

**Prepared Statement of Ben Nighthorse Campbell
Vice Chairman, Senate Committee on Indian Affairs
Hearing on S.2017, the Indian Financing Act Amendments of 2002**

April 24, 2002

Good morning and welcome to the Committee's hearing on S.2017, the *Indian Financing Act Amendments of 2002*, legislation I introduced on March 14, 2002, joined by our Chairman, Senator Inouye.

I would like to extend a special welcome to our colleague from across the Hill — Congresswoman Mary Bono of California's 44th Congressional District.

Congresswoman Bono has introduced H.R. 3407, the *Indian Financing Act Reform Amendment*, the House counterpart to the legislation that is before us today.

Thank you Congresswoman for your time here today.

I understand that you need to be on the Floor of the House at 10:15 so I will forego my opening statement and ask the other Members to do the same so you will have the time you need this morning. Please proceed.

Thank you Congresswoman Bono and let me say my intention is to seek Committee consideration of this measure in the near future.

In 1974, four years after President Nixon issued his now-famous "Special Message to Congress on Indian Affairs", Congress passed the *Indian Financing Act* which, in turn, created the Indian Loan Guaranty and Insurance Fund to provide Native Americans access to private money sources which would otherwise be unavailable.

Since Congress enacted this law, the Secretary of the Interior is authorized to insure and guaranty the repayment of small business loans by qualified Native American borrowers issued by private banks and lenders.

Often times, these loans represent the first relationship tribal borrowers and the private commercial banks have ever had. Often times, these relationships are critical in helping to bring valuable economic development dollars to reservation lands.

Though the need for capital in Indian economies far outstrips this amount, the Indian Loan Guaranty and Insurance Fund has grown over the past 28 years where it is guaranteeing some \$75 million in loans annually to Native Americans.

The "Mortgage Finance News" has recently reported that for housing finance alone, there is \$2.7 billion in pent-up demand in Native communities.

The "Native American Lending Study", published in November, 2001, by the Community Development Financial Institutions, shows there are great and unmet needs in Native communities for capital and liquidity. These unmet needs are holding back the growth of Indian economies.

I have heard from Indian tribes as well as lenders from across the country who have told me that a major problem restraining their participation in the BIA's loan guaranty program is the lending institution's lack of liquidity once the loan is made.

These small business loans tend to stay on the books for a long time. They are paid down, but not as rapidly refinanced as conventional loans. Therefore, a bank has its capital tied up in these loans, and cannot easily turn around and use that capital again.

I believe that the "Indian Financing Act Amendments of 2002" will help. The bill directs the Secretary of the Interior to take steps to encourage the creation of an efficient secondary market for Native American loans or loan guaranties made by the Interior Department.

With that, I look forward to hearing from our witnesses today.