

GAO Highlights

Highlights of [GAO-19-464](#), a report to congressional committees

Why GAO Did This Study

About 46 million of the 56 million acres of the land that the federal government holds in trust for the benefit of Indian tribes and their members has an agricultural purpose. However, tribal agriculture and economic development experts have noted that Indian tribes and their members may need improved access to agricultural credit.

Congress included a provision in statute for GAO to review the ability of FCS to meet the agricultural credit needs of Indian tribes and their members on tribal lands. This report describes (1) what is known about the agricultural credit needs of Indian tribes and their members, (2) barriers stakeholders identified to agricultural credit on tribal lands, (3) FCS authority and actions to meet those agricultural credit needs, and (4) stakeholder suggestions for improving Indians' access to agricultural credit on tribal lands.

GAO explored potential data sources on Indians' agricultural credit needs, conducted a literature review, and reviewed statutes and regulations governing tribal lands and FCS. GAO also reviewed the marketing plans and written responses of a nongeneralizable sample of 11 FCS associations whose territories included tribal lands with high levels of agricultural activity. GAO interviewed stakeholders from a sample of seven tribes (generally selected based on tribal region and agricultural activity), experts in tribal agriculture and economic development (selected based on relevant publications, Congressional testimonies, and others' recommendations), and representatives from FCS and its regulator, the Farm Credit Administration, and other relevant government agencies.

View [GAO-19-464](#). For more information, contact Alicia Puente Cackley at (202) 512-8678 or cackleya@gao.gov.

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INDIAN ISSUES

Agricultural Credit Needs and Barriers to Lending on Tribal Lands

What GAO Found

Limited data are available on the needs of Indian tribes and their members for agricultural credit, such as operating or equipment loans, to develop and expand agricultural businesses on tribal lands. Federal regulations have generally prohibited lenders from inquiring about the personal characteristics, such as race, of applicants on nonresidential loans. Some tribal stakeholders and experts said that tribal members may not have applied for agricultural credit because they heard of other tribal members being denied loans. They said that tribal members likely obtain agricultural credit from Department of Agriculture programs or tribal lenders. Another potential source of agricultural credit is the Farm Credit System (FCS), a government-sponsored enterprise that includes 69 associations that lend to farmers and ranchers.

Tribal stakeholders and experts reported a general lack of commercial credit on tribal lands due to the following factors:

- **Land use restrictions.** Most tribal lands only can be used as loan collateral in certain circumstances or with federal permission.
- **Administrative process delays.** Tribal members reported often encountering delays obtaining necessary federal loan documents.
- **Legal challenges.** Lenders reported concerns about their ability to recover loan collateral due to the unique legal status of tribes.
- **Loan readiness.** Tribal members may have no or poor credit histories and be unfamiliar with the paperwork required for an agricultural loan, such as a business plan.

FCS is authorized to provide a range of credit services to eligible agricultural producers, which may include Indian tribes, tribal businesses, and tribal members. FCS associations must obtain land as collateral for long-term real estate loans, but are not required to do so for shorter-term loans, such as for operating costs or equipment purchases. Some FCS associations GAO contacted reported making loans to Indian tribes or their members. In a sample of 11 FCS associations with tribal lands in their territory, eight said they have loaned to tribes or their members in the past 2 years. GAO's review of these 11 associations' marketing plans and written responses to GAO follow-up questions found that seven noted outreach—such as support for agricultural education activities—targeted to tribes and their members. The other four reported broad and general outreach efforts that also included minority groups.

To improve access to agricultural credit on tribal lands, stakeholders discussed several options. For example, some stakeholders discussed the potential for partnerships between commercial or government lenders and tribal lenders (such as Native Community Development Financial Institutions) and increased use of loan guarantees. Some stakeholders also discussed actions tribes could take to ease barriers to lending, such as adopting their own leasing procedures to reduce administrative processing time with federal agencies for certain loans.