YOUNGSTOWN STATE UNIVERSITY

ORAL HISTORY PROGRAM

History of Industry in Youngstown Project

Home Savings & Loan Company

O. H. 492

DONALD MCKAY

Interviewed

by

Janice Cafaro

on

July 15, 1986

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INTERVIEWEE: DONALD MCKAY

INTERVIEWER: Janice Cafaro

SUBJECT: Banking, Interest Rates, Customer Types, Competition, Growth

DATE: July 15, 1986

C: This is an interview with Mr. Donald McKay for the Ohio Historical Society and Youngstown State University's Oral History Program on Industrial History by Janice Cafaro at The Home Savings and Loan Company building on July 15, 1986 at 10:00 a.m.

Would you like to tell me a little bit about your background--Where you were raised, went to school, and your family?

M: I was born on the north side of Youngstown on Halleck Street. I lived there until I was about nine years old. My grandparents owned a farm in Boardman. When my grandmother died, mother and father felt that rather than have my grandfather move in with us we would move out there with him. We moved when I was nine and I have lived there ever since.

I graduated from Boardman High School in 1937 and Brown University in 1941. In the fall of 1941, I started into law school. That was a bad year to start any kind of an educational career since the war started in December of 1941.

In the spring of 1942, I went into the Army. I came out four and a half years later with a wife and a daughter. I had fully intended to become a lawyer as my father and grandfather both had been. By that time I was twenty-six years old, and wasn't ready to go back to school, so I started working here at the Home Savings. Briefly, that is it.

C: What made you interested in banking?

M: My grandfather founded the Home Savings. That had a certain impact on it. He had graduated from college and got his law education in the old fashioned way--by going to work for a lawyer and studying and reading the law until he could pass the Bar examination. He specialized in title work, which is searching titles and so forth as a special aspect of law. While he was so involved, he found out or heard somebody talking about the savings and loan business, which was a very insignificant business in those days. He thought that if he could get one organized, any title work that came from any loans they would make would be sure to come to his law practice. He organized the Home Savings really to help his law practice. His agreement with the company was that he would receive any income that was left over after all expenses were paid. At the end of the first year, it was thirty odd dollars. As the business grew, he eventually gave up his law practice and devoted himself full-time to the Home Savings as the original salaried managing officer. He didn't have the title of president until some time in the 1920's. The secretary in those days was the managing officer of the savings and loans throughout the country.

My father, who was a very exceptional man, graduated from Rayen High School and went to Brown University primarily because it was a Baptist school. In those days the president of Brown had to be an ordained Baptist minister. He was a famous athlete in his day. He received twelve varsity letters in his three eligible years (sophomore, junior, and senior years). He earned varsity letters in four sports for three years. He was named to the second team All-American football team by Walter Camp and was captain of the football and basketball teams at Brown his senior year. He graduated in 1911 with a Phi Beta Kappa degree and worked a year and then went to Harvard Law School. Instead of staying in the east where he was quite well-known, he decided to come back to Ohio and work at the Home Savings.

With that background, it was kind of natural that when I got out of the Army my first thought was to see if there was anything at the Home Savings and Loan Company. I started here.

C: Could you describe the positions you held throughout your years here?

M: I have done everything from waterboy on up! I started first doing title reports and title searches at the courthouse. I came over here and started in as a bookkeeper and a teller. Eventually, I became a loan officer. Upon the death of Mr. Lawrence K. Richards, who was my boss for many years, I took over as head of the Loan Department. Following my father's death, I was named President in November, 1966.

C: You then have a broad background dealing with almost every aspect of the banking business?

M: Yes. Almost every executive in the company started in at the bottom. Hardly anyone is hired into an executive level job here. Nearly everyone of us has been through all of the steps.

C: Could you describe during the 1950's what you were doing and what kind of people went to you, and how your business was?

M: In the 1950's the Mahoning County as a whole was booming. Steel was booming because of the post-war years and a shortage of steel throughout the world. The steel industry was totally busy. They were working three shifts and doing beautifully. People were buying and building houses left and right. The loan departments of all the financial institutions were extremely busy. Really, in the 1950's and 1960's it was a matter of trying to keep up with the volume of work that was presented to you. It was more a matter of having the money that was necessary to meet the demands for loans than it was for loan business.

C: How did you go about finding money?

