

# Bank of North Dakota

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## Services

BND focuses on lending that supports North Dakota's economic priorities

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, its fiscal responsibilities to the state have increased dramatically and 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 North Dakota financial institutions, the bank continues to meet and expand its mission to promote the development of agriculture, commerce and industry in North Dakota.

# GENERAL INFORMATION

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## LENDING SERVICES

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### [Government Guaranteed Loans for Community Banks & Credit Unions](#)

#### [Government Guaranteed Loan Purchase Program](#)

The Government Guaranteed Loan Purchase Program (FSA or Rural Development) at Bank of North Dakota provides interest rate assistance to borrowers that are experiencing cash flow difficulties. 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), Bank of North Dakota offers government guaranty purchase options. These programs provide a below market rate of interest to startup or troubled borrowers within the state and provide a source of liquidity for financial institutions.

#### [SBA Loan Purchase Program](#)

The SBA Loan Purchase Program is designed to provide low interest rate loans to North Dakota businesses receiving an SBA loan guarantee. This program permits Bank of North Dakota (BND) to purchase the SBA guaranteed portion of the loan.

### [Business Financing Programs](#)

#### [Commercial Participation](#)

BND provides other financial institutions with the ability to provide their customers with larger loans than the institution normally can provide on their own. 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. BND will consider a broad range of loan applications. Desirable loans include, but are not limited to:

- Business and industrial acquisitions
- Construction, conversion, expansion, repair and modernization
- Purchase of land, buildings and equipment and the repair and modernization of the equipment
- Startup and working capital
- Refinancing an existing loan
- Any other reasonable business purpose

## Small Business

**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** assists in business start-up financing by providing a financial institution with a guaranty of 75% to 85% depending upon the loan amount. The maximum amount eligible for guaranty is \$200,000.

**Ag PACE program** provides interest buy-down on loans to farmers who are investing in nontraditional agricultural activities to supplement farm income.

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.

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

**Beginning Entrepreneur Loan Guarantee Program** helps get businesses started.

## Business Incentive Programs

**Fuel Production Facility Loan Guarantee Program** assists entities seeking to finance the construction of agriculturally derived fuel production facilities in the State of North Dakota.

The **PACE Program** 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%. The PACE program now includes features outlined under the **Flex PACE Program** and **Biofuels PACE Program**.

The **FlexPACE Affordable Housing Program** is designed to assist in the financing of affordable multi-family housing for individuals in areas of North Dakota affected by oil and gas development.

The **MATCH Program** supports the funding needs of a borrower whose financial capacity is very strong.

## New Venture Capital Program

BND may provide funding for early stage companies which can show clear proof of completed product development and market acceptance as evidenced by growing sales.

The **New Venture Capital Program** will invest up to \$300,000 with appropriate capital structures favoring the following investment instruments:

- Subordinated debt with warrants to acquire common stock.
- Preferred stock with warrants to acquire common stock.
- Common stock.

**Child Care Loan Program** Provides financial assistance to North Dakota Child Care Providers.

### **Residential Real Estate Financing Program**

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. A local lender originates the loan and sells it to BND. BND services the loan.

### **Farm/Ranch Financing Programs**

#### **Farm and Ranch Participation**

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**

BND provides direct financing of farm real estate through the following:

- **Beginning Farmer Loan Programs** allow up to \$400,000 to finance real estate purchases and an additional \$400,000 to finance chattels at below-market interest rates.
- **First Time Farmer Finance Program** is administered through BND as well. The program provides funding to purchase farm real estate or equipment at a tax-exempt rate. No more than \$250,000 of the \$477,000 aggregate loan amount can be used for Agricultural improvements and Depreciable Agricultural Chattel Property. In addition, within the \$250,000 limitation, no more than \$62,500 can be used for Depreciable Agricultural Chattel Property.
- **Established Farmer Real Estate Loan Program** allows up to \$2,000,000 to finance real estate debt over an extended term with competitive fixed and variable interest rates.

In participation with a local financial institution, BND offers:

- **Farm Operating Loan Program** allows up to \$400,000 at below-market rates to fund annual operating expenditures.
- **Family Farm Loan Program** allows up to \$400,000 at below-market rates to finance equipment, livestock or real estate purchases.

## [Livestock Retention and Improvement Programs](#)

**Farm and Ranch Bank Participation Loan Program** total loans at any one time to a single borrower may not exceed 15% of BND's total capital. BND will consider a broad range of loan applications.

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 the following programs:

**Ag PACE Program** provides incentive financing to encourage North Dakota farm families to:

- Purchase equity shares issued by a new or expanding value added agricultural processing facility
- Develop irrigated acreage
- Develop a business that can be integrated into the farming operation
- Improve or expand finishing facilities for livestock retention
- Purchase capital improvements for dairy operations
- Purchase equity shares in a condominium storage facility
- Develop a subsurface field tiling project
- Qualifying borrowers will receive an interest buy down that can reduce the interest rate by up to 4%. This buy down can amount to an interest savings of approximately \$20,000 per biennium with a lifetime cap of \$60,000. An additional \$20,000 of interest buy down is available for funding the purchase of irrigation equipment on new irrigated acreage.

**Family Farm Loan Program** allows up to \$400,000 at below-market rates to finance or refinance equipment, livestock or real estate purchases.

**ENVEST Program** provides a below market interest rate for North Dakota farmers and businessmen to purchase shares in start-up or expanding agricultural processing facilities.

