



Oklahoma Bank and Commerce History Project

a program of the Oklahoma Historical Society

**Interview with Mike and Lee Stidham, Robert Jennings (CEO)
Peoples National Bank of Checotah
Checotah, OK 11/16/2010
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Audio taped and transcribed by MJH**

MJH: It is November 16th (happy birthday, Oklahoma), 2010, and I am at People's National Bank of Checotah with Mike and Lee Stidham. Thanks again for inviting me over here. What I would like for you to do—you have already been talking about your ancestry. Your father came here in 1914. If you could just go through that history for me...

We decided to tour bank first and return to interview. Toured, returned to Lee's office.

MS: ...small-town businesses. They are the ones behind the United Way, they are the ones behind the Red Cross, and they are the ones behind the chamber of commerce... You name it. That's the key.

MJH: When did you begin to see a drop off [in participation]?

MS: Probably in the late seventies and early eighties, I think, is when we started seeing...

LS: When they came back from World War II...There the old saw, you'll never keep them down on the farm.

MS: Of course all the advancements—transportation advancements in the area, highway systems, they get better, it's easier to go... You can live in... Well, in our county, we export five jobs every day for every job that come into McIntosh County. So there are five people who leave—go to Muskogee, Tulsa, Pryor, Fort Smith, wherever—for every one that comes in, in this county. And that's a problem. You don't have the business investment; you don't have the people who own their own businesses as often in Checotah or small towns in general, and so that takes a... The merchant class (I hate to use that term because it sounds hoity-toity), but the merchant class of people in small towns were responsible for making or breaking a small town. You didn't have government programs and things. You had to get together and decide what to do and how to do it, and who to contact to get help if you had to have it. And we don't have that layer of people any longer.

MJH: When you talk about the merchant class, are you referring too to bankers?

MS: Bankers, doctors, lawyers, business owners—golly, everybody in this town...Everybody just took turns being president of the Lions Club, or president of the chamber of commerce, or president of the Checotah Alumni...It was just kind of a rotated thing. You were president last year, I'll do it this year, and then you do it next year. And so you had continuity. Everybody worked for the good of the community, because that's where their livelihood came from. When I was a boy, which was a long time ago, my folks' house was on the south edge of town. And right next to our house was a cotton field. And one time, when I was a boy, the first bale of cotton ginned in Checotah, the ___ used to give a hundred-dollar prize for the first bale brought in to be ginned here in town. And one year, that first bale came from right next to our house. I don't remember who had it, but anyway, whoever farmed that, brought that cotton in to be ginner here in Checotah. That was sort of an atmosphere. It was a symbiotic society—everybody existed off of everyone else.

Mike and Lee talked about whose farm it was...

MJH: What do you see now, if we can fast forward to the present...What replaces that, if anything? Typically, you lose one thing, and you gain another...You lose in that area, but gain in technology...What sort of role do you see for bankers like yourselves, and for the “merchant class” today?

MS: I think it's going to continue to be more difficult because there is less loyalty to the community and less loyalty to the people who structured their community in the past. All of these people we have shown pictures of and institutions we have pointed out were made or put together by our predecessors. Your predecessors, mine...And they were done with the idea that they would help the community prosper and move forward and help the younger people as they came up, and they would “catch the prairie fire,” as J. Howard Edmonson said, and do all that stuff. But I think that the inability of a small town, or a small community, to employ people at a large enough salary level to keep them here—that they have to go to Tulsa, they have to go to Oklahoma City or Dallas, or Kansas City, in order to prosper. So, I think it's going to be more and more difficult, and we already have a brain drain. In small towns, our best and brightest quite often are going in the well.

MJH: Partly what you are addressing is new technology that has come in to make life easier, more efficient, quicker, whatever it may be...Do you see that as kind of a double-edged sword?