M: It was rather an odd thing about Mahoning County in those days. The population was steelworker dominated and the steel companies and United Steelworkers were the dominant factors of both management and labor. Having gone through many years of the Depression with very, very difficult times, people in Youngstown were more cautious and more careful than most people in most communities. As a result, there was a very high saving rate in Mahoning County. People were very careful. They saved their money. They did it because they remembered the hard times of the 1920's. As a consequence, there was more money available in the form of deposits and savings accounts than the total demand could use up. We never had any problems in those days in finding the funds available for lending because the people were saving at such a great rate. We began in the 1950's to look for other places to invest money. We started investing in mortgages in Columbus and branched out from there into Michigan and Indiana. Eventually we would up having mortgages all the way from Florida to California. The savings rate has slowed down drastically in recent years. In those days, it was a question of how to keep up with the demand for funds which was coming to us from other areas where the savings rate was low. California was booming so enormously that it didn't have the funds available to meet the loan demand. People in California were coming to us all the time and so were people in Florida and Arizona. All of the booming communities were looking at the older communities like Ohio for funds to meet their demands.

C: That is fascinating. You have dealt in a lot of investments because you have been a prosperous bank.

M: Right.

C: Is this throughout the country?

M: Yes. I think we still have Bart Starrs' Automobile Agency in Georgia. We have Freezer Warehouses in Maryland and Florida and the New Orleans area and California. We have a K-Mart in Richland, California. We have all kinds of mortgages on houses in the Tennessee and Kentucky areas as well as Michigan and Indiana.

C: Is there anything you look for when you make an investment?

M: Oh, yes. Whenever we make an out-of-town investment in an area that we don't know very well, we look very carefully at everything. That so-called system of investigating a loan is called underwriting. When we start to make a loan in an area we are not familiar with, our underwriting procedure is both slow and tedious, but very thorough. We look very, very carefully and send our own people out there to look. We don't rely on somebody else's word for what the property is worth, et ceterta. They can send us an appraisal made by some very outstanding appraiser, but we go out and check it.

C: How about local investments?

M: Really, the competition in Youngstown for mortgages between the lenders has always been high. That is why, historically, up until the last few years, mortgage rates in Youngstown are probably the lowest in the country. There was a lot of money available for lending and the demand didn't sop up all of the funds that were available, so there was a great deal of competition. That drove rates down a little bit. That was one of the reasons why we were kind of in a little island by itself for a long time. People as close as Canton and Cleveland were astonished to find that we charged less on mortgages here than almost anyplace in the United States because the competition was so great. It was very unusual to have a number of very fine strong financial institutions in Youngstown. For example, in 1929, before the Depression, the Homes Savings was the 18th largest savings and loan in the United States. Of course, in the post-war years, other areas grew and exploded in size, and our position dropped. We are probably down to 280 or something like that. To have such a very large savings and loan in a small community like Youngstown was unusual. That in turn meant that we were in a position to meet almost any demand that came our way.

C: In addition to the competition from other savings and loan too?

M: Yes. The First Federal and the Metropolitan have always been good companies. The banks in town in those days of the 1950's and up until recently, concentrated on commercial lending and left the residential markets to the savings and loans. That was our specialty and commercial lending was their specialty and the two lines didn't cross. In recent years, they have been crossed more and more and more and we do make commerical loans now and they do make residential loans now. For a long time, that was not their business. Their business was short-term commercial loans and ours was long-term residential loans.

C: How has deregulation affected you? You are competing now with commercial banks?

M: Yes.

C: We have a lot of commercial banks in the area.

M: Yes.

C: How has this competition affected you? What are you doing? How are you getting your market share?

M: To some degree, it is still kind of like it used to be. That is, the savings and loans in Youngstown still generally are the ones that do most of the real estate lending and the commercial banks do most of the business lending. The difference began to narrow particularly a few years ago when they gave us the authority to have checking accounts. They called them NOW accounts, but for all practical purposes it was a checking account authority. When we began to get checking accounts, that put us more directly in competition with commercial banks. We are now able, for example, if a developer finds a piece of land, to make him a loan to help him buy that land. We can help him finance the improvements to the land. We can then finance an individual construction loan on the building that he is building on that land, and then we can finance the purchaser when he buys it. We didn't used to be able to do that. We can offer a complete package now where we couldn't before.

C: You say that is one of your main attractions to businesses?

