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Mississippi Banks Work Around the Clock; Rate Top in Country for PPP Loan Success

Jackson, Miss., May 20, 2020 – For small businesses around the country, the Paycheck Protection Program (PPP) was a beacon of hope during the global pandemic crisis, but not a guarantee. For banks, PPP was and remains a to-be-determined double-edged sword; but ultimately it gave banks a tool to offer their customers immediate help, and banks weren't going to turn down that opportunity.

The Paycheck Protection Program was officially created when the CARES Act was signed into law on March 27, and by April 3, banks were given full portal access, although not the full clarity, to help process these loans for desperate small businesses. The original \$350 billion was expected to run out quickly, and it did. Within 13 days of implementation, the first round of PPP funding had been distributed. Mississippi banks fared well, having provided over 87% of the state's payroll in PPP loans; 40,362 in loans and \$3.1 billion in loan dollars in both rounds combined so far, according to data provided by Bloomberg News as of May 11, 2020.

There are no perfect metrics to measure the success rate, but the consensus has remained that Mississippi rates at the top in allocating PPP funds in round 1. According to an analysis by the Economic Innovation Group, Mississippi was the best state in the country. PPP success is measured by a ratio of total small businesses active in each state compared to total allocation of PPP funds by state. No matter the metric, Mississippi was clearly one of the top performing states in implementing the program.

"As soon as we learned that Congress was considering the PPP program, Mississippi banks went to work to prepare for what we all knew would be a tremendously large lift. Our banks worked really hard to take care of Mississippi businesses, and we are really proud of their efforts. Certainly, this will help the state's economy as we continue to struggle with the implications caused by Coronavirus," said Gordon Fellows, president and CEO of the Mississippi Bankers Association.

These successes reflect a strong and dedicated banking industry in Mississippi, but they also reflect hours of preparation from determined bankers around the state.

“In my 40 years of community banking, the last few weeks have been the most challenging and the most rewarding,” said Dan Rollins, chairman and CEO of BancorpSouth, headquartered in Tupelo and covering an 8-state footprint. “It was challenging as our team worked around the clock to originate, document, close and fund PPP loans for almost 13,500 of our neighbors and friends across our eight-state footprint. It is rewarding to see the immediate impact our efforts have on thousands of jobs for the small businesses in our communities.”

Overnight practically, BancorpSouth and other banks across the country had to develop plans to keep their employees and customers safe, establish plans to work remotely, and all while also preparing to process the PPP loans, a program in which there are still many unknowns.

For experienced and new Small Business Administration (SBA) lenders alike, the PPP loans were truly unprecedented, meaning everyone was working through the process as the process itself was being developed.

“It was chaotic and mass confusion at first. It was just all done so fast, said Leigha McLendon, First Vice President and Director of Guaranteed Lending with BankPlus, headquartered in Ridgeland. “With the pandemic and small businesses suffering and employees not knowing about jobs; Congress was rushing, the SBA was rushing... It was all hands on deck trying to get things done as fast as possible. But when that happens, things don’t get done as thoroughly. Our team jumped in full force and moved as quick as possible to serve our customers and communities.”

To put the scale of PPP into perspective, BankPlus is an established SBA lender, and in 2019, an average SBA year, they processed 21 SBA loans for a little over \$5 million in fiscal year 2019, and 24 loans for \$9.4 million in fiscal year 2018. In the past few weeks so far, they have processed a total of around 3,500 loans (combined with the loans processed by their newly-acquired State Bank and Trust).

The program, both rounds, launched with great frustration for bankers. There was lack of clarity from the US Treasury, then there were severe technical glitches—minutes after round two reopened, the entire system crashed.

“When the program launched, we experienced some initial frustrations, just like other financial institutions. The guidance about the program was issued less than 12 hours before the first applications were accepted. We dealt with frequently changing SBA rules and guidelines along with SBA technology challenges. Also, the messaging from our elected officials created a frenzy about this program, which caused a high level of stress and uncertainty for small businesses early in the process. However, as our company started funding these loans, everyone felt a great sense of pride as a result of the tireless

efforts by literally thousands of BancorpSouth's teammates. The level of care and concern our bankers exhibit daily is a huge source of strength for our company," said Rollins

If you've applied for a PPP loan, know a banker, or have just even driven by a bank in the past few weeks, you know that bankers have kept some crazy hours lately. Those hours are a direct correlation to the rate of success that Mississippi banks have had with the PPP loans for their customers.

"Most of the smaller banks were doing this manually. We got a lot of our files loaded in after 5 pm and before 2 am. Some of our people were just determined to get them in and did whatever it took. I remember seeing some nights communicating at 2 am. There was certainly strong desire to meet the needs of the customer," said Alan Walters, president and CEO of First Commercial, Jackson, with locations in central and north Mississippi.

This rang true throughout the state.

"We had folks who on their own free will elected to camp out so they would be ready to go, so we had a significant backlog that we had ready to go when the portal opened. Literally we had people choose to work 26 hours. It comes from a place of them having a servant's heart, wanting to help their communities, said Clayton Legear, president and CEO of Merchants & Marine Bank, headquartered in Pascagoula, with branches throughout the Mississippi and Alabama Gulf Coast.

