# Banking in Rural America

## Insight from a Community Development Financial Institution (CDFI)

Meredith Covington
*Policy & Communications Manager*

Josh Courtney
*Project Consultant*

Fall 2014

## EXECUTIVE SUMMARY

Over the last three decades, more than half of all banks in America have closed.[1] In rural areas, these figures are even greater due to: the depopulation of rural counties; technological advances lessening the need for brick and mortar facilities; lack of succession planning; and increased regulations due to the Dodd-Frank Act, which harms small, local lenders by imposing on them one-size-fits-all financial parameters aimed at big Wall Street banks. However, the most sobering statistic is that of all the bank closures, nearly 96 percent of them have been community banks.[2] The Federal Deposit Insurance Corporation (FDIC) describes these as being focused on providing traditional banking activities as well as relationship-based lending, which relies on specialized knowledge gained through long-term business relationships. These community banks are most likely privately-owned, or have public shares that are not widely traded, thereby putting the long-term interest of their local communities before the demands of capital markets.[3] Southern Bancorp ("Southern"), headquartered in Arkadelphia, Arkansas, is one such community bank, though it offers much more in terms of community engagement and investment.

Southern is a U.S. Treasury certified Community Development Financial Institution (CDFI), which is a financial institution designed to provide credit and financial services to underserved markets and populations. CDFIs include community development banks and credit unions, and non-regulated institutions such as nonprofit loan funds or venture capital funds. According to the U.S. Department of the Treasury, community banks and CDFIs made nearly 90 percent of the dollar volume of small-business loans under the State Small Business Credit Initiative (SSBCI). Community banks originated 1,853 loans nationally under the program in 2013, while CDFIs accounted for another 2,008. Large banks, on the other hand, originated only 403 loans.[4] It's clear that both community banks and CDFIs play a vital role in rural business lending, but they do so much more.

In addition to the financial impact community banks and CDFIs have on local economies, they are also proven to increase the social capital of a community. According to the World Bank, social capital refers to how a community's institutions and relationships shape the quality and quantity of a community's social interactions. Increasing evidence shows social cohesion is crucial for communities to prosper economically and for development to be sustainable.[5] Social capital investment in the communities we serve is an utmost priority for Southern. Over the last decade, Southern has invested tens of millions of dollars into social capital projects in rural communities, including KIPP Delta, a biodiesel facility, health centers, and affordable housing developments because these initiatives all play a role in creating greater economic opportunity. Yet as the number of community banks decline in rural markets, so will many of the benefits those banks bring to those communities.

According to a recent study by Baylor University, local lending to individuals based on relational banking has decreased as rural communities have fewer traditional financial institutions.[6] In addition to reduced relational lending, research shows the loan default rates are higher when borrowers are not in the same geographic market as their lender. That inaccessibility to safe, affordable credit is one of the root causes of why people remain poor.[7] [8] Further, over 32 percent of Mississippi households and over 25 percent of Arkansas households are using alternative financial services such as payday loans at least some of the time.[9] Small and midsize business loan originations from online lenders, merchant cash advance providers and other alternatives have grown a reported 64 percent in the last four years.[10] The global shadow banking system grew by $5 trillion in 2012, to reach $71 trillion.[11]

Southern, and all CDFIs, are vital to making capitalism work in rural America. Southern has a strong track record of sustainably and effectively serving many of these distressed markets, and to create new economic opportunities for rural Americans, Southern seeks to expand its financial and development services to markets with limited access to non-predatory financial products and services that build long-term wealth.

The purpose of this paper is to provide context for the trend of declining banks in rural America, argue for the importance of CDFIs in rural markets throughout the country, and illustrate why Southern is equipped to help remedy the problem of community banks leaving rural communities based on the recent acquisitions of three banks in different Arkansas markets.

### KEY TAKEAWAYS

- DISAPPEARANCE OF BANKS IN RURAL AMERICA IS EXPECTED TO ACCELERATE DUE TO DEPOPULATION OF RURAL COUNTIES; GREATER TECHNOLOGICAL ADVANCES; LACK OF SUCCESSION PLANNING; AND INCREASED REGULATIONS BY THE DODD-FRANK ACT.