M: Yes. As time goes along, we develop our own set of customers who come to us with their financial needs whether they are residential or commercial. We uesd to send a lot of business down the street to commercial banks because we weren't in that field. Now we take care of them ourselves. Consumer loans and automobile loans and that sort of thing are something that we have only been making for a few years. We have quite a large volume of commercial lending. We are probably loaning

$800,000 or $900,000 a month on consumer loans. It is a type of lending that we never used to do. We are still carving out what we think is our own particular position. What we are trying to do is to be a complete family financial center as opposed to a strictly mortgage home lender. That means that people have their savings and checking accounts with us. If they need to buy a car, we can help them. If they want to buy a house or send a son or daughter to school or to college, we can make student loans. All of those things make us a family financial center which is really our objective.

C: Do you think that the fact that you have given mortgages for years to "basic customers" that they are now going to you for different things?

M: That is right.

C: Are you expanding out?

M: That is right. In fact, we have a lot of people who come to us who are not depositors or have their home mortgage with us, but they come to us for the other things that we are able to offer. Whereas, it used to be the other way around. We always had to have them as a customer before we could do anything else for them. Now we do everything else, hoping to make them a mortgage customer.

C: I noticed particularly in the last couple of years that you had a nice advertising campaign.

M: Well, yes. I suppose we started to increase our advertising budget about 18 years ago. We began to spend more on advertising than we used to. We started doing it differently. We specialized, you might have noticed, in our advertising supporting local high school and college athletics. We probably have done more in the way of support in sporting events in high school and college than anybody else has. That was deliberate in an attempt to try to bring our name to the attention of the young people. Young people in the future will be our solid customers.

C: I understand you can loan up to 10% in commercial loans. Is that right?

M: We are allowed to loan up to a percentage of our net worth. We could loan, but we don't, one commerical customer as much as $60-odd million dollars. We don't ever go that heavy, but we could.

C: How much would you say your business does comprise a year of your business loans, commercial loans, and private loans in total business? An estimate?

M: I suppose business loans are probably 20% of our total and

80% is still residential.

C: That is really something coming from zero and then up to 20%.

M: Yes it is. It is different than it used to be.

C: Have you had to make any adjustments dealing with commercial loans--perhaps bringing in bankers or people that work in banks?

M: We haven't brought in any bankers, but we have done an awful lot of training and education of our own people in commercial lending . . . not only from "in house" experience, by sending them to seminars, schools, et cetera, but also by developing our own expertise that way. We have not brought in any banking experts. For example, when we got going on checking accounts, we found there were a lot of techniques about checking accounts that the banks had been doing for years and years that they took as second nature that we didn't understand how to do. We hired a consultant to come in from out-of-town. It was a firm of ex-bankers whose business it is to help people get going on this. They were tremendously valuable to us in showing us the techniques that bankers use in handling checking accounts because that was a foreign language to us. We now handle it, we think, as efficiently as anybody in Youngstown. Of course, with the machinery which is available to assist you in this such as automatic encoding and all of the rest, there is a tremendous investment in personnel and equipment to handle that sort of thing. Again, twenty years ago we didn't even think about it.

In fact, twenty years ago we had about 70% of the building occupied by tenants. Maybe 30% of the building was occupied by the company itself. That is now around 80% occupied by the company and 20% occupied by tenants. Some of the tenants who are still here are talking or showing signs of either retiring or vacating for one reason or another.

I have five different departments that are waiting in the wings for the space as it becomes available. It won't be too long before the entire building will be occupied as a Main Office headquarters. We won't have too many tenants five years from now, if any at all.

C: What will these new spaces be allocated for? What areas are you growing right now?

M: Consumer loans is one area. Eventually they will need almost one whole floor to themselves. The loan administration department will occupy one entire floor. We don't make as many loans in the Main Office as we used to. The volume is out in the branches. Between appraisal and loan adminstration, they will occupy one floor.

The last twenty years, one of the things that has expanded enormously has been our expertise in money management and the increased complexity of our accounting system. Where we used to have our accounting department in one small office about the same size as this office, it now occupies one floor. Savings Administration is much the same. The head of the savings department was just a job that somebody sort of did in their part time. Now we have a whole floor that is occupied by the savings department, including our retirement department. We have all of the other things that are necessary to operate a savings department. As the business gets more complex, the number of people we have to do that work grows.

C: You mentioned before you had to modernize and purchase new computers to handle your volume. Is that the feature you are doing now--investing in equipment?

M: Yes. Last year alone we spent over $750,000 on equipment. That was just one year.

C: Is that indicative of several years?

