



## **Mission:**

To deliver quality, sound financial services that promote agriculture, commerce and industry in North Dakota.

## **History:**

During the early 1900's, North Dakota's economy was based on agriculture. Serious in-state problems prevented cohesive efforts in buying and selling crops and financing farm operations. Grain dealers outside the state suppressed grain prices; farm suppliers increased their prices; and interest rates on farm loans climbed.

By 1919, popular consensus wanted state ownership and control of marketing and credit agencies. Thus, the state legislature established Bank of North Dakota and the North Dakota Mill and Elevator Association.

BND opened July 28, 1919, with \$2 million of capital. Over the years, our fiscal responsibilities to the state have increased dramatically. Today, the Bank operates with more than \$270 million in capital. The State of North Dakota began using bank profits in 1945 when money was first transferred into the General Fund. Since that time, capital transfers have become the norm to augment state revenues.

In partnership with more than 100 other North Dakota financial institutions, Bank of North Dakota continues to meet and expand its 90-plus year mission to promote the development of agriculture, commerce and industry in North Dakota.

## **Organizational Structure of the Bank**

### ***Industrial Commission***

The 1919 State Legislature created the State Industrial Commission whose function was to conduct and manage, on behalf of the State of North Dakota, certain utilities, industries, enterprises, and business projects. The Industrial Commission was charged with the operation, management, and control of Bank of North Dakota. The Industrial Commission is composed of the Governor (who acts as Chairman), the Attorney General, and the Agriculture Commissioner of the State of North Dakota.

### ***Advisory Board***

Also joining the State Industrial Commission in overseeing the operations of Bank of North Dakota is the Bank of North Dakota Advisory Board of Directors, which was established by state statute in 1969. The Governor of North Dakota was given the power to appoint Advisory Board members knowledgeable in banking and finance to the five-member board. The Advisory Board has since been expanded to include seven members. Duties of the Advisory Board include review of the Bank's operations and recommendations to the Industrial Commission concerning management, services, policies and procedures.

### ***Executive Committee***

Bank of North Dakota's Executive Committee consists of seven members including the president and CEO and leaders in Lending, Banking, Accounting and Treasury, Student Loans, Human Resources and Information Technology.

### ***Employees***

There are 168 people employed by Bank of North Dakota.

## **Bank of North Dakota Is an Economic Development Bank**

Bank of North Dakota has resided in Bismarck for over 90 years, moving to its current location in 2008. There are no branches of the Bank.

### ***Participation with ND's Financial Institution***

BND works in partnership with most financial institutions in North Dakota among a broad range of services and products. This efficient business model allows us to promote the state's programs and work with knowledgeable people that have the best interests of North Dakota taxpayers in mind.

**Retail Banking** – While BND does have retail products similar to other financial institutions, these services are limited in scope. Retail deposits only account for approximately 1.5 percent of our total deposits.

Federal Banking Laws and Regulations mandate financial institutions the responsibility to obtain and document appropriate identification and other pertinent information of their customers. Procedures require that all new customers open accounts in person at the Bank.

Demand Deposit and NOW accounts (checking accounts) are limited to North Dakota residents. Savings accounts and Certificates of Deposit are available to all U.S. Citizens.

### ***The Majority of Bank Deposits come from Tax Collections and State Fees***

The deposit base of Bank of North Dakota is unique. The original act of 1919 provided that all public funds were to be deposited with the Bank of North Dakota. An initiated measure in 1921 changed this by providing that all political subdivisions, with the exception of the state itself, make deposits either with private institutions or with the Bank of North Dakota. Because the law requires that all monies of the state and state institutions must be deposited with Bank of North Dakota, the state does not have the problem of allocating funds to various financial institutions.

As described in Section 9 of the original act: "**The Bank of North Dakota may receive deposits from any source, including the United States Government and any foreign or domestic individual, corporation, association, municipality, bank or government**". The Bank of North Dakota pays comparable interest on all deposits whether state or private.

