

Socially Conscious Southern Bancorp Wins Awards Helping the Mississippi Delta

The Mission-Driven Investments Portfolio Management Team last July “strongly” recommended the foundation invest millions in a 24-year old bank based in Arkadelphia, Arkansas – population, 10,912 – suggesting the move had the potential to leverage \$80 million into vulnerable rural communities. Pretty dramatic predictions for a bank, but Southern Bancorp – recently voted one of Bloomberg Businessweek magazine’s top five social entrepreneurs – is not a typical bank.

“Southern’s model of community development – comprehensive, grassroots work focused on families – was so close to our interests, and exceptionally well-run, we felt it was critical to help them continue to grow,” says Deputy Director Tony Berkley.

The foundation agreed that the investment was a “mission bull’s eye” with the potential to achieve significant impact in the Delta, and in February announced an \$11 million investment as part of an overall \$100 million MDI strategy, lauding the bank’s three goals for the communities it serves: to halve the poverty and unemployment rates and double high school graduation rates over the next 20 years.

“During the most distressed time since the Great Depression, when other (financial) institutions are shrinking, the foundation’s investment has allowed us to double in size,” says Southern Bancorp Vice President Dominic Mjartan. “It laid the groundwork to leverage investments from other philanthropies, and allowed us to make new loans in distressed areas we wouldn’t have been able to serve.”

In part due to the WKKF investment – \$1 million in common equity, \$4 million in preferred equity, and \$6 million in cash deposits – the bank’s assets have grown to more than \$1 billion, magnifying its power to revitalize underserved communities in the Mississippi Delta.

“This investment developed out of a relationship with longtime grantee the Southern Good Faith Fund, a nonprofit subsidiary of Southern that helps families strengthen their financial independence,” says Tony.

The SGFF gets dividends from the bank to help communities through loans, grants, and other assistance. Its matched savings programs have helped countless low-income individuals and families build savings to pay for job training or college, to launch or expand a small business, or to buy or improve their home. Tisha and Thomas Arnold used the organization's Individual Development Account and Asset Builders program to move their family of four into a new home in Pine Bluff, Ark.

"Becoming homeowners was a learning experience," says Tisha, who made required monthly deposits with her husband. When they reached \$667, the Good Faith Fund matched them two to one – swelling their savings to \$2,000. Tisha said she most valued learning about budgeting, credit cards, and saving money at the required the economic skills classes.

"It showed me that I don't have to spend every penny I have. I can save for the future," she said. Her husband Thomas agreed, saying, "We now look forward to talking about finances and having money to give and not just use for personal reasons."

Last year, Southern Bancorp received both a Critical Impact Award from the Council on Foundations and a community banking award from the American Bankers Association.

"That's a perfect manifestation of the kind of duality we straddle," says Dom. "We are anchored in the banking world but use it as a platform for social change. And I have to give the Kellogg Foundation tremendous credit. It took a lot of time and intellectual horsepower for the folks we worked with to get what we do and become passionate about it. Tony and Greg (Taylor) and Tom (Reis) really got it."

Dom himself only 'got it' after a successful run in the corporate world, finding a place at Southern just five years ago.

"I knew nothing about nonprofits, nothing about philanthropy. I was a Fortune 500 business guy, but while volunteering for the homeless shelter my wife runs in Little Rock, she suggested that maybe there's more to life than traveling the world and following the traditional MBA path," says Dom, who emigrated to the U.S. from Czechoslovakia (now Slovenia) at 16.

“I grew up in a communist country, and arrived in Camden, Ark., as an exchange student. My two-hour daily school bus ride through the poorest parts of Ouachita County introduced me to the brutally unfair lottery of life... To find that my dream country of America, the most powerful and richest country in the world, couldn't provide the most basic level of support to its children was startling. I was shocked and disturbed that this great country could allow the kind of disparity in wealth and opportunity that I saw there. It's a nice circle for me to end up at Southern working to address exactly that.”

Tony now sits on Southern's board, representing the foundation's stake in the bank, and talks about voting in February to direct \$1 million in bank profits to further support the Southern Good Faith Fund.

“That was a highlight for me,” says Tony. “I saw the full promise of MDI become real. A grant relationship had turned into a market rate investment, which had turned into an opportunity to serve on the board, which allowed me to personally support moving a significant chunk of commercial profits back to that grantee.”

Because of its unique public-private profile, Southern can organize the low-income residents most affected by regional change and the community leadership base of professional, civic, and government institutions in a way stimulates fundamental community change.

“It's not all easy, clean work, though,” says Don. “It can be tough to change the power structure in a small town. Not everyone is excited when we talk about trying to get new leadership elected, or change the path of the community. I would like to say everyone's heart is in the right place, but someone may lose out.”

With 45 branches – roughly half purchased in the last year – in Arkansas and Mississippi, Southern preserves banking services in rural areas that other banks are deserting.

“The residents of these small towns see a new Southern Bancorp branch, with a fresh coat of paint and a fresh sign, money on the ground, and they know we're here to stay. Often we're the only bank in town,” says Dom.

The bank's social mission doesn't hinder its competitiveness. Southern Bancorp CEO Phil Baldwin is on record with a goal of becoming a publicly traded bank.

"They have a long way to go," says Tony, "But if they get where they want to be, they will create a new class of publicly traded financial institutions, and become the standard bearer for a hybrid organization that runs efficiently as a for-profit, but takes its social mission just as seriously – which is, needless to say, very unusual in banking."

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