M: Yes it is. It was much higher than during the difficult years in 1980, 1981 and 1982. Things were very tough on the savings and loans. Interest rates went right through the roof. Naturally, we curtailed expenditures as best as we could in many areas. We are catching up to that now. Last year we spent that much and this year we will spend that much and next year we will probably spend around the same amount. What we are doing, in other words, is repairing our infrastructure and getting it ready to handle what is going to come in the future.

C: I want to go in chronological order, but if you say something, I want to pursue that too, so I am going back and forth.

M: Alright.

C: During the 1960's interest rates started to rise and it continued into the 1970's and the 1980's, as you said, they hit the roof at 20%.

M: Yes.

C: Savings and loans, especially prior to deregulation when interest rates started to rise, were stuck and probably still are in twenty and thirty year mortgages at low rates of interest.

M: Yes.

C: How have you coped with that?

M: Well, we coped with that in lots of ways. There are all kinds of techniques that you use. Basically, people forget one thing , if you make a thirty-year mortgage, under normal circumstances without any gyrations in the market and so forth, the normal length of a thirty year mortgage is eleven years. Most people in that eleven year period will either sell their home and buy a new one either bigger or smaller depending on the needs of the family or they will refinance it to send their kids to school, or they will do something. The thirty year mortgage rarely ever lasts for eleven years; that means there are as many below that as there are above. When you make a thirty year mortgage, it doesn't stay on the books for thirty years most of the time.

At the same time that the rates were so very high, we were very careful to accumulate as much cash as we could and we, in turn, invested it where we were getting a very high yield on it. Mortgage payments came back to us and people were not borrowing money because they didn't want to pay 18% or 20& and I don't blame them. Instead of having that money available to loan out, since there was no demand for loans, we were able to invest it at the same 18% or 20% that other people were getting. We took advantage of that too.

We changed our system so that we are operating primarily on a one year ARM (automatic adjustment mortgage). A lot of people are afraid of that. They are thinking that if the rates go up to 18% or 20%, their rates will go out of sight too. They forget that the 18% or 20% interest rates were an almost "once in the last one hundred years" time. It very seldom, in my knowledge, got that high in the last one hundred years. We don't think that it is going to get that high again. Consequently, by having people take out an annual adjustment, they are able to take advantage more quickly or a declining rate than somebody that has a three-year adjustable rate or even a five or ten-year rate. They have to wait three, five or ten years before they get any advantage in the reduction of rates. Most people have found, and we have been able to prove it statistically, the one year automatically adjustable rate is beneficial to customers. That means we can adjust those rates as those repayments come in.

We have tried to lengthen the terms of the deposits. We still have a tremendous amount of money invested in passbook savings. The percentage is almost twice that of normal companies our size. We are trying very hard to get people to think in terms of investing, instead of in passbooks or the six-month or three-month certificates, in two or three-year certificates and take advantage of the rates. In 1982 if people had put it into a five-year certificate, they would still be earning high rates. A lot of people even felt the rates were going to go higher and put it into six months. The rates fell and they weren't able to reinvest it as high as they had it before. So, these are some things.

Then you can get into some very esoteric things. You get into swap arrangements and futures and all that sort of thing which gets extremely complicated. It is a method really by which you can prtoect yourself by costing you something in earnings, but it protects you while fluctuations are rampant. We do some of that too. In other words, we do almost anything that we can.

C: Now you have gotten around and still have been able to grow?

M: Yes.

C: How have you grown over the years in your size from when you began and now?

M: Let's say from the time the company began to be sizeable enough. The company was formed in 1889 and our 100th anniversary will be coming up in three years. When the company was very small, it wasn't much of a factor, but it got bigger and bigger. We grew by being able to pay a little more on deposits than our competitors did and frankly by generally appealing to the people who are not the most affluent. The average man was our customer. People recognized it and they could come to us and they trusted us. We had a good reputation and we hopefully still do. As a consequence, people will bring their money in and trust us with it for safety and security.

In the years right after World War II, growth came because people were working hard and, as I mentioned earlier, they were very careful with their money and saving it. We had a big surge in savings and we were able to continue to pay a little bit more on our savings rates than some of our competitors could. That was partly by law. Banks weren't allowed to pay as much as we were on passbooks for example. We think it was a combination of being able to pay a little more than our competitors and having a body of customers who were loyal to the company and we grew.

During the 1970's when rates began to move up heavily, we tried to keep pace with that. We were growing at one million dollars a week. In the 1970's it wasn't unusual to have a $50 or $60 million annual asset growth. As an example, when my father died in 1966, we were a $150 million company. We are now a $750 million company twenty years later. Since the 1981 and 1982 episode when rates skyrocketed, we have been deliberately not paying much higher rates than our competitors. We have been paying the same competitive rates but they are not higher. Deliberately, we have not tried to grow heavily until the economy has settled down some. We have not tried to get much bigger than we were. We have tried to improve the quality of our services instead of the size of our base.

