

Two Texas Banks Close, but Not for Want of Cash

By Lisa Belkin, Special To the New York Times

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On New Year's Eve two more banks will close in Texas. But these two are different from the 113 others that closed in this state in 1988.

The two banks are solvent. They are embroiled in no scandals. They are closing voluntarily, because their owners have grown tired of the bureaucracy and paperwork needed to run a bank these days.

Their customers say they will miss them.

The D. & A. Oppenheimer Bank in San Antonio and the Farmers and Merchants Bank in Priddy are different in another way. They are among the last uninsured banks in the country, relics from the days before Government regulation, reminders of the time when banking was more than waiting in line, computers and computer errors.

"They represented a time when you could count on your banker," said Tom Frost, the president of the Frost National Bank in San Antonio. The Oppenheimer family served as his personal bankers.

"Today," he said, "financial institutions are looked on as a box you put your money in and think, 'It's O.K.; the Government will take care of it.' That's why banks are in such trouble. No one holds the banker accountable. I could hold Dan Oppenheimer accountable. That's what I lost." Banker's Word Was Insurance Before the Civil War, just about all banks were operated like these. There was no Federal insurance, no board of directors, just the bank owner, his vault and his word that your money was safe. His word was backed by his personal wealth.

In 1904 Texas established a department to regulate banking, and in 1921 the department allowed solvent banks to operate under charter in exchange for submitting to regulation. Most did so, because it gave them a measure of credibility, but a few chose to remain unchartered and unregulated. They were allowed to remain in business, but no new unchartered banks were allowed.

Gradually the unregulated banks went out of business. Thirty years ago there were one or two each in New York, Pennsylvania, Iowa and Indiana and five in Texas.

In 1987, after an investigation involving two small banks in central Texas, the State Legislature authorized regulation for unchartered banks, with Banking Department examination of their books. There were only three such banks left when the legislation passed, and now two of those are closing.

After the New Year, the only unchartered bank left in Texas will be the E. L. Price Bank in Galveston. Until 1983 that bank held only the personal assets of the Kempner family, which lives on and owns much of Galveston Island. When Lawrence Price and his family bought the bank they accepted a few new accounts, but mostly they process credit card purchases for local businesses. 'All the Paperwork'

Though both the Oppenheimer Bank and the Farmers and Merchants Bank passed inspection this year, and though the reputation of neither bank has been called into question, the new legislation indirectly led to their closings.

"She said a small business like hers just couldn't cope with all the paperwork," said Carolyn Tiemann, herself a businesswoman in Priddy and a customer of Eleanor Jeske Gromatzky, the owner of the Farmers and Merchants Bank. "She had to buy a lot of new equipment to keep records the way the rules said, and she couldn't do it all herself."

"There was a lot of added paperwork," said Robert P. Walsh, operations officer for the Oppenheimer Bank. "The gentility was gone."

Gentility had been a hallmark of the Oppenheimer Bank almost since Dan and Anton Oppenheimer began lending money in 1858 to the farmers and ranchers who shopped at their grocery store. In 1915 Dan Oppenheimer's son, Jesse, became senior partner of the bank, and in 1965 Jesse's nephew, Dan, took that job.

By that time the bank had moved from a store in downtown San Antonio to a suite of three rooms on the 11th floor of the Alamo Bank building. The original vault door was installed as a decoration along the front wall, and the original windowpane was framed and hung in a corner. By Invitation Only

But from founder to son to nephew, the customers were much the same: businessmen like Mr. Frost who were willing to forgo insurance and other amenities because they trusted the Oppenheimer name. Loans were made on strength of character more often than on depth of collateral. New accounts were opened by invitation only, and no one was invited without the recommendation of two other Oppenheimer customers. Last summer, when the bank announced that it would close, about 1,000 depositors had to be notified that they would have to take their accounts elsewhere.

Dan Oppenheimer had long told friends that the bank would die with him. He had a fatal heart attack on a vacation in Switzerland in October 1987.

His cousin Herbert, who had been his deputy for many years, ran the business for a while, but his age (he is 79) and the new demands from the state authorities led him to decide to close.

Herbert Oppenheimer's nephew, Jesse, has said he will not take charge "because I don't want to ride a dinosaur." A Loss of Convenience

In Priddy, the closing of the Farmers and Merchants Bank is less a loss of prestige than a loss of convenience. Priddy is a tiny town parked on a two-lane highway southeast of Abilene. At the turn of the century, Carl F. Jeske installed a vault in his general store for use by friends and neighbors. Soon he began issuing credit to farmers and collected after the harvest.

In the late 1950's, the bank moved to its own one-story building, with green tile floors and the original vault. So as not to attract attention, there is no sign out front.

Mr. Jeske died in 1969, and his daughter and her husband took charge of the bank. She has run the establishment by herself since her husband died seven years ago. But now she says she has had enough.

Her neighbors will miss the bank. "I feel safer keeping my money with her than in one of those big banks that are in so much trouble," said Jean Hohertz, a Priddy grocer who has banked there for 45 years.

That it was not insured "never did bother me," Mrs. Hohertz said. "She was well enough off. She had plenty of land to cover the accounts. She once told me she wouldn't sell any of her land because she wanted it to cover the accounts if anything happened to her."

Residents of Priddy must now travel nearly 20 miles, to Comanche or Goldthwaite, to find a bank. "It used to be going just across the street to find a bank," said Mrs. Tiemann, who owns a mistletoe shipping company in Priddy with her husband. "Now it takes half the day."

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