

§ 103.1

25 CFR Ch. I (4-1-05 Edition)

Subpart D—Provisions Relating to Borrowers

- 103.25 What kind of borrower is eligible under the Program?
- 103.26 What must the borrower supply the lender in its loan application?
- 103.27 Can the borrower get help preparing its loan application or putting its loan funds to use?

Subpart E—Loan Transfers

- 103.28 What if the lender transfers part of the loan to another person?
- 103.29 What if the lender transfers the entire loan?

Subpart F—Loan Servicing Requirements

- 103.30 What standard of care must a lender meet?
- 103.31 What loan servicing requirements apply to BIA?
- 103.32 What sort of loan documentation does BIA expect the lender to maintain?
- 103.33 Are there reporting requirements?
- 103.34 What if the lender and borrower decide to change the terms of the loan?

Subpart G—Default and Payment by BIA

- 103.35 What must the lender do if the borrower defaults on the loan?
- 103.36 What options and remedies does the lender have if the borrower defaults on the loan?
- 103.37 What must the lender do to collect payment under its loan guaranty certificate or loan insurance coverage?
- 103.38 Is there anything else for BIA or the lender to do after BIA makes payment?
- 103.39 When will BIA refuse to pay all or part of a lender's claim?
- 103.40 Will BIA make exceptions to its criteria for denying payment?
- 103.41 What happens if a lender violates provisions of this part?
- 103.42 How long must a lender comply with Program requirements?
- 103.43 What must the lender do after repayment in full?

Subpart H—Definitions and Miscellaneous Provisions

- 103.44 What certain terms mean in this part.
- 103.45 Information collection.

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Subpart A—General Provisions

§ 103.1 What does this part do?

This part explains how to obtain and use a BIA loan guaranty or loan insurance agreement under the Program, and who may do so. It also describes how to obtain and use interest subsidy payments under the Program, and who may do so.

§ 103.2 Who does the Program help?

The purpose of the Program is to encourage eligible borrowers to develop viable Indian businesses through conventional lender financing. The direct function of the Program is to help lenders reduce excessive risks on loans they make. That function in turn helps borrowers secure conventional financing that might otherwise be unavailable.

§ 103.3 Who administers the Program?

Authority for administering the Program ultimately rests with the Secretary, who may exercise that authority directly at any time. Absent a direct exercise of authority, however, the Secretary delegates Program authority to BIA officials through the U.S. Department of Interior Departmental Manual. A lender should submit all applications and correspondence to the BIA office serving the borrower's location.

§ 103.4 What kinds of loans will BIA guarantee or insure?

In general, BIA may guarantee or insure any loan made by an eligible lender to an eligible borrower to conduct a lawful business organized for profit. There are several important exceptions:

- (a) The business must contribute to the economy of an Indian reservation or tribal service area recognized by BIA;
- (b) The borrower may not use the loan for relending purposes;
- (c) If any portion of the loan is used to refinance an existing loan, the borrower must be current on the existing loan; and
- (d) BIA may not guarantee or insure a loan if it believes the lender would be

Bureau of Indian Affairs, Interior

§ 103.10

willing to extend the requested financing without a BIA guaranty or insurance coverage.

§ 103.5 What size loan will BIA guarantee or insure?

BIA can guarantee or insure a loan or combination of loans of up to \$500,000 for an individual Indian, or more for an acceptable Indian business entity, Tribe, or tribal enterprise involving two or more persons. No individual Indian may have an outstanding principal balance of more than \$500,000 in guaranteed or insured loans at any time. BIA can limit the size of loans it will guarantee or insure, depending on the resources BIA has available.

§ 103.6 To what extent will BIA guarantee or insure a loan?

(a) BIA can guarantee up to 90 percent of the unpaid principal and accrued interest due on a loan.

(b) BIA can insure up to the lesser of:

(1) 90 percent of the unpaid principal and accrued interest due on a loan; or

(2) 15 percent of the aggregate outstanding principal amount of all loans the lender has insured under the Program as of the date the lender makes a claim under its insurance coverage.

(c) BIA's guaranty certificate or loan insurance agreement should reflect the lowest guaranty or insurance percentage rate that satisfies the lender's risk management requirements.

(d) Absent exceptional circumstances, BIA will allow no more than:

(1) Two simultaneous guarantees under the Program covering outstanding loans from the same lender to the same borrower; or

(2) One loan guaranty under the Program when the lender simultaneously has one or more outstanding loans insured under the Program to the same borrower.

§ 103.7 Must the borrower have equity in the business being financed?

The borrower must be projected to have at least 20 percent equity in the business being financed, immediately after the loan is funded. If a substantial portion of the loan is for construction or renovation, the borrower's equity may be calculated based upon the

reasonable estimated value of the borrower's assets after completion of the construction or renovation.

§ 103.8 Is there any cost for a BIA guaranty or insurance coverage?

BIA charges the lender a premium for a guaranty or insurance coverage.

(a) The premium is:

(1) Two percent of the portion of the original loan principal amount that BIA guarantees; or

(2) One percent of the portion of the original loan principal amount that BIA insures, without considering the 15 percent aggregate outstanding principal limitation on the lender's insured loans.

(b) Lenders may pass the cost of the premium on to the borrower, either by charging a one-time fee or by adding the cost to the principal amount of the borrower's loan. Adding the premium to the principal amount of the loan will not make any further premium due. BIA will guarantee or insure the additional principal to the same extent as the original approved principal amount.

Subpart B—How a Lender Obtains a Loan Guaranty or Insurance Coverage

§ 103.9 Who applies to BIA under the Program?

The lender is responsible for determining whether it will require a BIA guaranty or insurance coverage, based upon the loan application it receives from an eligible borrower. If the lender requires a BIA guaranty or insurance coverage, the lender is responsible for completing and submitting a guaranty application or complying with a loan insurance agreement under the Program.

§ 103.10 What lenders are eligible under the Program?

(a) Except as specified in paragraph (b) of this section, a lender is eligible under the Program, and may be considered for BIA approval, if the lender is:

(1) Regularly engaged in the business of making loans;