C: Do you feel that becoming too large would be detrimental, at least right now? Is it probably the result of the economy?

M: Yes. One of the things that has caused the most trouble for commercial banks and for savings and loans in recent years, have been those companies that grew like Topsy. I can think of any number of companies who, four years ago, started out with $30 million in deposits that are now $800 million. That kind of growth can only come by reckless investment and getting the highest possible yields which means the greatest possible risk, and by paying more on deposits than any of their competitors. In order to pay those high rates, some of those investments they have made were not as well underwritten as they should have been, so they went bad. The first thing you know is that most of those companies fail. We feel the safest way to grow during difficult and unstable times like this is slowly and surely but not rapidly.

C: Appealing to the common man must mean that many of your customers were steelworkers, et cetera. Do you feel this has been part of your strength? In other words, has your strength been tied to the steel industry because these are who your customers are?

M: Well . . .

C: At least in your past?

M: Yes, not now for sure. I think that we grew for a long time because we did pay attention to not just executive level people and large accounts. We, instead of having a small number of large accounts, had a large number of small accounts. We think that was one of our strengths. Now we are competing for everybody. We think we have an investment portfolio that is of interest to anybody no matter what their income level is like.

C: During the steel mill shutdowns, there weren't a lot of foreclosures. Why?

M: There has been a wide misconception as to what happened. I suppose that out of the total foreclosures that we had to face, less than 5% included people who were simply unable to make payments. That is a very small percentage. By far the biggest problem with foreclosures is divorces. What usually happens when a couple gets into trouble and they have a mortgage, either the husband or wife moves out and leaves the other in possession. I don't know if statistically this is true, but my experience indicates that more often the husband moves out leaving the wife with no income and no ability to pay, until such time as the divorce has been finalized. That could take six to eight months or a year or more depending upon the circumstances. During that time, she can't pay and he won't pay. His lawyer tells him not to pay on the mortgage and her lawyer tells her not to pay on the mortgage and so nobody pays. As a result, the loan gets badly delinquent and if they didn't have too large of a down payment in the beginning, we have to take action because our security is in danger. That is the biggest cause by far.

The second highest cause is people who get into financial troubles and file bankruptcy. There is nothing we can do until the bankruptcy procedure is completed. If we have a foreclosure action in process and the couple goes into bankruptcy, the bankruptcy court takes over. We are stopped from proceeding. These two make up probably 75% to 80% of all the delinquent problems we have had.

The remainder are people who do lose their jobs, move out of town, and vacate the house. If the house is in some area in particular such as the inner city, if somebody moves out and is gone for three days, when they come back in three days, they find the sink, stove, and everything else has been taken out. Vandalism has been a tremendous problem. That makes up the rest of it, where people lose their jobs and move out of town looking for another job and just abandon the house.

C: When have been your periods of greatest growth?

M: I suppose our period of greatest growth was . . .

C: The 1970's?

M: I would say the 1950's, 1960's, and 1970's. We grew rapidly all of that time. When I came to work for the company in 1946, we were a $39 million company in assets. As I mentioned earlier, we are a $750 million company now. The growth probably accelerated a little bit in the 1970's, but proportionately I would say that the growth was steady from the end of the war on up until about 1980.

C: You said it was a steady, managed growth?

M: Yes.

C: Why would a business come to the Home over a commercial bank for a loan?

M: I suppose that past experience or contact work or maybe somebody's parents or grandparents had dealt here. Naturally when they had a need they came here. If they had a mortgage with us and were satisfied with the services we gave, when they organized a business of their own and needed some help, they came here. The first thing they think of is who they know best and they come to us.

C: Is it competitive? Are your rates of interest comparable?

M: Yes. I think it is the kind of service they get , the ability on our part to react. If we have a long credit experience with a customer we can process a loan to him quicker than somebody else. If we know the person we will give him credit. I don't mean to overemphasize that because, again, our commercial business is only a small part of our overall business. The commercial business that we do is a result of experience or by reference. If somebody comes to us and we are able to help them, the next Saturday they are playing golf with Joe, and if Joe says that he needs a loan, you say, "Why don't you try the Home Savings." It is that sort of thing . . . It is the satisfied customer that leads to another one.

