

History of BND

In 1836, the U.S. Congress did not renew the charter for the Second Bank of the United States, opening the door for states to start their own banks. Alabama, Kentucky, Illinois, Vermont, Georgia, Tennessee and South Carolina all created banks that were completely owned by the state government. Missouri, Indiana and Virginia had banks with the State holding a majority interest and a number of other states created banks with the State owning a minority interest. By 1900, only Virginia and Kentucky survived. Today, these two banks are no longer functioning.

During the early 1900s, North Dakota's economy was based on agriculture, specifically wheat. Frequent drought and harsh winters didn't make it easy to earn a living. The arduous growing season was further complicated by grain dealers outside the state who suppressed grain prices, farm suppliers who increased their prices, and banks in Minneapolis and Chicago which raised the interest rates on farm loans, sometimes up to 12%.

North Dakotans were frustrated and attempts to legislate fairer business practices failed. A.C. Townley, a politician who was fired from the Socialist Party, organized the Non-Partisan League with the intent of creating a farm organization that protected the social and economic position of the farmer.

The Non-Partisan League gained control of the Governor's office, majority control of the House of Representatives and one-third of the seats in the Senate in 1918. Their platform included state ownership and control of marketing and credit agencies. In 1919, the state legislature established Bank of North Dakota (BND) and the North Dakota Mill and Elevator Association. BND opened July 28, 1919 with \$2 million of capital.

Several sections of the North Dakota Century Code address the creation of the Bank, its oversight and role in the state. Today, the North Dakota Legislature will appropriate funds from BND when needed through the budget process or state law.

- [Chapter 6-09 The Bank of North Dakota](#)
- [Chapter 54-17 Industrial Commission](#)
- [Title 6 Banks and Banking](#)

BND has responded to the state's needs since its inception. When teachers were paid with warrants rather than cash during The Great Depression, BND paid them in full rather than with the 15 percent loss they would take when trying to cash it elsewhere. In the 1940s, BND sold back farmland which had been foreclosed during the 30s, usually to the original families who owned it and had been allowed to remain on the land and farm it.

In 1945, BND made its first transfer of funds to the State's General Fund, \$1,725. By the end of the 1950s, most of the farmland purchased from farmers during the Great Depression had been sold.

Governor William Guy took office in 1961. His belief that the Bank should serve as an engine for economic development highly influenced its course. The commercial loan portfolio increased significantly by partnering with financial institutions for participation loans. In 1967, BND made the first federally-insured student loan in the United States. In addition to economic development support, BND has provided recovery funding during disasters such as the 1997 floods in Grand Forks and the 2011 floods in Minot and Bismarck.

Today, in partnership with more than 100 North Dakota financial institutions, BND fulfills its mission to promote the development of agriculture, commerce and industry in North Dakota. The operating policy, established in 1919, stated that the Bank shall be "helpful to and to assist in the development of state and national banks and other financial institutions and public corporations within the state and not, in any manner, to destroy or to be harmful to existing financial institutions." The Bank's operating policy continues to serve as a guiding principle for the Bank's work in our state.

Bank of North Dakota has been located in Bismarck since it opened in 1919, moving to its current location in 2008. There are no branches of the Bank, but business bankers are stationed in offices in Fargo, Grand Forks and Minot.

Several organizations have conducted research on BND.

- New England Public Policy Center Research Report 11-2 May 2011: [The Bank of North Dakota: A model for Massachusetts and other states?](#)
- Vermont Digger January 25, 2010: [Expert testimony: Should Vermont form a state-owned bank?](#)