AMERICAN PREDATORY LENDING AND THE GLOBAL FINANCIAL CRISIS

ORAL HISTORY PROJECT

Interview with

Harlan Parrish

Bass Connections

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PREFACE

The following Oral History is the result of a recorded interview with Harlan Parrish conducted by Carolyn Chen on February 17, 2021. This interview is part of the Bass Connections American Predatory Lending and the Global Financial Crisis project.

Readers are asked to bear in mind that they are reading a transcript of spoken word, rather than written prose. The transcript has been reviewed and approved by the interviewee.

Transcriber: Darielle Engilman	Session: 1
Interviewee: Harlan Parrish	Location: Zoom
Interviewer: Carolyn Chen	Date: February 17, 2021

Carolyn Chen: I'm Carolyn Chen, an undergraduate student and member of the Bass Connections American Predatory Lending and the Global Financial Crisis Team. It is January 17th, 2021. I'm currently in Vancouver for an oral history interview with Harlan Parrish, current President of Finemark National Bank and Trust, who has joined me via Zoom. Thank you for joining me today.

Harlan Parrish: My pleasure.

Carolyn Chen: I'd like to start by establishing a bit about your background. I believe that you obtained your Bachelor of Science at Auburn University in 1983. Is that right?

Harlan Parrish: That's correct.

Carolyn Chen: In the context of your work life, when and how did you first become involved with residential mortgages?

Harlan Parrish: Residential mortgages were later in my career. I started off at a small bank– about 200, 250 million at the time in assets– in Montgomery, Alabama. I was a pre-med major and I won't go into all of it, on how I got into banking, but it was really the right path for me. I was asked to join a small bank as a management trainee. I was exposed to all areas of the bank, certainly the lending side. When I came out, I became a commercial lender. Then after that, I moved into the retail side with banks, and I was a branch manager. In a short period of time, [I was involved in] branch administration, managing five locations in Montgomery, Alabama, and then, probably six years later, after I began my banking career, I transferred down to the Mobile area of Alabama– South Alabama, Baldwin County.

I really took on a lot more responsibility, as it related to retail administration of all the branches– deposit operations, marketing, and certainly mortgages fell under that realm of my responsibilities, to a degree in that those were originated primarily out of our branch offices. That's really when it started for me, probably around 1989,1990, when I got involved more in managing people, and some of them originated mortgages out in the branches. That really continued for the rest of my career, where I've always had people [in] lending reporting to me in the various executive positions that I've held in banking.

Carolyn Chen: The bank you mentioned starting at was Colonial Bank, is that correct?

Harlan Parrish: Correct. I was there about 25 - 26 years.

Carolyn Chen: You mentioned that you worked very much in retail banking. Could you define retail banking and how lending done through this channel differed from services in commercial, wholesale, warehouse lending, the likes?

Harlan Parrish: Right. On the retail side, it was primarily where most of your small business clients and personal accounts were coming into the bank. Certainly much more high touch back then, we didn't have mobile banking, or online banking that we have today, so, high traffic locations. The gist of what I did not only as a branch manager, but then branch administration, was managing those people– managing the expectations that they had to give great customer service. A lot of our commercial lending was really done by commercial lenders or in satellite offices, main offices in various locations. They would come out to meet with our clients at the branches. That was pretty much how most of that was done. I never really got involved in mortgage warehouse lending, or any of that at that level that wasn't done on the retail side of the bank. I didn't have much exposure there. But certainly, in residential mortgages, we would have mortgage lenders located out in the offices. Many times they would report into a central area outside the bank, but I worked very closely with those people.

Carolyn Chen: How would you characterize the state of the mortgage market when you first got started? Who were the main players? What were the typical kinds of products offered?

Harlan Parrish: I wasn't directly involved even when I was a commercial lender, and then I got into the residential– the retail side of the bank. I really didn't do a lot of residential mortgages. There were people that really specialized in that, that handled that themselves. Obviously, a lot more of the mortgages today are sold pretty quickly by a lot of the mortgage brokers. The bank where I'm at today, we're more of a private, high net worth institution down in Southwest Florida and some other markets. We portfolio all of our mortgage loans. We don't sell any mortgage loans, but we don't do a 30- or 15-year fixed because we just can't carry the interest rate risk for that long a period of time and match fund. But most of the borrowers that we're lending to, they're fine with a 7-year fixed, 30-year amortization, 15-year amortization. Most of the time they could pay it off if they needed to; they have the money. Most of the lending that we do is strategic. They're buying a second or third home down in Southwest Florida– very high net worth people. And so, they, given what their CPA said or, just personally they decided, "I'm just going to take out a little, maybe a 50% loan-to-value on this second or third home." So, it's a pretty easy loan to make. So again, it's not difficult for us that we don't actually sell those loans.

