Indian Affairs - Office of Public Affairs

Media Contact: Hart - 343-4306
For Immediate Release: June 18, 1965
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Seeking to encourage broader private financing of economic development on Indian reservations, the Department of the Interior has asked Congress for authority to establish an Indians' Loan Guaranty and Insurance Fund of $15 million under administration of the Bureau of Indian Affairs. It would be used to guarantee or insure loans made by private lenders either to Indian organizations or to individuals of one-quarter or more Indian blood.

The Department believes that such a fund would multiply by several times the amount of financing from private sources presently available to American Indians.

Under the proposal, the Secretary of the Interior would be authorized to guarantee up to 80 percent of any loan made to an Indian organization, or to an individual Indian of one-quarter or more degree of Indian blood. In lieu of such guaranty, the Secretary would be authorized to insure loans against losses up to 15 percent of the aggregate of the loans made by one lender. The Department anticipates that the loan guaranty provision would be used in financing the larger tribal enterprises and industries on a loan-by-loan basis, while the insurance provision would be administered through institutional lenders and used mainly in financing of individual Indians and smaller tribal enterprises.

Under the proposed bill, the guaranties on insurance would be provided only to applicants unable to obtain financing from customary sources on reasonable terms. The maturity period of loans qualifying under the program would be limited to 30 years. Loans by Federal agencies would be precluded from guaranty or insurance protection.