### ***BND Returns Profits to the State***

Beginning in 1945 BND began transferring profits to the general fund. Since then BND has returned over \$555 million to the general fund.

### ***BND is Not FDIC Insured***

In contrast to most commercial banks, Bank of North Dakota is not a member of the Federal Deposit Insurance Corporation (FDIC). North Dakota Century Code 6-09-10 provides that all BND deposits are guaranteed by the full faith and credit of the State of North Dakota.

### ***Minneapolis Federal Reserve Bank***

BND is an online member of the Minneapolis Federal Reserve Bank. We do check processing, maintain a reserve requirement, safe keep all our Fed book entry securities and have discount window borrowing authority.

## **Bank of North Dakota Service Areas**

### ***Lending Services:***

On behalf of the State of North Dakota, the Bank administers several lending programs that promote agriculture, commerce and industry. Financing economic development is the thrust of Bank of North Dakota's efforts. The Bank is specifically authorized to assist numerous other financial institutions in providing financing to stimulate economic development in the state.

### **BND is involved in two types of lending: direct lending and participation loans.**

BND by statute can do anything any other bank can do, unless restricted by statute. Mostly by practice we do not make direct loans. However, legislative action has given express lending authority to BND for:

- The purchase or acquisition of bank stock or the formation of a bank holding company.
- The acquisition or refinancing of farm real estate by qualified individuals.
- Assistance with post secondary educational costs (i.e., student loans).

All other lending by BND is through participation with a lead financial institution. This lead lender can be any qualified financial institution - most notably a bank, savings and loan, credit union or Farm Credit Services.

**Lending Service programs include:** (See [www.banknd.nd.gov/lendingservices](http://www.banknd.nd.gov/lendingservices) for in-depth details.)

## **Farm/Ranch Financing Programs**

- **Farm and Ranch Participation Loan Program**

BND's Farm and Ranch Participation Loan Program is founded on two principles: to serve the agricultural credit needs of the state, and to ensure credit decisions are made on a sound and collectible basis. This program is broadly defined to accommodate the wide variety of credit needs in North Dakota's agricultural market.

- **Beginning and Established Farmer/Rancher Financing Programs**

Any farmer or rancher will tell you that the business of agriculture is more difficult today than it has ever been. The challenges to the young or beginning farmer are even greater. Bank of North Dakota can help you meet those challenges through one of a number of farm loan programs that makes financing more affordable and easier to access.

- **Livestock Retention/Improvement Programs**

In order to position North Dakota farmers and ranchers to survive in today's agricultural climate, Bank of North Dakota offers assistance to livestock producers with multiple programs.

- **Farm Income Diversification, Value-Added Equity Financing, and Irrigation Programs**

In another effort to bolster North Dakota's farms and ranches, Bank of North Dakota has concentrated on helping producers diversify their incomes.

- **Guarantee Loan Programs for Farmers and Ranchers**

Bank of North Dakota offers two Guarantee Loan programs to farmers and ranchers, the Livestock Loan Guarantee Program and the Farm Real Estate Loan Guarantee Program. A loan guarantee is an agreement that in the event of default under the promissory note, the Bank shall pay to the lender the percentage as described in the specific program material referenced under the Farm Real Estate Loan Guarantee Program.

## **Business Financing Programs**

Bank of North Dakota (BND) offers a number of programs that make financing easier to access, and less expensive. BND's business financing programs include:

- **Commercial Bank Participation Loan Program**

BND's Commercial Bank Participation Loan Program is founded on the principles that all loans should serve the legitimate credit needs of the state & be made on a sound and collectible basis.

The Commercial Bank Participation Loan Program is generally “market driven” in terms of the rates, terms and conditions offered to a borrower. In most instances, BND’s participation under this program is needed to assist a financial institution with a borrower whose financing needs have outgrown the legal lending or exposures limits of the originating lender.

