I. Background

Southern Bancorp Community Partners (“SBCP”) is a 501(c)(3) loan fund designated by the United States Department of Treasury as a Community Development Financial Institution (“CDFI”). SBCP was incorporated in 1987 in order to stabilize and revitalize low-income communities in rural Arkansas by providing responsible and responsive financial services critical to a community’s economic development and an individual’s economic security.

Today, SBCP works across Arkansas and Mississippi to promote economic mobility through development lending, financial development services, and public policy advocacy and research.

SBCP is a shareholder of Southern Bancorp, Inc., a bank holding company (the “Corporation” or “SBI”) and CDFI that was established in 1986 with a stated purpose of encouraging and promoting economic development in rural communities. Southern Bancorp Bank (the “Bank” or “SBB”) is a 100% owned subsidiary of the Corporation. The Bank is also a CDFI.

SBCP, the Corporation and the Bank work cooperatively toward their shared mission and share three “Big Hairy Audacious Goals” (BHAGs) which we working to accomplish:

- **10,000 people supported in attaining and/or sustaining affordable housing**
- **100,000 jobs created or retained**
- **1,000,000 people empowered to save**

Research has shown the families with access to affordable housing, good jobs, and savings have greater net worth and those with greater net worth show higher positive economic mobility. Those who work for the Southern companies understand themselves as “wealth builders for everyone.”
II. Vision, Mission, Guiding Principles and Core Values

Vision
To sustainably provide responsible, responsive and innovative financial products and financially-related development services to people, businesses and communities across the rural Mid-South, with a particular focus on low wealth people and the un/underbanked, while developing a sustainable and scalable CDFI model.

Mission Statement
To create economic opportunity in SBCP’s target market.

Strategic Guiding Principles
The Board has adopted strategic guiding principles to direct the work of SBCP. SBCP shares these strategic guiding principles with the Corporation and the Bank.

• One Southern: focus on maximizing collective mission impact regardless of legal entity, structure or position.

• Being guided by our mission, sustained by our financial stability: mission and margin.

• Balance the needs of all stakeholders: customers and clients, community partners, shareholders and supporters, and employees.

• Focus on target market:
  • Distressed rural communities in the Mid-South
  • Un/underbanked and low wealth people
  • Community Accountability & Engagement – commitment to local communities

• Core values: SBCP operates in the context of five core values – relationship, accountability, innovation, sustainability, and empowerment.
III. Corporate Governance and Management Succession

The SBCP Board of Directors (the “Board”) has primary responsibility for governance. The Board has established board level committees that allow SBCP to comply with all necessary governance issues and ensure effective, efficient, and sustainable operations.

The Board works closely with the Corporation’s Board of Directors and the Bank’s Board of Directors, which are vested with authority to oversee and direct the activities of each organization, respectively. It is fully intended that the Corporation’s Board and Bank’s Board work in concert with SBCP’s Board to achieve the shared mission and purpose of all three entities. Two of SBCP’s directors also serve on the Corporation’s Board and all three Boards meet jointly once a year. The SBCP President and SBI CEO provide leadership to SBCP and serve as ex officio, non-voting members of the Board.

The SBCP Board operates a formal board committee structure, as summarized below:

- **Loan Committee** — oversees all of SBCP’s development financing activities. It reviews and approves loan policies and procedures. It evaluates and makes decisions on all loan requests exceeding $500,000. It is responsible for the ultimate monitoring and management of SBCP’s loan portfolio.

- **Finance Committee** — meets quarterly to review SBCP’s financial reports. This committee provides support and oversight of the fiscal health of the organization. It is responsible for monitoring and evaluating financial reporting, management, loans, assets and liabilities in accordance with Generally Accepted Accounting Principles. It also reviews and approves SBCP’s tax forms and annual audit and meets with independent auditors.

- **Nomination Committee** — meets as needed to identify and offer candidates for board membership and officers.
When a key leadership position becomes vacant, SBCP’s leadership will work to ensure that the most qualified person is selected to assume the vacated position over the long term. With respect to the President, the SBCP Board, in consultation with the leadership of the Corporation and the Bank, will determine the most appropriate method (e.g., internal hiring, a national search) of hiring a new President. In the case of other officers, the President will work to fill vacant positions and involve the Board and the key leaders of the other two Southern organizations.

Management is committed to devoting sufficient resources to assure that staff members are prepared to meet their responsibilities and have opportunities to enhance their education and to avail themselves of cross-training activities. In addition, SBCP works to provide clear career development paths for all staff members.
IV. Programmatic Activities

SBCP’s programs, products, services, and activities fall into three broad categories:

- Financial development services
- Development lending
- Public policy and advocacy

These are described below along with the financial management practices that make them possible. This discussion provides context for the strategic themes of impact, scale, and innovation and the strategic goals described later in this document.

Financial Development Services
SBCP’s financial development services (FDS) were initiated in recognition of the strong positive impact of one-on-one and other direct services with individuals working to reach their goals. They have grown in response to expressed needs. For example, SBCP has operated an Individual Development Account (IDA) program since 1999. When IDA participants who were saving for a new home had trouble qualifying for a mortgage, SBCP initiated a HUD-certified housing counseling program.

SBCP currently operates several financial development services:

- Volunteer Income Tax Assistance (VITA) is a free tax preparation program certified by the IRS. We have operated this program since 2006 and it has grown significantly over the years from just two sites the first year to availability in all markets in 2018. In addition to achieving this scale, the VITA program has shown significant economic impact through the return of more than $5 million in refunds and credits annually and has shown innovation through the development of widely recognized tax-time savings initiatives.
• **Housing and Credit Counseling** offers one-on-one counseling and group education for people wanting to establish or repair their credit history, purchase or maintain a home, or learn about key financial and homeownership skills. Counseling is available in person and remotely (often through the assistance of the Opportunity Center and Southern Bancorp Bank). Classes are offered in person though this program and also via our eHome America online homeownership education class. Together, these programs have deep and significant impact in part because they help people with their particular issues and help them reach their (often large) financial goals. As the Opportunity Center grows and as we increase and improve our relationships with other financial institutions, we will need to ensure we can continue to provide high quality services to more and more clients across a larger geographic region.