Going back to the ‘80s and ‘90s, earlier in my banking career, at that point in time there was a sister company called Colonial Mortgage Company that did a lot of the mortgages for the bank. I wasn't involved directly in that, so I really can't speak to that too much, but we had a good relationship with them and many other providers. A number of those institutions had mortgage divisions, and they were obviously pretty busy with the growth taking place across the country.

Carolyn Chen: I believe Colonial Bank acquired Colonial Mortgage Company in 1995. Did that acquisition lead to any changes in your business?

Harlan Parrish: Not that I saw. I really wasn't directly involved in that. I'm sure it was a lot more efficiencies that were involved, but I wasn't really closely involved in that.

Carolyn Chen: Over the years, Colonial Bank has expanded tremendously through acquisitions, both within Alabama and into other states. Do you recall when and how that strategy came into being and how it developed?

Harlan Parrish: I do. Obviously, I ended up moving down to Florida in 1999. It was my first real CEO role of a large region. When I was about 40 years old, at the time, I moved from Huntsville, Alabama, and the strategy really emanated. Alabama was viewed as having a very low growth index for future opportunities. We had bought a number of banks in Alabama. I think our tagline back in the– maybe mid to late '80s– was "Alabama's hometown bank." We grew to be about the fourth or fifth largest bank in the state of Alabama, but we knew for our future we needed to be in high growth markets– good markets with strong demographics. So, we did move into Georgia, but only around the Atlanta market. We really didn't go anywhere else. There was a lot of growth taking place there.

Then certainly we looked down south to Florida, which, at the time, I think was the fourth most populated state in the country. Today we have 22 million people living here— we're number three, behind California and Texas. That was a good move. Then we went and looked west and we jumped over a lot of states because they just weren't that attractive— when you looked at Mississippi, Arkansas, and Louisiana– we went to Texas and had several locations in the Texas market. It was a high growth, second largest, most populous state in the nation, and then even Nevada and moved into the Las Vegas area and up into Reno and had some very successful markets that we operated in Nevada. So again, high growth markets, good demographic growth, which led to success for the bank. That was really the impetus behind us moving into those other states outside of the state of Alabama.

Carolyn Chen: Outside of the high growth factor that you mentioned. Were there other aspects that made Florida an attractive market to move into?

Harlan Parrish: I think at the time, certainly looking at the number of the small community banks, there were some very well-run community banks that reached a size where– usually you have three primary challenges when you hit a certain size, whether it's $800 million or a billion or $2 billion– and that's capital. Your access to capital, technology and "Do you have the wherewithal to spend the money to increase your technology, to be competitive and relevant?" A lot of times it's just hard to find good people to keep the growth going. When you looked at those markets outside of being high growth markets, there were a number of banks in all of those other four states outside of Alabama that met that criteria. We were very successful in meeting up with a number of people that just liked our philosophy and the way we operated, because we just didn't come in and just tear things down. It was really more like a partnership in many respects and that we operated with a lot of autonomy in those individual markets. I think that would probably be the biggest secondary factor outside of the demographics that was attractive to Colonial at that time.

Carolyn Chen: I believe you were involved in Colonial Bank's first big acquisition of First American Federal Savings and Loans.

Harlan Parrish: Yes, Huntstville, Alabama. I sure was.

Carolyn Chen: Could you talk a bit about that deal and your role in it?

Harlan Parrish: That was my second big move after I moved down to South Alabama in 1989. It was 1993 and I transferred up to the Huntsville market. We had a lady that was the president of the bank up there. She came from a retail background, a wonderful mentor, a lady that I still to this day have tremendous respect for: Linda Green. She was on the board of directors of Colonial, and she ran a department store up in that area– Parisian was the name of the store. I think it was based out of Birmingham at the time. It's no longer in existence now, but great store. She was the president of the store up there, but just had a lot of great soft skills– smart lady. The chairman of our bank actually interviewed her and said, "Hey, you need to come over and run our bank up there. You know a lot of people and you can transfer those skills over into banking." He kind of propped her up with a commercial lender, a senior lender that came in from another area that had a lot of experience in new Colonial. And then I came up as the head of retail.

