

Senate Appropriations, Education and Environment Subcommittee

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SB2014 / Bank of North Dakota

Kelvin Hullet, Chief Business Development Officer

Chairman Sorvaag and members of the committee. I am Kelvin Hullet, Chief Business Development Officer for the Bank of North Dakota. Today, I am here to provide testimony in support of a proposed amendment for BND. The proposed amendment will increase the Bank's ability to maintain confidentiality of records in partnership with local financial institutions across the state.

Today, under section 6-08.1-02, BND is required to provide the name of a business entity and the amount of the loan in which BND is participating with a local financial institution. In current code, BND must also provide the same information for a direct loan, loan guarantee or letter of credit primarily for purposes other than personal, family or household purposes.

As you know, BND's commercial and agriculture lending portfolio is done in coordination with local financial institutions across the state. If a local financial institution receives a request for a loan that is over their lending limit or creates a concentration issue, BND will participate in the loan enabling the local FI to maintain its relationship with that customer.

Since BND is a participation bank with a mission of supporting the state's private financial sector, the super majority of the time, a customer does not know that BND is holding part of the loan. As such, if an open records request is received and that customer's information is made public, it will come as a surprise to that local customer. This then creates a trust issue for the customer with their local financial institution.

In addition, it creates a trust issue between BND and the local financial institution. When that local FI has a need for a participation loan in the future, they may reconsider their decision to participate with BND and instead seek out a private sector financial institution as a partner. If this occurs, it is detrimental to the bank's mission and the local FI's.

As you will see with the language, direct loans made by BND and program loans will continue to be available through open records. In addition, any loan that is determined to be not collectable by the Industrial Commission will also be open to public record.

The amendment that is requested in 6-09-35 adds a section 6 to identify that specific records, not related to lending are protected as confidential information. These records include: bond and cyber liability insurance. It seems obvious that these types of coverages should not be open to public record as it reveals information, that if released, will be detrimental to the Bank.

Mr. Chairman and members of the committee, we ask for you to adopt the amendments and will stand for any questions.