

**AMENDMENTS TO THE SERVICEMEN'S
READJUSTMENT ACT OF 1944**

HEARINGS

BEFORE A

**SUBCOMMITTEE OF THE
COMMITTEE ON FINANCE
UNITED STATES SENATE**

SEVENTY-NINTH CONGRESS

FIRST SESSION

ON

H. R. 3749

**AN ACT TO AMEND THE SERVICEMEN'S READJUST-
MENT ACT OF 1944 TO PROVIDE FOR A
READJUSTMENT ALLOWANCE FOR ALL
VETERANS OF WORLD WAR II**

OCTOBER 8, 9, 10, 11, AND 12, 1945

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AMENDMENTS¹ TO THE SERVICEMEN'S READJUSTMENT ACT OF 1944

MONDAY, OCTOBER 8, 1945

UNITED STATES SENATE,
SUBCOMMITTEE ON VETERANS' LEGISLATION
OF THE COMMITTEE ON FINANCE,
Washington, D. C.

The subcommittee met at 10:30 a. m., pursuant to call, in room 312, Senate Office Building, Senator Edwin C. Johnson (chairman of the subcommittee) presiding.

Present: Senators George (chairman of the full committee), Connally, Guffey, Johnson (presiding), Lucas, La Follette, Millikin, and Butler.

Senator JOHNSON. The Subcommittee on Veterans' Legislation will please come to order.

We will open hearings this morning on the so-called amended GI bill. The bill that we are considering this morning is H. R. 3749, which has passed the House on this subject, but we also have a great many other bills before the committee, Senate bills, on the same general subject. They will all be considered, and it is my hope that this committee will go into the whole question of an amended GI bill.

(H. R. 3749, S. 742, S. 866, S. 487, S. 781, S. 826, S. 850, S. 974, S. 1031, S. 1324, S. 738, S. 795, S. 1202, S. 291, and S. 1176 are as follows:)

[H. R. 3749, 79th Cong., 1st sess. Report No. 926]

[Omit the part in black brackets and insert the part printed in italic]

A BILL To amend the Servicemen's Readjustment Act of 1944 to provide for a readjustment allowance for all veterans of World War II

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Public Law 346, Seventy-eighth Congress, be amended to read as follows:

That this Act may be cited as the "Servicemen's Readjustment Act of 1945".

TITLE I

CHAPTER I—HOSPITALIZATION, CLAIMS, AND PROCEDURES

SEC. 100. The Veterans' Administration is hereby declared to be an essential war agency and entitled, second only to the War and Navy Departments, to priorities in personnel, equipment, supplies, and material under any laws, Executive orders, and regulations pertaining to priorities, and in appointments of personnel from civil-service registers the Administrator of Veterans' Affairs is hereby granted the same authority and discretion as the War and Navy Departments and the United States Public Health Service: *Provided, That the provi-*

¹ H. R. 3749, S. 742, S. 866, S. 487, S. 781, S. 826, S. 850, S. 974, S. 1031, S. 1324, S. 738, S. 795, S. 1202, S. 291, S. 1176.

sions of this section as to priorities for materials shall apply to any State institution to be built for the care or hospitalization of veterans.

Sec. 101. The Administrator of Veterans' Affairs and the Federal Board of Hospitalization are hereby authorized and directed to expedite and complete the construction of additional hospital facilities for war veterans, and to enter into agreements and contracts for the use by or transfer to the Veterans' Administration of suitable Army and Navy hospitals after termination of hostilities in the present war or after such institutions are no longer needed by the armed services; and the Administrator of Veterans' Affairs is hereby authorized and directed to establish necessary regional offices, suboffices, branch offices, contact units, or other subordinate offices in centers of population where there is no Veterans' Administration facility, or where such a facility is not readily available or accessible: *Provided*, That there is hereby authorized to be appropriated the sum of \$500,000,000 for the construction of additional hospital facilities.