MS: Very much so. Technology is a great tool, and it is also a great enemy. It gives us information, literally, at the touch of a button, but it also requires larger capital investments; it requires a different set of knowledge (“set” is not the right word, but) a different knowledge of things that is constantly changing, and renewing. Consequently, you have to have larger and larger organizations to justify the expense, and the knowledge is expensive. If we have an ATM machine that breaks down, we have to call someone, and they come out of Tulsa, and it's \$100 an hour from the time they leave home to the time they get back...And so technology is wonderful, but it requires more expense, and that requires generally larger organizations, and that costs money. And

small towns, in general, are not going to have very many large businesses. You just don't see them in a small town. Period—any town. I think it's going to be more and more difficult.

MJH: What advantages does Checotah have, and what disadvantages are there, in this effort to keep people at home and provide employment? Where do you stand on that?

MS: We have struggled with those questions for years. For a long time, what we counted on here was, our people brought back their children or grandchildren to run their businesses. We have been fortunate here, Dad and Lee came back here and went to work in this bank, and I have, and Robert has. But I think...Lee's generation, and Dad's generation, was more the norm. I think our generation is probably not the norm, because we don't have the business or the income is not there. A man could make a business—a dry cleaning or tailoring business—one man was in that for, gosh, 50 years, 80 years, something like that—made a living at it. But could a child of his do that and make a living today? I don't think so. I think it would be very difficult... As the cost of supporting a family gets higher, the ability of a small business to support that family diminishes. So, it's easier and better for Junior to be educated at OU or OSU and go to work for somebody in Oklahoma City or Dallas. I think that's...I think the only thing a small town has is what we call “an indefinable quality of life,” and so we will all become bedroom communities for someplace else. And how the bank fits into that, we're always discussing!

LS: One bright point may be...People, when they get older, particularly people who left here in the dust bowl and went to California, couldn't wait to get their property sold out there and come back and retire, in a small town...

We've got an area out there...we're real proud of...the bank has been involved ...I think it is one of the nicest housing developments in eastern Oklahoma. \$200,000, \$185,000 homes that we're real proud. And they're based almost entirely on retired people that are moving here locally from their farms and moving into town, or coming from Tulsa or some other area...

MJH: We've talked about this a little bit...BancFirst, moving into Chandler, and so forth...What has happened in Checotah as far as that is concerned? Do you have some of these larger banks coming in and looking at small ones to buy out?

LS: Yes, we do, but we have one competitor, has about...But yes, we do have that threat. But...BancFirst, and they do a wonderful job. Arvest does a wonderful job, of advertisement, I like...But, at the same time, you can't be a hometown bank with 60 [?] banks. You can be a hometown banker in an area or a town, but you can't...little towns...

MJH: What is your competitive advantage, or disadvantage, with those large outfits?

MS: Well, we tout home owned and home operated, and the decisions are made here. It's “the buck stops here” type of thing, which is good and bad. You don't have anyone to blame if...

LS: We can make our own policies...And that's why we didn't get caught up in the real estate problem, because we didn't believe in the idea...But we didn't go buy and get in trouble, and the big banks—when you have a “follow the herd” idea...Like I mentioned, if we had been in the Anadarko Basin, then...

So I think the fact that we are in this area has had more to do with our success than about anything.

MJH: Location, location, location...

MS: And quite often, just blind luck. I remember, my wife and I went on a banker's trip one time, and all the Oklahoma bankers were going somewhere, and we were coming home on the airplane. Well, we were in Bermuda, and we got held up because some banker friends of ours, who were from western Oklahoma—this was back before the collapse, back in the early eighties—and they delayed them because they didn't like the answers they gave when they came through customs. So they went through all their bags, out on the tarmac. And it was so funny, because our friends, both he and she, dressed exactly alike: they wore blue blazers and khaki pants and Gucci shoes and this and that. And we always kind of laughed, because they were rolling in the dough out there in western Oklahoma, and we were just old hillbillies back over here, so to speak. And the thing was blowing and going out there, and back here we were just kind of nickel, dime, and quarter. It was just our lifestyle.

Garbled...something about wheat farmers...

MS: A lot of times it's just where you are. It's just a fluke of nature, if you tend to do well. The larger banks will say that they have an advantage because they can diversify. They can do not so well over here and do very well over here. They can take deposits from areas that are heavy in deposits to areas that need money to loan. They can do this and that. And those are, from a business standpoint, some sort of a competitive advantage. It's a disadvantage to us, because they are going to come into an area, possibly pay more for deposits than we would pay, and take them to other areas to loan them where we don't have access to loans. So that's an argument for branch banking, from a branch banking standpoint.