• **Individual Development Accounts (IDAs or matched savings accounts)** allow income-eligible participants who save a certain amount of money and complete general financial education classes to receive match funds. These funds along with the savings are used toward appreciable asset purchases like small business development, homeownership, home repairs, and higher education. In the last three years, federal and Arkansas funding has been eliminated. This significant funding reduction has caused us to limit enrollment severely, depending on available funding.

In addition, we have a limited scale pilot program in business counseling and technical assistance. Together, our financial development services serve as the main engine for Southern Bancorp Bank’s Opportunity Center and are available to other financial institutions, currently Bank of America and Diamond Lakes Credit Union.
**Development Lending**

SBCP was founded as a loan fund to provide access to capital in ways that highly-regulated depository institutions may not be able to do. That can be through direct loans to borrowers or through participations with other lenders to reduce their risk to an acceptable level. As a loan fund and part of the One Southern family, SBCP does not compete with banks but still seeks borrowers with ability and willingness to repay.

SBCP’s loan fund contributes both to our margin and mission. Finding the appropriate balance between those two goals is critical for long term success. In the past, SBCP has had difficulty identifying and/or maintaining the appropriate balance—sometimes prioritizing loans to borrowers without the ability and/or willingness to repay or other times focusing on loans that provide income for the organization but do not increase access to capital. In addition, SBCP’s lending has generally been centered in certain limited geographic areas.

Our new lending strategy, developed and implemented during the plan period, requires our lending efforts to consider the following factors in product development:

- Alignment with the BHAGs
- Availability of capital
- Demand for loan products
- Availability of support services
- Staff capacity

Given those requirements and in close collaboration with SBB, products will represent the following loan types during the plan period:

- Small business loans where the owner’s personal credit is the business credit
- Loan participations with SBB and other financial institutions
- Innovation lending (e.g. alternative payday loans)
- Expanded niche lending (e.g. mortgage lending)
- Funder-driven lending that is not counter to our goals, values or target market
Public Policy

SBCP’s Public Policy Program is an extension of Southern’s mission-focused efforts to increase net worth and help families and communities build wealth through the balanced use of thought leadership and advocacy activities aimed at affecting policy and regulatory change.

SBCP started a public policy program in recognition of the large-scale impact resulting from previous strategic policy success. The program has had significant victories with initiatives related to children’s savings, payday loan availability, community college education, minimum wage and more. Unlike many others, SBCP’s public policy program benefits from a close relationship with SBCP’s FDS program, with each informing the other. For example, our work directly with children and families to help them save for college informed our policy work that resulted in the (now defunct) Arkansas Aspiring Scholars Matching Grant 529 program. It is worth noting that these and other successes occurred in different political and organizational environments than exist today.

While the Public Policy Program supports each of Southern’s three focus areas (Jobs, Housing, and Savings), Savings is the primary focus. The reason for this is two-fold. First, Southern’s Savings’ BHAG is to empower one million people to save. Such a goal is unattainable through traditional product and service offerings within our communities due to population sizes and staffing capacity. However, public policy changes have the capability of affecting hundreds of thousands of individuals both within and far beyond our market boundaries and customer numbers.

The Public Policy Program’s efforts are guided by the SBI CEO, the SBCP President, and SBI’s SVP of Policy and Communications, and implemented by Southern’s Director of Public Policy and Advocacy. Additional support is provided by in-market Community Relations Leaders who provide local support and guidance.
2019 signals a new approach for SBCP’s Policy Program, with new staff and a focus shift from one that has traditionally been primarily research-based to one that provides more balance to advocacy and thought leadership. For the first time in SBCP’s history, we are developing strategies to engage and inform policymakers outside the capitol buildings about Southern’s unique mission and build support for our work, focusing particularly on those that represent Southern’s markets.

Additionally, we are developing methods to activate Southern employees and community members around issues and legislation that impacts them through internal and external communications mechanisms ranging from media relations to digital messaging.

Finally, we intend to increase our engagement with coalitions and partners at all levels, from federal partners that represent industry positions and statewide issue coalitions to local committees working to affect change. Together, these activities represent a new era in Southern’s policy work that will be based on sound research combined with a strong foundation of relationships and on the ground partnerships.

This advocacy growth will be balanced with a continued focus on thought leadership. SBCP has engaged a former gubernatorial policy director as a research and writing consultant to help us develop communications tools ranging from blog posts to research papers to opinion editorials that will support our advocacy efforts and position us as a leader on policy issues impacting our communities.

**Financial Soundness**

While SBCP is not a regulated financial institution, it adheres to all relevant state and federal lending regulations and complies with requirements of public and private funders. SBCP is not subject to supervision by any public banking or other financing regulator. During the plan year, SBCP will be rated by AERIS to provide a third-party assessment of financial soundness.
Audit Results
SBCP received unqualified opinions on our fiscal 2017, 2016, 2015, 2014, and 2013 audits. The reports include A-133 or single audits for each of the past three years; each received unqualified opinions. SBCP has not received management letters in recent years and will continue its focus on strong financial controls and process improvements.

Internal Financial Controls
SBCP maintains its deposit accounts with the Bank. SBCP uses MIP software for nonprofits and integrates it with SBCP’s loan accounting system. SBCP has adopted and adheres to the Bank’s written accounting policies and procedures; SBCP’s purchasing policy is actually more stringent than the Bank’s. Among other things, the policies create a firewall between the individuals entering financial transactions and those reconciling accounts and activities. SBCP requires two separate signatures for all transactions above $10,000, and only the Board can grant individuals signing authority.

