Integrated Financial Holdings, Inc.: A Bank Holding Company Reimagined

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CEOCFO: Mr. Bergevin, West Town Bancorp, Inc. is now Integrated Financial Holdings, Inc. What is included under the rebranded Company?

Mr. Bergevin: Integrated Financial Holdings, or "IFH", is the parent company of six wholly owned subsidiaries, West Town Bank & Trust, West Town Insurance Agency, Inc., Windsor Advantage, LLC, SBA Loan Documentation Services, LLC, Glenwood Structured Finance, LLC, and Patriarch, LLC. It also maintains an ownership interest in two additional financial services companies, VeriLeaf, Inc. and Dogwood State Bank, as well as a joint venture at the Bank-level with West Town Payments, LLC. We are also in the process of rolling out another venture which will be known as West Town Leasing, LLC.

This Rebranding Presentation provides a snapshot of the Holding Company's new name, message, logo and color scheme.

CEOCFO: Why is now the right time for rebranding and presenting the new structure?

Mr. Bergevin: We went through some transformational changes in 2019. We were more “bank-like” then, with a multi-bank holding company which owned two separate banks, West Town Bank & Trust and Sound Bank. We divested our interest in Sound Bank and repurchased about a third of the shares outstanding in the market with those proceeds. We then decided to lean into what we are best at and that is our niche offerings through government guaranteed lending and the funding side of strategic deposit gathering at the Bank-level.

CEOCFO: Are there any other specific initiatives or events that have helped shape the Organization that has become IFH?
**Mr. Bergevin:** Part one of that answer is tied to the niche financial service offerings we have selectively identified at the Bank-level. In 2011, we made the decision to buildout a Government Guaranteed Lending Department and have since become one of the Nation’s top volume lending institutions, providing more than $1 billion in financing through SBA and USDA programs supported by the U.S. Federal Government. Given the various nuances required to successfully and compliantly manage these regulated government programs, we made the decision to engage the right partners and create new entities to help advance our reputation in the space, increase our overall knowledge from all angles in the lending process and service a wider variety of needs for our Bank clients. In addition, we recently built a compliance program uniquely tailored to banking hemp-related businesses while also investing in multiple companies that allow us to seamlessly bank this underserved market.

The second part to that answer involves our people. In recent years, we have brought on board several key leaders with extensive experience in all aspects of financial services and entrepreneurial endeavors. The Holding Company has really evolved from static to dynamic and purely bank-focused to forward-thinking with the introduction of our various subsidiaries. This simply could not have been done without our personnel which has enabled the Organization to harness creativity and turn ideas into action.

**CEOCFO:** *Would you tell us a little about what goes into government guaranteed lending and some of the solutions you needed to develop or get under your umbrella to handle the intricacies?*

**Mr. Bergevin:** About a quarter of the banks in the Nation actually participate in government guaranteed lending and there is a reason for that. For starters, you need a certain level of expertise concerning the regulatory requirements to even originate or process an SBA or USDA loan. Not just how to underwrite an SBA or USDA loan, but also how to package, close, perfect the government’s loan guarantee, properly service the loan and potentially sell the loan on the secondary market.

In addition to having the right intellectual capital in place, you also need to either materially invest in the program through fixed overhead costs associated with building a back-office to support sales or find a qualified and experienced outsourced partner to assist a lender in these areas. If you are not wholly committed to the program with annual threshold origination levels, you cannot support the cost of building out a profitable and compliant program. Basically, you can’t dip your toe in the water and expect to be profitable.

We were dedicated to the mission and the necessary volume levels to attain profitability while outsourcing certain overhead functions along the way until our volume levels justified an in-house solution.

**CEOCFO:** *Why were you confident you could do it?*

**Mr. Bergevin:** We have always been an entrepreneurial organization focused on building talent around our strategic initiatives. In 2011, we hired a community bank lender who also had some expertise in SBA and
USDA lending. It was very enlightening to watch him process the first few loans and the resulting gain on sale once we sold the guaranteed portion of those loans to the secondary market. At that point, we went all in and committed our resources to the development of the Department. As we saw his pipeline grow, we partnered with Windsor Advantage, a relatively new company at the time which has since become the Nation’s largest servicer of government guaranteed loans, and that partnership gave us the ability to really scale up our programs together. The relationship allowed us to expand business development channels and other sales support resources without having to further build out our back-office. If you remember in 2011, banks were just starting to lend again and small businesses were hungry for capital, so competition was not much of a consideration which made it the obvious and smart solution at that unique point in time.

Fast-forward to today, we are still doing well but we are no longer focused on competing for the small business loans as we have pivoted our strategy from a generalist banking approach to a more strategic niche lender looking for different underserved verticals, such as utility scale solar farms that many mainstream or community banks do not understand which therefore limits competition. We have developed expertise in these verticals to complement our overarching government guaranteed lending strategy which has certainly benefited our Organization.

CEOCFO: How has COVID helped or hindered the development of certain companies under IFH?

