

INDIAN FINANCING ACT REFORM AMENDMENT

MRS. BONO: Chairman Inouye, I would like to thank you for the opportunity to testify before the committee on S. 2017, the “Indian Financing Act Amendments of 2002,” which is the Senate counterpart to my House legislation, H.R. 3407. Mr. Campbell, your leadership on this Senate legislation is to be applauded, as its role in encouraging economic development on Native American lands will be crucial.

With the enactment of the Indian Financing Act of 1974, Congress instituted the Indian Loan Guaranty and Insurance fund. In turn, this law allowed the Secretary of the Interior to insure and guaranty the repayment of small business loans to qualified Native American borrowers. These loans are unique in the Native American community in that they are issued by private lenders and provide not only financial assistance to tribes who may otherwise not be able to secure financing, but also the incentive for Native American-owned small businesses to invest substantially in their future.

Being a former small business owner, I am aware of the many financial challenges a new enterprise faces in its first few years. Securing vital loans to finance a new business helps all individuals to realize their dream of economic opportunity and independence. I also understand, however, that we must work to minimize government small business intrusion, both on the regulatory level and on the fiscal level. S. 2017 serves this need by providing a clear uniformity in lending that does not currently exist. Further, this amendment will come at no cost to the federal government.

This legislation provides a strong path towards the expansion of tribal lending, as can be seen in the evolution of a similar loan guaranty program within the Small Business Administration (SBA). In particular, the passage of this legislation will help to encourage a stronger relationship between private lenders and the communities they assist. One of the important aspects of the SBA revolving loan program is the federal government's guarantee of full repayment of the loans should the loan default. Currently under the Bureau of Indian Affairs' (BIA) existing Indian Loan Guaranty and Insurance fund, a loan does not have this federal government guarantee, which is a disincentive for lenders to work with Native Americans looking to start their own business.

Further, smaller banks, such as Palm Desert National Bank in California's 44th Congressional district, which I represent, are not easily accessible for financing tribal economies because of the existing law. S. 2017 will allow for liquidity in the loan process that provides smaller banks the opportunity to rid themselves of the burden that a 30 year loan can have on the capital that they have on hand. Thus we are able to help both smaller banking institutions as well as those tribes with lands in more rural areas of our country.

I am encouraged by the prospect of employing the principles of entrepreneurship that the Indian Financing Act Amendments of 2002 offers to potential and current Native American small business owners. Only through the mutually beneficial relationship between the Interior Department, the private lending community, and tribal entrepreneurs, can we offer Native Americans the financial tools to help their tribal economies expand and flourish.

Serious consideration and passage of this legislation such as S. 2017 and H.R.

3407 in the House of Representatives will further encourage the growth of small businesses that empowers tribes and excites development and substantive growth. It is my hope that this Committee will recognize the importance of this legislation being another key to allowing Native Americans across the country realize their potential to become increasingly self-sufficient and economically vibrant communities.

Thank you again Chairman Inouye and Ranking Member Campbell for your leadership on this bill and for allowing me to testify today on “The Indian Financing Act Amendments of 2002.”