SBCP’s accountants record all financial transactions in the respective accounts at the time they are made and reconcile them each month. The finance team generates monthly statements for review by the President and quarterly statements for the Board’s review. SBCP regularly compares actual and budgeted revenues and expenses.

SBCP’s finance committee is composed of board, staff, and nonboard members and oversees implementation of SBCP’s policies, procedures and internal controls. SBCP’s management team meets monthly to monitor the financial statements for SBCP’s key administrative and program areas including all current, pending, approved and prospective loans. SBCP undergoes a rigorous annual third party audit of its internal controls and fraud prevention systems. SBCP also contracts with the Bank to provide an annual review of SBCP’s loans.
SBCP has a whistleblowers policy regarding fraudulent activity. Staff members are required to report any suspicious activity to the President or to an external firm, which encourages anonymous reporting. SBCP contracts with the Bank’s IT Security Department to address and resolve the issues regarding potential incidents. The whistleblower may remain anonymous throughout the process and will not be subject to any reprisal.

**Additional Services**

SBCP provides a variety of other services that support the mission and transformational goals. The following services may be short term, in development, or indirectly related to the transformational goals. Examples include use of various community development programs of the Federal Home Loan Bank of Dallas and working with Arkansas Access to Justice and Mississippi Center for Justice to provide pro bono legal services at certain VITA tax preparation events.

**Gaps in Programming**

The organization recognizes that the activities described in the previous sections may not always be the most effective and/or efficient ways of contributing to the BHAGs. During the plan period, the organization will continue to identify, develop, and implement best practices in programs, projects, products, and activities that will accelerate progress toward the goals.
V. Resource Development

SBCP has had significant success in generating funding in the past few years with an emphasis on recruiting loan capital to increase its lending efforts. SBCP’s fundraising strategy will not only continue to pursue traditional funding sources that are consistent with this plan but also emphasize the development of new and non-traditional funding sources and options that focus on impact, scale, and innovation.

SBCP will pursue traditional and innovative funding opportunities that are consistent with the following criteria:

- **Mission fit** that is scalable across SBCP’s market and provides maximum flexibility
- **Expected impact on SBCP’s mission, goals, and the three BHAGs**
- **Geographic fit** that enables SBCP’s services and initiatives to be available throughout its market
- **Programmatic fit** that supports impact, scale, and innovation

**Fundraising Strategies**

SBCP’s fundraising Impact, Scale, and Innovation strategy will include several approaches going forward, including:

- **Grants and program related investments (PRIs) from private and corporate foundations, governmental entities, and other sources.**
  - Maintain current funder relationships and support where these funding sources are consistent with SBCP’s vision for impact, scale and innovation of its financial development services, public policy and lending as described in this plan. SBCP has a rich history of working in partnership with multiple public and private funding sources but this has sometimes resulted in SBCP managing particular projects that were restricted to certain geographic areas, population demographics or program goals. SBCP will continue to pursue its traditional funding sources where funding is flexible and deliverables match program, service, or lending priorities and scalability based on this plan.
• **Emphasize development of new and innovative public and private opportunities.** SBCP will work to identify and explore new and non-traditional funding sources that may offer opportunities for supporting the vision for its services, policy efforts and lending that embraces impact, scale and innovation. For instance, a funder with a vision to empower traditionally underserved populations to achieve equity may be a viable funding source to support SBCP’s program, public policy and/or lending priorities directed toward building wealth for everyone regardless of income or zip code. Funders that prefer to fund programs with broad scale impact may provide support for scaling SBCP’s services throughout Southern’s markets.

• **Nongrant direct support to the organization.**
  
  • **Pursue individual and corporate donations that are consistent with SBCP’s funding priorities and emphasize impact, scale and innovation.** This may include efforts like inviting SBCP’s and other Southern vendors to take advantage of the IDA Tax Credit by donating to support its Individual Development Accounts and/or communicating with SBCP’s past clients who benefitted from financial development services and who may consider paying forward with donations to help others as they were helped.

  • **Promote internal donations from employees and board members have provided significant support to SBCP in the past few years.** SBCP will focus efforts on how to increase these donations through positive strategies like thanking donors publicly and gentle reminders about how Southern’s staff and board members can support our mission through donations.

  • **Explore planned giving and major gifts from high net worth and other individuals.**
• **Support that takes advantage of the Southern companies’ status as financial institutions.**
  - **Maintain dividends and donations from Southern Bancorp.** These are generated from a variety of sources including equity investments, loans interest from the Southern Bancorp loan portfolio, and other bank products and services.
  - **Track loan interest from the SBCP loan portfolio.**
  - **Grow earned income from financial development services.**
  - **Pursue flexible loan capital to support the SBCP loan portfolio.**
  - **Promote donation of interest from mission driven deposits in Southern Bancorp Bank.** Many CD holders previously donated a portion of their interest income to support SBCP’s services providing thousands of dollars in contributions annually. As interest rates increase, SBCP will invite CD holders to share interest in support of SBCP’s mission.

• **Consider developing a policy-based fundraising approach that operates at the state and national levels.**

All of these strategies provide resources in support of SBCP’s mission, transformational goals, and focus on impact, scale and innovation. Developing these resources requires a focus on marketing, branding, communications, and public relations activities that support nonprofit fundraising efforts.

Additionally, SBCP’s grant development team supports capital fundraising efforts of SBI and SBB. SBCP’s grant development team will continue to support SBI’s and SBB’s capital fundraising efforts as needed, recognizing the direct connection between SBB/SBI capital position and dividend support it can provide to SBCP.
VI. External Market Situations

*Trends and Conditions*

The regional economy continues to show a fragile recovery from recession, with small signs of increased retail activity, stronger automotive sales and stability within the financial markets. The high deficit levels and unemployment rates remain a significant concern and will impede a full and sustained economic recovery, particularly in SBCP’s service areas. The strength of the recovery seen on the US coasts has not been replicated in the Center and South of the country.

