

# Michigan Banker

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A photograph of three men standing in a snowy field. The man on the left is wearing a dark jacket, a blue beanie, and white gloves, and is holding a golf bag. The man in the center is wearing a dark suit, a white shirt, a patterned tie, glasses, and a dark baseball cap. The man on the right is wearing a dark jacket and a blue beanie. They are all smiling. The background shows a snowy landscape with bare trees and a clear sky.

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# THE MARSHALL PLAN

## How a Minneapolis-based Finance Company is Reinventing Banking

By JEROME O'NEIL

The bankers at Marshall BankFirst Corp., the Minneapolis-based financial services company, pride themselves on being a bit different from your average bankers. Sure, they wear blue suits, take a conservative approach to credit and treat their customers like treasured family heirlooms. When it comes to originating, participating and servicing commercial credit, however, Marshall BankFirst is not your typical lender.

The differentiation starts right at the

top, namely with Dennis Mathisen, chairman and majority owner of Marshall BankFirst. Mathisen is a longtime community banker and former M&A attorney who has long chosen the road less traveled in his business ventures. For 10 years he was partnered with the enigmatic Irwin Jacobs, a renowned corporate raider of the 80's and 90's and current chairman of Genmar Holdings. A native of Minneapolis, Mathisen has long believed that separating yourself from the crowd is the only way to run a business.

"If you don't differentiate yourself and

do something that is truly unique, you have no chance of making a significant return on your investment," says Mathisen. "And I think most businesses would agree that without a healthy return for your efforts, there is really no reason to do it.

"That's how we run Marshall BankFirst. Differentiate ourselves from the crowd and be the best provider of our products and services in your industry," he says. "We don't want to be like everyone else."

Marshall BankFirst is creating a banking solution like no other. Marshall BankFirst provides loan participation and syndication opportunities to an extensive network of community banks and financial institutions throughout the U.S. It serves as a nationwide exchange for credit opportunities. In addition to commercial lending and loan participations, Marshall BankFirst is one of the largest issuers of prepaid cards in the U.S. and recently opened a wholesale residential mortgage division.

"We really have a very different, very interesting business model that is attractive to banks today," says Scott Anderson, president and chief operating officer of Marshall BankFirst Corp. "The products and services that we provide today are unique. We're not trying to be all things to all people. We want to be extremely good in two or three areas -- not pretty good at 10 different things."

Marshall BankFirst is the result of the recent amalgamation of three financial companies, beginning with The Marshall Group, an affiliate investment bank. Mathisen founded The Marshall Group in 2001 as an arranger and servicer of commercial credit. In three years of operation, The Marshall Group originated and closed roughly \$2 billion in commercial loans, a respectable number for a lender with no investment in its loans. In 2003 Mathisen added Marshall Bank, N.A., a \$40 million bank from Hallock, MN to his arsenal, though the two were separate entities.

"We were successful (as a non-bank) but it was an obstacle not being in the deals we sold," says Anderson. "With no

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'skin in the game' a lot of banks shied away from doing business with us."

The Marshall Group's fortunes changed in January 2005, Anderson says, when Mathisen purchased BankFirst, a \$500-million bank from Sioux Falls, SD. At the time, BankFirst was a large issuer of sub-prime credit cards, a business Mathisen sold immediately after buying the bank. What remained was a large core of deposits, a growing prepaid card operation and a tiny commercial loan portfolio. The Marshall Group's core credit functions soon moved under the umbrella of BankFirst, which now is the originator and servicer of record for all Marshall BankFirst credits. More importantly, BankFirst is participating in the transactions that it originates.

"The difference has been fairly significant," says Anderson. "Now that we have our own money at risk in our deals, it is much easier to get another lender interested in our loan participations. They know that we are under the same constraints and rules that they are."

The progress has not gone unnoticed. Marshall BankFirst is developing into one of the premier lenders in the U.S. In the last 12 months it has originated and distributed more than \$1.75 billion in commercial loans to banks nationwide. The loan total for 2005 was up more than 60% from 2004's mark. The firm is aiming for more than \$2 billion in originations in 2006.

"The majority of our loans are real estate based," says Anderson. "But we also originate and distribute senior housing, healthcare, gaming and C&I loans nationwide."

