

Op Ed:

Immediate Release:

9/26/2008

Rick Clayburgh
President and CEO
North Dakota Bankers Association
Phone: 701.223.5303

North Dakota Banks: Safe, Sound and Serving Their Communities

Let's set the record straight: North Dakota banks are safe and sound and federally-insured. Not one penny of insured savings has ever been lost by a customer of an FDIC-insured bank. Deposits are insured by the FDIC for up to \$100,000 per depositor per insured bank and up to \$250,000 for retirement accounts.

North Dakota is in a strong financial position and so are North Dakota banks. Our state's 104 banks with over 400 locations remain the backbone of our economy, putting deposits to work in North Dakota communities. Here's why our banks have stayed strong:

- Banking capital, which serves as a buffer against any losses, is at an historic high. As of June 30, 2008, North Dakota's FDIC-insured banks held more than \$1.931 billion in equity capital and maintained adequate loss reserves to cover net losses by more than 25 times over.
- Banks are regularly and thoroughly examined by state and/or federal regulators who focus on institutional performance, capital adequacy, soundness and risk management. We have no reason to believe that any regulator expects any North Dakota bank to fail.
- North Dakota has not experienced the problems associated with the subprime debacle because North Dakota banks did not participate in predatory or unsound mortgage lending. The financial problems our nation faces are primarily the result of subprime loans being issued by unregulated mortgage brokers with access to an under-regulated capital market.

Headlines can be misleading, and in a time of financial crisis, that can make matters worse. Pick up a paper or listen to the quick bursts of news on TV or radio and what you get are "banking" crisis and market turmoil.

The fact is, words matter. And when one word is used to mean several different things, it inevitably creates confusion. For example, most people know what a bank is – or think they do. However, Bear Stearns, Lehman Brothers and Merrill Lynch are not commercial banks. They are not insured depository institutions. They are "investment banks," which operate differently from commercial banks. Their primary purpose is to facilitate the sale

of stocks and bonds. The word bank is also applied to mortgage firms, whose function, purpose and regulation differ from federally-insured depository institutions.

Commercial banks take deposits for checking and savings accounts from consumers and businesses. These banks lend this money to consumers and companies for autos, homes, business equipment, and other uses. Commercial banks also play an important role in our local communities and in our nation's economy. They are a source of stability and of growth. And the vast majority of commercial banks today hold more capital than the law requires. In fact, 98 percent of the nation's 8,500 banks are considered "well capitalized," the highest designation possible.

The safest place for your money is in a bank, where it earns interest, is FDIC-insured and is accessible. Rest assured, commercial banks in North Dakota are safe, sound and serving their communities.