While unemployment rates remain at historic lows, labor participation rates are not particularly high. Inflation has been low for some time. Certain indicators (e.g. the yield curve) suggest that there could be another recession in the next 12-18 months. Savings rates continue to be low as evidence by 1) 40 percent of Americans could not get $400 for an emergency without borrowing or selling something and 2) the 2018-2019 partial federal government shutdown showed that more than half of federal employees has less than one month of savings before the shutdown.

The probability of continued high deficit levels may suggest that income taxes and interest rates will eventually rise substantially and/or that the federal budget will be cut substantially – all of which are likely to reduce funding availability, capital investment, and loan demand. Economic factors such as volatile investment portfolios, large federal deficits, and federal cutbacks have negatively affected fundraising operations and those challenges are expected to continue during the plan period as some are predicting the start of another recession during that period.

The results of the 2016 presidential election have led many private foundations to increase their investments in the Center and South of the country. SBCP stands to benefit from this trend but will need to prepare for the likely case that it will be temporary.
The bulk of SBCP’s service area is rural. The economy is heavily dependent on natural resource industries such as agriculture, timber, and poultry as primary business activities for employment and industrial development. However, many of these communities are nurturing new and emerging economic opportunities in cultural and eco-tourism, renewable energy, and manufacturing. Still, many of the municipalities face sustained outmigration and the accompanying economic distress. This potential spiral creates an environment that will challenge progress toward Southern BHAGs.

**Competition**

SBCP does not generally compete with depository financial institutions (including SBB) for loan customers. Rather, SBCP works with local banks and credit unions, including SBB, to provide access to capital and improve financial inclusion. In a similar manner, SBCP considers other development lenders and CDFI loan funds who operate in SBCP’s primary service area as strategic partners rather than competitors. This philosophy is a key factor in piloting the new SBCP lending strategy.

SBCP is in communication with CDFI loan funds and depositories in Arkansas and Mississippi and will continue to work in partnership with these organizations to meet outstanding need. As SBCP expands its service area during the plan period, we will work to develop similar relationships with financial institutions in the new geography.

There is limited competition in financial development services, primarily because of the significant need. For example, the recession of 2008 facilitated the closure of several IDA providers and housing counseling agencies leaving fewer organizations to meet growing need.

SBCP’s Public Policy program has no direct competitors either. There is no entity in Arkansas or Mississippi providing the kind of savings-focused research and advocacy that SBCP offers. SBCP works in partnership with other organizations that may have similar interests, but from different perspectives, such as Housing Arkansas or the Mississippi Community Financial Access Coalition. Regarding federal CDFI and program funding policy, SBCP works in collaboration with a variety of other organization to ensure that all have access to the necessary funding.
As the SBCP service area grows during the plan period, the organization will need to intentionally build relationships with other organizations in our sectors to meet unmet needs and maximize our respective impact.

**Service Area and Customer Demographics**

The SBCP target market consists of the entire state of Arkansas and Bolivar, Coahoma, Quitman, Sunflower, Tate, Tunica, and Washington Counties in western Mississippi where the organization provides financial development services, development lending, public policy and advocacy activities. The SBCP target market is completely contained within that of Southern Bancorp Bank. Public policy initiatives are primarily aimed at state policies in Arkansas and Mississippi.

The target market was intentionally chosen because of the organizational focus on financially underserved people and places. Key characteristics of select locations are listed in the table below:

<table>
<thead>
<tr>
<th>Metric</th>
<th>AR</th>
<th>MS</th>
<th>US</th>
<th>BHAG</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeownership rate</td>
<td>65%</td>
<td>71%</td>
<td>63.9%</td>
<td>Affordable Housing</td>
<td>St. Louis Fed, 2017</td>
</tr>
<tr>
<td>Nonmortgage median housing costs</td>
<td>$336</td>
<td>$346</td>
<td>$474</td>
<td>Affordable Housing</td>
<td>Census, 2018</td>
</tr>
<tr>
<td>Jobs that are low wage jobs</td>
<td>33.7%</td>
<td>34.1%</td>
<td>22.5%</td>
<td>Jobs</td>
<td>Prosperity Now, 2016</td>
</tr>
<tr>
<td>Microenterprise ownership</td>
<td>7.9%</td>
<td>8.4%</td>
<td>7.8%</td>
<td>Jobs</td>
<td>Prosperity Now, 2016</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>3.6%</td>
<td>4.7%</td>
<td>3.9%</td>
<td>Jobs</td>
<td>Bureau of Labor Statistics, Dec 2018</td>
</tr>
<tr>
<td>Employment rate</td>
<td>57.4%</td>
<td>57%</td>
<td>63.1%</td>
<td>Jobs</td>
<td>Bureau of Labor Statistics, Dec 2018</td>
</tr>
<tr>
<td>% Underbanked + unbanked</td>
<td>26.5%</td>
<td>38.3%</td>
<td>25.2%</td>
<td>Savings</td>
<td>FDIC, 2017</td>
</tr>
<tr>
<td>Liquid asset poverty rate</td>
<td>53.3%</td>
<td>57.3%</td>
<td>40.0%</td>
<td>Savings</td>
<td>Prosperity Now, 2016</td>
</tr>
<tr>
<td>Households with zero net worth</td>
<td>20.3%</td>
<td>18.0%</td>
<td>16.5%</td>
<td>Savings</td>
<td>Prosperity Now, 2016</td>
</tr>
<tr>
<td>Those with prime credit</td>
<td>44.5%</td>
<td>36.5%</td>
<td>51.9%</td>
<td>Savings</td>
<td>Prosperity Now, 2016</td>
</tr>
</tbody>
</table>
VII. Internal Situations

Corporate Governance
SBCP’s Board of Directors has primary responsibility for corporate governance for SBCP. The Board meets quarterly to review financial results, development activities, and all strategic matters or concepts. The SBI CEO serves as an ex officio member of the Board.

