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Donna G. Baller
Operator's Signature

10/2/03
Date

2003 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1116

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Doreen Hall
Operator's Signature

10/2/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1116

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1-14-03

Tape Number	Side A	Side B	Meter #
3	XX		0.3--17.0
Committee Clerk Signature <i>Pam Deven</i>			

Minutes: **Chairman Keiser:** Let's open HB1116.

Bob Humann, Bank ND, Senior Vice Pres. Of Lending: In support. (SEE ATTACHED)

Rep. Ekstrom : (7.7) When you are going in as a co-guarantee with the federal government, who will be taking first position?

Bob: The way we see it, to guarantee any losses that would be paid on that would be on a pro rata basis. (50% SBA, 35% BND) If there was a loss of \$10,000, BND would incur a \$3500 loss and SBA would incur a \$5,000 loss.

Rep. Dosch: I'm concerned with the level of risk that BND is assuming with this type of guarantee.

Bob: We would limit the potential amount of guarantees that the bank could issue under a new program. We don't want to jeopardize the bank's profitability.

Rep. Dosch: In regards to the holding company's TOPS loans, right now you are required to lead banks on those types of loans. This allows you to go direct. Is there any concern from local banks

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Dorinda Haldrup
Operator's Signature

1/2/03
Date

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House Industry, Business and Labor Committee
Bill/Resolution Number HB1116
Hearing Date 1-14-03

that BND would be excluding them from this type of financing? Second part, if the bank holding company and the ownership is mired, what are the advantages for them to set up this type of financing again? Is it being able to write off the interest expense or how it is carried on the books?

Bob: We were looking at whether or not we needed to find a lead vendor or not on these TOPS(?) transactions. The problem that has created for us is we had a holding company come to us and had this TOPS(?) transaction they had in mind and they want to get financing from us just like we provide bank stock to bank holding companies. We look at the package and we decide if we can be a player in that loan package. We ask that bank holding company to go out and find a lead lender. They don't want to be in that position. They may have to share their financial with another bank in the state, which they would just as soon not do, for competitive reasons. The second question was some of the tax advantage with the TOPS. The biggest reason is for tax reason. They can get capital into their bank without having to actually inject that capital. They are taking that money out of their own pocket.

Chairman Keiser: It seems to me one of the securities of having that third bank involved with the strict requirements is to lessen our risk. If we eliminate them, we are increasing our risk, true?

Bob: That has not been our experience. We spend lots of time convincing our lead lender that this deal makes sense and we have to walk them through the complexity of this. It is more cumbersome for us. We'd like to eliminate this step.

Chair Keiser: The SBA frequently goes out on the market and sells that package at a discount. What sort of problems does that create for this transaction or BND?

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1/12/03
Date

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House Industry, Business and Labor Committee
Bill/Resolution Number HB1116
Hearing Date 1-14-03

Bob: We have not worked out the details. We would probably set some sort of co-guarantee program that would not allow SBA to package these guarantees and have them sold off. We want to keep the servicing in ND. We put the co-guarantee perimeters in SBA; we would tell them that any co-guarantee they would not be able to sell their portion off.

Chair Keiser: Any opposition? Seeing none, we are closed.

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Deanna Ballbrink
Operator's Signature

1/21/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1116

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1/20/03

Tape Number	Side A	Side B	Meter #
1	x		12.1-17.0

Committee Clerk Signature *Judith Hamman*

Minutes: **CHAIR KEISER** called for committee work on HB 1116. He stated that this is a new area for the Bank of North Dakota to get into and suggested a four year sunset clause be drafted as an amendment.

REP. RUBY: Would pending loans be caught up in a the sunset clause?

REP. NOTTESTAD: Should this be discussed with BND?

REP. DOSCH: No.

REP. EKSTROM: BND should and would know if its programs are working.

REP. KLEIN: Let's draft it right now.

CHAIR KEISER: That's a good suggestion. We'll take a five minute break before we begin today' hearings.

Concluded.

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Doreen Haldrup
Operator's Signature

10/2/03
Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1116

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 1/21/03

Tape Number	Side A	Side B	Meter #
3	x		18.0-25.0

Committee Clerk Signature

Judith Hammer

Minutes: Chairman Keiser called for committee work on HB 1116.

Rep. Dosch walked the committee through his proposed amendment that will put a four year sunset clause on their ability to guarantee loans so it can be revisited to see how well the program is working. BND will only co-guarantee particular loans with federal agencies which will not be allowed to sell the guarantees on secondary market. These will be loans that will originate in ND and serviced by ND financial institutions.

Rep. Klein requested that Rep. Dosch read the proposed amendments.

Rep. Dosch: page 1, line 3, after "transactions" insert "and to provide loans and provide expiration date". Page 2, line 23, add "o. The authority to guarantee loans shall expire July 31, 2007." Rep. Dosch stated that legislative intent is authority to do something similar to what the SBA does at present: to guarantee a percentage to a lead lender should the loan default. This provides the lead lender more security and confidence to be more aggressive in making loans.

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Dorinda Ballantyne
Operator's Signature

1/21/03
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