

Office of Indian Energy and Economic Development
Respecting Tradition... While on the Path to Prosperity

Capital Investment



Who We Are...

The Division of Capital Investment manages the Indian Loan Guaranty, Insurance, and Interest Subsidy Program which breaks through the conventional barriers to financing for tribes and individual Indians. The loan program helps facilitate loan financing for borrowers that would not be able to do so otherwise. The Division helps secure reasonable interest rates and reduce risks for all parties involved.

We bring lenders and borrowers together so that all may prosper.

What We Do...

- Facilitate access to capital
- Help optimize resources
- Form strategic partnerships
- Provide outreach efforts
- Foster entrepreneurship
- Bring business opportunities to reservations

Nearly \$1 billion provided in loan guarantees for Indian Country

In an effort to assist Indian tribes and individuals to establish or expand Indian-owned businesses, and to move toward self-sufficiency, Congress passed the Indian Financing Act of 1974. The Act was established to provide reservation businesses with access to investment capital equal to that available to businesses in non-reservation areas.

The program is open to federally recognized American Indian tribes or Alaska Native groups, individually enrolled members of such tribes or groups, or a business organization with no less than 51 percent ownership by American Indians or Alaska Natives. The borrower's business must be located on or near a federally recognized Indian reservation, or recognized service area, and must contribute to the economy of the reservation or service area.

The Division now administers the Indian Affairs Loan Guaranty, Insurance, and Interest Subsidy Program, formerly managed by the Bureau of Indian Affairs



National Cooperative Bank and the Indian Affairs Loan Guaranty Program refinanced a \$10.5 million loan for the Mt. Roberts Tramway in Juneau, Alaska.
File Photo

Eligibility and Lending Requirements

Any lending institution, including Community Development Financial Institutions, may obtain a guaranty provided that the institution is regularly engaged in making business loans, and has a capacity for evaluating and servicing loans which is satisfactory to the Program.

- The percentage of a loan that is guaranteed or insured is the minimum necessary to obtain financing, but may not exceed 90 percent of the unpaid principal balance and interest.
- Borrower cannot be delinquent on any federal debt obligation.
- Borrower must be projected to have at least 20 percent equity in the business being financed immediately after the loan is funded.
- Loans may be used for a variety of purposes including operating capital, equipment purchases, business refinance, building construction, and lines of credit.
- The maximum loan that can be guaranteed for individuals is \$500,000; however, the Program can guarantee loans of greater amounts for tribes, tribal enterprises, or business entities, subject to program and policy limitations.
- The maturity of a loan is determined by the lending institution, based upon the use of the loan proceeds and the repayment capacity of the borrower; however, the loan term cannot exceed 30 years.
- Interest rates are determined by the lending institution but are subject to reasonable limitations established by policy.
- The lending institution must pay a one-time premium payment of 2 percent of the guaranteed portion of a loan; however, the lending institution may charge the premium to the borrower as a one-time fee, or add the premium to the loan amount.

Application Process

Tribes or individuals must apply for a loan through any lender that regularly engages in making loans. A lending institution should only apply for a loan guaranty when it would not otherwise approve a borrower's loan application.

To apply for a loan guaranty, the approved lending institution must submit a request on Government Form 5-4755 to the credit office service center where the business is to be located, along with standard documentation which the lending institution will require. This will likely include a complete loan application, an independent credit analysis of the borrower's business and collateral, and a recent, original credit report from a nationally recognized bureau.

The lender must describe the borrower's 20% equity in the business being financed and must estimate its loan-related fees and costs. If the loan will be used for refinance, construction, renovation, or demolition work, there are additional paperwork requirements. This can all be done using the lender's own forms, along with a commitment letter from the bank to the borrower which states the loan amount, purpose of the loan, interest rate, schedule of payments, security, and the terms and conditions of the loan.

Turtle Creek Shopping Center received financing for improvements and equipment purchases for a newly constructed grocery store on the Rosebud Reservation in Mission, S.D.

Photo: courtesy Mark Patterson of Native American Bank





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