Interest buy down up to 4% is available to purchase equity shares in a North Dakota feedlot or dairy operation that feeds a byproduct of an ethanol or biodiesel facility.

**Livestock Waste Management System Loan Program** provides low interest financing to livestock producers for installing waste management facilities.

**Beginning Farmer Chattel Loan Program** may be used by a Beginning Farmer to purchase livestock and/or equipment. A Beginning Farmer is someone who has not been farming for more than 15 years, whose net worth is less than \$500,000, and whose principal occupation is or will be the production of an agricultural commodity on a family farm.

[Farm Income Diversification, Value-Added Equity Financing, and Irrigation Programs](#)

**Biofuels PACE Loan Program** may be used for livestock operations located in North Dakota that feed, handle, milk, or hold livestock with part of its operation using a byproduct produced at a biodiesel or an ethanol production facility.

In order to position North Dakota farmers and ranchers to survive in today's agricultural climate, Bank of North Dakota has concentrated on helping producers diversify their income sources by offering the following programs.

- **Ag PACE Program** (see above)
- **ENVEST Program** (see above)
- **Biofuels PACE Program** (see above)

[Guarantee Loan Programs for Farmers and Ranchers](#)

Assists farmers with the purchase or the restructuring of agricultural real estate loans by providing a financial institution with a 75% guarantee of total loans that do not exceed \$400,000 to an individual borrower.

[Community Water Facility Revolving Loan Fund](#)

**[Community Water Facility and Health Information Technology Funds](#)**

BND manages 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.

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.

[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 \$10 million 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.

## STUDENT LOANS & EDUCATION PROGRAMS

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### [Dakota Education Alternative Loan \(DEAL\)](#)

The DEAL loan is one of the most competitive alternative loans in the nation. North Dakota students or those who attend school in ND pay zero fees, have the option of a fixed interest rate of 4.37% or a variable interest rate of 1.86% and can count on quality local customer service

### [DEAL Consolidation Loan Program](#)

This program allows students to consolidate education loans including the DEAL loans and other alternative loans. Beginning January 1, 2013, North Dakota parents may include a PLUS loan (Parent Loan for Undergraduate Students) in a DEAL Consolidation Loan.

### [Sponsored Programs](#)

Bank of North Dakota (BND) is heavily involved in many programs that tie to its mission. They view encouraging and promoting financial literacy, higher education, and career exploration is a key to a strong workforce in the state. BND's involvement includes administering two programs and providing expertise and resources to several others.

**College SAVE**, North Dakota's 529 plan, is administered by BND. College SAVE encourages families to save for college-related expenses.

**North Dakota Dollars for Scholars (NDDFS)** BND provides administration for the state chapter of Dollars for Scholars (DFS). Dollars for Scholars empowers communities and groups to help themselves by helping to educate their young people.

**College Goal Sunday** College Goal Sunday is an annual event held in February. Students and parents can get free on-site professional assistance in filling out the Free Application for Federal Student Aid (FAFSA) form.

The **North Dakota Jump\$tart Coalition** is a non-profit organization with members from more than 35 organizations representing business, government, non-profit organizations and education who have joined together to improve the personal financial literacy of all North Dakotans.

**RUReadyND** helps students, parents, and educators explore career and education options.

## BANKING SERVICES

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### [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.

### [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](#)

United States Currency BND provides coin and currency to financial institutions within the state of North Dakota that maintain accounts with the bank. This process enables these institutions to obtain coin and currency to meet the needs of their depositors. Foreign Draft Program In addition to BND's Financial Institution Currency Program, its Retail Department supplies drafts issued in various foreign currencies to established customers of Bank of North Dakota.

### [Cash Management](#)

This process enables customers from financial institutions, and other eligible corporate and state institutions, the ability to access or obtain information from BND Direct for managing BND accounts. [BND Direct](#) enables customers to access their account data via the Internet.

### [Canadian Currency Exchange Rate](#)

Canadian currency may be bought from or sold to the Bank by established BND customers. This enables these depositors to maintain their foreign currency on hand to meet their customers' needs.

## TREASURY SERVICES

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### [Correspondent IP \(Bond Accounting\)](#)

BND provides bond accounting services for financial institutions. On a monthly basis, BND provides portfolio accounting reports to bond accounting customers. These reports include the updated market values for all securities. Customers may choose from several month-end reports.

### [Corporate Trust](#)

BND provides corporate trust services for the State of North Dakota and its political subdivisions including trustee, escrow agent, paying agent, bond registrar and transfer agent.



## **Federal Funds**

BND provides:

- Overnight Federal Funds, Bank of North Dakota ensures an active market for Federal Funds (Fed Funds) trading. The Bank provides a daily market for the purchase of funds from or the sale of funds to a financial institution.
- No Day Out. BND also offers a no day out unsecured Fed Funds program to banks that use BND as their primary safekeeping depository.
- Secured Federal Funds. BND will establish a Secured Federal Funds line for financial institutions interested in establishing a secured line of credit.
- Term Federal Funds Sold. To accommodate your seasonal borrowing needs, BND expanded its current Fed Funds program to include Term Fed Funds Sold.

## **Letter of Credit Pledge for Public Deposits**

Bank of North Dakota will issue a Letter of Credit (LOC) for public deposits.

## **Safekeeping and Pledging Services**

BND provides a safekeeping service for U.S. Treasury securities, federal agency securities, corporate bonds, municipal bonds, money market investments and mortgage-backed securities. BND will hold securities primarily for financial institutions, insurance companies, and State agencies.