

INDIAN AFFAIRS MANUAL

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Loan Programs
Direct Loans

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3.1 Purpose. This chapter describes responsibilities and procedures for monitoring and servicing direct loans to individuals and Indian-owned organizations, corporations, and partnerships.

3.2 Direct Loan Programs. There are no new appropriations for these programs.

A Tribal Relending Program. Indian Affairs provided funds to Tribes from the Revolving Loan Fund so that Tribes could make loans to their members. The funds provided to the Tribe must be repaid to the government, but payments are structured so that income from Tribal loans is sufficient to pay the debt to Indian Affairs and also make additional new loans to other Tribal members.

B. Direct Loans to Individuals. There are existing loans which were made directly by Indian Affairs from the Revolving Loan Fund and still require loan servicing.

3.3 Responsibilities.

A. Director, Office of Economic Development.

- (1) Establish policies for the operation of the direct loan program; and
- (2) Provide technical assistance and act as a liaison between lenders, tribes and Bureau Credit Officers.

B. Regional Directors.

- (1) Provide oversight and supervision of direct loan programs within Region; and
- (2) Advise Director, Office of Economic Development, of any substantial defaults.

C. Credit Officers.

- (1) Monitor repayments to the Revolving Loan Fund and begin delinquent debt proceedings as needed;
- (2) Prepare statistical reports, as required;
- (3) Provide technical assistance to tribes and individuals;
- (4) Perform periodic reviews to ensure that Tribal credit programs:
 - (a) Service loans properly, including requiring sufficient collateralization from borrowers and perfecting liens on collateral;
 - (b) Notify applicants whose loans were denied of the reason(s) for the declination and provide applicants with appeal rights and procedures; and
 - (c) Foreclose on loans where warranted; and

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(5) If the Bureau Credit Officer services loans on behalf of the Tribe:

(a) Process loan applications received from individuals and submit recommendations for approval or denial to the tribal loan committee;

(b) Provide applicants whose loans have been denied with the reason(s) for the declination and their appeal rights;

(c) Service current loans; and

(d) Recommend foreclosure on delinquent loans.

3.4 Credit Officers may recommend loans for approval under a relending program in accordance with 3.3(5) of this Chapter if:

A. The applicant is eligible to participate in the program in accordance with regulations and the Credit Program's Plan of Operations;

B. A complete application package has been submitted and the prospect of repayment is reasonable based on an analysis of the loan application; and

C. The applicant has offered collateral of sufficient value or importance to the applicant.

3.5 A restructuring of the loan made to the Tribe for the relending program may be approved by the Deputy Commissioner if:

A. The Tribe demonstrates that the relending program would likely be unable to continue if restructuring does not occur;

B. The restructured loan would have a reasonable prospect of repayment;

C. The Tribe is unable to make its payments in accordance with the current payment agreement; and

D. Repayment does not extend beyond 30 years from the date of the original loan.