The stretchout trap

Supposedly, bank regulators at the U.S. Treasury and Federal Reserve eased accounting standards early into the 1986 oil price collapse, in order to permit regional banks to "carry" energy and agricultural borrowers who might otherwise fail. In fact, the regulators eased the rules while preparing a reaction against such easing, permitting regional banks to dig themselves deeper into a financial hole, in preparation for a crackdown later this year.

"The Comptroller of the Currency and the FDIC are coming in and simply shutting down many banks," a Minnesota farm banker said May 30. "It seems that they don't want anyone to have our assets—they don't want there to be any assets. If you quote me, they'll finish me off.

"The way it's done is that the Republicans in Washington, like Senator Boschwitz and Senator Durenberger, both Republicans from Minnesota, tell us farm bankers that they want us to show forbearance to the farmers, not to collect or close the loans. So we stretch the loans out. Then, wham, the Comptroller or FDIC examiners come in and classify the loans substandard and kill us, make us write them off.

"My bank in particular has been turned from a viable bank into a wreck by this. In late 1984, we were negotiating with a St. Paul bank to buy us up, so we could get more capital and clean out these loans. The Fed approved it in December 1985, but then the Regan Treasury's Comptroller refused, and in March 1986 they finally told us no. Well, during that time they had bled our loans down to the point where no one would buy us out now, and we can't get new capital.

"The only thing I can conclude is that they wanted the bank just shut down. They didn't want any bank, small or

The FBI hands Oklahoma banks to organized crime

The drop in the price of oil and farm commodities has flattened the economy of Oklahoma, where the top three banks are in deep financial trouble, and five banks have already gone under in 1986. Farm foreclosures occur at record rates, and the state government faces a record budget deficit. In this context, with the aid of U.S. bank regulators and the U.S. Justice Department and FBI, the state is falling prey to organized crime, and those who launder its drug proceeds, the big money-center banks.

The first step in the organized-crime takeover was legalization of race tracks with pari-mutuel betting, a move sold to legislators as a way to enhance state revenue. The state's political leaders offered to license Oklahoma's first race track to the notorious Edward J. DeBartolo group, known to be connected to organized crime. DeBartolo agreed to build the first race track if he were granted a monopoly and if all his financial reports were kept secret, in violation of state law. State officials agreed.

The project ran into opposition in the legislature, most notably from Rep. Kevin Cox, one of two blacks in the State House. The track was to be built in Cox's district.

The next step for Dope, Inc. was to establish interstate banking. In April, the Oklahoma Bankers Association proposed emergency legislation to allow out-of-state banks to take over Oklahoma banks. There was resistance, but assaulted by media scare stories of imminent bank failures, pressure tactics from the OBA, and FBI intimidation, the resistance to interstate banking collapsed. In April, the bill was passed under an emergency suspension of the rules, allowing virtually no debate.

Opponents of all this have been subject to a Justice Department witchhunt. Since 1982, the FBI, through the office of U.S. Attorney William Price, has used wiretaps and informants to engineer the indictment and conviction of almost every county commissioner in the state. Price had an FBI informant wired for sound, pose as a construction contractor, and induce a targeted county commissioner to take a kickback. After getting one conviction, Price intimidated the others into pleading guilty. Said one attorney familiar with the case, "There were guys pleading guilty out of pure fear, who hadn't done anything illegal."

In early May 1986, Price indicted Sen. Bernard McIntyre, the chairman of the Banking Committee, on charges of distribution of cocaine. McIntyre, a colleague of Cox and one of only two blacks in the State Senate, had killed legislation favorable to out-of-state bankers, and opposed the interstate banking bill.

Price's case against McIntyre stems from tape recordings made by an FBI informant linked to drug-dealers. On the tapes, one hears an FBI agent telling the informant "Get him to ask you for some cocaine," and the informant asking the FBI, "How do I get him to take the cocaine?"

After being indicted, McIntyre made a speech on the floor of the Senate saying that before he was indicted, Price offered to go easy on him if he would agree to being wired for sound, and help Price make a case against other state legislators. One of Price's primary targets, McIntyre said, was State Rep. Kevin Cox, the opponent of the DeBartolo race track!