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DEPARTMENT OF THE INTERIOR INFORMATION SERVICE

BUREAU OF INDIAN AFFAIRS

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INTEREST RATES LOWERED ON REVOLVING LOANS TO INDIANS

A substantial reduction in interest rates charged on loans from the revolving fund of the Bureau of Indian Affairs, in line with recommendations of the Task Force on Indian Affairs for economic development on Indian reservations, was announced today by Secretary of the Interior Stewart L. Udall.

The most important reduction is from $4\frac{1}{2}$ to 2 percent on loans to tribes for land acquisition. This ties in with the Task Force finding that a serious deterrent to more adequate use of Indian resources is the divided ownership or "heirship" status of numerous tracts that were allotted years ago to individual Indians.

Tribes which had received land purchase loans at the old rate of $4\frac{1}{2}$ percent found it difficult to work out programs for acquiring these "heirship" tracts on terms that would permit repayment of the loans within a reasonable period. The new rate of 2 percent will permit land purchase and consolidation programs to be undertaken which were not possible at the old rate, Secretary Udall said.

Another important change is in the rate of loans to tribes to finance business enterprises. A uniform rate of $4\frac{1}{2}$ percent has been charged in the past. The new regulation will permit a rate as low as 2 percent and as high as 5 depending upon the income-producing ability of the enterprise, and the benefits it will bring to Indians. The new rate should prove helpful in the development of new business enterprises which use reservation resources and provide employment for tribal members, the Secretary declared.

Indian young people receiving loans for educational purposes also will get some relief under the new revolving credit regulations. Up to the present time, interest has been charged on such loans from the time they were made. This has

worked a hardship on many borrowers because interest accrued during the educational period. Upon graduation they were faced with large debts, much of which represented interest accruals. The new regulation provides that interest accrual will not begin until one year after completion of the course for which the loan was made.

The rate of loans to individual Indians for agricultural operating expenses is also being reduced from 6 to 5 percent, and the new regulations provide greater flexibility in the rate charged cooperative associations. In the past, cooperative associations have been charged 5 percent a year. The amended regulations will permit rates ranging from 2 to 5 percent according to the nature of the cooperative's business.

The Department pointed out that since the currently authorized amount of \$10 million for the revolving fund is inadequate to meet the demands of Indians for loans, the effectiveness of the new regulations in stimulating greater economic development on reservations will depend largely on enactment of pending legislation to increase the size of the fund.

The new loan rates become effective on publication in the Federal Register.

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