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Analysis

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**North Dakota businesses dominated the PPP. Their secret weapon? A century-old bank founded by radical progressives.**

Bison grazing at Theodore Roosevelt National Park in Medora, N.D., in 2017. (Beth J. Harpaz/AP)

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By

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In the first few chaotic weeks of the Paycheck Protection Program, federal officials and banks throughout the country struggled to get bailout funds to small businesses as layoffs and furloughs climbed into the tens of millions.

[3 million Americans filed jobless claims last week, pushing eight-week total to 36.5 million](https://www.washingtonpost.com/business/2020/05/14/unemployment-jobless-claims-coronavirus/?tid=lk_interstitial_manual_3&itid=lk_interstitial_manual_3)

But there was one exception, a place where loans found their mark more quickly than any other: North Dakota.

Small businesses there secured more PPP funds, relative to the state’s workforce, than their competitors in any other state — more than $5,000 per private-sector worker as of May 8, according to a Washington Post analysis.

In the program’s troubled first round in particular, the state put business lenders in the rest of the country to shame. North Dakota small businesses appeared to have a significant advantage in administration and organization.



What’s their secret? Much credit goes to the century-old Bank of North Dakota, which — even before the PPP officially rolled out — coordinated and educated local bankers in weekly conference calls and flurries of calls and emails.

According Eric Hardmeyer, BND’s president and chief executive, BND connected the state’s small bankers with politicians and U.S. Small Business Administration officials and even bought some of their PPP loans to help spread out the cost and risk.

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“They were really expeditious and efficient,” said Robert Hockett, a Cornell Law School professor and a veteran of the Federal Reserve Bank of New York. “There was no leakage — the sort of ridiculous fee-charging that tends to happen when you do it through larger banking entities.” He added later that because BND is a public institution, “it isn’t really designed to maximize revenue lines by finding as many places to assess fees or brokerage charges as possible.”

BND was founded in 1919 after the Nonpartisan League, started by A.C. Townley after he failed to win office as a socialist, swept into control of state government. Public banks once served many states, especially before the Civil War, but today BND is the last of its kind. ([American Samoa launched its own public bank, under a different model, in 2018](https://www.washingtonpost.com/news/wonk/wp/2018/05/09/when-banks-abandoned-american-samoa-the-islands-found-a-century-old-solution-that-could-be-the-future-of-finance/?tid=lk_inline_manual_14&itid=lk_inline_manual_14).)

Public banks are typically owned by state and local governments, which deposit their revenue there. The public banks use those deposits to help local businesses with loans and other services.

But BND offers few retail services or direct loans, with the notable exception of student loans. Instead it partners with local banks, multiplying their lending power and guiding them through the ever-evolving global financial system.

“They’re behind the scenes, supporting us,” said Christie Obenauer, the 47-year-old president and CEO of Union State Bank in Hazen, N.D. When a client needs a loan above her lending limit, for example, Obenauer said she can cover the full value needed by selling BND a slice of the loan. If she did the same with a major private lender, Obenauer said, she would have to worry about the competitor using that relationship to lure away the client. But BND is a public institution, not a competitor. (Obenauer is a member of the bank’s advisory board.)

This patriarchal role has helped small North Dakota banks such as Obenauer’s weather the waves of consolidation that consumed small lenders elsewhere. A Post analysis of data from the Federal Deposit Insurance Corp. shows North Dakota has more banks per person than any other state.

“It’s our job to evolve with our own environment. If I wasn’t changing with it, if I wasn’t evolving alongside the community that I serve, eventually I become irrelevant,” Obenauer said. “The Bank of North Dakota? That’s what they do behind us — they allow us the opportunity to evolve.”

The state’s resilient small banks have brought with them the deep, generational community connections needed to reach small businesses with PPP loans amid unprecedented upheaval. Since her family founded it in 1908, Obenauer’s bank has helped anchor the 2,333-resident community of Hazen, tucked below man-made Lake Sakakawea, west of the Missouri River on the state’s western steppe.

When the PPP portal opened, Obenauer and her colleagues lived at the bank (sometimes metaphorically, from their home offices) and worked around-the-clock. They spelled one another for quick three-hour naps amid the 24-hour-a-day deluge of calls, texts and emails from panicked clients seeking a path through the crisis.

Her team has received approval for 69 PPP loans, totaling more than $5.2 million, Obenauer said. That’s a fifth of the bank’s entire commercial-loan portfolio — in just one month.

“In all of that, and even since then, I haven’t had one of my staff complain about being tired or lack of sleep,” Obenauer said. “It’s pretty amazing to watch what people will do for one another when circumstances call us to step up to the plate.”

The banks have good reason to lean into the PPP, even if it’s not likely to become a profit center, Hardmeyer said.

“Their customers provide their business activity, and if they’re failing, then their bank isn’t going to do very well,” the 35-year bank veteran said. “They have a vested interest in working with their customers to provide them with this once-in-a-lifetime opportunity to get a forgivable loan from the federal government.”

According to Hardmeyer, one of BND’s great advantages is its speed and agility: “In a small state like North Dakota, with a state-owned bank, you’re able to move the needle quickly.”

BND has already rolled out [two local successor programs](https://bnd.nd.gov/business/) to the PPP, intended to help businesses restart and rebuild. It has also offered deferments on its $1.1 billion portfolio of student loans.

BND has long stepped up in times of crisis. It helped pay the state’s teachers during the Great Depression and, in the 1940s, sold foreclosed farmland back to farmers. It has helped the state recover from countless natural disasters, from flooding on the Missouri and Red rivers to the extreme weather that wreaked havoc upon last year’s harvest.

[Midwestern farmers’ struggles with extreme weather are visible from space](https://www.washingtonpost.com/business/2019/07/02/midwestern-farmers-struggles-with-extreme-weather-are-visible-space/?arc404=true&tid=lk_interstitial_manual_39&itid=lk_interstitial_manual_39)

After the rocky rollout of the PPP, BND’s Hardmeyer said, “the federal government figured out what we knew for years: The best way to deliver these disaster programs is through community banks.”