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To stimulate greater economic growth and development on Indian reservations, the Department of the Interior has asked Congress to increase by $35 million the authorized amount of the revolving loan program of the Bureau of Indian Affairs.

Under a bill proposed by the Department, the authorization for the program would be boosted from $27 million to $62 million and the Bureau would be permitted to make grants of not more than 20 percent of the borrowed amount in connection with the loans under certain circumstances.

In drafting its proposal, the Department took into consideration the "Report of the Committee on Federal Credit Programs," which was submitted to the late President Kennedy February 11, 1963. The Presidentially appointed committee included the Secretary of the Treasury, Director of the Budget Bureau, Chairman of the Board of Governors of the Federal Reserve System, and Chairman of the Council of Economic Advisors.

Present loan funds of the Bureau of Indian Affairs are inadequate to meet the needs for financing Indian economic enterprises, Assistant Secretary John A. Carver, Jr., pointed out. Although Indians received an estimated $77 million of financing from sources serving other citizens in 1961, the total of unfulfilled commitments and pending applications for Bureau loans is nearly $30 million greater than the available cash balance.

"It has become practically impossible to rehabilitate Indians entirely on a credit basis," Mr. Carver said. "If an Indian borrows money in an amount sufficient to finance an economic unit, plus funds for operating and family living expenses until the enterprise comes into production, the borrower's debt load pyramids of a point where repayment within a reasonable period of time is almost impossible. The borrower may demonstrate industry and operate his credit... financed enterprise successfully, and still be unable to work himself into a solvent position.

"In order to reduce his debt burden he may go to work for wages in order to meet family living expenses. Such wage work usually is available only during periods when the borrower's own enterprise needs close attention. Wage work thus can jeopardize successful operation of the borrower's credit-financed enterprise. The borrower is caught in an impasse. He can either carry a burdensome debt load, with questionable repayment capacity, or endanger the successful operation of his enterprise by lack of attention thereto with an equally adverse effect upon repayment capacity."

The grant feature of the proposed legislation is intended to help borrowers, including both Indian organizations and individual Indians, during initial loan periods and times of emergency. In many cases, Assistant Secretary Carver observed, a grant may make the difference between success and failure of an Indian enterprise financed from the fund. Grants would not be made in connection with all loans, however, but only in cases of clearly justifiable need.

The bill proposed by the Department would also consolidate the existing three separate loan funds of the Bureau of Indian Affairs into one.