LS: We didn't have problems in the early eighties, but we didn't have bad loans because nobody asked us to loan.

Laughter...

MJH: So your loan portfolio...

MS: Our loan portfolio is all local. I believe we live or die by whatever happens within 40 miles of this town. And as I said, that's not always good. In the eighties, if you look at the banks in Cordell, they were in the same situation. They were loaning money, I am assuming, on the oil and gas and the subsidiary industries. And they literally went broke.

Mike had midday commitment. Offered a cup of coffee and invitation to lunch with Lee and his wife. I accepted both.

MS: A lot of it, under the old banking rules, or banking laws, were one bank in one town. You pretty well took care of your area, yada yada yada. If you didn't like the banker in that town, you went over to the next town. If you didn't like the banker in Checotah, you went to Muskogee, or you went to Eufaula, and if you didn't like the Eufaula banker you came up here. And so, that was sort of our method of operating back then.

And then, I think that the eighties hastened, definitely, the change from unit banking—that's what it used to be called, unit banking—to branch banking, obviously. And so, there are fewer and fewer of what you would consider us to be, a unit bank: one bank in one town, and we can have as many branches, I guess, as we need, but that's sort of what we have.

MJH: This isn't your only facility...

MS: We have two other facilities. We have a branch bank located about three blocks north, a drive-in bank, and then we have a branch in the Wal-Mart store, which is our way of conforming, I guess—of playing the game, so to speak.

We couldn't whip them, so we just joined them.

Mike Stidham left, and secretary showed up with coffee.

MJH: If you don't mind, Lee, tell me about the last two or three years of banking regulations. How is that affecting your institution?

LS: We have worked real closely with CBC (?). I have made a number of trips to Washington, on different projects, CBC (?) being one of them. We have racial problems here, back a few years ago, and I worked with the department out of Dallas...

Garbled...

They have gotten to the point where they have gotten mad at the banks in the last few years, they hated us...But they couldn't distinguish...To begin with, we were never able to convince them in Washington that anything this small can operate! They just can't understand that.

MJH: I have heard the comment...The pro regulation contingency in Congress is missing the mark because the large banks—the Lehman Brothers and so forth—have caused so many of the problems, and banks like yours are suffering the consequences. Does that seem...

LS: Yes. Actually, they're trying to regulate them and they use the four-letter word, "bank," and that's what all of them will jump onto. Well, they got better about it. They've got to be able to distinguish some, in the last few years, between a little bank like this and a

large bank. I was fascinated with these large banks. To think that you...It's just not all their fault. You cannot turn the banks loose, and you put greed into the picture, and you don't regulate them. And I think that is what we have tried to do. I think they thought get these banks will regulate themselves, and "too big to fail" is just ridiculous.

On the other hand, you're talking to an old country banker. I was told the bank when I came in here, the assets were 2 and a half million. Now, we are 125 thousand—125 million. That is tremendous growth. ..Then I picked up my Bible...the *Wall Street Journal* and found out that anything under a half billion was a tiny bank. So we went from a small bank to a tiny bank in the 53 (?) years I've been here.

MJH: You started working in the bank in...

LS: 1956.

MJH: July of 1956?

LS: July of 1956.

MJH: What were you doing before banking?

LS: I was going to make a career out of the Army...I found out after the Korean War...

*Digression to career in the Army...
CEO Robert Jennings joined Lee and me.*

Robert, you've been here for fifteen years? Sixteen maybe?

RJ: Actually, thirty!

LS: Thirty?!

RJ: Well, 1982—what would that be? '83...So it would be twenty-five years.

MJH: Robert, tell me your last name again.

RJ: Jennings. J-e-n-n-i-n-g-s.

LS: Robert's from Wagoner.

MJH: And your position is...

RJ: CEO.

LS: He's the CEO in charge of the whole operation.

MJH: And what is your position, exactly? Chairman?

RJ: He calls the shots.

