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How this tiny black-owned bank is turning itself around with fintech

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A \$52 million-asset African-American-owned bank in South Carolina is hoping a tech makeover can return it to profitability and expand its services to underbanked consumers nationwide.

South Carolina Community Bank, founded in 1921, was hit hard by the financial crisis and has struggled to recover since. It lost \$1.6 million in 2017, but its losses have slowed so far this year to \$132,000, and it expects to be profitable by year-end. Part of its turnaround, according to the bank's executives, is a fresh perspective from a new CEO, an emphasis on tech and a growing network of fintech partnerships.

“As a small bank, we don’t have a large innovation lab budget; we don’t have the thousands of people focused on product development that large banks have,” said Dominik Mjartan, who joined the bank as president and CEO in September of last year. “But we do have some very good partners we’re working with that could really transform our ability to innovate and then scale the innovation.”

At a recent staff meeting, Dominik Mjartan, president and CEO of South Carolina Community Bank, conferred with colleagues.

If the bank's moves pay off, it would be another sign of how even small institutions can utilize tech to boost their bottom lines and reach more customers.

A bank in transformation

The first technology step the bank took was to sign up with a bank software vendor, Sageworks, that helped scan and digitize its loan files. The bank has since launched other modules to increase the speed and efficiency of processing loans as well as ongoing credit portfolio management.

“That’s been a significant boost and fairly immediate cost savings, because the time to handle paper files is significant,” Mjartan said.

The bank is also upgrading its mobile banking tools to include remote deposits, instant-issue debit cards, e-wallet payments, cash management for small businesses, ACH and wire origination, and payroll services. To accomplish this, the bank is relying heavily on fintech partners.

“We think that’s going to allow us to grow, to capture customers that we couldn’t get to today,” Mjartan said. “We don’t have a traditional banking mentality. We want to use fintechs to grow our bank.”

But Mjartan argues that the fintech partners also need banks to truly build scale.

“What some of them have figured out is they need a bank, they need a depository,” he said. “It’s going to be a lot more difficult for them to scale their impact if they don’t have access to the banking system. Which is why I was interested in a bank as a platform for transformational financial empowerment services.”

Mjartan says the bank's size gives it an advantage since it can make decisions quickly.

“We have sufficient capital for now, and we have partners that deeply care about our mission and care about helping bring people who are excluded from the system into the system,” he said. “With those things in place, we hope to disrupt the predatory financial system by offering responsible alternatives.” One thing the fintechs are helping the bank create is “customer-centric design,” Mjartan said.

“Why not let the customer design the product they want to use?” he said. “Think about building a Dell computer. You pick the options you want, how much memory you want, what kind of processor you want, whether you want a touch screen. Why not let the bank customer decide exactly what they need and build it on the spot and have those parameters immediately create the product they want to use? Versus coming to a bank and having to choose among its checking and savings products, which can be overwhelming.”

A customer could choose e-statements, a debit card or a credit card, or a small line of credit instead. The customer could pick and choose all the banking services he or she wants, put them in a shopping cart, hit a “checkout” button, and see the cost — it might be free or \$5 or \$10 a month. If the customer doesn't like the outcome, he or she can reconfigure options and hit “checkout” again until they get exactly what they want for a price that is acceptable.

“That shouldn't be that difficult,” Mjartan said. “It's something computer companies have figured out how to do — why can't we do that? If you're a low- or moderate-income person who has been unbanked or underbanked, you need simplicity, transparency and speed. We should be able to offer that. When you get paid on Friday, you should be able to use your money on Friday without the need to borrow your own money to make payment on time. You should be able to pay your light bill without having to pick up a money order and drive it over to the utility company. You should be able to get a small-dollar loan without going to a payday lender. Those are just some of the things we'd like to be able to offer with a simple personalized account to improve the financial lives of all people, not just the unbanked and underbanked.”

Community development roots

Mjartan came to the U.S. as an exchange student at 16 from the former Czechoslovakia and attended the University of Arkansas. After getting an MBA at the University of Ulster in the U.K. and working as a senior manager of an IT services company, he served as [executive vice president at the community development bank Southern Bancorp for 12 years](#) and ran its community development loan fund.

During his years at Southern Bancorp, he was trying to improve the lives of low-income people in Arkansas and Mississippi. A few years ago, Mjartan says, he began to be influenced by reading about fintech trends, seeing technology as a way to improve people's lives on a greater scale than possible using a traditional community bank model.

“Southern Bancorp's approach to financial empowerment is incredibly effective, but I was looking for a way to scale impact beyond our balance sheet,” Mjartan said.

He started looking for a bank he could buy, and eventually encountered some South Carolina Community Bank board members at a conference.

“They had a bank that had struggled, that they had largely fixed up and recapitalized, and they were looking for someone to run it,” Mjartan said.

The bank had been hit hard by the economic downturn.

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