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Memorandum from the Three Affiliated Tribes Regarding Credit Programs for the Fort Berthold Reservation, February 24, 1959

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File Fort Berthold

February 24, 1959

To:

Memorandum concerning credit programs on the Fort Berthold Reservation,
North Dakota

HISTORY

In 1934 the Three Affiliated Tribes of the Ft. Berthold Reservation was one of the groups which elected to organize under the Indian Reorganization Act. One of the benefits of organization under this law was participation in a Tribal Credit Program. Under this program the Tribes borrowed \$150,000.00 from the United States Government through the Bureau of Indian Affairs at 1 per cent interest, which was to be re-loaned by the Tribes to individual members at 4 per cent.

Looking back on the program, our tribal officials and the individual members of the Tribe were inexperienced and unprepared to administer such a credit program themselves. Even so, a fairly good record was established in repayment of loans and much valuable experience was gained in the use of credit by the Tribal governing body as well as by the individual loan clients:

Example I -- A tribal program involving repayment cattle was entered into whereby the tribal governing body arranged with the Bureau of Indian Affairs (hereafter referred to as BIA) to have the BIA purchase cattle which were lent to the tribe for relending to individual members. The tribe was to repay the U. S. on a certain prescribed schedule. The Tribes did repay the U. S. according to schedule thus satisfying all amounts due by them to the U. S. In addition, the Tribes did make a substantial profit by proper management in the relending of such cattle to the individual members.

Example II -- A Bull program was instituted under approximately the same conditions as set forth above, which also resulted in complete repayment of all obligations to the U. S. and a profit to the Tribes which will result in a money return to the participating members of the program.

In about 1950 or 1951 (under the administration of Commissioner Dillon Myer) there began to be a clampdown by BIA on new loans and, in our judgment, unreasonable emphasis on collection of outstanding loans. (In addition to this, there was always the constant factor of political pressures within the organized tribe itself as the credit committee was composed of members of the elected tribal council.) Under Commissioner Emmons, beginning in 1953, the revolving credit program of BIA, and the relending program by the Tribes (always under strict supervision by BIA) was virtually frozen as to any new loans. The BIA was at all times during this period bringing pressure to collect outstanding loans. During the period from 1952 to 1953, the bottom fell out of cattle prices and Indian stockmen, along with their non-Indian neighbors were in serious financial distress. However, in the case of the Indian operator there was no place to obtain additional credit in order that he could keep up his operation and the facts are quite the contrary as any monies due to the individual Indian from per capita or other sources never reached the Indian operator if he was in default on his loan but rather such funds were taken by the BIA to apply on his obligation which resulted in pushing the Indian operator farther back insofar as his financial operations were concerned to place him in the position of not being able to maintain his livestock or to conduct his farming operations. There are even instances where monies that were due to Indians from oil rental, per capita, etc. were withheld to apply on payments that were not yet owing under his repayment schedule thereby depriving him of the opportunity to use his own funds to re-stock or to finance his current operations so that he could withstand the price drop

which was a result of an economic trend and over which he had no control. It is important to mention these points because it helps to answer some accusations made against the Fort Berthold Indians, namely:

I. "THE INDIANS CAN'T HANDLE A CREDIT PROGRAM. . . ."

It is open to serious doubt that anyone subject to the type of program that was imposed upon the individuals as well as the Tribes could have done much better particularly in view of the fact that the BIA could take any amounts that were due to the Indian instead of allowing him to use these funds to sustain his operation in order to weather the storm of low prices. (Certainly there is no non-Indian who was subject to such regulations as if they picked up a little cash somewhere they used to keep going.)

II. "FORT BERTHOLD INDIANS HAD A \$12,000,000.00 settlement from Garrison DAM. WHAT DID THEY DO WITH IT?"

We think that the foregoing paragraph answers that question, at least in part. Also, the Three Affiliated Tribes administration did its level best in about 1950 to get Interior to approve an overall tribal development program before the "per capita" fever took the reservation. Interior stalled and never did approve the development program which would have used this \$12,000,000 in a wise and constructive manner. Once per capita payments were made it was virtually impossible for tribal administration to withstand the pressure for more.

It is suggested that the reason for Interior not acting on the development program that was submitted at that time was that it might be relieved of responsibility at an early date in regard to these funds by disposing of them through per capita payments.

Between the years 1952 to 1958, both under Commissioners Myer and Emmons, the only credit activity was to bear down on collections, in the face of a

for credit employees, and paying interest on funds it could not use. It decided, therefore, in 1958, to discontinue a Tribal Relending Program, (using BIA revolving loan funds) and to save the expense of administration and interest costs. After a considerable hassle with BIA, that agency finally agreed that limited "direct loans" (From the US direct to the individual) between BIA and borrowers would continue, with BIA gratuity funds paying the credit clerk's salary.

It should be noted here that the U.S. was repaid in full all sums that they advanced under the revolving credit program.

In 1957, the Tribes had an agricultural survey (Doans) made of the reservation to provide factual data to facilitate and support development plans for the future. The cost of this program was paid for (\$15,000) out of tribal funds and was deemed justified and necessary in order to lay the foundation for a constructive program to establish self-sustaining units.