- PROXIMITY TO A COMMUNITY BANK CORRELATES TO A NEW BUSINESS' USE OF BANK CREDIT, WHICH MEANS FEWER BANKS LEADS TO GREATER ECONOMIC DEVELOPMENT CHALLENGES IN RURAL MARKETS.

- CDFIS HELP GUARANTEE SMALL-BUSINESS LENDING THAT FOSTERS ENTREPRENEURSHIP AND HELPS REVIVE AND SUSTAIN RURAL COMMUNITIES. TRADITIONAL FINANCIAL INSTITUTIONS ARE NOT OPTIMIZED IN A WAY TO SERVE HIGHLY DISTRESSED RURAL MARKETS.

## BACKGROUND

In 1984, the banking industry reached its post-World War II peak with 13,872 banks insured by the FDIC, with 13,314 banks classified as "community banks". [12] [13] By 2013, the number of community banks dropped to 6,356.[14] Those figures affect rural America much more drastically in that rural customers may not have another banking option to choose if their community bank closes – approximately 40 percent of American rural counties currently do not have a bank branch.[15] Further, the remaining small banks are now burdened with added regulatory expenses originally meant for large institutions. This leads many small community banks to consider selling, merging, or simply closing their doors.[16] And while no single factor can be pinpointed as the sole cause of the overall decline in banks in both urban and rural markets, the regulations created under Dodd-Frank have had inadvertent yet significant consequences on community banks.

The exodus of banks from rural areas can be explained by four major trends:

- **Depopulation of rural counties.** The decreasing number of banks in rural counties is attributed, in part, to depopulation, resulting in slow bank deposit growth and low profitability.[17] Hence, community bank consolidation is imminent due to a large pocket of very elderly people in rural depopulating counties, signifying a future drastic weakening of community bank customer bases.[18] In the Delta-South region, which includes Arkansas and Mississippi, population trends have actually improved over the past 30 years. However, despite the overall improvement in the region, the Mississippi Delta was unable to compete with other southern areas because of its extreme poverty and low levels of educational attainment. At the same time, the growing prosperity of many other areas in the South has attracted workers from the Delta region, contributing to its persistent decline in population.[19]

- **New delivery means of financial products and services.** The financial needs of technologically savvy customers are often satisfied by mobile or online banking, and the need for a brick and mortar facility is almost nonexistent. Urban businesses, including large banks, have the means to reach isolated rural communities, thus becoming a powerful new source of competition. On the other hand, there is a decreasing percentage of rural residents who still desire a physical branch located in the county. However, due to population decline, operating costs can be too expensive, especially when mobile and online banking is increasing in popularity.[20] Consequently, financial service needs of residents of rural counties will likely be increasingly met through electronic delivery means rather than through additional locally owned community banks or bank branches.[21]

- **Lack of succession planning.** As a consequence of continued outmigration causing depopulation in rural counties, research has shown a lack of succession planning by bank leadership. In such areas where the lack of succession planning is due to the lack of younger, capable bank managers, many retiring bank owners could have no option but to sell their institutions.[22] Thus, the absence of a succession plan indicates unsustainability, and increases the likelihood of a closure, merger, or acquisition

- **Dodd-Frank regulations.** While the intention of the Dodd-Frank Act was to ensure greater consumer protection, many of the regulations it contains have adversely exhausted smaller, local lenders by forcing greater compliance burdens, causing increased spending to comply with the law's regulations.[23] Due to the expenses incurred from Dodd-Frank, many small banks are finding it difficult to keep their doors open let alone be profitable. According to KPMG, 61 percent of community bank CEOs believe Dodd-Frank and related regulations are the biggest threats to the strategic direction of community banks. Further, 65 percent of the same CEOs indicated they will either be buyers or sellers in 2014 — 40 percent buyers and 25 percent sellers. Hence, that majority of community bank executives believe that mergers and acquisitions are a viable option in the current environment if the right fit can be found.[24]

## MAKING THE CASE FOR CDFIs in RURAL AMERICA

Rural community banks and CDFIs are vital to the social fabric of the area in which they are located for numerous reasons. Community banks and CDFIs keep their local economies vibrant and growing by lending to creditworthy borrowers in their regions. They have a comparative advantage in lending because of the relationships they build, thereby extending more credit to small businesses, and they can often respond to lending requests with greater agility than their national competitors because of their detailed knowledge of the needs of their customers and their close ties to the communities they serve. Such lending helps foster the economy by allowing businesses to buy new equipment, add workers, or sign contracts for increased trade or services. Further, proximity to a community bank correlates to a new business' use of bank credit, which means greater economic development in the community in which the bank serves. Hence, fewer banks in rural markets could lead to more economic challenges in that area.[25]

As listed below, several recent studies have shown the negative, adverse effects that are correlated with the closure of a community bank or its acquisition by a much larger, non-community bank.