Sec. 102. The Administrator of Veterans' Affairs and the Secretary of War and Secretary of the Navy are hereby granted authority to enter into agreements and contracts for the mutual use or exchange of use of hospital and domiciliary facilities, and such supplies, equipment, and material as may be needed to operate properly such facilities, or for the transfer, without reimbursement of appropriations, of facilities, supplies, equipment, or material necessary and proper for authorized care for veterans, except that at no time shall the Administrator of Veterans' Affairs enter into any agreement which will result in a permanent reduction of Veterans' Administration hospital and domiciliary beds below the number now established or approved, plus the estimated number required to meet the load of eligibles under laws administered by the Veterans' Administration, or in any way subordinate or transfer the operation of the Veterans Administration to any other agency of the Government.

Nothing in the Selective Training and Service Act of 1940, as amended, or any other Act, shall be construed to prevent the transfer or detail of any commissioned appointed or enlisted personnel from the armed forces to the Veterans' Administration subject to agreements between the Secretary of War or the Secretary of the Navy and the Administrator of Veterans' Affairs: *Provided*, That no such detail shall be made or extend beyond six months after the termination of the war.

Sec. 103. The Administrator of Veterans' Affairs shall have authority to place officials and employees designated by him in such Army and Navy installations as may be deemed advisable for the purpose of adjudicating disability claims of, and giving aid and advice to, members of the Army and Navy who are about to be discharged or released from active service.

Sec. 104. No person shall be discharged or released from active duty in the armed forces until his certificate of discharge or release from active duty and final pay, or a substantial portion thereof, are ready for delivery to him or to his next of kin or legal representative; and no person shall be discharged or released from active service on account of disability until and unless he has executed a claim for compensation, pension, or hospitalization, to be filed with the Veterans' Administration or has signed a statement that he has had explained to him the right to file such claim: *Provided*, That this section shall not preclude immediate transfer to a veterans' facility for necessary hospital care, nor preclude the discharge of any person who refuses to sign such claim or statement: *And provided further*, That refusal or failure to file a claim shall be without prejudice to any right the veteran may subsequently assert.

Any veteran entitled to a prosthetic appliance shall be furnished such fitting and training, including institutional training in the use of such appliance as may be necessary, whether in a Veterans' Administration facility, other training institution, or by out-patient treatment, including such service under contract and including necessary travel expenses to and from their homes to such hospital or training institution.

The Administrator of Veterans' Affairs may procure any and all items mentioned herein, including necessary services required in the fitting, supplying, and training in use of such items by purchase, manufacture, contract, or in such other manner as the Administrator may determine to be proper without regard to any other provision of law.

Sec. 105. No person in the armed forces shall be required to sign a statement of any nature relating to the origin, incurrence, or aggravation of any disease or injury he may have, and any such statement against his own interest signed at any time, shall be null and void and of no force and effect.

CHAPTER II—AID BY VETERANS' ORGANIZATIONS

SEC. 200. (a) That upon certification to the Secretary of War or Secretary of the Navy by the Administrator of Veterans' Affairs of paid full time accredited representatives of the veterans' organizations specified in section 200 of the Act of June 29, 1936 (Public Law Numbered 844, Seventy-fourth Congress), and other such national organizations recognized by the Administrator of Veterans' Affairs thereunder in the presentation of claims under laws administered by the Veterans' Administration, the Secretary of War and Secretary of the Navy are hereby authorized and directed to permit the functioning, in accordance with regulations prescribed pursuant to subsection (b) of this section, of such accredited representatives in military or naval installations on shore from which persons are discharged or released from the active military or naval service: *Provided*, That nothing in this section shall operate to affect measures of military security now in effect or which may hereafter be placed in effect, nor to prejudice the right of the American Red Cross to recognition under existing statutes.

(b) The necessary regulations shall be promulgated by the Secretary of War and the Secretary of the Navy jointly with the Administrator of Veterans' Affairs to accomplish the purpose of this section, and in the preparation of such regulations the national officer of each of such veterans' organizations who is responsible for claims and rehabilitation activities shall be consulted. The commanding officer of each such military or naval installation shall cooperate fully with such authorized representatives in the providing of available space and equipment for such representatives.