The immediate relief they were able to give customers' though was worth the stress and long hours.

"One company that specializes in consulting had already laid off their employees, of course unhappy about it. We obtained the loan, and within notice of the loan approval on Friday, they called their employees to tell them come back to work the next Monday. It was a really cool moment," said Legear.

Legear said that of their 600+ loans, approximately 50 percent had original balances of \$25,000 or less. "These loans have been truly to small businesses. The smallest was \$1000. We're not standing to gain a lot from this, but the real focus is standing in the gap and serving. A rising tide lifts all boats. If our communities don't bounce back, our bank won't either," said Legear.

Even businesses deemed essential by the state still have a need for these loans to keep their staff on payroll. John Scarbrough of Paul Moak Automotive knew about the PPP loans and had his information ready for his bank who handles all of his high-volume inventory accounts.

"We submitted our information to them within the first hour. It just sat there. We would call our contact and he would not have much information. They just didn't have the process to get the information down to his level," said Scarbrough.

He started getting nervous about money running out, and then called Alan Walters and explained his situation. His loan was approved within the same day.

“It highlighted for me the differences and benefits of local contact and relationships. When it comes to something like this, it shows the benefits,” said Scarbrough.

Scarbrough knew about First Commercial because he also serves as treasurer for Friends of Children’s Hospital.

Typically, nonprofits are not eligible for SBA loans, but that was another positive for the PPP loans.

“In some cases, the non-profits are more negatively impacted than some businesses. Donations may stall but they are still providing their services that are even more needed,” said Rollins.

BancorpSouth was able to process several PPP loans for non-profits in the communities they serve, including Faith Haven, an emergency shelter in Tupelo.

“The PPP loan came at the right time. Our organization had lost funding because of the pandemic. Most people don’t realize that Faith Haven provides shelter and services 24 hours a day, so it takes full and part time staff to provide the needed services to our clients. We would have had to furlough our staff without the PPP loan, which would have made it impossible for us to continue servicing our community. I am really grateful to BancorpSouth for guiding us through the application process,” said Jackie Smith, Executive Director.

BankPlus also counted a nonprofit whose mission is helping people with disabilities among their loans. “We’re not their primary bank. But we were able to assist them, and they kept 178 employees,” said McLendon.

The employees staying on payroll are adding up: from the small 1-2 employee carwash type shops, to the manufacturing company that would have had to shut down without their loan from BankPlus—they kept over 125 people employed in a rural community.

We had some customers literally crying when they were approved because they did not know if they were going to be able to pay employees. There’s a lot of pressure on employers and fear,” said McLendon. “That lit a fire under us. It was a passion driver for the late nights and early mornings. We saw a few sunrises, and worked around the clock to approve as many as we could to help as many businesses as possible.”

Bankers weren’t always able to deliver good news, though. The process has been a roller coaster, through and through.

“The toughest time through this was the day that the initial round ran out. We all felt that lost a championship game. We had customers with loans in process and had been working around the clock, away from families. They were literally typing in loans and got kicked out and get that notice. We had

people on our team who were distraught because the next step was to contact those customers, and we felt powerless. There was nothing we could do at the time, said Legear.

Thankfully, the second round of funding did get approved on April 23, offering hope and an additional \$300 billion to those who had missed out the first time.

In West Point, Doris Mitchell of D&B Furniture had skipped the first round of PPP loan application altogether because she didn't think she needed it or would even qualify given her seasonal business and small shop.

"I talked with my accountant who had been working with BancorpSouth. Jennifer Woodruff [a community bank president in West Point for BancorpSouth] was so helpful the whole way. I texted with her. She answered questions even after 5 pm. Within a day, she had it," said Mitchell.

Banks across the state repeated the same story: new business via these loans because of word of mouth; then the customers are so pleased with the care and grateful for the loan handling, they switch other business to the bank.

"We had customers go to other banks, and vice versa, and in this case you're just glad they got the money and that it worked out for everyone," said Paul Howell, BankPlus Executive Vice President and Chief Lending Officer.

In the end, what started as a healthcare crisis, quickly turned into a financial crisis, and while healthcare heroes carried the world through this, bankers also stood ready to help during the crisis, and will be there to help in the recovery, too.

"One of the greatest success stories will be the speed at which our team built out from scratch a system processing fewer than 10 SBA loans in year to 600 in a few weeks," said Legear. "But what was impressive was the tenacity, flexibility, and confidence. I hope this confidence stays with them and belief in our mission. We have this sacred trust that our nation has given us. We get to take care of the finance resources. We don't take it lightly. When we're called upon, we will be there. We're not on the medical front lines, but we have this amazing opportunity and privilege to help shape and guide our communities toward best possible future."

At the time of publishing, bankers and borrowers continue to wait for loan forgiveness guidance and other key details of the program to finalized. There are even bills filed in Congress to make structural changes to PPP. No matter what happens next with the program, Mississippi banks have shown they are ready to go above and beyond to support the small businesses and communities they serve.

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