Officer and Executive Loan Committees
The SBCP loan committee will review and revise the loan program as the new lending strategy is implemented. Currently, it includes three independent Board members, and meets on an as needed basis to consider all loans in excess of $500,000.

Operational Support and Efficiencies
SBCP pays Southern Bancorp, Inc. for administrative support and infrastructure for fundraising, communications/marketing, human resources, and payroll. Southern Bancorp Bank provides offices and data processing. This support allows SBCP to concentrate on programmatic activities rather than administrative and support functions.

SBCP is an SBI shareholder and in addition to quarterly dividends, expects to continue receiving a $1,000,000 annual donation from the bank holding company. In addition, SBCP receives an additional donation if SBI exceeds certain profit goals. These revenues plus interest income and earned income from certain financial development services should increase SBCP’s earned self-sufficiency ratio to 70 percent during the plan period. SBCP will continue to augment its earned revenues with operating grants, most of which will go to cover the costs of various financial development and public policy services. With the earned income we expect to maintain an overall self-sufficiency rate of more than 100 percent.
SBCP is implementing a new lending strategy to result in additional earned income. Projections assume that as lending grows, loans will continue to perform at levels like those of the past few years. SBCP anticipates 30-day past due rate of less than 1.5 percent and a nonaccrual rate of less than 1 percent. Nevertheless, SBCP will continue to maintain a sufficient loan loss reserve. SBCP will also continue to allocate $10,000 monthly to an operating cash reserve with the intention of being able to cover six months of operating expenses in the event of a funding disruption.
VIII. Strengths, Weaknesses, Opportunities, Threats

**Strengths**

Strengths are attributes that contribute to the accomplishments of organizational goals and mission. Strengths are something that an organization does well enough to give it an advantage over its competition. A list of perceived strengths follows:

**Strong legacy and reputation**

Over more than thirty years, SBCP has built upon an impressive founding story to build a strong reputation based on success in various programmatic areas. Because of this, some national organizations request to work with us on various projects. As SBCP strengthens its commitment to impact, innovation, and scale in all three broad program areas, we stand to increase such opportunities.

**Staff commitment**

Many SBCP staff have a long tenure with the organization and generously share their institutional knowledge in ways that facilitate growth and innovation. Our staff are committed to the mission and the people we serve and often joined the organization as an extension of their personal values.

**Innovation in lending**

Because of SBCP’s collaboration with SBB through the One Southern culture, SBCP is well-positioned to innovate in development lending through intentional long-term collaboration with a depository (i.e. SBB) and through development of innovative loan products.

**Unique policy approach**

SBCP has developed and is implementing a unique approach to public policy that is well-positioned for success. Features include a wide array of organizational stakeholder, collaboration with practitioners, a unique policy focus area, and strong community engagement prospects.
Cultural Competency
SBCP’s staff resides in many of our markets and so can provide culturally competence service to clients around often sensitive issues. Similarly, many of the SBCP board members also live in our markets and so can provide informed guidance to the organization.

Board of Directors
The SBCP Board members have varying areas of expertise that include banking, finance, state and federal government, legal, nonprofit management, education, philanthropy, and private industry.

SBCP is a unique nonprofit development organization.
This uniqueness is due in part to its relationship with Southern Bancorp, a $1.4 billion development bank and holding company. This One Southern relationship facilitates mutually beneficial bidirectional referrals and allows SBCP to access (at cost) back office services such as human resources and communications, while also providing services to SBB customers and value to the bank. SBCP is careful to follow nonprofit and other regulations against steering.

Commitment to evaluation and improvement
SBCP has long demonstrated a willingness to learn from its own experiences and the experiences of others. SBCP regularly reviews programs, projects, products, and activities and adjusts based on programmatic successes and deficits in an ongoing effort to maximize impact and efficiency. In addition, there is attention to validated best practices that can be replicated or modified for implementation in SBCP.

Resource development
The organization is served by a dedicated and effective fundraising team. Their ongoing efforts have resulted in an effective grant strategy, lasting relationships with existing and potential funders, new ways of funding activities, and an ongoing stream of funding that supports the SBCP’s work.
New product and program development
Because of SBCP’s long and varied experience in financial development, the organization is well positioned to develop new products, programs, and activities that are based in research, evidence, and client goal and that advance the organizational goals.

Relatively flat organizational structure
SBCP has a small staff and relatively flat organizational structure that facilitates information dissemination and cultural consistency.

Weaknesses
A weakness is something that will hinder the organization in accomplishing its goals and mission and is a flaw that gives competition an advantage. The organizations will focus on improving these weaknesses during the plan period. A list of perceived challenges follows:

Risk of complacency
Over more than thirty years of operation, SBCP has had significant success resulting in national attention. We must ensure that our prior success does not lead to complacency.

Dispersed workforce
SBCP has a relatively small staff (currently ten) in five locations in two states. This dispersed workforce can make communication and collaboration challenging.

Limited workforce
The SBCP target market consists of all of the state of Arkansas and seven counties in western Mississippi. However, as of this writing, we have a limited service delivery staff (four counselors and one policy director) that is geographically concentrated in the Delta region of Arkansas and Mississippi. To be successful, SBCP should expand the number of staff providing services and ensure they are located throughout our service area.
Management and staffing capacity
Nonprofit management will be faced with the challenge of controlling the expansion into new communities, developing and expanding existing programs, projects, and activities, and managing new activities while soliciting funding to cover expenses. The organization seeks major sustainable impact with a relatively small staff and budget, risking over-burdening staff at the line and management levels and responding too slowly to external and internal demands.

Staff recruiting, retention, and development
SBCP must develop methods to facilitate more timely filling of open positions to minimize disruption of programs and operations. The organization should continue to strengthen rewards for outstanding performers, provide opportunities for star performers, develop and implement succession plans, and work to improve outcomes by underperformers.

