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How this Durham bank aims to keep 'wave of momentum' from PPP, social justice movement

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After a year like no other, Durham-based M&F Bank is “firing on all cylinders,” according to CEO Jim Sills.

M&F, a historically Black-owned institution, was once at the center of what was called Black Wall Street in Durham. But it’s struggled to find relevance in recent years as big banks – from Wells Fargo (NYSE: WFC) to Bank of America (NYSE: BAC) – rack up market share in the Triangle.

Those struggles, however, could be dissipating, as the renewed social justice movement in the wake of the George Floyd protests has led more business to the M&F Bank. Add in competitors-turned-backers like Wells Fargo and Citi Bank (NYSE: C), which have funneled equity infusions into the institution, and the picture is looking even brighter. And the Paycheck Protection Program, designed to help small businesses maintain their headcount during the pandemic, gave the bank yet another boost.



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James Sills, CEO of M&F Bank

"It is amazing the asset growth we have been able to generate," Sills said.

Total assets for M&F jumped from just over \$309 million at the end of 2020 to more than \$358 million at the end of June. In terms of net interest income, the bank saw an 11 percent increase year-over-year in its most recent quarter.

But a particular highlight for Sills is the loans the bank is generating – about \$60 million in the first six months of 2021, compared to about \$35 million last year. It's practically double the amount of loans with virtually the same staff, as M&F has hired only a handful of people over the past year. The bank has many open lender positions, but "it's very, very difficult to hire commercial lenders," Sills said.

"We're continuing to pound the pavement, he said.

Today, the bank has about 74 employees. But it's finagled ways to expand services with the staff it has – particularly through newly-disclosed equity partnerships with big banks. Citi, for example, is partnering with institutions (including exclusively M&F in North Carolina) on a platform to make lending more efficient. And Sills said it's a "fantastic opportunity" for M&F.

"It allows us to spread or cast the net wider to get more business in other markets where we do not have physical locations," he said.

The lending platform, called Bridge built by Citi, aims to help small to medium-sized businesses connect online with various regional, local and community banks for loans up to \$10 million. For M&F, it is targeted to assist customers hit hardest by the pandemic, specifically those in underbanked neighborhoods and communities, allowing borrowers to interact with lenders through an online request instead of a branch.

And Citi is just part of the story. Multiple banks have made infusions in M&F. JPMorgan Chase (NYSE: JPM), Bank of America and Wells Fargo have all bought stakes in the institution over the past year. JPMorgan, for example, partnered with Google (Nasdaq: GOOG) to create a program it called Empowering Change, a money market share class exclusively for distribution by minority deposit institutions such as M&F.

Big bank partnerships have been good for the bank so far, Sills said, noting their frequent check-ins on community impact.

"They're really trying to figure out, how can we make M&F Bank more successful? And it's really taking off," he said, noting that it's through the technical assistance being generated by the partnerships that will help the bank grow to the \$400 million to \$500 million asset range.

"I'm really proud of all that we're doing to serve the community," Sills said, pointing out that the bank has closed loans in 81 different markets in North Carolina.

Through the end of June, the bank had funded 638 PPP loans, totaling \$34.4 million. For the bank, it meant processing fees of \$2.2 million. But it also meant new customers.

"We've been able to retain a lot of those customers," Sills said. "We are riding this wave of momentum. We don't know how long it's going to last, but we're riding it."

In the meantime, Sills said the bank is evaluating its future. *TBJ* asked if there were plans to spread out its branch network further – perhaps entering new markets.

"Not at the moment," Sills said. "We're trying to just figure out, do we double down on some of the markets where we're located and expand there? The Raleigh, Durham markets, they're great markets. ... So we're having those discussions internally. We just haven't come to the conclusion that we need to expand across the state. There's just too much business where we're currently located."

In the meantime, M&F plans to keep riding the wave.

"People, corporations, small and medium-sized businesses, they want to support the bank," Sills said. "They understand our mission ... you layer that on top of the pandemic, the PPP, people get what we do. They know our bank is relevant."

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