- **Persistent or worsened poverty of a community.** Lack of access to finance is often a key reason as to why poor people remain poor, and research has shown that rural branch expansion is strongly associated with lower rural poverty.[26] Furthermore, as the presence of banks increases, the presence of payday lenders decreases, as there is a significantly positive relationship between the number of banks per capita in counties and a region's income per capita.[27] Hence, not only could the absence of banks mean reduced access to traditional, safe, and affordable capital, but it could also open the doors for increased high-cost financial services, which would ultimately worsen the financial security of residents within a rural community.[28] Further, low-income communities need CDFIs, yet many do not have them. The Federal Reserve Bank of Richmond notes that the six states with the lowest personal income per capita have few CDFIs, including Mississippi, West Virginia, Arkansas, South Carolina, Kentucky and Alabama. CDFIs in Alabama, South Carolina and West Virginia have the lowest total asset levels.[29]

- **Higher loan default rates.** Loans originated by rural community banks default considerably less frequently than loans originated by urban community banks. The performance advantage of rural community banks increases for relatively smaller rural banks and in relatively smaller rural markets. The common denominators for the advantages of community banks are local focus, customer relationships, and flat organizational structures. Rural banks are relatively small even for community banks, which reinforces the advantages of a flat structure and local focus. Moreover, loan default rates are significantly higher when borrowers and lenders are not in the same geographic market. The low loan default ratios amongst rural community banks are consistent with the higher levels of social capital in a rural society.[30]

- **Reduced lending.** Rural lending will be impacted by bank mergers because local lending decisions are likely to be consolidated away from those communities. If high social capital in a community is gone, then the comparative advantage community banks have because of their good customer relationships may also be gone. Banks acquired by larger or distant organizations reduce lending to local farms and businesses, thereby substantially limiting the credit options for residents in rural communities.[31]

Albeit all of the aforementioned effects are detrimental to the social capital of any rural community, the potentially most devastating overall effect would be less access to safe, affordable, and accessible credit, meaning loans for small businesses will decrease as the number of community banks decline.[32] In addition, loan volume continues to increase for high-cost financial services outside the mainstream, such as online lenders, merchant cash advance providers and other alternatives. Small and midsize business loan originations from high-cost financial services have grown a reported 64 percent in the last four years.[33] The global shadow banking system grew by $5 trillion in 2012, to reach $71 trillion.[34] Internet payday loan volume more than doubled from an estimated $6.7 billion in 2007 to approximately $14.3 billion in 2010.[35] Presently, over 20 percent of U.S. households are using alternative financial services such as payday loans at least some of the time. In Arkansas, that rate is over 25 percent. In Mississippi, it's over 32 percent.[36] In summary, the need for safe, small-dollar loans is high, especially in rural markets where many community banks are leaving.

The benefits a community bank can bring to a rural market are undeniable and numerous; however, they are still not equipped to handle many of the needs of financially distressed markets. Due to the decrease in the number of community banks in rural areas and the upsurge in usage of financial services outside the mainstream, the presence of a CDFI in a rural market is increasingly become more important for a community's economic vitality. Unlike traditional community banks, CDFIs, like Southern, are optimized and capitalized in a way that allows them to serve highly distressed markets.[37] CDFIs bridge the gap between what large, mainstream banks can offer and the demand for capital by small businesses. Further, they help remedy decades of discrimination due to flexibility in lending practices and provide opportunities for low-wealth individuals to take advantage of asset-building policies.[38] The availability of small-business loans to enable greater entrepreneurship can tackle deep-rooted economic problems in low-income communities and distressed regions within rural America.[39] While CDFIs are not the panacea to rural distressed communities, they can guarantee small-business lending that encourages entrepreneurship and helps revive and sustain rural communities.