When we had that acquisition, a lot of my time and energy was spent on the transition of taking that culture of savings and loans and turning it into a commercial bank. It was a lot of work, but it was very successful for us to do that. It certainly enabled us to have a lot more touch points for clients with many offices that they had, including four offices up in South Central Tennessee. It was before the Riegle–Neal Interstate Branching Act. My first act when I moved up to that area was serving as the president of Colonial Bank of Tennessee.

I did that for about a year, and then I was able to fall back into Huntsville and help with the First American Federal Savings and Loan acquisition and conversion of their systems over to Colonial's. It was a really unique experience at a very young age. I was in my early thirties at the time and had to go out and interview very involved community people that were running successful businesses in Fayetteville, Tennessee, Pulaski, Tennessee, Ardmore, Tennessee– small little towns, just North of Alabama– because First American Federal was located in all those places. I went up there as the president and, at a very young age– [they had] just about $125 million in assets, very small– but it was a great way for me to cut my teeth at a young age and form a Board of Directors and [start] working with them, and then, fortunately, pulling back in and running the retail side for that whole area in the Northern part of Alabama.

It was a lot of work, but they had great people, they really did. Many of those people were able to make the transfer over and work for a commercial bank. There were some that couldn't make it. Their ways were set for 30 years working for a savings and loan, and it was just very different culture to transfer over. So, they looked to do other things.

Carolyn Chen: What were some of those differences in the cultures between a savings and loan and the commercial bank?

Harlan Parrish: I think certainly the way they handled their lending. There was a lot of centralization with First American Federal Savings and Loan. I'm going back 30 years now in my career, so I'm trying to remember all those things. But, it was just being able to have a lot more autonomy and realizing that there was independence there and that you could make a lot of your own decisions, certainly within guidelines, out in the retail space, whereas these people were checking boxes and everything was centralized into a certain location– all loans. They really didn't do many loans out in their offices, it was all centralized, and yet we pushed that out so we could be closer to the client to make a decision, certainly within authorities, based on your experience level. So, there's some people that it just was hard for them to adapt, to get the training, and then make those decisions themselves. They really relied for so many years on somebody else doing that for them that they just couldn't cross the bridge and make that leap.

Carolyn Chen: Over the years, did the amount of autonomy Colonial offered the employees making the loans change or was that fairly consistent over time?

Harlan Parrish: It was fairly consistent, but again, there weren't really high limits. Our philosophy was always "two heads are better than one." You share it with other people and look at it. There was some centralization, but to the client when they came into visit with somebody, they felt as though they were dealing with the person that was making the decision, even though obviously they were putting the information in and having a conversation with the officer's loan committee up to certain limits. I can't remember what those were, but a lot of them were really directed based on experience. We always had an officer's loan committee that would meet and review the credits, but if somebody had extensive lending experience— and certainly it's always good to still get another person’s perspective— but they may have a higher authority levels to make decisions and be flexible.

Clients are really looking for their banker to be knowledgeable, competent, responsive, and have their best interests at heart. I've always remembered those four principles there. I think it's really important if somebody has the experience to let them have a little bit of rope, to make sure that they can take care of the client's needs and do it very quickly. I think that's very, very important. And we were able to do that and still maintain a very good asset quality numbers by making sure we were close to the client, and being responsive to their needs. We used to always tell people "a quick no is better than the long drawn out yes." You don't want to take three or four weeks to get back to a client with an answer. There are many other banks around the corner that can get an answer very quickly. So even if we had somebody that may only have had five or six years lending experience, when they got a request, they would bubble it up to the next level very quickly so we could look at it and let the client know if this is something we had an interest or an appetite in doing, and then make sure we structured it correctly. So they would get a quick answer, whether it was a yes or no.

Carolyn Chen: Would you receive … products that clients were interested in that Colonial wasn't willing to offer over time?

Harlan Parrish: No, not that I'm aware of. I don't recall any off the top of my head. Again, I'm going back a long way and I was really only on the front line a very short period of time. I was fortunate in some respects, it was a little scary for me, but I got promoted very quickly within the bank because the bank was growing so fast and they wanted to promote from within. I worked hard, showed a lot of potential, so I moved up quickly. I was actually only out in the field as a lender and a branch manager for maybe three or four years. Then, I was running branches. I wasn't directly in line with a client and working with them. I was spending a lot more of my time working on the bank than in the bank, so to speak.

