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Seeking to encourage broader private financing of economic development on Indian reservations, Secretary of the Interior Stewart L. Udall 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.

The Department anticipates that this fund should result in providing $100 million or more of financing to Indians from non-governmental sources.

Such a fund 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.

Guaranties would be used in financing the larger tribal enterprises or industries and would be limited to 80 percent of the loan. Insurance would probably be used for the bulk of the smaller loans qualifying under the program and would cover losses up to 15 percent of the total lending, Secretary Udall said.

The proposal is in full accord with recommendations in the “Report of the Committee on Federal Credit Programs" submitted to the late President Kennedy in February.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.

Pointing out that the Department also has asked Congress to permit a $35 million increase in the authorized amount of the Indian Bureau's revolving credit fund, Secretary Udall stressed that much broader private financing will also be needed to make fully effective the accelerated economic development program for Indians now being undertaken by the Bureau.

"Even if, the authorization is increased by the $35 million pending," he added, "the fund will still be inadequate to meet the needs of the Indians for financing. The economic development program is only now getting underway, but indications are that large sums on a credit basis will be required to put many economically feasible projects into operation."

Under the proposed bill, the guaranties or insurance would be provided only to applicants unable to obtain financing from customary sources on reasonable terms. The maximum loan to an Indian organization that could be guaranteed or insured would be $1 million. In the case of loans to individual Indians, the top limit would be $60,000. The maturity period of loans qualifying under the program would be limited to 30 years.

The bill also includes several other provisions covering administration of both the guaranty and insurance features.