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## **Virg Bernero Proposes State Bank to Break Small Business Credit Crunch**

*New Institution Would Partner with Local Banks to Help Michigan Businesses Grow, Create New Jobs*

**(LANSING) – Tuesday, March 9, 2010** - Lansing Mayor and Democratic gubernatorial candidate Virg Bernero today announced his plan to create a new state-owned bank that will help spark Michigan's economic recovery by unfreezing credit markets and strengthening local lenders.

Modeled after the highly successful Bank of North Dakota (BND), Bernero said establishing a similar bank in Michigan could generate billions of dollars in new lending authority to help break the pervasive credit crunch that continues to prevent Michigan businesses from retooling for the global economy and creating new jobs.

"Michigan's small business community is still struggling to grow and create jobs and incremental changes just aren't getting the job done," Bernero said. "Hundreds of job-creating projects are still on hold because Michigan businesses and entrepreneurs cannot get bank financing. We can break the credit crunch and beat Wall Street at their own game by keeping our money right here in Michigan and investing it to retool our economy and create jobs."

Bernero said a state-owned bank would not compete with state-chartered and independent community banks. Instead, the new institution would partner with local lenders and serve as a financial backstop for their lending activities. Like BND, the bank could also offer low-interest student loans and help ease the foreclosure crisis by buying down mortgage portfolios held by smaller banks across the state.

Bernero noted that concerns over unfair competition with private sector banks are driven by a fundamental misunderstanding of how the state bank would operate. "The mission of the state-owned bank is to advance the public interest by partnering with private banks, not competing with them," Bernero said. "In North Dakota, the president of the state private banker's association is one of BND's biggest fans because he says they work as partners to move North Dakota forward. We can do the same thing right here in Michigan."

**(more)**

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The success of North Dakota's model has sparked intense interest around the country in creating state-owned banks that leverage a state's own financial resources to advance public policy goals like economic diversification and access to affordable education. The state legislature in Washington recently held a hearing on creating a state-owned bank. Similar bills are being drafted by lawmakers in Michigan and other states.

Bernero said that creating a state bank could be very challenging in today's partisan political climate, but that he was encouraged by early signs of bipartisan support for the idea. "Making Michigan work again isn't a Democratic or Republican goal," Bernero said. "We're going to sink or swim together, so we better figure out how to swim real quick. Michigan's future is on the line and the time for timid leadership, incremental change and partisan gridlock is over."

Bernero said he expects some people to reject a state-owned bank without even considering the merits of the plan, because it challenges the status quo and the entrenched financial interests who helped create the financial meltdown in the first place. "This is the people of Michigan putting their own resources to work for their own benefit. They understand that we are in a crisis and I think they are more than willing to embrace some bold ideas for breaking out of it. Why should we send hundreds of millions to Wall Street each year for the privilege of looking after our money? We can do that for ourselves."

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