LS: I am mostly the investment portfolio. Bond portfolio.

MJH: What we have been talking about, Robert... This might be one that you could address.

*Check position of tape recorder.
Discussion of lunch plans, birthday celebrations...*

[We have been talking about] the advantages and disadvantages of a bank this size, and in this community, with all the big corporate takeovers—BancFirst, and some of these, larger institution coming into town—what do you see as some of this bank's advantages...

RJ: It's more than just a job. It's our life. A guy that I was working with a little while ago—I see him, he has kids the same age as my kids, they used to play baseball together and go to school with together. So, there's community involvement. It's more than just a job place. It's a living place. And then because of that, I think that we might be more attuned to what a community's needs are than maybe one of the megabanks that you mentioned a little while ago. The decision making process is right there, where we sit. We get together, and I think it helps make the decision making process easier. We know what's going on more.

MJH: Do you think that, as more and more young folks who probably come in to set up accounts and so forth, they are all accustomed to doing things on the computer, and maybe don't have the same sort of community spirit or commitment...

RJ: That's true, but I think—and that's one thing that Lee has always supported us and backed us on, any time we've had a good argument (not a good argument, but a new product or service that we have wanted to bring up)—like we like to tell people, we have all the bells and whistles that a Bank of America might have. We have Internet banking—all of those types of things. But at the same time... Take yourself. Do you sometimes call somebody up... Does it not bother you that a computer answers the phone, and a computer in ten minutes tells you all of these options that you have?

MJH: What makes me almost as crazy is when a computer calls me.

RJ: Yes, yes. Like all these... During election time, they call and... they call them "roho," or "robo," or whatever it is... But still yet, if you call right now, during banking hours, a warm bodied person is going to answer the phone. A warm bodied person is going to help you with some issue that might not fit option number one or option number two. But I mean, you can sit there and listen for ten minutes. My son and I broke our TV control, and we're trying to get a new one programmed for our Direct TV satellite. So we sat there for fifteen minutes on the phone the other night, trying to do it. Because I like to try

to do it myself first. And then I said, “Let get a hold of somebody!” But a person didn’t answer the phone right off...

MJH: And you have been with this bank for thirty years?

Lee’s phone rang; conversation made tape hard to understand.

What would you say have been the biggest changes?

RJ: I would think that technological enhancements...When I first started here...And it even was changing when Lee...We had individuals in the back, and they would sit and literally file checks every day. We’d get paper [cash ledger?] in, and your bank account with us, if you have written a check to somebody in Oklahoma City, it came in with our incoming cash ledger, and they would sit there and file, a pile for Lee and a pile for me. Now we don’t even receive checks. I mean, we get images of the checks, and then those are electronically forwarded.

And then before that, you guys used to manually add and subtract on people’s accounts...

LS: Yes...

RJ: There were the pink sheets or the yellow sheets or whatever.

Garbled...laughter

MJH: Tell me a little bit about your correspondent relationships with other banks. Was that a big part of your business here?

RJ: Not as much as it used to be, Lee?

LS: No...actually...describe it. We used to leave a million dollars on deposit at the First National Bank of Oklahoma City. And they had tremendous...Back when ...started paying us so much money then, we realized we were better off to buy our own...and invest our money ourselves.

RJ: But still, with the net worth of other community banks, it’s helpful. We’d often see that they’re doing, and their marketplaces, and we’d have good relationships with area banks, and we belong to all the trade associations and stuff...

MJH: Are you pretty active in the OBA?

RJ: OBA. And then Mike is on the CBAO—Community Bankers of Oklahoma—Board. Mike’s active on that board. Lee was on the OBA board...

LS: Yes, in ’86.

But we didn't agree...OBA got to where they were more interested in the larger banks, and taking in banks like BOK...which was a good correspondent bank of ours, and I'm not criticizing either the OBA or the banks, but the banks—they had to tap out the bigger banks when they got into branching and so forth. So we just kind of faded out.

RJ: Their interests might be different than ours, just kind of like what recently went on with the TARP bailout and all that. All that bailout money pretty much went to your Banks of Americas and your Citi Corps—the so-called “too big to fail”—and sometimes we feel like we have to pay extra for misdeeds that they might have done...

