

Bond Case Briefs

Municipal Finance Law Since 1971

Philadelphia Bill Would Establish First Ever Municipal Public Bank Entity.

The stated mission of the proposed Philadelphia Public Financial Authority is to support Black-owned businesses and other businesses in neighborhoods that have historically lacked access to credit.

After coming into office in 2016, the first bill Philadelphia City Council Member Derek Green passed was a resolution to initiate hearings on establishing a “public bank” in Philadelphia.

That resolution took as a model the state-owned Bank of North Dakota, established in 1919 and still a thriving, profitable institution with \$10 billion in assets today. By law, all of the state government’s deposits are held at the Bank of North Dakota. With that as its deposit base, the bank partners with private banks and credit unions all over the state to finance economic development, making loans to support everything from huge infrastructure projects to small local businesses like F-M International Foods, an immigrant-owned grocery store in Fargo.

In order to avoid competing with the private sector, the state-owned bank primarily uses what’s known as “loan participations” — private lenders originate the loans, but behind the scenes the Bank of North Dakota agrees to supply a share of the borrowed amount in exchange for a share of the interest paid on the loan. Loan participations are a way for banks to manage risk and do more loans or larger loans than they otherwise might by themselves. In a typical year, the Bank of North Dakota says it makes around 800 business and agriculture loans in partnership with private lenders across the state. In 2020, it made more than three times that amount: 2,500 loans as well as emergency grant distributions.

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NEXT CITY

by OSCAR PERRY ABELLO

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