By late 1958, it was plain that the ills of the Ft. Berthold Reservation could be approached only with programs that cost money. Credit was needed by individual members for a variety of reasons: 1. to back into a self-supporting status - too many were and are on public relief; 2. even though they presumably got per capita payments, actually in most cases individual's money was paid out of his IIM funds to retire old debts.

The Tribes themselves could engage in some job-producing enterprises and this was done on a limited scale as set forth on page one of this memorandum. However, any enterprise that would involve the employment of any substantial number of persons would necessarily involve an outlay of cash that the Tribes did not have and could presumably not obtain. Also, it was and still is necessary to piece together sufficient lands to establish economic units, most of which were ruined by the flooding of the reservation by Garrison Dam; and the Tribes MUST engage in a serious land acquisition program if the Fort Berthold Indians are not to be "dammed" forever to public charity and insti-

CURRENT DEVELOPMENTS

The Tribes presented in late 1958 a "Plan of Operation" for an emergency Economic Development Program which was based on and justified by the hereinbefore set forth reasons. This plan called for the Interior Department approval for the Tribes to use their remaining \$157,000 of tribal funds which are in the U.S. Treasury for a variety of programs. This proposal was turned down on the ground that there was a current credit program (Direct Loan) and that the current credit program would supply the needs of the individual members of the Tribe and that all of the needs listed in the submitted credit program could be taken care of out of the direct loan program. To the extent that individual Indians who were seeking credit, this might have been true; theoretically, however, the practical fact of the matter is that almost no individual Indians on Fort Berthold have been considered eligible borrowers for one of three reasons:

1. About 25% of our people are less than one-quarter Indian blood and BIA informs us that the law forbids granting of BIA services to any Indians less than one-quarter blood, even though the Tribes regard them as members;
2. Anyone ever in default on a loan previously has been rejected for consideration for a direct loan without any regard for reasons for delinquency.
3. Outside credit requirement.

On February 20, 1959, in the office of BIA Credit Manager, Albert Huber, and in a letter from Commissioner Massey, we were told again that the Direct Credit program is supposed to serve the needs outlined in our plan of operation. Mr. Huber said that if the Direct Credit program is not serving the needs of the individual Indians, as outlined in our plan of operation, the program is not carrying out its intended purpose and he will send a man from Washington to Fort Berthold in two weeks (March 9, 1959) to go over the whole Direct Loan program. He agreed that former delinquency in repay^e

ment should not in and of itself constitute grounds for refusal of consideration for loans now, and analysis should be made of the reasons for delinquency. (We are in full accord with this.) As to the one-quarter blood requirement, this is statutory. One way to overcome this is by legislative action. A more practical method, according to Mr. Huber, is for the Tribe to request its own funds (same funds as requested under the Emergency Economic Development Plan of Operation) to meet the needs that cannot be met under the Direct Loan Program.

Application has been made for this (There was some discussion about a sum of \$30,000 to accomplish this purpose, and apparently the BIA will go along with a request of \$30,000 for emergency loans.)

An objection to Direct Credit regulations is the requirement that outside credit sources must be exhausted prior to any application being considered for a direct loan. This regulation may have had some merit. However, whatever constructive objectives that may have been intended have long been lost in the administration of such a requirement. Applicants are frequently referred to the Farm Home Administration and required to show written proof that they have been refused before being considered by the direct loan program. FHA loans are objectionable because there is currently an agreement between the Secretary of Interior and Secretary of Agriculture that FHA loans will be secured by lands which must be in fee simple status. In short, if the Indian could make a loan from FHA he immediately runs into the requirement that any lands purchased from funds obtained from FHA will necessarily be taken as fee simple lands. He cannot purchase lands with funds from FHA in trust status, even though the lands sought to be purchased might be in trust status at the time of purchase - i.e. as between two Indians; one Indian purchases land from another. This requirement could also create a complicated situation in that FHA normally takes a mortgage on all of a borrower's land in addition to the land being purchased with FHA funds. What then is the situation? Does the FHA intend to take a mortgage against the land being purchased which must

according to their regulations, be taken in fee patent, and then take another mortgage against the remaining land which is to be used as security and that land, if it is presently in trust status, will remain in trust status until a possible default and then it will lose its trust status so that the mortgage may be foreclosed?

We think that the Three Affiliated Tribes of the Fort Berthold Reservation have a credit history that should be deserving of some consideration; furthermore, we feel that the administration of former credit programs without proper attention to economic trends has resulted in a dilemma for which the Government should assume responsibility. Inasmuch as the Bureau of Indian Affairs has stated that the present Direct Credit Program should effectively accomplish the aims of supplying the needs of the individual members of the Tribes, we request that the regulations which have prevented this credit program from providing any constructive assistance be eliminated or at least eased so as to make the direct loan program operative.

1. One-quarter blood requirement.
2. Persons who have been in default are barred from becoming clients regardless of reasons for delinquency -- not regulation but appears to be a consistent policy.
3. Requirement of outside credit be more realistic. (FHA loans which result in acquiring property in fee patent status.)

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