### **Small Business**

BND has a variety of small business programs available. Listed below is a short summary of each.

- **Business Development Loan Program**

The Business Development Loan Program assists new and existing businesses in obtaining loans that would have a higher degree of risk than would normally be acceptable to a lending institution.

- **Beginning Entrepreneur Loan Guarantee Program**

This program assists in business start-up financing by providing a financial institution with an 85% guaranty of a loan not to exceed \$100,000.

- **Ag PACE Program - (Agriculture Partnership in Assisting Community Expansion)**

The Ag PACE program provides interest buydown on loans to farmers who are investing in nontraditional agricultural activities to supplement farm income. The program funds are used to reduce the interest rate on loans which have been approved by a local lender and BND. The farmer shall have as his principal occupation, prior to applying for the program, the production of agricultural commodities or livestock.

- **PACE Program - (Partnership in Assisting Community Expansion)**

The PACE Fund assists North Dakota communities in expanding their economic base by providing for new job development.

The PACE program has two major elements: (1) the participation by BND with a local lender in a community based loan, and (2) the participation by the PACE Fund with the local community in reducing the borrower's overall interest rate.

### **Flex PACE Program**

*Qualified Businesses* - The Flex Pace feature of the PACE program provides interest buy down to borrowers that do not fit into the traditional definition of a PACE qualifying business. Under Flex PACE, the community determines eligibility and accountability standards. Flex PACE allows communities the ability to provide assistance to borrowers with a business focus or need outside of the current requirements of PACE, such as jobs retention, technology creation with no new jobs, retail, smaller tourist businesses and essential community services.

## **Guarantee Programs for Businesses**

- **The Beginning Entrepreneur Loan Guarantee Program**

This program assists in business start-up financing by providing a financial institution with an 85% guaranty of a loan not to exceed \$100,000.

## **Business Incentive Programs**

In partnership with an originating lender, BND takes a lead role in providing loan programs to encourage the creation of new wealth, expanded employment opportunities and farm income diversification.

- **PACE Program**

PACE is available to finance the purchase of equipment or real estate, as well as term working capital. In conjunction with community support, the program provides an interest buy down that can reduce the borrower's rate of interest by as much as 5%. This buy down can mean an interest savings of approximately \$462,000 over the term of the loan. In return, the borrower must create one new job in North Dakota for each \$100,000 of total loan proceeds. The PACE program now includes features outlined under the Flex PACE Program and Biofuels PACE Program.

- **MATCH Program**

MATCH supports the funding needs of a borrower whose financial capacity is very strong. This strength must be evidenced by a long-term credit rating of A or better as determined by a national rating agency. For the qualifying borrower, BND offers a rate of interest equal to .25% to .50% over an equivalent term U.S. Treasury Note. The rate can be fixed for as long as five years, or may be reset annually.

## **New Venture Capital Program**

Administered by the North Dakota Development Fund, the New Venture Capital Program through the BND is an innovative financial program that provides flexible financing through debt and equity investments for new or expanding businesses in the state of North Dakota. BND can fund rapidly growing companies which require equity funding.

## **Government Guaranteed Loans for Lenders**

Bank of North Dakota offers government guaranty purchase options for those financial institutions making use of the federal guaranty programs of the Farm Service Administration (FSA), Small Business Administration (SBA) or, USDA Rural Development (RD). These programs serve two purposes. The first is to provide a below market rate of interest to start-up or troubled borrowers within the state. The second is to provide a source of liquidity for financial institutions.

- **Government Guaranteed Loan Purchase Program**

The agricultural sector is served by the Government Guaranteed Loan Purchase Program which allows BND to purchase the guaranteed portion of a fully funded FSA or RD loan. The below market rate on BND's purchase is set to provide interest rate assistance to a North Dakota farmer or rancher experiencing cash flow difficulties.