CHAPTER III—REVIEWING AUTHORITY

SEC. 300. The discharge or dismissal by reason of the sentence of a general court martial of any person from the military or naval forces, or the discharge of any such person on the ground that he was a conscientious objector who refused to perform military duty or refused to wear the uniform or otherwise to comply with lawful orders of competent military authority, or as a deserter, or of an officer by the acceptance of his resignation for the good of the service, shall bar all rights of such person, based upon the period of service from which he is so discharged or dismissed, under any laws administered by the Veterans' Administration: *Provided*, That in the case of any such person, if it be established to the satisfaction of the Administrator that at the time of the commission of the offense such person was insane, he shall not be precluded from benefits to which he is otherwise entitled under the laws administered by the Veterans' Administration: *And provided further*, That this section shall not apply to any war risk, Government (converted), or national service life-insurance policy.

SEC. 301. The Secretary of War and the Secretary of the Navy, after conference with the Administrator of Veterans' Affairs, are authorized and directed to establish in the War and Navy Departments, respectively, boards of review composed of five members each, whose duties shall be to review, on their own motion or upon the request of a former officer or enlisted man or woman or, if deceased, by the surviving spouse, next of kin, or legal representative, the type and nature of his discharge or dismissal, except a discharge or dismissal by reason of the sentence of a general court martial. Such review shall be based upon all available records of the service department relating to the person requesting such review, and such other evidence as may be presented by such person. Witnesses shall be permitted to present testimony either in person or by affidavit and the person requesting review shall be allowed to appear before such board in person or by counsel: *Provided*, That the term "counsel" as used in this section shall be construed to include, among others, accredited representatives of veterans' organizations recognized by the Veterans' Administration under section 200 of the Act of June 29, 1936 (Public Law Numbered 844, Seventy-fourth Congress). Such board shall have authority, except in the case of a discharge or dismissal by reason of the sentence of a general court martial, to change, correct, or modify any discharge or dismissal, and to issue a new discharge in accord with the facts presented to the board. The Articles of War and the Articles for the Government of the Navy are hereby amended to authorize the Secretary of War and the Secretary of the Navy to establish such boards of review, the findings thereof to be final subject only to review by the Secretary of War or the Secretary of the Navy, respectively: *Provided*, That no request

for review by such board of a discharge or dismissal under the provisions of this section shall be valid unless filed within fifteen years after such discharge or dismissal or within fifteen years after the effective date of this Act whichever be the later.

SEC. 302. (a) The Secretary of War, the Secretary of the Navy, and the Secretary of the Treasury are authorized and directed to establish, from time to time, boards of review composed of five commissioned officers, two of whom shall be selected from the Medical Corps of the Army or Navy, or from the Public Health Service, as the case may be. It shall be the duty of any such board to review, at the request of any officer retired or released to inactive service, without pay, for physical disability pursuant to the decision of a retiring board or board of medical survey, the findings and decision of such retiring board or board of medical survey. Such review shall be based upon all available service records relating to the [officers] officer requesting such review, and such other evidence as may be presented by such officer. Witnesses shall be permitted to present testimony either in person or by affidavit, and the officer requesting review shall be allowed to appear before such board of review in person or by counsel. In carrying out its duties under this section such board of review shall have the same powers as exercised by, or vested in, the retiring board whose findings and decision are being reviewed. The proceedings and decision of each such board of review affirming or reversing the decision of the retiring board shall be transmitted to the Secretary of War, the Secretary of the Navy, or the Secretary of the Treasury, as the case may be, and shall be laid by him before the President for his approval or disapproval and orders in the case.

(b) No request for review under this section shall be valid unless filed within fifteen years after the date of retirement for disability or after the effective date of this Act, whichever is the later.

(c) As used in this section—

(1) the term "officer" means any officer subject to the laws granting retirement for active service in the Army, Navy, Marine Corps, or Coast Guard, or any of their respective components;

(2) the term "counsel" shall have the same meaning as when used in section 301 of this Act.