Fundraising
SBCP must diversify its funding base to include substantial support from public, private, and individual funders in order to mitigate the risk to our programs and operations. The organization should avoid reliance on a large number of small grant donors as well as on a small number of large donors. Projected economic conditions may exacerbate the fundraising challenges.

Ability to take on new projects
Because of the organization’s relatively small staff and budgets, it can be challenging to develop and scale new activities or take advantage of new opportunities that do not neatly fit into what we already do. Meeting this challenge may involve both increasing staff size and increasing the variety of skills available on staff.
Opportunities
Strengths and weaknesses are internal characteristics of an organization. An opportunity is an external situation, which can be taken advantage of by the organization. A list of perceived opportunities follows:

New rural philanthropic interest
Since the 2016 presidential election, there has been new and growing philanthropic interest in rural and underserved areas, particularly in the Center and South of the country. As a long-standing mission-driven financial institution that can use public and private investments to generate success, SBCP is well-positioned to take advantage of this interest.

Service expansion
The organization is generating real and quantifiable results in its financial inclusion and economic mobility work. Subject to financial and human resource constraints, SBCP is able to develop and expand into other markets.

Improved and expanded internal relationships
Given the One Southern culture, the Southern family of companies work cooperatively toward shared and aligned goals. This coordination results in emergent opportunities for SBCP clients. Good cooperation already exists and there are intentional proactive efforts to improve upon complementary organizational and programmatic activities.

Strategic direction
The organization is well-positioned to redefine its set of activities to focus on those that have the most impact and then use data-driven methods to scale up those activities and innovate to develop new ones. Programs should be designed to contribute to the achievement of SBCP’s mission and its BHAGs. In addition to impact, programs should contribute to financial sustainability and organizational self-sufficiency.
Strategic partnerships with funders
SBCP has a strong and multifaceted fundraising platform which can be used to develop and maintain strategic relationships with funders. The relationships can be used to diversify organizational funding and increase the size and frequency of investments, particularly as these efforts are aligned with the SBI capital campaign.

Threats
A threat is an external situation that could negatively impact an organization but over which the organization has no direct control. A list of perceived threats follows:

Shrinking number of CDFI loan funds
Over the last several years the number of CDFI loan funds has decreased from over 800 to 548, at this writing. Many less financially secure funds may not have survived the 2008 recession. Remaining loan funds may have grown to meet needs. It is not yet clear how these changes will affect the sector.

Population decline
Two thirds of Arkansas counties lost populations from 2012-2017. Similarly, between 2017 and 2018, Mississippi lost population overall. Declines in population are often associated with economic distress and continuing population loss can result in a negative economic spiral that is difficult to reverse. These factors can negatively affect SBCP’s ability to responsibly lend for business development, homeownership, and other purposes.

Government and foundation funding uncertainty
Changes in federal, state, and foundation priorities and budgets mean that funding may not be available to support SBCP programs either because of misalignment or because of low amounts.
**Fragile regional economic recovery and prospects**

With the economic downturn and slow economic recovery, SBCP’s loans are likely to be adversely affected particularly as its credit and collateral risks are higher than in communities with stronger economies. The business environment in the Arkansas and Mississippi Delta remains generally weak compared to national level but may be eroded further by a crisis in the national financial economy, which some are predicting. The dramatic changes in the current economy will also have a strong impact on financial development services. On one hand, demand for these services will increase. On the other hand, the economic situation is substantially limiting key sources of funding – private foundations and state and federal government.

**Federal budget crisis**

The federal response to the national economic recession significantly increased government debt. Efforts to reduce the federal deficit may result in substantial budget cuts through both direct and automatic methods. Such cuts may disproportionately affect human service and community development programs, leading to increased competition for limited resources.

**Donor-driven priorities**

The funding priorities of the organization's major financial supporters could stifle the work the organization or community has prioritized. This is especially frequent among private foundations. For example, a funder that supports our work in one geographic area may not support that same work in another geographic area, even though the work is needed in both places. Similarly, a new and growing philanthropic focus on rural areas may be temporary. The lack of unrestricted funds further exacerbates this problem.

**Limited number and capacity of local service providers**

In our markets, there is a limited number of local service providers, e.g. entrepreneurial support organizations, with the capacity to initiate, sustain, and grow partnerships with SBCP.
National and regional political focus
State and national political shifts may lead to reduced support for some of SBCP’s public policy priorities. The organization’s cultural competency will be an asset in developing allies and generating support for its policy initiatives.

Declared natural disasters and climate change
Local short-term variations in weather and long-term climate changes will dramatically affect the agricultural and industrial sectors in Southern’s markets and can alter the economy in both positive and negative ways, many of which are currently unknown.
IX. Goals and Action Plans

The goals listed below are critical for promoting economic mobility by providing responsible and responsive financial services. Staff members participate in goal development, implementation, execution, and evaluation and the organization seeks to meet or exceed all stated goals.

All the goals outlined in this section are intended to lead to meaningful sustainable change, accomplished by realizing the three ten-year Big Hairy Audacious Goals adopted by the three Southern companies:

- 10,000 people supported in attaining and/or sustaining affordable housing
- 100,000 jobs created or retained
- 1,000,000 people empowered to save

Accomplishment of these goals depends on securing sufficient financial and human capital and operating in ways that maximize efficiency and effectiveness.

Goals for the 2019-2021 Plan Period

SBCP is committed to the following broad goals for the three year plan period:

- Use a data-driven, evidence-based approach to understanding and increase the impact of our programs and activities in alignment with our mission and the One Southern culture.

- Use communications technology, staffing, and other tools to increase the scale of our programs and activities so that they can serve more people and are aligned with the expanding One Southern footprint.

- Leverage the unique feature of SBCP and its partner organizations to demonstrate innovation, best practices, and thought leadership in our various sectors or work.
• Use our financial, human, and other resources in ways that facilitate sustainability and self-sufficiency through a focus on efficiency, proactive problem solving, and accountability in our program and general operations in the context of our One Southern culture.