C: And then your conscious appeal to young people such as athletic events, et cetera?

M: Yes. Our appeal to younger people is trying to keep our name before them. It is easy enough to keep our name in front of people who have been customers here for fifty years, but when somebody has graduated from college and is starting out on their own, they don't know the Home Savings from Adam. We are trying to keep our name recognizable. The animals we use so often in our commercials are simply an attempt to be different than anybody else. Whenever they see that, they think Home Savings and that is what we want them to do. We want them to think Home Savings. If a financial problem comes up, perhaps it will come to mind to try Home Savings.

C: I noticed that your commercial always emphasizes thrift.

M: Yes. That is the backbone of the savings and loan business to promote thrift. The password for the savings and loan industry or the phrase which is spelled out in the lobby is "The American Home, the Safeguard of American Liberties." That was developed by the savings and loan business and is its theme. While it is perhaps not quite as important as it used to be, it is still very important to most people. In spite of the growth in apartment living, et cetera, most people's ambition is still to end up owning a home. Most people don't want to live all of their lives in an apartment.

C: It is an interesting point that you brought up. In the last twenty years there have been a multitude of complexes in the Youngstown-Warren area.

M: It was a lot slower coming to the Youngstown-Warren area than it was to most of the rest of the country because close to 75% of the Youngstown-Warren population owned their own homes, which was a higher percentage than almost anyplace else in the United States.

C: Do you feel that with people in apartments, these people will eventually be able to own their own homes since the interest rates are dropping?

M: I think so. Now that interest rates are dropping, obviously the volume of loan activity is increasing enormously. Our loan department for two years has just been swamped by not only requests for loans to buy and build a home, but also by refinancing loans that were made when rates were much higher than they are now. All loan departments of almost every lender of any kind, whether it be a mortgage banker or whatever, they are all busy right up to their chins in work.

C: Are there any companies you prefer to do loan business with? Do you stay with the smaller company or the large ones?

M: Quite obviously the larger commercial organizations have their own sources of financing. We don't see much of it. The smaller businesses, I am sure, are more apt to be a two or three man operation. That is the kind of people we can help. They are not necessarily tied to a commercial bank or they don't need sums of money larger than we are willing to loan. If U.S. Steel needs $100 million to meet next week's payroll, they don't come to a savings and loan. They go to a bank in Pittsburgh or New York.

C: I talked to Mr. Perkins and asked him about the steel industry and I guess there in no tie-in with the savings and loan; it is more with your commercial banks.

M: Yes, generally speaking that is right. The steel industry when it was the backbone of the Mahoning Valley was an extremely capital intensive business. It was mammoth in size. When the steamship companies, some of which were partly owned by steel companies, needed to build an ore boat, it was a little different than financing a truck. When you go to build a steel mill, you have to have a large amount of money invested for a long period of time and that was the kind of financing small companies like ourselves could not provide. We could help the people, but we couldn't help the company.

C: What do you anticipate in the future?

M: I would say that in the near future, companies like the savings and loans in general are going to have to find their own little niche in the world. Some of them will change their nature. They will be called Metropolitan Savings Bank rather than Metropolitan Savings and Loan, so they can take advantage of the laws. I think you will find the tendency to consolidate will continue. Union National Bank is now part of Bank One, which is a huge banking organization with somewhere around eight billion dollars in assets. The People's Bank is now part of Society Corporation which is also a huge institution. All throughout the country you are fully aware, I am sure, the large institutions are becoming larger much more rapidly by merging. I think that twenty years from now you will find few individual companies and a lot more huge companies.

C: Why had the tendency to consolidate started? Is it a result of competition, or is it more advantageous to be a part of a large financial network?

M: I think there are advantages in size and in their efficiency which have contributed to it. In our business, for example, it is very difficult for a small company to hire the expertise and to purchase the equipment necessary to operate the business. In the savings and loan business in 1925, it was entirely possible for one person to know everything that had to be known about running a savings and loan company. He knew all of the rules and laws. He would be an appraiser. He knew enough about the accounting and the legal aspects. He knew all of it. It was easy for one man to know. It is impossible anymore because it is so complicated and so technical. It had been years and years and years since one man or a small group of men could know everything. To hire the expertise you require you have to be a fairly sizeable company. If you aren't you don't have the expertise necessary to compete with those who do. That is why you find smaller companies dropping by the wayside and being absorbed into larger companies, simply because they just don't have the expertise to compete with the larger companies. You can probably go up to certain levels from that. A $50 million company cannot compete with a $700 million company. It is difficult for a $700 million company to compete with a $7 billion company. If is difficult for $7 or $8 billion companies to compete with the $150 billion companies. It goes right up the line.