# CASE STUDY: EXAMINING THREE OF SOUTHERN'S ACQUIRED BANKS IN ARKANSAS

At a time when acquisitions and mergers of community banks are imminent in rural areas due to aforementioned reasons such as increased Dodd-Frank regulations and lack of succession planning, Southern has proven to acquire various kinds of community banks successfully. To exhibit the difference a CDFI like Southern can make in a community, Southern conducted case studies on three banks located in different markets in Arkansas in summer 2014. Through our case study research, we examined Southern's performance as an acquiring bank, and whether it adequately promotes the introduction of capital into the communities it serves. Our findings indicate that not only does Southern do an adequate job, but Southern excels in different types of markets, no matter the state of the bank it acquired or the economic situation of the market it enters.

## The Middling Bank: Bank of Blytheville

While certainly not the most troubled region in Arkansas, Blytheville is by no means in a region characterized by economic successes. With unemployment resting between 10-14 percent for the last five years[40], a mean and median income consistently below national averages, a household growth since 2000 of 14.87 percent (compared with the national average of positive growth at 12.25 percent) and aggressive depopulation (-29.29 percent since 1990), the community has both cyclical and structural challenges[41]. Further, the 2010 Crime Rate Index reports an incidence and risk of total crime that triples the national average, with a staggering assault risk that quintuples the national average. The community is reasonably diverse, comprised of 54 percent white residents and 42 percent African American residents, with a plurality making up the difference. However, noticeable de facto segregation in both schools and neighborhoods exist. Compared to some of the other regions serviced by Southern, Blytheville does not fall at the bottom of the list by any particular metric. However, as one might infer given the situation presented, the community struggles with capital investment.

As with any institution, banks respond to the realities made manifest by the demography of the area. Entering the market in 2009 through its acquisition of the Bank of Blytheville, Southern began a mutually beneficial relationship with the community. Southern took the Bank of Blytheville when it had a solid Return on Assets (ROA) (1.05 percent) and fairly stable loaning practices from 2006-2nd quarter of 2009, and managed to make a marked improvement on its loaning practices. Seeing steady and impressive growth in the total loans owned by the bank (with an estimated Loan to Deposit ratio of 42 percent), Southern's acquisition has proven to be a marked success if simply tracking the overall loans owned by the bank pre and post-acquisition. The total loans owned by the bank nearly doubled under Southern's leadership.

Experiencing tepid to negative growth pre-acquisition, the Blytheville branch has in recent years, experienced a flurry of capital investment, nearly tripling pre-acquisition levels. Further, the bank has seen a predictable and marked increase in capital investment every single year, such that the amount of net loans introduced is, if the trend continues, set to exceed the amount of loans reaching maturity.

**Summary:** *While the previous owner of the bank adequately filled the needs of Blytheville consumers, as a CDFI, Southern is able and has proven to inject more capital into the same market.*

## The Successful Bank: Bank of Trumann

In contrast to the Blytheville branch and its cultural and economic climate, the Trumann branch is situated in a seemingly more stable environment. Trumann is not nearly as diverse a community, with 91 percent of the population being white. The county operates much closer toward the favorable side of state and national averages. With only a -1.7 percent population change since 1990 and a -3.8 percent population change since 2000, stagnation is more of a problem than depopulation; while this hold isn't necessarily a good thing, it is better than flight. Though median and mean incomes are about $8,000 less than the national average, the income level correlates with cost of living adjustments. With underemployment[42], home ownership, high school graduation rates[43], and crime rates either at or below national averages, the community's real problem is small business growth (0.2 percent)[44] and unemployment (8.1 percent) performing noticeably under the national average.

That being the case, a bank with a strong loaning profile and the ability to provide capital to the community could be considered exigent in solving this particular shortfall. Acquired by Southern in mid-2009, the Bank of Trumann already had a demonstrated ability to perform its function; it had an ROA of 1.69 percent, a LTD of 64 percent and with assets just shy of $100M, though only a single branch bank. Trumann, by most metrics, was already a strong bank. With the acquisition, it was Southern's job to either maintain that strength, or improve on an already effective institution. Unlike Blytheville, this bank already maintained an upward trend before acquisition. Given these numbers, it is clear that Southern is able to take a strong model and incorporate it into a larger institution without disrupting its efficacy, perhaps even increasing it.