It's hard for me thinking back, answering that question. I don't recall. We were pretty much full service and were able to take care of most of our clients' needs. Maybe the terms weren't to their liking sometimes, but we had certain guidelines—we had to go by regulatory [guidelines]. We had some clients that grew with us, and they were very successful and large, but at the time our legal lending limit, they wanted to take on more debt with us, and obviously, from a risk perspective, we certainly had those tough conversations saying, "Look, we really value the relationship, but we're at the house maximum for us, and we'll be happy to show you, another institution that might be able to help you out with your future growth."

Carolyn Chen: Alongside these internally originated loans, did Colonial work with mortgage broker channels at all?

Harlan Parrish: No, we really didn't. We might outsource some loans because I think the key thing is you want to make sure that when somebody comes to you, they trust you as a trusted advisor. If it was something we weren't interested in doing, we would make sure we found a conduit for them and introduce them to two or three different people that they can meet with to see if they could meet their needs. So absolutely, we worked with some people along those lines, not getting a referral back and get paid for that, it was more just doing the right thing and pointing the client in the right direction.

Carolyn Chen: In terms of your role at Colonial Bank, how did that develop and change as you became involved in Colonial's business across multiple states?

Harlan Parrish: When we moved into other states, I moved down here in 1999. I was about 40 years old and I had basically just had Lee and Collier County, and Fort Myers, which is the area I'm working in now. I ended up coming back down here because I made so many connections. We started building a lot of offices and buying several banks on the west coast of Florida. My responsibilities started off just as CEO for Lee and Collier, which is the Naples and Fort Myers area– very high growth area in 1999. It grew and probably by 2003, we had banks up in Tampa and other places. What we did with my background being retail, the CEO that was running the bank up in Tampa in that market, we merged the two regions together for the whole west coast of Florida and in 2003, I became the president/CEO of retail banking and he became the president over lending. So, he was responsible for all the lending taking place from Naples all the way north of Tampa and I was responsible for the actual branches. So I had about 74 branches up until 2009. We had about a four and a half billion-dollar region. I focused strictly on that. Now, I would interact with the other president/CEOs. We had similar structures where there was a CEO over lending and the CEO of the retail side of the bank. We would have retreats and meetings usually once a quarter, once every six months, sometimes in person, sometimes we would do it by phone. But it was always good to share thoughts and ideas with the other CEOs in the other markets in Texas, Nevada, and Georgia.

We ended up having three regions in the state of Florida: the central Florida region around Orlando and all points even over to the East coast, and then South Florida, which was Miami, Fort Lauderdale on up to Palm Beach, and then west coast, which was Naples all the way north to Tampa. I interacted a lot with those CEOs quite often: strategy, things that we were doing, sharing success stories. That was pretty much it. I would say my last role with Colonial was in probably March or April of 2009 up until August when BB&T took over, and I was named Head of Retail for the whole company. I was flying around Texas and in Nevada a little bit, not a lot. I spent a lot of time in an office in Montgomery. My family still lived here, but I was able to work out of my office here. It was only for a four- or five-month period of time, as we were looking to potentially raise capital or sell the bank. Just spent a little time more on strategy, working with the other regional presidents on the retail side in that role. But that was a very short period of time. Only about five months that I spent doing that.

Carolyn Chen: You mentioned Colonial's expansion in Florida earlier, was that mostly through acquiring other banks or was that opening new branches?

Harlan Parrish: It was both, particularly in the Southwest Florida. We actually opened more branches than we did acquiring. We may have acquired three banks that I'm aware of from 1999 to 2007. I take that back: there were four that added some offices to our footprint. We built a tremendous amount of banks, starting from 2000 all the way up until 2007. So, during that seven-year period, we built quite a few locations in this market here; worked very closely with a couple of construction companies. I had a really robust plan of building offices in this area.

Carolyn Chen: In the years, leading up to the crisis, did changes in the market affect those decisions in any way?

Harlan Parrish: Until 2007, we were building. We slowed down when we saw some warning signs on the horizon. We actually had some land that we had purchased for future development building in high-growth markets up in the Charlotte County, Venice area, Sarasota. We built a few, from 2000 to 2007, there, but we did have a portfolio of some land holdings for future branch opportunities with the growth because the people were moving to Florida. The population was booming down here– high net worth individuals. We did slow things down obviously and decided let's just push those new branches down a couple of years when we saw some warning signs on the horizon.