C: You are now at the 280th in the country, or somewhere around there?

M: We are around 280th.

C: That seems to be sizeable.

M: It is getting smaller as the other companies merge. We have gotten smaller, relatively.

C: Do you see yourself as merging or do you see yourself being able to function at your size within the company?

M: I don't see us merging. It is always a possibility, but as it stands right now, I do not see us as merging. I do think that we have the resources to hire the expertise necessary to compete with almost anybody locally. The one things we do not have is the expertise to become either a state-wide or regional savings and loan company. We can be very strong in the Mahoning

Valley but we cannot be that strong in the state of Ohio or the eastern half of the United States or as some of the huge companies in California are doing, spread all over the country. First Nationwide out of San Francisco is in many different states in the country. They are big enough that they have the expertise to do that. Personally, I feel fairly confident that a company of this size will still have a place in the sun if it can have a relationship with the population on a one-to-one basis which you can't get with a national company. If you want to buy a house, it is very different to talk to City Corp as opposed to talking to a representative from the First Federal or the Home Savings who is your own neighbor.

C: That is your plan, to keep on a one-to-one basis?

M: That is our plan for the moment.

C: It is staying in the community accountability?

M: Right. That is our idea. I won't say that it wouldn't change. Everything has a way of changing. As it stands right now, that is what we are foreseeing.

C: Have you found that urge to change from a savings and loan to a bank?

M: No, I don't. I think in some cases it is popular right now to do that. In the long run if you do everything that is the popular thing to do then you might lose out. I have no interest in changing our basic nature. What I am interested in now is positioning ourselves to do a better job. This is what we are trying to do rather than take on a new job.

C: Are there still advantages in the savings and loan market?

M: Yes. We are in the process of negotiating a merger right now with a smaller company in the area, which is one way of growing. It is not finalized yet at all, but hopefully it will be this year. That is one way that we can increase our operating base.

C: What company is that?

M: I would rather not say.

C: Okay.

M: With the size of our net worth and the operating profits we are making, we are considered by the supervisory authorities as one of the stronger companies. I have had requests from the Federal Home Loan Bank in Cincinnati to consider taking over companies in Pittsburgh, Ashtabula, Cleveland, Toledo and Gary, Indiana, and one in the Cincinnati area. In other words, when someone in this area starts getting in trouble, they look around to see who might be interested. They pick us out as one because we are really a good size. We have resisted that because we don't know anything about the real estate market in Toledo for example, and we prefer that if we are going to move in that direction to do it over a very long period of time, to move outward slowly. We never leap frog out there and find that we are a fish out of water in an area we don't even know.

C: Of course you would have to send people down to study the market.

M: Yes, you would have to do that. Then you get the problems of management and communications. It is much easier to grow slowly where you already perhaps have a presence in an area. We know something about Warren. We have an office in Salem. We know something about the environs down in East Palestine and we know Niles and all of that, but to jump to Cleveland would be the last thing in the world that I would want to do and take over a company that was much larger than we were. To do that would have been suicide. All it would have done was ruin our financial statement and not really accomplish anything good for us. It is surprising the number of offers we have a whole file on.

C: Have you merged in the past or will this be your first merger?

M: Well, we did merge, but not in recent history. In 1925 there was a savings and loan in Salem. It was owned by a family who proceeded to run it into the ground the way they managed it. The supervisory authorities came to us as the largest company in the area and asked us if we would take it over and we did. That is over sixty years ago. That was the last time that we have done that, but it is the reason why we have an office in Salem. Other than that, we haven't done any mergers until the one we are working on right now.

C: Do you have any final observations about the Youngstown economy you would like to make?

M Well, I think that our prosperity and our future is going to depend upon whether or not the Mahoning Valley continues to recover from the catastrophic impact of the closing of the steel mills. I think there are a lot of signs that it is, and I have said before that I have always been an optimist all of my life. I think definitely that ten or twenty years from now the economy of Youngstown will be different than it ever was before, but more solid.

C: Diversification?

