

Protecting Your Financial Interests



Government of the District of Columbia
Department of Insurance, Securities and Banking

DC Public Bank Feasibility Study

The District is evaluating the feasibility of establishing a public bank. If feasible, a public bank could enhance the District's fiscal management, improve returns on District funds, and provide a more robust lending climate in the District.

The District of Columbia Fiscal Year 2018 Budget provided funding for DISB to conduct a feasibility study that includes;

- Determining the functions of a Public Bank
- Defining governance considerations
- Establishing operational and policy considerations
- Assessment of the financial and economic impacts

What is a Public Bank?

A public bank is a chartered depository bank in which public funds are deposited. It is owned and operated by a government unit such as a state, county or city.

- In contrast to conventional banks, a public bank is likely to have a mandate for serving a public mission which reflects the values and needs of the public that it represents.
- The Bank of North Dakota (BND) is the only active public bank in the contiguous United States, formed in 1919 following a crisis in the agricultural sector and a constriction on credit available to local businesses. Please visit <https://bnd.nd.gov>



Public Banking in a U.S. Territory

Territorial Bank of American Samoa (TBAS) is a full service bank, owned and operated by a local government.

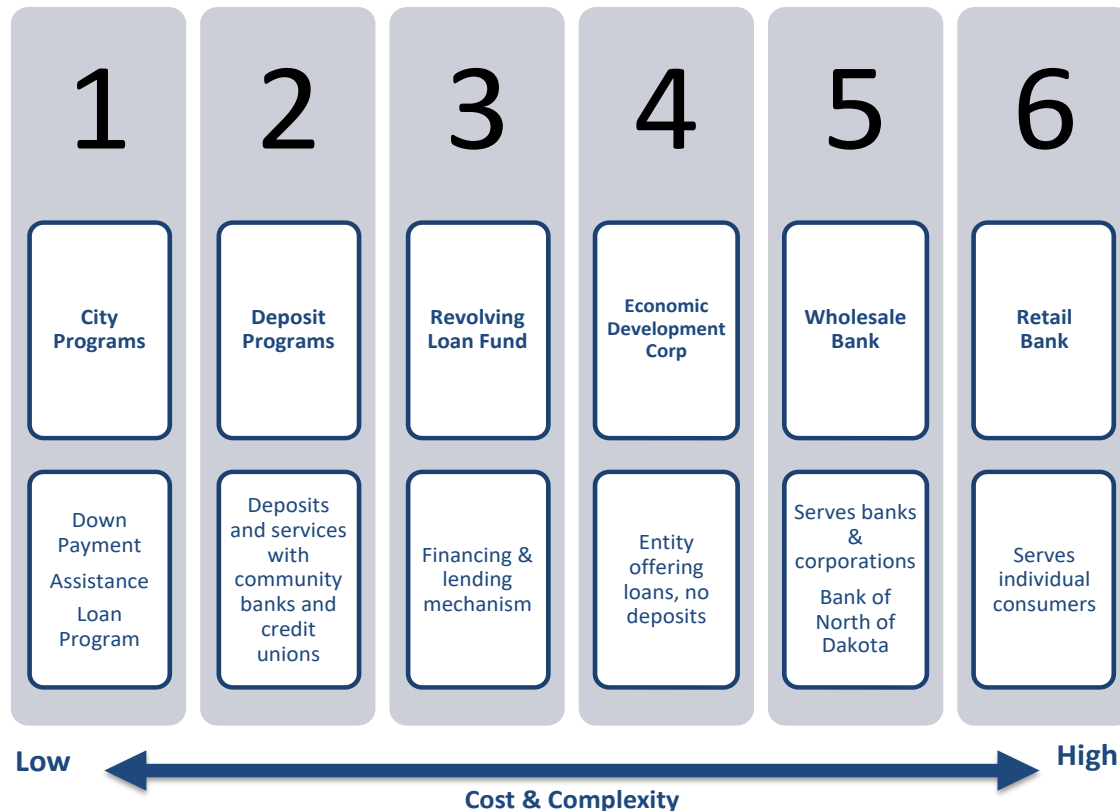
- Obtained Federal Reserve approval in the 2nd quarter of 2018
- TBAS focuses on providing business loans in the Territory.
 - There had not been any commercial lending five years prior to approval
- Capital for infrastructure modernization and recovery efforts from Cyclone Gita was a driving factor.