With 10 loan origination offices nationwide, the company has created mutually beneficial relationships with over 1,300 banks and financial institutions nationwide. "We take geography out of



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the mix for smaller regional and community banks. We provide them with lending opportunities they would otherwise not have access to," says Anderson.

Loan participations are a specialty of Marshall BankFirst. Participations are sold to community and regional banks nationwide. Participant banks (or banks that "buy" into a loan participation) benefit threefold through this type of lending process. First, participant banks often lend to diversify their portfolio, whether it be by asset type, geography or duration. Secondly, banks often can improve their portfolio's overall yield through participating in more attractively priced opportunities than their current markets are providing. Finally, banks can improve their efficiency ratios and overall performance by booking strong credits without the added expense of loan origination and commissions.

"Banks use participations to boost their portfolios when local competition has driven pricing to irrational levels," says Tom Grady, executive vice president of sales and marketing. "Everyone is fighting for good, quality assets; but there comes a time when bankers simply say 'enough'. When it is that competitive and cut-throat, banks

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## Residential Mortgage Services

The Marshall BankFirst Residential Mortgage Group is a national lender specializing in the development of structured mortgage products for community banks, and local and regional mortgage companies. "Our goal is to ensure our clients an unmatched experience as files flow through our operations team," says Matt Steensland, managing director for Marshall BankFirst Residential Mortgage Group. "We offer a full span of portfolio and niche products covering a broad range of borrower segments. Our ability to finance developers, builders and home buyers delivers a complete solution unparalleled in the industry."

Marshall BankFirst Mortgage Group creates a partnership with all clients to ensure they have the ability to capitalize on multiple origination opportunities. For businesses, land acquisition loans, development loans, lines of credit, letters of credit and mezzanine financing are all available. Buyers are also offered extended lock programs for up to 12 months, the ability to switch loan programs even after locking in and free "float down" options that allow buyers to lower interest rates based on current market conditions.

"Our ability to tailor solutions to meet a wide range of needs and circumstances provides a true "one-stop" resource for all financial requirements," says Steensland. "We serve our clients by applying a can-do attitude, realizing that every need requires creative options."

### A New Banking Alternative

Through its loan program, prepaid card business and residential mortgage services, Marshall BankFirst is developing into a unique banking alternative.

"You would be hard pressed to find a financial institution like us, that does what we do, to the level that we do it," says Anderson. "And that's just the way we like it."

For more information, visit the firm's website at [www.marshallbankfirst.com](http://www.marshallbankfirst.com).



## Marshall BankFirst

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will look to other geographies and asset types to put their money to work. That's where we come in."

In a highly competitive field, Marshall BankFirst sits apart from the rest not only because of the loan types and terms that it offers, but also because of its approach. The company is fully aware of the trust that is necessary in a good business relationship and knows the responsibility that comes along with major finance projects.

When looking at a potential transaction, Marshall BankFirst considers a list of several criteria before taking on a deal. "Our loan underwriting starts with the strength and character of the loan's sponsorship," says Jim Clifford, executive vice president and chief credit officer.

By thoroughly researching and finding answers to key underwriting questions, Marshall BankFirst can better understand the project and its potential risks. "If the sponsorship passes our tests, we then look at the fundamentals of credit, including the current business and economic conditions, the value of the collateral being pledged and the analysis of independent, third-party appraisals to verify the stated value of the property," says Clifford.

### Stored Value Solutions

Another area of differentiation for Marshall BankFirst is in the prepaid card industry. Cashless transactions are

becoming a way of life for American consumers. According to the U.S. Department of Commerce, one third of the \$6 trillion consumers spent last year was paid with credit, debit, prepaid and other forms of cards. Market analysts project that nearly 50% of all consumer spending will be cashless by 2008.

Stored value card programs offer secure, convenient and innovative prepaid card solutions for financial institutions, government entities and corporations. As a pioneer in the prepaid products industry, Marshall BankFirst has contributed to the success of many Fortune 500 companies. "Through partnerships with card associations, networks and processors, we offer programs that are full service, operationally compliant and designed to deliver a significant return on investment," says Jeremy Kuiper, senior vice president of the Stored Value Solutions division at Marshall BankFirst.

Marshall BankFirst offers turnkey solutions with everything from plastics to reporting. Cards can be used wherever Visa® debit or MasterCard® debit cards are accepted and at ATMs worldwide. "Most importantly we manage all risks related to cardholder transaction activity so our clients can keep their customers happy," says Kuiper.

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