Carolyn Chen: In the ‘90s and 2000s, I believe Colonial diversified its lending to move into warehouse lending but also increase construction or commercial real estate lending. What was the thinking behind some of these moves into diversifying?

Harlan Parrish: I really couldn't answer on the warehouse lending. I know they hired an individual that ended up being the downfall of the company from SunTrust that had a lot of experience. That individual was apparently doing some illegal activity with Taylor, Bean, & Whitaker based up in Ocala, Florida. It's a very painful chapter in my life in that I spent 25 years of my career with one institution, I had purchased a lot of the bank stock and, with stock options, grants, bonus money, things like that to just reinvest and do the right thing, a deferred comp plan I participated in.

I wish I could answer that question for you. I wasn't involved at that level. I was running the retail side down here, but it brought the company to its knees and it was a very painful event for me. I had to reinvent myself and start pretty much all over. I lost probably 90-95% of my net worth. I had two young kids and all that money in stock that I had was going to be paying for their education. I had to start all over again– pretty painful.

Now on the commercial side, I could answer some questions there. We got into construction because we were in high growth markets, there was a lot of construction taking place. Our underwriting was stellar on all of our construction projects and commercial real estate. We always paid a lot of attention to the amount of CRE [commercial real estate] that we had as a percent of our capital for the whole company. I remember having those discussions taking place when we had all of our regional CEOs together. We had a really strong underwriting criteria, good underwriters, good credit officers throughout the company. Quite honestly, sitting where I was, that wasn't the reason that Colonial had issues. It was the mortgage warehouse lending, and, unfortunately, the fraud that was taking place with one employee that was working in that division, in cahoots with Taylor, Bean, & Whitaker. I think everything else, particularly from where I sat here down in Southwest Florida, on the west coast of Florida, our lending portfolio— if you've got your loan to value set at 65% and values drop 50%, everybody's going to get hurt to an extent, you can't get away from that— but overall, we were lending money to people that were credit quality borrowers, and I think we did a good job of underwriting our loans.

Carolyn Chen: What was the culture at Colonial Bank when you started there? Did it shift over time?

Harlan Parrish: Yeah, certainly did. It was a very small institution when I started, just located in a couple of areas: Birmingham, and Montgomery, Alabama. It was a very family owned and operated type culture. Even throughout all the growth over 25 years, it's one of the amazing things– I actually have to share this: we still have a group of people down here that was with the bank when I was a CEO down here that we get together every three or four months, and just go out and have a drink. Now we haven't done it last year with COVID, unfortunately, but it's just a kind of reunion because it was family. We worked hard, but we played hard. We would get together with morale nights once a quarter and do fun things, but it was just a great family atmosphere.

I guess the best example is, I used a tagline, it was: "Grow big, but stay small." That's really what happened with Colonial, even with all the different regions wherever you worked. I worked in the Montgomery area down in South Alabama, up in Huntsville market, coming down here. I had tremendous autonomy to make sure that we kept things at a local level by giving back to the community, engaging with the community, and making local decisions. We had local Boards of Directors that were actually involved in making loan decisions. We had a director's loan committee of local, successful businesspeople that served on those committees, and it really tied us to those markets. The culture did evolve, but it was amazing how, when I would go out to Nevada or Texas to visit them, it was very similar to what was taking place in my area here in that we did have the autonomy.

It was all about relationships. Most of the larger banks at the time were really hitting hard on the sales culture where they would have sales calls and call parties to call clients and try and upsell them products. We never did any of that. It was all about taking care of the client and focusing on the relationship. If you did the right thing there, you would grow and you do the right thing for the client, and they appreciated that and they would tell their friends. We did have a sales culture, but it was very much about the client. Do what's right by the client first and foremost, and everything else will follow. It was a wonderful culture. It really was.

I have to say I'm very blessed. It's one of the reasons I actually moved back to Alabama after BB&T took over. It was just a great company, great values, but just not the right fit for me with a management team that they flew in here from up North. It just wasn't a good fit. I've got an old saying that “A's don't work for C's". And I didn't feel very good about the people I was working with locally here. I was driving slow on the way to work and fast on the way home. You want it to be the other way around. I took an opportunity to go up to Alabama and run a bank that started in 1900. And so, I was the CEO of that, to get it ready to sell and transfer it over, and so I went back up there.