TITLE II

CHAPTER IV—EDUCATION OF VETERANS

SEC. 400. (a) Subsection (f) of section 1, title I, Public Law Numbered 2, Seventy-third Congress, added by the Act of March 24, 1943 (Public Law Numbered 16, Seventy-eighth Congress), is hereby amended to read as follows:

"(f) Any person who served in the active military or naval forces on or after September 16, 1940, and prior to the termination of hostilities in the present war, shall be entitled to vocational rehabilitation subject to the provisions and limitations of Veterans Regulation Numbered 1 (a), as amended, part VII, or to education or training subject to the provisions and limitations of part VIII."

(b) Veterans Regulation Numbered 1 (a), is hereby amended by adding a new part VIII, as follows:

"PART VIII

"1. Any person who served in the active military or naval service on or after September 16, 1940, and prior to the termination of the present war, and who shall have been discharged or released therefrom under conditions other than dishonorable, and whose education or training was impeded, delayed, interrupted, or interfered with by reason of his entrance into the service, or who desires a refresher or retraining course, and who either shall have served ninety days or more, exclusive of any period he was assigned for a course of education or training under the Army specialized training program or the Navy college training program, which course was a continuation of his civilian course and was pursued to completion, or as a cadet or midshipman at one of the service academies, or shall have been discharged or released from active service by reason of an actual service-incurred injury or disability, shall be eligible for and entitled to receive education or training under this part: *Provided*, That such course shall be initiated not later than four years after either the date of his discharge or the termination of the present war, whichever is the later: *Provided further*, That no such education or training shall be afforded beyond nine years after the termination of the present war: *And provided further*, That

any such person who was not over 25 years of age at the time he entered the service shall be deemed to have had his education or training impeded, delayed, interrupted, or interfered with.

"2. Any such eligible person shall be entitled to education or training, or a refresher or retraining course, at an approved educational or training institution, for a period of one year (or the equivalent thereof in continuous part-time study), or for such lesser time as may be required for the course of instruction chosen by him. Upon satisfactory completion of such course of education or training, according to the regularly prescribed standards and practices of the institutions, except a refresher or retraining course, such person shall be entitled to an additional period or periods of education or training, not to exceed the time such person was in the active service on or after September 16, 1940, and before the termination of the war, exclusive of any period he was assigned for a course of education or training under the Army specialized training program or the Navy college training program, which course was a continuation of his civilian course and was pursued to completion, or as a cadet or midshipman at one of the service academies, but in no event shall the total period of education or training exceed four years: *Provided*, That his work continues to be satisfactory throughout the period, according to the regularly prescribed standards and practices of the institution: *Provided, however*, That wherever the additional period of instruction ends during a quarter or semester and after a major part of such quarter or semester has expired, such period of instruction shall be extended to the termination of such unexpired quarter or semester.

"3. (a) Such person shall be eligible for and entitled to such course of education or training as he may elect, and at any approved educational or training institution at which he chooses to enroll, whether or not located in the State in which he resides, which will accept or retain him as a student or trainee in any field or branch of knowledge which such institution finds him qualified to undertake or pursue: *Provided*, That, for reasons satisfactory to the Administrator, he may change a course of instruction: *And provided further*, That any such course of education or training may be discontinued at any time, if it is found by the Administrator that, according to the regularly prescribed standards and practices of the institution, the conduct or progress of such person is unsatisfactory.

"(b) Any such eligible person may apply for a short, intensive, postgraduate or vocational training course of less than 30 weeks: *Provided*, That the Administrator shall have the authority to contract with approved institutions for such courses if he finds that the agreed cost of such courses is reasonable and fair: *Provided further*, That the limitation of paragraph 5 shall not prevent the payment of such agreed rates, but there shall be charged against the veteran's period of eligibility the proportion of an ordinary school year which the cost of the course bears to \$500.