Please visit <https://www.mytbas.com>





Spectrum of Public Banking Services



Local Lending Focus

Public banks can be chartered and managed so they lend only within the jurisdiction that set them up.

Lowered Risk (Investments)

Public banks can be prohibited from speculating in risky derivatives that can't be adequately regulated. This would prevent the occurrence of practices that caused the 2008 financial crisis.

Measurable Impact

Public banks can deploy funds for local economic development and infrastructure investment, benefiting the community it serves.

Increased Risks

The Federal Reserve believes that the income a city or state can gain by having a public bank is "relatively minor" and that the risk of losses is "real". The Fed also proports that the transfer of a city's capital from private banks to a public bank could disrupt an entire local economy.

Unique Public-Sector Banking Requirements

The internal infrastructure required for establishing a full service public bank that handles approximately \$2.3B in District deposits is major. Additionally, the development of a banking charter, formation of an independent commission, the creation of operating and governance model, a staffing, technology and risk management framework would be a significant investment of financial resources and time.

Capitalization

Capitalizing a public bank could have a financial impact on District residents. It could require the use of District's reserves, which would raise the interest rate on bond financing. The interest rate increase would raise the overall cost of public works and school projects and adversely increase the District's credit rating. Public bank funding could also be achieved via a tax increase or creation of a new tax.

DISB



Potential Use Cases





Partnership in Community Expansion Fund

PACE Fund Overview

Bank of North Dakota administers a revolving fund (**PACE Fund**) which is used for the purpose of buying down the interest rate on loans made by a lead financial institution in participation with the Bank of North Dakota.

- The PACE Fund helps expand economic development by assisting Primary Sector businesses that make an investment or create jobs in their community.
- The Bank of North Dakota's participation does not exceed eighty percent nor be less than fifty percent of the total loans.





PACE Small Business Interest Rate Buydown

PACE funds are used for participation in an interest rate buydown on a loan to a new or expanding business for the following eligible uses:

- a. Purchase of real property and equipment
 - b. Expansion of facilities
 - c. Working capital
 - d. Inventory
- The funds for the community's portion of the buydown may come from a local development corporation, contributions, community funds, future dedicated tax programs, or any other community source.
 - The maximum amount from the fund in the interest rate buydown may not exceed five hundred thousand dollars per loan.
 - The fund participation must be limited to the amount required to buy down the interest to five hundred basis points below the national prime interest rate.





Additional Use Cases

1. Financing or factoring of District government receivables
2. Sharing risks with CDFI's, community banks and micro-lending programs.
3. Affordable Housing
4. Financing for green development projects
5. Low- interest financing for commercial/ industrial real-estate
6. Infrastructure





Join a Focus Group Today!

Proposed Focus Group Topics

- Public Banking Community
- District Government Fiscal Policy and Cash Management and Investment Functions
- Banking and Investment Community
- Economic Development
- Affordable Housing
- Small Business
- Public Bank Structure
- Student Loan Financing
- Support of Small Banks and Credit Unions
- Public Bank Mission and Governance
- Start-up Costs and Capitalization
- Legal Issues (Requirements and Constraints)
- Public Infrastructure Financing
- Consumer Issues
- Environmental/Sustainability Financing
- Business Community Issues
- Nonprofit Community
- Debt Service and How a Public Bank could save the District money on Debt Service
- Leadership Development – who will work at the bank

If you are interested in participating in a Public Banking Feasibility Study Focus Group please send your contact information to

PublicBank.FeasibilityStudy@dc.gov