**Summary:** *Since Southern's acquisition of the Bank of Trumann, leadership has not only maintained the bank's strength but improved it.*

## The Failed Bank: Timberland Bank

Serving the South Arkansas town of El Dorado and Union County, any bank in this community would have to cater to a diverse set of customers with an even wider array of interests and needs than in the Northeast Arkansas communities of Blytheville and Trumann. A notable separation of classes exists in the community; about 20 percent of the population falls below the poverty line, 36 percent of which include persons under the age of 18.[45] The unemployment rate has also held steady for the past five years at about 8-10 percent. The community is also relatively young, with an average age of 33. With a populace comprised of 45 percent white citizens, 50 percent African American citizens, and a plurality of others, the community boasts racial diversity as well. Population has experienced a -1.8 percent drop since 2000, Given the jobs provided by the city's own Murphy Oil and the promise of a college education to any student who completes schooling in the El Dorado school district through the its El Dorado Promise, the decrease in population is a bit surprising.

Timberland, as an institution, has a more complicated and troubled past. In 2006 and 2007, Timberland was labeled to have "unsafe and unsound banking practices" by the FDIC, and was ordered to clean-up. These allegations were a result of numerous "bad" loans and unreported personal loans undertaken by the company, which resulted in a false increase in loaning numbers[46]. Rather than cleaning up and using best practices, they succumbed to the credit crisis, and were bought for half of their book value by Southern[47]. Unlike the other two studies which looked at a middling and a successful bank, this case examines what Southern does with and how it attempts to ameliorate damage done by a failed bank.

High on a glut of bad loans and maleficence, the Timberland bank collapsed in 2008. With such a deficit, and the preponderance[48] of bad loans on Southern's shoulders, one might expect it to take some time to stabilize this bank; Southern returned this failed bank to profitability in one year. Pre-acquistion, the loans given were of a much worse quality and were much more prolific in nature than Southern's loans. That Southern was able to bring the bank back to pre-acquisition performance utilizing much safer and better tools to do so is that much more impressive. Southern has brought the bank back to 2006 levels responsibily rather than with reckless banking and financing practices.

**Summary:** *In spite of years of previous irresponsible lending practices, Southern was able to take a failing bank back to safe and sound financial ground in one year.*

While not as dramatic as the growth seen by the other two cases, Timberland shows Southern's ability to customize its approach and tailor its tasks to the necessities presented by each individual bank. Rather than adopting a one–size-fits-all model, Southern has shown it can maneuver many different types of banks toward success, and is willing to vary that definition of success to accommodate preexisting conditions and practices while attempting to best serve the community in which that individual branch operates. Further, unlike big commercial banks, each Southern loan office has control over making local lending decisions, allowing our loan officers to better understand and tailor financial products to the needs of the market population.

# CONCLUSION

There is a significant problem in the credit market in the rural United States. While there are a myriad of factors that contribute to the existence of the issue, one of the main problems is the lack of extant community banking institutions. Community banks are leaving rural America for various reasons, including increased Dodd-Frank regulations, lack of succession planning, depopulation of rural counties, and new technological advances lessening the need for brick and mortar facilities. That said, the need for secure, affordable capital in rural markets is growing as responsible financial institutions leave, opening the door for alternative financial service providers making less safe, more costly loans, thereby further perpetuating economic insecurity in a community. While the presence of a responsible financial institution in a rural community is always a benefit to that market, they are still not equipped to handle many of the needs of financially distressed markets. Unlike traditional community banks, CDFIs, like Southern, are designed in such a way that allows them to serve highly distressed markets. CDFIs fill the void between what large, mainstream banks can offer and the demand for capital by small businesses.

As a CDFI focused on rural lending and rural community development, the onus is on Southern to help the communities it serves shore up the gap in financial services left by this situation. According to our case study research examining three different types of banks Southern has acquired (a middling bank, a successful bank, and a failed bank), Southern is serving its role well as a CDFI in introducing and sustaining capital in rural, underserved markets. Southern is well-equipped to step in to ensure responsible and responsive financial services in rural America because of its proven successful track record of creating economic opportunity and mobility for people in rural communities.