Details on these goals are found below.

A. **Offer meaningful financial development services throughout the Southern markets and expand national thought leadership on best and innovative practices in the sector.**

   **In 2019:**
   1. Work with SBB and SBI to install *video conferencing equipment* in all Southern markets to facilitate one-on-one service provision of housing counseling, credit counseling, and the like in a broader area.

   2. Expand VITA coverage to all of Arkansas and Mississippi through the use of *MyFreeTaxes.com*.

   3. Write a *white paper about the Split Save and Win* tax time savings sweepstakes for board distribution and possible replication of the program by other organizations.

   4. Develop signature *financial education* curricula that can be delivered by all Southern staff. This could include a multi-class credit education course, a youth financial education curriculum, or the like.

   5. Develop robust referral *partnerships* with existing entrepreneurial support organizations such as the Arkansas Small Business Development and Technology Center, SCORE, Higher Purpose Co., and/or Arkansas Women’s Business Development Center.

   6. Achieve at least a *two star AERIS impact rating*. SBCP will be rated for the first time in 2019. The highest rating is four stars.
During the plan period:

7. Work with SBB and SBI to measure customer and client financial health and Southern’s contribution to it.

8. Develop methods that facilitate client intake data entry.

9. Expand certified counseling staff to meet needs and strategically place them in areas without in-person counselors.

10. Measure the impact of the various FDS to understand what is or is not working and how improvements can be made.

11. Consider incorporating FAFSA completion into the VITA program.

12. Consider development of an in-house small business technical assistance program.

13. Develop a series of audio/visual financial education shows for broad distribution. These could include a podcast, YouTube channel, or the like.

14. Study and use the impact of IDAs to facilitate fundraising and program development.

15. Develop methods of packaging the FDS for sale to other financial institutions.

16. Consider adding new programs to enhance our ability to meet customers’ needs and goals and achieve the BHAGs.

17. Use an evidence-based approach to refine existing programs.

18. Annually review program policies and procedures and revise as needed.

19. Achieve at least three star AERIS impact rating.
20. Intentionally seek and implement relevant best practices.

21. Identify and share successful internal initiatives to establish best practices and thought leadership.

22. Ensure all programs, projects, and activities are audit ready at all times.

23. Maintain organizational, counselor HUD, and other counseling certifications.

24. Consider membership with NeighborWorks America or similar organizations.

25. Scale the services to align with SBB’s planned growth.

B. Develop and implement an evidence-based development lending strategy that provides access to capital in a fiscally sustainable manner.

In 2019:

1. Achieve at least a BBB- AERIS rating. SBCP will be rated for the first time in 2019. The highest rating is AAA.

2. Begin reporting consumer loan payments to the credit reporting agencies.

3. Implement a lending strategy that does not compete with SBB and prioritizes small businesses loans based on personal credit that can be financed with capital from the USDA Intermediary Relending Program.

4. Implement a lending strategy that does not compete with SBB and prioritizes loan participations with SBB and other financial institutions in ways that facilitate access to capital.

5. Work with SBB and SBI to install video conferencing equipment in all Southern markets to facilitate communications with SBB lenders, potential borrowers, current customers and others throughout a broader area.
6. Implement a lending strategy that provides revenue that at a minimum supports itself financially.

7. Determine appropriate staffing for the lending program. This includes clarifying the roles and processes needed for interaction with SBB and other lenders.

8. Study the use and impact of the Spark Loan to determine if and how it can be expanded through SBCP in conjunction with a multi-unit credit education course.

9. Study the use and impact of the Credit Builder CD loan to determine if and how it can be expanded through SBCP.

**During the plan period:**
10. Achieve at least an A- AERIS rating.

11. Consider hiring a director of lending to oversee implementation and development of the lending strategy, to manage loan capital sourcing and compliance, and to contribute to business development.

12. Review and revise the lending program by considering alignment with the BHAGs, capital availability, demand for loan products, availability of support services, and staff capacity for loan sourcing, underwriting, and management.

13. Apply for a CDFI Fund financial assistance award.

14. Consider applying for a CDFI Fund technical assistance award (e.g. for development a scalable payday loan alternative).

15. Consider expanding the lending focus through the inclusion of other traditional products for mortgage lending, credit builder loans, and/or small dollar loans that do not complete with SBB.
16. Consider expanding the lending focus through the development of *innovative loan products*. These could include payday loan alternatives, manufactured housing financing, financing cooperatives, financing national board certification of teachers, education completing lending, property assessed clean energy financing (PACE) financing, resident-owned communities financing, etc. that do not compete with SBB.

17. Be responsive to *funder-driven lending requests* facilitated by program-related investments that are aligned with or not counter to SBCP or Southern priorities.

18. Develop and maintain at least an *85 percent deployment rate* (loan capital deployed and committed/loan capital on hand).

19. Maintain *strong asset quality* in the loan portfolio with a 30-day past due rate of less than 1.5 percent and a nonaccrual rate of less than 1 percent.

20. *Identify and share successful internal initiatives* to establish best practices and thought leadership.

21. Develop and implement a supplemental *economic lens social governance lending policy* that excludes loans to borrowers that extract individual and family wealth (e.g. payday lender) and prioritizes loans to borrowers that help build individual and family wealth (e.g. businesses that pay a family supporting wage).

22. Use an evidence-based approach to *refine existing lending priorities and processes*.

23. *Annually review program policies and procedures* and revise as needed.

24. Implement a lending strategy that provides revenue that *financially supports itself and portions of other SBCP programs*. 
25. Consider methods for allowing *online loan payments* by borrowers.

26. Intentionally *seek and implement relevant best practices*.

27. *Identify and share successful internal initiatives* to establish best practices and thought leadership.

28. Ensure all programs, projects, and activities are *audit ready at all times*.

29. *Maintain CDFI certification*.

