Indian Affairs - Office of Public Affairs

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Commissioner of Indian Affairs Morris Thompson today called passage of the Indian Financing Act of 1974 "a giant step toward viable Indian reservation communities that will be a credit to this Nation." The law, signed by President Richard M. Nixon April 12:

1. Consolidates existing Indian revolving loan funds already administered by the Bureau of Indian Affairs and authorizes the appropriation of an additional $50,000,000 for the consolidated fund from which direct Federal loans will be made to Indian organizations and individuals.

2. Creates a new Indian Loan Guaranty and Insurance Fund under which up to $200 million in loans made by private lenders to Indian tribes or tribal members can be guaranteed or insured for up to 90 percent of the unpaid principal and interest due.

3. Provides for interest subsidies to reduce the cost of borrowing from private lenders under the Loan Guarantee and Insurance Fund.

4. Establishes the Indian Business Development Program which will stimulate and increase Indian entrepreneurship and employment by providing equity capital through non-reimbursable grants to Indians and Indian tribes to establish and expand profit making Indian-owned economic enterprises benefiting Indian reservations and communities. The Act authorizes appropriations of up to $10 million for Indian Business Development Program grants for each of the next three fiscal years.

5. Provides for management and technical assistance to be given to each loan or grant applicant in the development of their economic enterprise.

Said Thompson, as he explained the benefits of this new legislation: "Indian credit and capital resources needed in order that Indians can develop their own resources and begin and operate their own small businesses has been completely inadequate. As a result, Indians have been dependent upon private. non-Indian lenders. However. these sources of credit often have categorized Indians as poor credit risks for reasons often beyond the Indians control. When private credit has been available to Indians, it was often at interest rates so high as to make the loan prohibitive.

"The Indian Loan Guaranty and Insurance Fund alone could generate approximately $200,000,000 in new credit for Indians and Indian tribes. Other aspects of the law will multiply available credit in a similar way. I am confident this will do a great deal to break the poverty syndrome prevalent to many American Indian communities."

Thompson pointed out that President Nixon, in his Message to the Congress on Indians delivered early in his Administration, said:

“The first Americans – the Indians – are the most deprived and isolated minority group in our Nation. On virtually every scale of measurement – employment, income, education, health – the condition of the Indian people ranks at the bottom.”