But what pulled me back here was FineMark [National Bank & Trust]. It is very similar to Colonial. A lot of autonomy. I've run a region here in Lee County, as of present, I've got a counterpart in Collier, we have tremendous autonomy, but we have a lot of experience and our bank CEO realizes that. It's very much like a family. It's really what drew me back down here, on top of the weather (...) It was a great culture.

Carolyn Chen: Since you mentioned that Colonial was very focused on the local community, were there lending practices or products that you were seeing more of that were being offered more in some states or in some areas than others? Were there differences in what was popular in different regions?

Harlan Parrish: No, not really, because we were in high growth markets. Certainly, probably in some parts of Alabama, they were doing more agricultural type loans down in Foley, Alabama, or other parts of Alabama that were more rural in nature because we were located throughout the state of Alabama. That's where we started in 1981. The bank started and I joined them in '84. From that perspective, maybe some small differences there, but most of the high growth markets, certainly in the Atlanta market, down here in Florida, Texas, and Nevada, a lot of commercial real estate, residential lending and construction lending. Back when I moved here in 1999, they used to tease and say the state bird was a crane. I'm talking about the steel one because there was so much construction going on down here. You really take a look and fill the needs of what the market will give you. There was just a lot of construction taking place here. So, obviously we had to temper that and make sure it was the right growth that we were bringing on board because we couldn't loan too much into heavily weighted loan portfolios. We monitored that very closely, but it was a big part of what we did.

Carolyn Chen: While at Colonial Bank, did you ever engage with lobbying or advocacy with state or federal policy makers, or did you have any interactions with regulators?

Harlan Parrish: I never really did on a personal level. I was involved to a small degree when I moved down here with Florida Bankers Association. So I would take some trips up to Washington, did meet with the people in the House Financial Service Committee, Senate Banking Committee. We would meet with the OCC [Office of the Comptroller of the Currency], the Federal Reserve, go there and visit with them. We would just talk about regulations in general. It wasn't what was good for Colonial. It was just for the overall banking industry. I think we were very successful and I'm still involved today coming back to Florida. I serve on the Government Relations Council right now for the Florida Bankers Association. It's a great group of people. We're all trying to just make sure our voices are heard to make sure that the policymakers at the Capitol just understand from the ground level what we're seeing. And we've got great relationships with everybody up there, including the regulators.

Carolyn Chen: What kinds of issues were you worried about in the '90s and 2000s that you might've been expressing to regulators?

Harlan Parrish: BSA [Bank Secrecy Act], AML [Anti-Money Laundering] reform, credit unions, particularly the larger credit unions. That was coming to fruition more back in the '90s, maybe late '90s and 2000s, focusing on the credit union issue where the larger ones, like a Navy Federal Credit Union [which has] $125 billion in assets and they don't pay any taxes. A family of four pays more taxes than the credit union, it's not a level playing field. Certainly, the intended credit unions are the smaller mom and pops, I would say less than a billion, they should be tax-free, but we've always advocated from the Florida Bankers Association and trade associations that we need to have more of a level playing field.

(…) More of it was just sharing things that were going on at the time with the regulators that were up there. The FDIC [Federal Deposit Insurance Corporation], [we had] a great relationship with them, and just getting their feedback on things that we could possibly do a little bit better when they come and do the exams. I can't think off the top of my head of any real big policy issues from back then. I was involved with the Alabama Bankers Association, but I never went to Washington. I was pretty busy early on in my career with a lot of acquisitions that we had just within the bank, so I didn't spend a lot of time. I spend a little bit more time now on policy with the Florida Bankers Association and with the job that I currently have.

Carolyn Chen: I believe Colonial Bank has been charted as both a federal and state level bank at various points in time. Did the bank's charter status affect your business operations practices or regulatory oversight at all?

Harlan Parrish: No. I was very fortunate that I didn't have to meet with or deal with the regulators. Even in Alabama, I never really dealt with them. That was the folks at the holding company and I wasn't a part of the holding company. I was down in the field in the trenches with the teams that I had. So certain things might reverberate back to us, and when they held their executive meetings, I would fly in and attend meetings. They would talk about various things and just making sure that we're staying within our thresholds on commercial real estate, based on our percent of capital. Just making sure that we're tightening it up and being careful on those things. I never really had to deal with the regulators, fortunately. It's hard for me to comment on that. To your point on the changing from state and federal charter, I wasn't involved in any of those decisions and didn't impact me one way or another– the way we operated out in the field.