Mr. Bergevin: The first consideration has been credit exposure at the Bank, so we continue to proactively engage each small business customer to understand the impact from the pandemic and facilitate a recovery plan for each individual customer. It has been a heartbreaking time as some of our customers are shut down and not sure when they will reopen, if ever. Others are trying to reopen, and some have had success doing so, but regardless of their current status, we are in contact daily with every single one of those customers to coach them back to recovery. Many have requested and received a payment deferral for 90 days or so and others have requested and received an interest only period. Our main objective is just to continue to work with each and every small business in a sensible and empathetic way until we find the right solution for each one of them.

We also offered Paycheck Protection Program loans through the SBA, or “Triple P” loans as we call them. The Bank itself funded over $20 million Triple P loans to our current customers to provide the working capital needed to honor payroll and keep their doors open. Through our subsidiaries, Windsor Advantage and SBA Loan Docs, we also supported the Triple P efforts nationally. Windsor worked with 40 different banks across the Nation to process and fund roughly 16,000 Triple P applications for about $2.5 billion in loans. It was amazing because that accounted for more than 350,000 American jobs saved through the influx of working capital. SBA Loan Docs also helped advise, review and produce closing documents for about 600 loans funded by its numerous partner banks.
CEOCFO: Did you need to ramp-up to do that or was everything in place?
Mr. Bergevin: There was certainly a bit of a ramp-up period. With that kind of volume being processed through 35 to 40 employees at Windsor and SBA Loan Docs, it was a challenge. People were working around the clock and we had to hire temporary personnel to back-fill clerical responsibilities. We also experienced a breakdown in certain technology due to extraordinary volume but fortunately we were able to fix that along the way, with the ultimate goal of just getting capital in the hands of small businesses. We made it through, and it was not without its hiccups, but we are proud of our efforts and our ability to help so many small businesses and their employees.

CEOCFO: How are you addressing the needs of the hemp industry, particularly with so many regulatory issues in flux?
Mr. Bergevin: In early 2019, we identified the hemp industry as a potential new business line from a deposit perspective. We spent the next year really figuring out all of the intricacies associated with it. The opportunity was really recognized with the passage of the 2018 Farm Bill which identified hemp with a THC-level of 0.3% or less as no longer being a controlled substance and transitioned its oversight to the USDA from the DEA. We then spent the better part of 2019 figuring out Federal regulations and the varying state-by-state restrictions and built out a comprehensive, compliant program which we believe is the preeminent industry leader. In doing so, one of the main considerations we kept top of mind was that hemp customers have always been classified as “high-risk” customers, which is a banking term indicating a need for enhanced due-diligence and customer monitoring.

Through our research, we found a start-up company named VeriLeaf that was offering an enhanced due-diligence, on-boarding and monitoring software platform for higher-risk industries. With that partnership, we became a minority investor in VeriLeaf. It really catapulted us to the point that we can offer a full suite of banking solutions to a widely diverse customer base. Since the beginning of the year, we have trademarked our program with the motto “Hemp Banks Here™” and developed an original logo to go along with the message. We are garnering accounts and building relationships in the industry on a daily basis and it has been another very successful entrepreneurial venture for us, enhancing our deposit base and complementing our lending strategy.

CEOCFO: What has been the key to developing synergies across and the various companies and offering diverse services to your customers?
Mr. Bergevin: The Holding Company is, in essence, wrapped around a Bank charter which is extremely proficient at government guaranteed lending and gathering niche deposits. With this as the core, we developed a “hub-and-spoke” approach to expanding our business model. From there, we focused on developing the spokes around our core competencies.

That started with our partnership with Windsor Advantage which was also at its early stages of development. As we grew together, it became
obvious that it made sense to acquire Windsor and continue our development and growth in the government guaranteed lending space, offering auxiliary products through Windsor and the Bank. In developing additional spokes along the way, we started new companies and partnered with organizations to have the capability to offer more options and solutions through an already captive audience, finding ways to offer insurance, closing documentation support and brokered services for loans that do not fit within the Bank’s traditional credit box.

On an annual basis, West Town Bank & Trust provides hundreds of government guaranteed loans nationally and Windsor processes close to $500 million in government guaranteed loans with a servicing portfolio of almost $2 billion. We are in a unique position which allows us to supplement and fulfill the needs of our financial institution and small business customers and everything we do revolves around trying to satisfy those needs.

**CEOCFO: How do you, as CEO, stay on-top of all the activity at IFH?**

**Mr. Bergevin:** You build a great team. You simply build a great team and instill an entrepreneurial system and attitude where department heads and company directors take extreme ownership. You do not have to micromanage entrepreneurial leaders. You give them the tools, resources and support to accomplish their goals and they absolutely perform. It has taken us a while to build the culture that we have, and we work at finding new ways to improve our culture and organizational efficiencies all the time. I am very proud to share that we have a tremendous team, which ultimately propels the Organization forward at a heightened level.