MAXIMIZING GAIN FROM PUBLIC FUNDS
Bank of North Dakota leverages profits in-state

Larger loans

A substantial portion of BND's $2.8 billion loan portfolio consists of participation loans in which BND finances part of a loan made by a local community bank. At the end of 2010, BND had about $1.2 billion in participation loans in its portfolio, an amount equal to 19% of the total value of loans by the state's small and mid-sized community banks. This allows the local banks to not only increase the amount of loans on their books (making them more money), but also participate in larger loans than they could on their own, helping them retain customers that they might otherwise lose to larger banks.

Buying mortgages

The bank began buying residential mortgages from community banks some 15 years ago, allowing the state's banks to resell their mortgages in-state (freeing up their own portfolios), rather than to large banks in major financial centers. Those larger banks used to poach those clients once they had their mortgages. As of 2010, BND held 7% of the mortgages in the state totaling over $500 million.

More banks, more lending

North Dakota has 35% more banks per capita than South Dakota and four times as many as the national average. Over the last 10 years, the amount of lending per capita by small community banks (those under one billion in assets) in North Dakota has averaged about $12,000, compared to $9,000 in South Dakota and $3,000 nationally. The gap is even greater for small business lending. North Dakota community banks averaged 49% more lending for small businesses over the last decade than those in South Dakota and 434% more than the national average!

More deposits

North Dakota's small and medium-sized banks (under $10 billion in assets) account for 72% of deposits in the state compared to a national average of 30%.

Higher loan-to-asset ratio

North Dakota's community banks maintain a higher average loan-to-asset ratio — meaning they are able to devote more of their assets to economically productive lending, rather than safer holdings like U.S. government securities. They have also generally maintained a higher average loan-to-asset ratio than their counterparts in four neighboring states and nationwide.

Source: The Institute for Local Self-Reliance (ILSR), May 2011.