MJH: I wanted to ask you about your reaction to changes in legislation, more regulations, the laws coming out of Washington—how does that affect you?

RJ: It makes it more expensive for us to deliver a product. There are more compliance issues. And what began—the things that happened in the marketplace—we didn't have anything to do with what caused any of that. They did things they ought to not...just bad decisions...They just got so prevalent in the marketplace, they didn't have anywhere to go.

MJH: Where do you see this trend going? Do you see more and more regulation? Do you see a backlash against it?

RJ: I don't know if it can get any worse than what we have had the last year or so. And there will probably be some push back, and there will be some refining. But it was inevitable, because there were going to be new laws...

For every action, there is a reaction!

MJH: What are some of the main changes you have seen in the community? You've been here for 30 years. I'm sure you have seen a lot of changes in the community in general and, and I'm sure it has affected the way you have done business, and the way you have made loans, and so forth. What are some of the big changes?

RJ: The biggest thing is the school. We've always been proud of our school...and about a year ago we passed a big school bond issue...high school. And that's going to help our community grow. Sales tax, retail...we got a three percent...Helps with sales tax revenue. Then you get the follow-up business...We recently got an Atwood's store...They're good, they bring extra sales tax money. And I think it draws people from outside your old...territory that may come in and shop now. For example, people that live in Eufaula that maybe went to the supercenter in McAlester, and now they are coming up here...

MJH: Is there any industry in the area...

RJ: Not really. We're a large commuter community. A lot of people want to live in Checotah and drive back and forth to McAlester. And then, demographic-wise—I know in the 2000 census, and I doubt if it changed much percentage—the population above the age of

sixty, we were number one in the state. So those people really don't want to be active in the workforce. Consequently, a lot of people are on fixed income. The lake, I think, has a lot to do with that.

MJH: How far away is McAlester?

RJ: Forty miles? Thirty? People that live here, that work, in the workforce, are generally in manufacturing stuff...It seems like when something good happens in Muskogee, it's going to be good for us.

MJH: Muskogee's a lot closer...

RJ: Fifteen, twenty miles...

MJH: You have an aging population, and you have these demographics to deal with. What do you think are the biggest challenges coming down the pike? What keeps you up at night?

RJ: I try not to let anything keep me up. I used to, but I try not to. You're still going to wake up in the middle of the night, saying, "Did I call so-and-so back?" and "Did I miss a bill?" or "Did that loan turn out the way that I wanted it to?" You're always going to have those. That's what's kind of neat about this job: When you do your job and you work hard at it, things fall into place. But we've got a loyal customer base. Like you mentioned, there are kids, just like my kids anymore, I used to call them and they wouldn't talk to me, so I told my wife, "We may need to add texting." And I'll text them and get an instant response back. It might be because they're in class—at least, they tell me that's why they didn't call me back. But I think keeping up with what the marketplace needs are going to be. And then at the same time, since we are in the age...

LS: *Garbled...*

RJ: Something that Lee picked up at a school a while back, and we've been doing it probably over ten years, close to ten years now...We invite area high school seniors out, give them all \$15.00 or \$20.00, open up a checking account for them. We go to installment loan officers upstairs, and go over the importance of how you fill out a credit application. Well, you go to college, and you rent a house with a friend of yours, you put the utilities in your name, and your roommate abandons you—how that can mess your credit up. And then we have ladies that come up and show them the importance of balancing your checkbook. Soft skills that you really don't learn. They don't have time in school to do it. That's been a very successful program for helping kids.

LS: When the accounts were opened, we were up there about a year ago, we had about a sixty percent, at least, retention of some activity...

RJ: An example...is military kids, over in Germany...They can live there, they can have their checks direct deposited, they have a debit card where they can transact business. And

then if they...have a car over there, that they want to buy, or if they have some kind of issue, they can still call, and they can visit with Lee. All the bells and whistles...

Hopefully there will always be a place for that.

MJH: One hopes.

RJ: You are always going to have some issue that comes up that doesn't fit into option one or option two or option three.

End