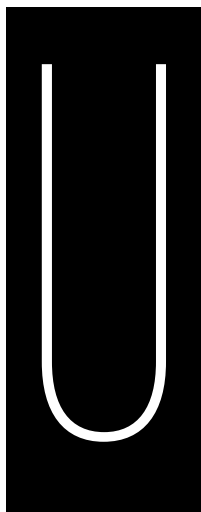


**RANKING BANKING®**

**BEST  
GROWTH  
STRATEGY**

## Summary Analysis



**University Bancorp generated** remarkable results for 2020, and it's all due to its unique business model.

The Ann Arbor, Michigan-based bank offers mortgage subservicing to other banks, credit unions and mortgage firms, receiving a monthly, fixed per-loan fee to take care of administrative, compliance and financial servicing, including payment. The bank has spent years building a competitive advantage in this space. "To be successful, you either have to be really large and have tremendous economies of scale, or you have to have some kind of a niche business that has the sort of Warren Buffett attributes of a high barrier to entry,

a high return on equity and some economies of scale that go into that," says Stephen Lange Ranzini, CEO of the \$558 million bank. "There's not that many businesses of any type across any industry that have a long-term track record of rapid growth and very high profitability at the same time."

Ranzini has led the bank since 1988, making him one of the longest-tenured CEOs of the 50 banks in the RankingBanking study; he's also a major shareholder of the bank.

While University Bancorp has made a few nondepository acquisitions over the years — such as its 2013 acquisition of Ann Arbor Insurance Centre for \$1.1 million — like much of the industry, their growth story is largely an organic one.

Driven by the decline in mortgage rates, 2020 proved to be the biggest year in the history of the mortgage industry, Fannie Mae Chief Economist Douglas Duncan told Bank Director in May 2021. Mortgage servicing is University Bancorp's largest business unit, generating revenue in addition to "zero-cost" deposits, according to Ranzini. The bank also originates



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Kara Baldwin / partner, Crowe LLP

mortgages, specializing in Federal Housing Administration (FHA) and Veterans Affairs (VA) loans with quick, 24-hour underwriting term times and condition waivers. “If you’re a mortgage loan originator who focuses on realtor-referred business and purchase business, and has a heavy focus on FHA or VA lending, there’s no better place in the country to work than us,” says Ranzini. University Bancorp has also carved out a niche serving religious minorities that are barred from paying or receiving fixed interest.

A perfect storm of long-term strategy and a stellar year for mortgage lending positioned University Bancorp to take top honors in Bank Director’s ranking of the growth strategies of the best banks. In fact, institutions in the Community Banks category, under \$5 billion in assets, took the top three spots. Worthington, Ohio-based CF Bankshares, with \$1.4 billion in assets, ranked second; it originated over \$2 billion in residential mortgages in 2020, according to its annual report. Communities First Financial Corp., with \$1 billion in assets in Fresno, California, ranked third.

Successful community banks “stick to their knitting pretty well. They know what they’re good at,” says Rick Childs, a partner at Crowe LLP. Mortgages proved to be a silver lining to an uncertain 2020 and 2021, but successful banks will pivot when mortgage demand tapers off. “They recognize when the opportunities are there, they adapt to them, and they take advantage of that for the most revenue they can generate. And then when they need to scale back, they’re good at being able to do that when the market changes against them.”

To examine the growth strategies of the RankingBanking banks, Bank Director analyzed year-over-year growth from 2019 to 2020 in pre-provision net revenue (PPNR), total loans and total deposits. We also considered organic growth by omitting acquired deposits and loans. These factors were ranked and averaged to produce a final score.

University Bancorp ranked first due to its exceptional year-over-year PPNR growth, exceeding 400%. Loan and deposit growth exceeded 50% and 45%, respectively. CF

#### HIGHEST PERCENTAGE YEAR-OVER-YEAR PPNR GROWTH

University Bancorp  
465.64%

#### LARGEST M&A DEAL

First Horizon Corp.  
IBERIABANK Corp.  
Deal Value: \$2.4B

Bankshares reported similar outsized growth metrics: 292% year-over-year PPNR growth, 48% growth in loans and 49% growth in deposits.

PPNR growth for Communities First Financial Corp. was 43%; the bank also demonstrated strong loan (64%) and deposit (50%) growth. For Merchants Bancorp in Carmel, Indiana, revenue growth exceeded 100%; mortgage warehousing is an important business line for the bank.

Memphis, Tennessee-based First Horizon Corp. was one of just four of the best banks examined in this study that closed a bank acquisition in 2020 — IBERIABANK Corp., which closed in July 2020. Overall, the bank grew PPNR at 46% year-over-year, and rated well for overall loan and deposit growth, at 87% and 116% respectively.

“If you are going to have a really good growth strategy, and you’re doing M&A, you have to be really good at M&A,” says Crowe Partner Kara Baldwin. “You have to connect with those new markets [and] customers so that growth can then be exponential.”

## How They Ranked: Best Growth Strategy



	TICKER	SCORE	LOAN GROWTH* YOY, 2019-2020	PPNR GROWTH* YOY, 2019-2020	
1	University Bancorp	UNIB	3.94	51.72%	465.64%
2	CF Bankshares	CFBK	4.78	48.30%	291.98%
3	Communities First Financial Corp.	CFST	5.89	63.92%	42.76%
4	Merchants Bancorp	MBIN	6.11	68.01%	141.25%
5	First Horizon Corp.	FHN	8.33	87.19%	46.03%
6	Signature Bank	SBNY	12.17	24.98%	16.68%
7	Western Alliance Bancorp.	WAL	12.50	28.07%	19.16%
8	SVB Financial Group	SIVB	12.83	36.23%	0.75%
9	Glacier Bancorp	GBCI	14.72	17.82%	36.00%
10	Oregon Bancorp	ORBN	15.17	45.48%	146.08%

SOURCE: S&P Global Market Intelligence

\*Loan growth and PPNR growth includes growth related to acquisitions closed in 2020, where applicable.

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**Stephen Lange Ranzini** / CEO, University Bancorp