Carolyn Chen: To what extent, if at all, did figures within Colonial Bank express concerns about the changing nature of credit extension during the 2000s. Did those concerns lead to any significant internal debates or changes in business practices?

Harlan Parrish: I'm sure they probably did. Again, I didn't see it as much because I was, starting in 2003, focused strictly on the retail side. We had a CEO over lending that had the whole west coast and that individual was probably more involved in those policy changes or just red flags popping up in those discussions. It wasn't top of mind for me in that I was focused more on service levels, the marketing, just the interaction in the communities that we were in building offices and the like. I wasn't involved as heavily as my counterpart on the lending side.

Carolyn Chen: When housing prices started to decline in late 2006, were you concerned at all? And if so, did you have to adjust your strategy in Florida at the time?

Harlan Parrish: I do remember we were really looking closely at new loans across the board–commercial but also on the residential side. Other people had plenty of skin in the game. Fortunately, we weren't doing those no doc loans that some folks out there were doing, but we were very cognizant of the fact that, "where there's smoke, there's usually fire." And when we saw the prices going down, we were concerned, no doubt.

Carolyn Chen: Did the effect on commercial versus residential versus construction loans differ at all, or was it fairly similar?

Harlan Parrish: From where I sat, it was fairly similar. I'm sure my counterpart could probably drill down a little deeper in that and have a varying opinion. But from where I sat, it was very similar across the board.

Carolyn Chen: The financial crisis became acute in the summer and fall of 2008. How was the bank responding?

Harlan Parrish: At the time, we still had a lot of capital. We were in the right markets. I think overall it was a positive tone. But nevertheless, I think everybody was concerned with what was taking place across the landscape, particularly in Wall Street. Then you saw a couple of behemoth investment banks having problems. Typically, if the United States is having financial issues and, we start sniffling, then Europe's going to catch a cold. That's kind of the old saying. There was concern there, but I think overall we kept a pretty positive tone throughout the bank and we felt good about what we had. Nobody knew at the time that we had this issue with the mortgage warehouse lending, obviously. I think overall the tone was still positive and upbeat. Our stock was dropping like everybody else's and everybody saw it as an opportunity to buy some more. It was like, "We know we're going to come out of this and it's going to get better." Looking back on it, I think overall we handled it pretty well.

Carolyn Chen: You mentioned that you were in the right markets. Could you clarify a little more; expand on what that entails or what that means?

Harlan Parrish: When you look at states like Louisiana, Mississippi, Alabama, relatively low growth growing anywhere from 1-3% a year; a very small population growth. There were just a lot of people moving into Atlanta, Georgia, and to here [Florida], Texas, Nevada. The population growth meant there was a lot more business opportunities. More people coming down to the area that needed banking services, that were looking for a private banker and alike. So that really drove a lot of our success and the growth that the company enjoyed. We were in the right markets at the right time, doing the right things. For many years, it was the right strategy for us.

Carolyn Chen: I just have some concluding questions that we ask all of our interviewees. How would you define predatory lending?

Harlan Parrish: My definition would be, taking advantage of people, loaning money to people and doing disparate treatment and charging one person that has equal means as another and charging a higher rate than somebody else. That's what comes to mind to me from a predatory lending standpoint. It's taking advantage of folks, which is against the law. It's a very negative connotation to me.

Carolyn Chen: Over the last decade, we've seen a number of different narratives emerge to explain the financial crisis. How do you understand what caused that crisis?

Harlan Parrish: Based on everything I've read, and I've done quite a bit of reading books and study looking back on it, because it was very painful for me, personally, and something that I had to grapple with and pick myself up and start all over again at the age of 50, which was very tough to do. But looking at it, I think, unfortunately, the banking industry in general got a pretty bad rap from all of that. So much of that took place up at Wall Street with slicing and dicing mortgage loans and packaging and selling them as though they were really great loans when they weren't, when there was included in that package a lot of junk that just really made the market crash. That's really when you get behind it. So much of that took place up on Wall Street, and I'm using that term loosely, but, mortgage brokers, even down here. You knew it was getting bad when, on the headlines of the paper in early 2009, down here at the Ritz-Carlton in Naples, it was a guy parking cars there that had three homes that he had purchased that he was buying to flip. The guy didn't have enough money to purchase three, but he got them all through mortgage brokers. No money down– and all this was in the paper– and you're reading that thinking, "What's going on? This story is not going to end very well." That's what, in my mind, what really brought us to our knees.