- **SBA Loan Purchase Program**

This program is designed to provide low interest rates to a business operating within the State. Bank of North Dakota's purchase is conditioned upon the firm authorization of the SBA guaranty, and also requires the benefit of the lower interest rate to be passed on to the borrower.

### **Community, Rural, and Regional Development Loan Funds**

BND manages several special loan funds for the State of North Dakota. BND administers these funds in compliance with requirements established by the agency for which BND manages the fund or by the legislature.

- **Community Water Facility Revolving Loan Fund**

This program was established to provide financing for community water projects when the project is above the maximum loan limits set by Rural Development. It is also the intent of this program to provide supplemental financing for federal loan programs associated with community water projects. Loans from this fund are made in accordance with N.D.C.C. Chapter 6-09.5.

- **Developmentally Disabled Facility Loan Fund**

This fund assists in the construction of facilities to house and train the developmentally disabled, the chronically mentally ill, and the physically disabled persons throughout the State of North Dakota.

- **Health Information Technology Fund**

The Bank administers a \$5,000,000 Health Information Technology Planning Loan Fund established by N.D.C.C. § 6-09-43 for the purpose of providing low-interest loans to health care entities to assist those entities in improving health information technology infrastructure. This fund is a revolving loan fund.

## **Bank Stock/Trust Preferred Securities Financing Loan Program**

BND's Bank Stock Loan Program provides financing options to accommodate the acquisition or refinancing of bank stock of a North Dakota financial institution. The Trust Preferred Securities Financing Program (or TPS) may provide financing to an investment company created to complete a trust preferred securities transaction for the benefit of a financial institution located within the state.

Under either loan program, BND is typically a direct lender, but may be a participant in a loan originated by another financial institution.

## **Residential Loans -**

The Residential Real Estate Financing Program provides a **secondary single family mortgage market** for financial institutions located in North Dakota and offers the people of North Dakota the opportunity of keeping their mortgage loan servicing in North Dakota.

## ***Banking Services***

Bank of North Dakota is a Correspondent Bank for most financial institutions in North Dakota. In this role, the Bank provides a secure, cost-effective service with high availability of funds. Currently, the Bank electronically processes more than 3 million items per month. BND also provides services for a number of state agencies.

### **Cash Management for Respondent Banks and State Agencies**

BND offers its Direct Cash Management System. This process enables customers from financial institutions, and other eligible corporate and state institutions, the ability to access or obtain information for managing BND accounts. Services include online wire transfer options, transfers between multiple accounts, intra-day account balance information and customized reports.

### **Correspondent Banking Services**

- **Automated Clearing House** - BND Automated Clearing House (ACH) software is designed to electronically originate and receive automated clearing house items. Through our network system, any financial institution in the state can offer its customers the convenience of ACH.
- **Check Clearing** - BND serves as North Dakota's Central Clearing House for both in-state and out-of-state items and assures quick exchange of all checks and drafts. Services and products include Check Clearing (Image Exchange Services), Paper Check Processing, and Return Item Service.
- **Federal Reserve Bank Settlement Program** - BND participates in the Federal Reserve Bank Settlement Program. Under this program, respondent institutions can utilize BND's account at the Federal Reserve Bank for automatic charge or credit of services with the Federal Reserve Bank. BND, in turn, will charge or credit the respondent's account at BND.
- **Financial Institution Currency Program** - BND provides coin and currency to financial institutions within the state of North Dakota that maintain accounts with our bank. This process enables these institutions to obtain coin and currency to meet the needs of their depositors.

## ***Treasury Services***

### **Investments**

The Investment Department's Federal Funds program includes more than 110 financial institutions in North Dakota averaging a daily volume of \$330 million.

- Safekeeping and Pledging Services cover more than 200 customers with assets of almost \$2.0 billion.

### **Trust**

The Trust Department provides Corporate Trust services for the State of North Dakota and its political subdivisions, serving as trustee for 52 municipal issues with assets of \$340 million.