Southern Bancorp
Building communities. Changing lives.

8924 Kanis Road
Little Rock, Arkansas 72205
501.850.8999

[1] Wheelock, D. (2012). *Too big to fail: The pros and cons of breaking up big banks*. The Regional Economist. Federal Reserve Bank of St. Louis. Available at https://www.stlouisfed.org/publications/re/articles/?id=2283

[2] Federal Deposit Insurance Corporation (FDIC). (2012). *FDIC community banking study*. Available at http://www.fdic.gov/regulations/resources/cbi/study.html.

[3] FDIC. (2012).

[4] Center for Regional Economic Competitiveness. (2014). *Filling the small business lending gap: Lessons from the U.S. Treasury's State Small Business Credit Initiative (SSBCI) Loan Programs*. Department of the Treasury. Available at http://www.treasury.gov/resource-center/sb-programs/Documents/CREC%20January%202014%20FINAL.pdf?utm_campaign=ICBA%20NewsWatch%20Email%20Newsletter%2014.01.23&utm_medium=email&utm_source=Eloqua.

[5] World Bank. Available at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTSOCIALDEVELOPMENT/EXTTSOCIALCAPITAL/0,,contentMDK:20185164~menuPK:418217~pagePK:148956~piPK:216618~theSitePK:401015,00.html.

[6] Tolbert, C., Mencken, F., Riggs, T., & Jing, L. (2014). *Restructuring of the financial industry: The disappearance of locally owned traditional financial services in rural America.* Baylor University. Waco, TX. Available at http://onlinelibrary.wiley.com/doi/10.1111/ruso.12037/abstract.

[7] DeYoung, R., Glennon, D., Nigro, P., & Spong, K. (2012). *Small business lending and social capital: Are rural relationships different?.* Center for Banking Excellence, University of Kansas. Available at http://www.business.ku.edu/sites/businessdev.drupal.ku.edu/files/docs/CBE%20WP%202012-1%20DeYoung%20Glennon%20Nigro%20Spong.pdf

[8] Barth, J., Hamilton, P., & Markwardt, D. (2013). *Where banks are few, payday lenders thrive: What can be done about costly loans.* Milken Institute: Santa Monica, CA. Available at http://www.milkeninstitute.org/pdf/PaydayLenders.pdf

[9] Federal Deposit Insurance Corporation (FDIC). (2014). 2013 *FDIC national survey of unbanked and underbanked households*. Washington, DC. Available at https://www.fdic.gov/householdsurvey/2013report.pdf.

[10] Testimony of Renaud Laplanche before the Subcommittee on Economic Growth, Tax and Capital Access of the Committee on Small Business, United States House of Representatives. December 5, 2013.

[11] Financial Stability Board. (2013). Global shadow banking monitoring report 2013. Available at http://www.financialstabilityboard.org/publications/r_131114.pdf.

[12] Wheelock, D. (2011). *Banking industry consolidation and market structure: Impact of the financial crisis and recession*. Federal Reserve Bank of St. Louis Review. Available at http://research.stlouisfed.org/publications/review/11/11/419-438Wheelock.pdf.

[13] FDIC. (2012).

[14] Marsh, T., & Norman, J. (2013). *Reforming the regulation of community banks after Dodd-Frank*. Federal Reserve Bank of St. Louis. Available at http://www.stlouisfed.org/banking/community-banking-conference/PDF/Marsh_Norman_Reforming_Regulation.pdf.

[15] Ellinger, P. (2012). *Bank branch expansion in rural areas.* FarmDoc Daily, University of Illinois. Available at http://farmdocdaily.illinois.edu/2012/05/bank-branch-expansion-in-rural.html.

[16] KPMG. (2013). 2013 community banking industry outlook survey: Encouraging outlook moves beyond regulation. Available at https://www.kpmg.com/US/en/IssuesAndInsights/ArticlesPublications/Documents/community-banking-industry-outlook-survey-2013.pdf.

[17] Barnard, F., & Yeager, E. (2013). *The role of community banks in rural Indiana*. Center for Rural Development, Purdue University: West Lafayette, IN. Available at http://extension.purdue.edu/extmedia/EC/EC-768-W.pdf.

