

January 6, 2020

Kelvin Hullet, Market Manager for ED Finance and Government Programs
Testimony on House Bill 1050
House Industry, Business and Labor Committee

Chairman Lefor and members of the Committee. I am Kelvin Hullet, Market Manager for Economic Development Finance and Government Programs, here today representing Bank of North Dakota. House Bill 1050 was introduced on behalf of the Bank to amend NDCC 54-60.1-01 to exempt BND's interest rate buy down programs (PACE programs) from the reporting requirements of this section. We ask for your support of this proposal to enhance BND's efficiency and ability to use staff time on banking related programming.

PACE Program Use At BND

The reason for BND's request to the Legislature for the exemption from reporting requirements is based on a request from the BND loan processing department. This department consists of 12 people that touch every commercial and agriculture loan in which BND participates. Their hope is to gain back the hours to provide banking services as opposed to tracking forms.

Within the PACE programs, it is only the original, "PACE" program that utilizes job creation as a component to access the buydown. Flex PACE, Ag Pace and Biofuels PACE do not provide for a job creation requirement.

Fulfilling BIA Reporting Requirements

To give you an idea as what goes into the time requirements per loan, the following five steps are required by BND operations staff to fulfill the statutory requirements.

1. A Business Incentive Agreement (BIA) is created for every loan with buydown that needs to be sent to the borrower to sign along with an Accountability Information Release form.
2. When the BIA is returned, a designated individual reviews the document for completeness. This individual then enters the required information into the DOC tracking system. BND utilizes its' tracking item system to track loans that require annual recipient report tracking.
3. Annually, when it is time for the Recipient Report (RR) to be sent out, BND prepares a letter to be sent to the originating financial institution along with a copy of the Recipient Report which is provided by DOC. The letter and RR are sent, and a copy is scanned into the imaging system.
4. When BND receives the completed RR back, the updated goal information is entered into the DOC website. This same process happens each year for 2 years.
5. If the loan is a Flex PACE loan, after two years BND discontinues tracking. All other loans with an incentive to meet, even if not job creation, are continued to be tracked for the life of loan, along with sending out a separate confirmation to ensure they are meeting the goal of the program.

The initial process of preparing the BIA, sending it out and updating the DOC website when the BIA is returned takes approximately 15 minutes per loan. The annual recipient report verification takes approximately 10 minutes per year, per loan for BND. This does not include the time it takes for the lead financial institutions or the respondent to fill out the required forms.

Program	2016	2017	2018	2019	2020
PACE	3	5	11	12	11
Flex	238	272	117	144	141
Ag Pace	39	40	64	66	67
A.F. House	17	18	3	4	7
Biofuels	4	6	10	7	6
Total Loans	301	341	205	233	232
Hours Required	125.42	142.08	85.42	97.08	96.67

In 2019, BND provided over \$68.5m of incentive funding through its buydown programs. Of the 482 active agreements with BND, 464 did not have any job creation or retention requirements. As noted earlier, among the interest rate buydown programs, the original PACE program is the lone program offering a buydown component based on job creation.

Request to Legislature

Bank of North Dakota operations staff processes over \$1 Billion dollars in loans each year. The intent of exempting BND from the BIA reporting is to utilize the hours providing loan services to financial institutions across the state. The Bank asks for your support of HB1050.