- The department also offers bond register, transfer agent and paying agent services for more than 225 municipal issues with outstanding principal balances exceeding \$660 million.
- The department serves as an escrow agent for more than 330 accounts with assets of \$59 million.

## ***Student Loan Services***

Since 1967, Bank of North Dakota (BND) has been North Dakota's trusted source for high quality customer service and a range of valuable student loan options. The Bank works with individual borrowers, parents and colleges and universities to assist with the student loan process from applying through repayment, management and consolidation of a student loan.

### **Dakota Education Alternative Loan (DEAL)**

Since 1997 BND has made the DEAL loan available to students who fall short in meeting their cost of attendance at a post-secondary institution. Borrowers must fill out the FAFSA and use Federal Student Loan Programs first, meet credit criteria and choose between fixed or variable interest rate loans. Students get a host of benefits when choosing the DEAL loan and North Dakota students, and students choosing to attend school in North Dakota, do not pay the administrative fee. Consolidation is also an option.

## **Programs and Services Administered by Bank of North Dakota**

### ***Student Loans of North Dakota***

Student Loans of North Dakota (SLND), founded in 1982, is a guaranty agency for student loans made under the Federal Family Education Loan Program. SLND is dedicated to insuring student loans against death, disability and default, our core functions also include:

- promoting college access for all students,
- distributing loan information to educate borrowers,
- preventing student loan defaults for all borrowers,

- providing training and support services to industry partners,
- supporting community outreach activities,
- educating students on financial literacy,

SLND partners with the [North Dakota College Access Network \(NDCAN\)](#) to provide you with quality resources for accessing and paying for college.

For more information go to [www.starthere4loans.nd.gov](http://www.starthere4loans.nd.gov)

### ***College SAVE***

Bank of North Dakota administers North Dakota's 529 plan, College SAVE. This higher education savings plan provides many advantages for students and their families pursuing a college education. The North Dakota College SAVE plan offers valuable tax benefits, low minimums and generous maximum contributions, a range of investments from Vanguard and a Matching Grant opportunity at multiple adjusted gross income levels.

For more information go to [www.collegesave4u.com](http://www.collegesave4u.com)

### ***North Dakota Dollars for Scholars***

Bank of North Dakota partners with North Dakota Dollars for Scholars (NDDFS). With BND administering the state chapter and absorbing expenditures, NDDFS can add to the 80-plus local North Dakota chapters and disseminate more student scholarships. Dollars for Scholars chapters help hometown students achieve their educational goals by raising scholarship funds, establishing endowments, providing assistance with college readiness and the financial aid process, and distributing scholarships each year.

For more information go to [www.nddfs.org](http://www.nddfs.org)

**Other Affiliations:** Go to [www.banknd.nd.gov/affiliations](http://www.banknd.nd.gov/affiliations)

### **Access Information on the Web site at [www.banknd.nd.gov](http://www.banknd.nd.gov)**

**Annual Reports:** For a complete financial picture of the Bank go to [http://www.banknd.nd.gov/financials\\_and\\_compliance/annual\\_reports.html](http://www.banknd.nd.gov/financials_and_compliance/annual_reports.html)

**Press Releases:** Go to [http://www.banknd.nd.gov/about\\_BND/news\\_and\\_events.html](http://www.banknd.nd.gov/about_BND/news_and_events.html)

**Newsletters:** To learn more about the day-to-day activities the Bank is involved in go to [http://www.banknd.nd.gov/about\\_BND/newsletters.html](http://www.banknd.nd.gov/about_BND/newsletters.html)

### **Access Information about the Bank from North Dakota Century Code**

Chapter 6-09 The Bank of North Dakota: <http://www.legis.nd.gov/cencode/t06c09.pdf>

Chapter 54-17 Industrial Commission: <http://www.legis.nd.gov/cencode/t54c17.pdf>

Title 6 Banks and Banking: <http://www.legis.nd.gov/cencode/t06.html>