[18] Walser, J., & Anderlik, J. (2004). *The future of banking in America - rural depopulation: What does it mean for the future economic health of rural areas and the community banks that support them?*. Federal Deposit Insurance Corporation (FDIC) Banking Review, Vol. 16, No.3. Available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=883630.

[19] Ibid.

[20] Ibid.

[21] Barnard, F., & Yeager, E. (2013).

[22] Walser, J., & Anderlik, J. (2004).

[23] Peirce, H., & Broughel, J. (2012). *Dodd-Frank: What it does and why it's flawed*. Mercatus Center, George Mason University. Arlington, VA. Available at http://mercatus.org/sites/default/files/publication/dodd-frank-FINAL.pdf.

[24] KPMG. (2013)..

[25] Emmons, W., Gilbert, R.A., & Yeager, T. (2002). *Reducing the risk at community banks: Is it size or geographic diversification that matters?.* Federal Reserve Bank of St. Louis. Available at http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.199.8280&rep=rep1&type=pdf.

[26] Burgess, R., & Pande, R. (2003).

[27] Barth, J., Hamilton, P., & Markwardt, D. (2013). *Where banks are few, payday lenders thrive: What can be done about costly loans.* Milken Institute: Santa Monica, CA. Available at http://www.milkeninstitute.org/pdf/PaydayLenders.pdf

[28] Barth, J., Hamilton, P., & Markwardt, D. (2013).

[29] Chaney, B. (2011). *Community Development Financial Institutions: A study on growth and sustainability.* Mary Reynolds Babcock Foundation. Available at https://www.missioninvestors.org/system/files/tools/commu

nity-development-financial-institutions-a-study-on-growth-and-sustainability-bethany-e-chaney-for-the-mary-reynolds-babcock-foundation.pdf.

[30] DeYoung, R., Glennon, D., Nigro, P., & Spong, K. (2012).

[31] Keeton, W.R. (1996). *Do bank mergers reduce lending to businesses and farmers? New evidence from tenth district states.* Economic Review, Federal Reserve Bank of Kansas City: Kansas City, MO. Available at http://www.frbkc.org/PUBLICAT/EconRev/PDF/3Q96KEET.pdf

[32] Emmons, W., Gilbert, R.A., & Yeager, T. (2002).

[33] Testimony of Renaud Laplanche before the Subcommittee on Economic Growth, Tax and Capital Access of the Committee on Small Business, United States House of Representatives. December 5, 2013.

[34] Financial Stability Board. (2013).

[35] Center for Responsible Lending. (2012). *The state of lending in America and its impact on U.S. households.* Available at http://www.responsiblelending.org/state-of-lending/State-of-Lending-report-1.pdf.

[36] FDIC. (2014).

[37] The Support Center. (2014). *The economic impact of The Support Center's Small Business Revolving Loan Fund*. Available at http://thesupportcenter-nc.org/cms/wp-content/uploads/2014/01/The-Economic-Multiplier-of-TSC-Lending_Jan-2014-2.pdf.

[38] Molseed, S. (2006). *An ownership society for all: Community Development Financial Institutions as the bridge between wealth inequality and asset-building policies*. Georgetown Journal on Poverty Law & Policy, Volume XIII, No. 3.

[39] Dabson, B. (2001). *Supporting rural entrepreneurship.* Exploring Policy Options for a New Rural America, Conference Summary by the Center for the Study of Rural America, Federal Reserve Bank of Kansas City. Available at http://www.frbkc.org/PUBLICAT/Exploring/RC01Dabs.pdf.

[40] Arkansas Department of Workforce Services. (2014).

[41] Bureau of Labor Statistics. (2010).

[42] Arkansas Department of Workforce Services. (2014).

[43] Bureau of Labor Statistics. (2010).

[44] Arkansas Department of Workforce Services. (2014).

[45] US Census Bureau. (2010).

[46] Moritz, Gwen. "Timberland Bank Ordered to Clean Up Leaning." *Arkansas Business*, Aug 28, 2009.

[47] Moritz, Gwen. "Southern Bancorp to Acquire Timberland Bank of El Dorado." *Arkansas Business,* Mar 26, 2009

[48] Ibid