

**CDCI ANNUAL USE OF CAPITAL SURVEY - 2010**



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

M&F Bancorp, Inc./Mechanics and Farmers Bank

Point of Contact:	Lyn Hittle	RSSD: (For Bank Holding Companies)	332224
UST Sequence Number:	1256	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	11,735,000	FDIC Certificate Number: (For Depository Institutions)	12266
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	June 26, 2009	City:	Durham
Date Repaid <sup>1</sup> :	N/A	State:	North Carolina

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDICI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDICI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDICI investment was deployed or how many CPP/CDICI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDICI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDICI funds were outstanding).**

**Increase lending or reduce lending less than otherwise would have occurred.**

M&F was able to increase its loan portfolio and lending in 2009. The CPP proceeds supported this effort with additional capital. During 2010, due to the lack of qualified borrowers, our loan portfolio decreased.

**To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

M&F Bank was able to continue lending to owner-occupied commercial real estate loans, including loans to non-profits, churches, and small businesses.

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**Increase securities purchased (ABS, MBS, etc.).**

**Make other investments.**

**Increase reserves for non-performing assets.**

Due to the continued challenges from the recent recession, more of our borrowers are experiencing financial challenges, especially in the non-profit and faith based lending which rely on donations for support to repay loans. The CPP proceeds are allowing us to work with these borrowers.

**Reduce borrowings.**

We repaid all but one small fixed rate long term debt in early 2010, and have not needed to re-borrow except to test our lines of credit periodically.

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**Increase charge-offs.**

**Purchase another financial institution or purchase assets from another financial institution.**

**Held as non-leveraged increase to total capital.**

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**What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?**

Limiting growth of the Bank.

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**What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?**

M&F Bank was able to continue to accept customer deposits and offer loans to qualified borrowers, build on balance sheet liquidity, build a team for working with our borrowers who have experienced difficulties as the result of the economic downturn, maintain a strong balance sheet with strong capital ratios, Bancorp was able make TARP dividend payments on a timely basis, and we were able to generate net income as well as reward our stockholders with continued dividends as the result of the CPP funds.

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**Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.**

A large, empty rectangular box with a black border, intended for the respondent to provide a detailed description of actions taken with the capital infusion of CPP/CDCI funds.