M: Yes, I always did feel that it was a handicap in some ways to have the economic leadership of Youngstown in the hands of about three companies such as U. S. Steel, Sheet & Tube, and Republic. They were the giants and the major employers and they called the turn in almost everything that happened in the area. The whole Mahoning Valley was dependent on those companies. Anything they did immediately impacted the community. In other words, I would rather have 25,000 ten-employee companies than ten 25,000-employee companies. I think it is healthier. I wouldn't mind seeing a big company because I would love to have another General Motors plant employing 10,000 people, but if we had nothing in this area except General Motors, then I think we would be entirely at the mercy of General Motors and the decisions that they make. I think that is wrong. I think that we are far better off to have a whole bunch of other companies smaller in size and not all in the same field. I think that makes for a stronger economy andI think we are doing it slowly.

Dayton is a good example of a major company changing. They had, at one time, NCR Corporation with 18,000 employees. They announced in advance that over a ten year period they were going to begin dispersing their business around the country, so they are down to three thousand. They did it over that ten year period and as a result were able to slowly fill in the gaps before the whole thing happened. Whereas in our case, it was one day they were here and the next day they were gone. It takes a long time for something like that to be overcome, but we have made great strides since all of that happened to us. I think that there is only one way out from the bottom of the pit and that is up. I think we are moving up.

C: Akron has also diversified. Do they have a similar problem?

M: It is the same thing. You don't have to close your windows to avoid the smell of rubber when you drive through Akron the way you used to. Very few communities in the United States have had 25,000 job all lopped off within a couple of months of each other like we did here. All of the businesses that went along with that, such as the trucking and paving and cement workers, construction workers, electricians, plumbers, and thousands of jobs of that sort were tied up with steel mill activity. All of those jobs were lost too. People forget about that; it wan't just basic steel. It was all of the collateral things of the community that went with it. We are making progress. We will continue, I am sure. The university is a good example.

C: They are one of the largest employers in Youngstown.

M: The university, twenty-five years ago, was a "puddle jumper." Now it is a mammoth institution and it is beautiful. It is a shame that people do not spend more time walking around there. They would be flabbergasted to see what a gorgeous campus YSU has. Its impact on the community is growing. I think that is a definite plus to have a strong higher educational facility like a state university right in the middle of downtown, so to speak. I think the things that it can offer the community in the way of help through the years will be enormous. Twenty-five years ago they were interested in only how many students they could turn out. Now they are interested in helping uplift the educational level and the backlog of knowledge that they have and the consultation they can provide is enormous. It is a tremendous plus.

C: The economic activity of the malls is still flourishing.

M: Oh, sure. Of course it is. People talked about what to do downtown when Strouss', Higbee, and the other stores closed. They keep forgetting that in the immediate area around downtown Youngstown, including all the people that come down here to work during the day, the maximum population that needs servicing is probably 8,000 people. What you need is a department store tailored to meet the needs of a town of 8,000. They don't need two six-story department stores. They don't need all of the theaters and all of that. They need a minimal number of facilities because they have an 8,000 population to work on. All of the other people are going someplace else. They aren't going to come downtown no matter what is downtown. I have heard so many people talk about parking problems. They suggested providing free parking. It sounds real good, but what if Ed DeBartolo and Bill Cafaro had to pay $600,000 an acre to get land to provide parking as opposed to the $6,000 an acre they may have spent for the Southern Park Mall. If they had to spend $600,000 to buy a block and tear down the buildings, they wouldn't be giving free parking in Boardman either. You can't compare apples and oranges. It is not fair to try to. Of course, you have to have paid parking downtown because you can't afford not to. I have no idea what Ed DeBartolo paid for the land out there in Boardman. I know that if he had to pay $600,000 an acre he would never have built the mall.

People don't really look. They don't compare fairly. Columbus is the most vibrant community in the state of Ohio. It has all the business and central state government and related things. They also have only one small department store. They only go down there to work and go home in the evening. At night in downtown Columbus there isn't anybody around except for Saturday night after a football game or something like that. You don't have large concentrations of huge department stores in downtown Columbus anymore. People don't go down there to shop. They go there to work and they go home.

This happens somewhat in places like New York and Chicago where the facilities they used to have don't exist anymore because they have millions of people there during the day and there isn't anywhere near that number after five o'clock at night.

It is a different world.

I think Youngstown should be shrunk and consolidated. I think every effort should be made to tear down and remove the eyesore buildings that make it look bad. A lot of that land could be turned into parking. In my opinion, a lot of it would be better if they would turn it into parks and plant trees and grass and make it attractive looking. No matter how much parking you have downtown, there isn't going to be any need for it after five o'clock.

C: Thank you very much.

M: You are welcome. I hope that it was what you had in mind.

END OF INTERVIEW