Unfortunately, as Congress usually does, they come out with Dodd-Frank. The regulations they put on the banking industry, as opposed to what really caused this, has been crippling. It really has been crippling. Some of that's eased somewhat, but I still have fears that we're going to see those days come back again in the near future, based on the political climate. It's just going to really handcuff a lot of the commercial banks. When I first got into banking, we had 18,500 commercial banks, we're down to 5,300-5,400 today. The consolidation in the industry is really tough with a regulatory environment. It's hard to start a bank.

Carolyn Chen: And to what extent do you see your personal experiences adding something important to our understanding of what happened in the run up to 2007-08?

Harlan Parrish: Someone a lot wiser than me once said that, "Objects always look clearer in the rear-view mirror than they do out the windshield." I think the most important thing is, when you go through some event like this, particularly for younger people coming along and getting in the industry, you want to learn from the past. You've got to learn from your mistakes and learn from what caused all of that pain for so many people, so we don't repeat it. There's an old saying that history doesn't repeat itself, but it sure does rhyme sometimes. In the rest of my career, I don't ever want to go through something like that again. I wouldn't wish that on anybody. I think the experiences, when you go through something like that from a personal standpoint, I handle things differently here. I'm a firm believer in our bank— we're privately held and I do own stock. I bought stock, but I am much more diversified than I was. I just believed so much in Colonial. I'd been there 25 years. I know people say, don't put all your eggs in one basket. I put a lot of my eggs in one basket. I believed in it so much. I just saw the success of the company. I grew with the company and did very well with it financially for so many years. That was a painful lesson for me that I'm not going to repeat that with the company that I'm with right now. I'm probably leaving some money on the table by not investing more, but that's okay because I can sleep at night.

I think that's probably the biggest takeaway, in answering your question, that I've learned from the past, everybody can learn something from it. I've got a lot of gray hair to attest for what I went through there. Failure is an event, it's not a person. I think Zig Ziglar said that many years ago, and I've always remembered that. When you go through a real painful exercise like that, it's something you can learn from. Everybody can learn from it, whether you went through it or not. If you read about it and learn from it, or if you went through it, you can share your experiences with other people. That's something I take a lot of pride in doing right now. I really like to spend a lot of time with the younger people coming into the banking industry, the financial services industry, and pour a little water on them and share some stories about what I went through. Hopefully, they can get some perspective to make sure that they have a very good career in the future and not have to go through some of the pain points.

Carolyn Chen: Looking back on the crisis over a decade later, what do you see as its most important lessons for mortgage lenders?

Harlan Parrish: For mortgage lenders, it is a lot more paperwork to fill out now when you're applying for a mortgage loan, which is not a bad thing. I think if all lenders today, and particularly those in the shadow banking industry, that's really what I was alluding to earlier; in my opinion, a lot of the pain was caused by the shadow banking industry, not so much commercial banks. However, you don't see that happening today. I mean the economic crisis we just went through in the last year, still going through to an extent, was more health-related, it wasn't credit quality. If anything, you look at the real estate market, particularly down here, there's not enough inventory. Part of that's due to so many people moving down here, even more now, because places up north are closed still. We're open, to a degree– social distancing– but we never closed down. Our governor, I think, did a phenomenal job. I mean, it’s amazing— our bank here, our pre-tax profit was up 43% last year over 2019, in a pandemic, and our offices were closed. We were working from home for six months out of the year. Go figure. It's because we're so busy because so many people are moving down here. From the mortgage perspective, I see it throughout the industry down here, and even with the mortgage brokers that are here. There's no income stated loans, low doc loans and so forth. People got a lot of skin in the game and it's a little tougher for people to get loans today. But that's not a bad thing overall, given the fact that we're doing a much better job as an industry, making sure that we don't repeat that mistake.

Carolyn Chen: Is there anything we haven't touched on or asked about that you would like to add?

Harlan Parrish: No, I can't think of anything, Carolyn. I hope this has been helpful for you.

Carolyn Chen: It has. Thank you so much.

[END OF SESSION]