30. Scale the services to *align with SBB’s planned growth*.

**C. Create a nationally recognized public policy program that engages all Southern stakeholders around policy that facilitates savings and supports Southern’s overall mission and operations.**

In 2019:

1. Establish an *advocacy presence in Arkansas* around savings-related policy issues. Legislation, writing, and other objectives could focus on America Saves Week, tax time savings, asset limit reform, refundable state Earned Income Tax Credit (EITC), payday lending, and the like.

2. Use the new Community Relationship Leader staff to *implement a relationship building program* in conjunction to meet lawmakers and their constituents in Southern’s markets to both educate them about our policy goals and also learn about their savings and related priorities.

3. *Monitor Mississippi legislation and advocacy efforts* and provide coalition and messaging support.
4. Develop a consistent pattern of thought leadership around savings-related policy issues through creating, writing and research on our issues and disseminating through our public policy blog, Policy Points research papers, opinion pieces, and other outlets.

5. Identify and engage with partners and coalitions working on savings and related issues.

6. Identify opportunities for policy staff and organizational leaders to speak at events, seminars, meetings, and conferences so that we can share successes and best practices and influence the work of other organizations.

7. Achieve the Policy Plus AERIS rating. SBCP will be rated for the first time in 2019.

8. Work with SBB and SBI to install video conferencing equipment in all Southern markets to facilitate communication with legislators, voters, customers, partners, and others throughout a broader area.

During the plan period:

9. Continue to build advocacy presence in Arkansas around savings-related policy issues.

10. Begin advocacy work in Mississippi through partnerships and possible contract advocates.

11. When feasible, seek to serve as a leader among policy partners and coalitions in Arkansas and Mississippi.

12. Develop an election year plan for elevating our issues with candidates and voters on the campaign trail.

13. Work with the fundraising team to consider and pass legislation that facilitates
donations and investments such as an IDA tax credit or CDFI tax credit.

14. Engage and respond at the federal level to facilitate funding of organizations like SBCP through, for example, the CDFI Fund, the US Department of Housing and Urban Development, the Internal Revenue Service, and USDA Rural Development.

15. Measure impact of our policy work at the local, state, and federal levels and use the information to refine the policy work.

16. Begin building a national presence on savings-related policy through speaking and writing opportunities.

17. Maintain the Policy Plus AERIS rating.

18. Intentionally seek and implement relevant best practices.

19. Identify and share successful internal initiatives to establish best practices and thought leadership.

20. Annually review program policies and procedures and revise as needed.

21. Ensure all programs, projects, and activities are audit ready at all times.

22. Scale the services to align with SBB’s planned growth.

D. Continue to develop a comprehensive resource development and fundraising program that emphasizes SBCP’s vision for increasing impact, scale and innovation of its financial development services, public policy and lending.

In 2019:
1. Raise at least $2 million in strategy-aligned loan capital.
2. Pursue at least three new funding opportunities.

3. Increase retail donations by 10 percent with an emphasis on new donors.

4. Double usage of and income from the eHome America online homeownership education program through outreach to aspiring homeowners, real estate agents, mortgage lenders, and others.

**During the plan period:**

5. Consider methods of increasing earned income through offering financial development services through other financial institutions.

6. Consider pursuing grants and loan capital from depository institutions in addition to SBB and SBI.

7. Work with the public policy team to consider and pass legislation that facilitates donations and investments such as an IDA tax credit or CDFI tax credit.

8. As interest rates increase, pursue interest donations from mission-focused CD holders to support SBCP programs and operations.

9. With SBB, explore methods of soliciting donations from SBB customers through for example, rounded up loan payment donations.

10. Explore development of a planned giving program.

11. Whenever possible, prioritize pursuit of flexible unrestricted funding.

12. Develop a comprehensive national marketing and communications plan that supports the fundraising objectives and is aligned with Southern’s national outreach strategy.
13. **Evaluate funding opportunities based on a cost benefit analysis** that includes a focus not only on resources required to develop proposals and respond to funders’ due diligence but also considers the administrative, reporting and management resources required for implementation of these grants and investments over time.

14. Scale the services to **align with SBCP’s planned growth**.

15. Ensure all funding records are **audit ready at all times**.

**E. Promote a culture that prioritizes accountability, efficiency, self-sufficiency, proactive problem solving, and impact in alignment with the SBCP mission and One Southern strategy.**

**In 2019:**
1. Work with SBB and SBI to install **video conferencing equipment** in all Southern markets to facilitate a consistent culture over a broad service area.

**During the plan period:**
2. Align personnel management activities and organizational priorities with **Southern’s five core values**—relationship, accountability, innovation, sustainability, and empowerment.

3. Receive an **unqualified annual audit**.

4. Maintain an **earned self-sufficiency rate** of greater than 70 percent.

5. **Annually review operational policies and procedures** and revise as needed to keep them relevant and facilitate and ensure efficient operations.

6. Use an evidence-based approach to **refine existing work**.

7. **Strategically recruit interns** to assist in program implementation and evaluation, and to develop a pipeline of future employees.
8. Manage staffing and capacity levels to ensure that we meet client, organizational, funder, and other goals and that we maintain a health work environment.

9. As opportunities arise, sell or otherwise dispose of real estate that is not aligned with organizational priorities.

10. Develop a management succession plan and update annually as needed.

11. Develop and implement an organizational social governance policy that seeks to maximize the mission impact of all activities through methods such as local purchasing, living wage continuance, and diversity/equity/inclusion initiatives.

12. Ensure all programs, projects, and activities are complete and audit ready at all times.

13. Intentionally seek and implement relevant best practices.

14. Identify and share successful internal initiatives to establish best practices and thought leadership.

15. Seek opportunities for third party validation of our work. Options could include AERIS rating, Credit Builders Alliance membership, NeighborWorks America membership, and others.

16. Use telecommunications tools and other methods to maintain consistent culture over various locations.

17. Consider changing the name of the organization to facilitate understanding of our work and corporate status and to facilitate fundraising and partner development.