial brokerage. I've got...six brokers, and we can do anything from stocks, bonds, financial planning, life insurance, estate planning. Anything that Merrill Lynch can do or the big boys can do, as an example, we can do.

So that is a product line that not only brings in fee income, but it also makes sure that I can be the one-stop shop for all our customers. They don't have to go to a broker for that part of their business, and then that broker's taking all my business away from me. I can do it all for my customers.

MJH: That leaves me with an overall question. As we get toward the end here, what does being a community banker mean to you? We touched on that earlier.

ML: Community banking...At our bank in Tulsa—and my partner and I also, we have a bank in Stigler, speaking of Stigler—it's part of our group, but I also own a big part of the bank in Stigler.

MJH: That wouldn't be Bill Jordan, would it?

MJ: No, Jordan's got the other bank. Jordan, actually—there are three banks in Stigler. Jordan's bank is a branch of the Farmers Bank...I can't think of the headquarters now. And then there's a bank in Poteau that has a branch also in Stigler.

MJH: I didn't mean to interrupt. Jordan's a great guy. I enjoyed meeting him.

ML: His son runs the Stigler branch. And he's got a branch in Red Oak, but that's not where the headquarters are.

MJH: It's in Quinton.

ML: Yes, that's exactly where it is.

Community banking to me is to know your customers, a lot more so than you do in the metropolitan areas. You can't do loans on a handshake anymore, but you still do an awful lot of character lending. You know your customers; you know their parents; you know their grandparents; they have lived here for a long time; they're going to be around; they're not going anywhere; you see them on the street. It is a lot more satisfying for me, anyway, to be a community banker, and to develop those personal relationships, or those relationships with customers, than it is to be a major metropolitan banker.

In Tulsa, one of the reasons we have been successful is, we have carried that community banking philosophy to that Tulsa market. We'll close more loans in the customer's office than we will in our branch, because we'll print the documents, and we'll come see you. That is community banking. We know most of our customers. When they walk in our

bank, from our assistants to our loan officers, to everybody else, they know them by their first names. They'll say, "Hi Michael, how are you? Good to see you today. I know your child was playing at a baseball game last week, you told me. Did he win or lose?" We know our customers. And our customers appreciate that. They *enjoy* coming into the bank. Most people anymore don't go into banks that much. But they enjoy coming up and talking to the tellers. Even here, we have customers all the time who could go through the drive-through, or they could use all sorts of other mediums to do banking with us, but they enjoy coming up and talking to the tellers.

MJH: And they can bank from home, too.

ML: Yes, online banking. But we try to make it a friendly place to come, and an enjoyable experience. It doesn't have to be a pain to go to the bank.

MJH: Do you think that's some of the legacy from your dad back in Elgin, and the kind of work he did there?

ML: Dad sure was, without question, as good at it as anybody. But I think that's community banking. That's true with the Jordans. That's true with your community bankers. That's why we enjoy banking, in these types of communities. I could have stayed at First Tulsa to start with, back 35 years ago or however long ago that was, or I could have stayed at the Bank of Oklahoma. But they don't bank the same way. It's a lot more the dollars, and the numbers, and if it fits into this category, it doesn't get outside the box. They have to be that way; they are so large, they couldn't control it otherwise. I understand that. It's just not what I enjoy. I enjoy being able to sit down with you, listen to what your concern is, what your request is, and not think that it's got to be in this box. Let's think about it this way, and see if we can't work this deal out. That's what's fun and enjoyable, and what we enjoy.

MJH: So it's still fun...

ML: The people downstairs...Chris Connelly (?)—I hired him in, probably, 1979. He's the CEO here now. David Wood, he's our president here—we bought the bank in 1978, right out of high school, is from Fletcher (?). I mean, we've got people that have been here...Eva White, our branch manager at the other bank, I think has been with us for forty-some years. So, we hire good people, we treat them right, and they treat our customers right, and we all have fun doing it. That's what's fun. You go to a lot of these other banks, and if you've got a 5-year employee, they're an old-timer. And we don't have that. So, it's fun!

MJH: Well, good! Life should be fun.

ML: Well, it needs to be. Now, one other thing you should know, and it's kind of the last piece of this—we are getting ready to merge Sallisaw and Muskogee, together. July 1<sup>st</sup> [2012], because we can get more efficiencies by doing that. So, our application is getting ready to be filed, and we will do that by July 1. At the same time, you were talking about the First

National Bank of Muskogee in Tulsa. We are changing our name. We have our own identity. There's a First National Bank. We are getting ready also to put a branch in Fort Smith, because Roland is just three miles from the border of Fort Smith. So we are going to put a branch at Fort Smith, where there's a First National Bank of Fort Smith. There's a First National Bank in Broken Arrow. There's a First National Bank almost everywhere. So we are changing our name to FirStar: F-I-R-S-T-A-R, all together. So then, we will have our own unique identity. Our customers won't have to say, "Well, is that the same First National Bank?" We are trademarking the name. We can go into other communities and not have to worry about, if there's a bank, it's got a name like ours. So, that is also going to be a big move for our bank.

MJH: So this will be a big year. How many banks will be under that umbrella?

ML: There will be Roland, Sallisaw, Muskogee, and Tulsa. And, that's kind of the last step in bringing all of this together—bringing it all together with a unique identity, that our customers can say, "Hey, that's my bank." It's hard to do business in Tulsa as First National Bank of Muskogee, Tulsa branch. Or even in Fort Smith—First National Bank of Sallisaw, Fort Smith branch.

MJH: I will let you go back to business. I appreciate this!

End