INDEPENDENT COMMUNITY BANKS
of NORTH DAKOTA

House Bill 1283

Presented by:	Barry Haugen, President Independent Community Banks of North Dakota ("ICBND")
Before:	House Industry, Business and Labor Committee Representative Scott Louser, Chairman
Date:	January 24, 2023

Chairman Louser and members of the House Industry, Business and Labor Committee (Committee), my name is Barry Haugen, and I am President of the Independent Community Banks of North Dakota (ICBND). ICBND membership totals over 50 independent community banks throughout our state. ICBND opposes HB 1283 and requests a "Do Not Pass" recommendation from the Committee.

While we appreciate the bill sponsors' intent of guarantying financial services to all legal and viable enterprises, ICBND believes HB 1283 has significant unintended consequences for community banks in North Dakota, as well as for their individual and business customers.

Community banks are wholeheartedly in the business of doing business with industries that are critical to the economy of North Dakota. Our members do this every day through a relationship-based model. In addition, community banks are already subject to significant anti-discrimination laws including the Equal Credit Opportunity Act (ECOA) which applies to consumer and business lending activities. These laws are enforced by federal prudential regulators including the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of Currency (OCC) and the Federal Reserve Board (Fed).

Section 1 paragraph 1 of the bill includes some entities that are not under the purview of the Department of Financial Institutions of the State of North Dakota, including nationally chartered banks and thrift institutions, which immediately creates a problem. As a result, the legislation and its reporting requirements would unfairly apply only to state-chartered financial institutions.

Section 1 paragraph 2(a) would limit a community bank's decision to extend a financial product or service specifically to quantitative, impartial, risk-based financial standards. This flies in the face of the relationship-based model of community banking where decisions do not fit nicely into a defined decision matrix. Nor would we want them to. Lending decisions are often made based on the "character" of the borrower and that community bank's experience with the potential borrower or reputation of that potential borrower. Extensions of credit are often granted when these same "quantitative, impartial, risk-based financial standards" would not warrant extension of credit. And, at times, extension of credit is denied even though these aforementioned financial standards would have been met. Additionally, not every community bank has the expertise to effectively lend to every industry. For example, much of my personal history is in the fossil fuel pipeline and energy services business. Not every community bank would be comfortable lending to entities in this space not because of the industry, but because of their lack of lending expertise to that very unique industry.