"4. From time to time the Administrator shall secure from the appropriate agency of each State a list of the educational and training institutions (including industrial establishments), within such jurisdiction, which are qualified and equipped to furnish education or training (including apprenticeship and refresher or retraining training), which institutions, together with such additional ones as may be recognized and approved by the Administrator, shall be deemed qualified and approved to furnish education or training to such persons as shall enroll under this part: *Provided*, That wherever there are established State apprenticeship agencies expressly charged by State laws to administer apprentice training, whenever possible, the Administrator shall utilize such existing facilities and services in training on the job when such training is of one year's duration or more.

"5. The Administrator shall pay to the educational or training institution, for each person enrolled in full time, part time, or correspondence course of education or training, the customary cost of tuition, and such laboratory, library, health, infirmary, and other similar fees as are customarily charged, and may pay for books, supplies, equipment, and other necessary expenses, exclusive of board, lodging, other living expenses, and travel, as are generally required for the successful pursuit and completion of the course by other students in the institution: *Provided*, That in no event shall such payments, with respect to any person, exceed \$500 for an ordinary school year: *Provided further*, That no payments shall be made to [institution] institutions, business or other establishments furnishing apprentice training on the job: *And provided further*, That if any such institution has no established tuition fee, or if its established tuition fee shall be found by the Administrator to be inadequate compensation to such institution for furnishing such education or training, he is authorized to provide

for the payment, with respect to any such person, of such fair and reasonable compensation as will not exceed \$500 for an ordinary school year.

"6. While enrolled in and pursuing a course other than a course in a correspondence school under this part, such person, upon application to the Administrator, shall be paid a subsistence allowance of \$60 per month, if without a dependent or dependents, or \$85 per month, if he has a dependent or dependents, including regular holidays and leave not exceeding thirty days in a calendar year. Such person attending a course on a part-time basis, and such person receiving compensation for productive labor performed as part of their apprentice or other training on the job at institutions, business or other establishments, shall be entitled to receive such lesser sums, if any, as subsistence or dependency allowances, as may be determined by the Administrator: *Provided*, That any such person eligible under this part, and within the limitations thereof, may pursue such full time or part-time course or courses as he may elect, without subsistence allowance.

"7. Any such person eligible for the benefits of this part, who is also eligible for the benefit of part VII, may elect which benefit he desires: *Provided*, That, in the event of such election, subsistence allowance hereunder shall not exceed the amount of additional pension payable for training under said part VII.

"8. No department, agency, or officer of the United States, in carrying out the provisions of this part, shall exercise any supervision or control, whatsoever, over any State educational agency, or State apprenticeship agency, or any educational or training institution: *Provided*, That nothing in this section shall be deemed to prevent any department, agency, or officer of the United States from exercising any supervision or control which such department, agency, or officer is authorized, by existing provisions of law, to exercise over any Federal educational or training institution, or to prevent the furnishing of education or training under this part in any institution over which supervision or control is exercised by such other department, agency, or officer under authority of existing provisions of law.

"9. The Administrator of Veterans' Affairs is authorized and empowered to administer this title, and, insofar as he deems practicable, shall utilize existing facilities and services of Federal and State departments and agencies on the basis of mutual agreements with them. Consistent with and subject to the provisions and limitations set forth in this title, the Administrator shall, from time to time, prescribe and promulgate such rules and regulations as may be necessary to carry out its purposes and provisions.

"10. The Administrator may arrange for educational and vocational guidance to persons eligible for education and training under this part. At such intervals as he deems necessary, he shall make available information respecting the need for general education and for training personnel in the various crafts, trades, and professions: *Provided*, That facilities of other Federal agencies collecting such information shall be utilized to the extent he deems practicable.

"11. As used in this part, the term 'educational or training institutions' shall include all public or private elementary, secondary, and other schools furnishing education for adults, business schools and colleges, correspondence schools, scientific and technical institutions, colleges, vocational schools, junior colleges, teachers colleges, normal schools, professional schools, universities, and other educational institutions, and shall also include business or other establishments providing apprentice or other training on the job, including those under the supervision of an approved college or university or any State department of education, or any State apprenticeship agency or State board of vocational education, or any State apprenticeship council of the Federal Apprentice Training Service established in accordance with Public, Numbered 308, Seventy-fifth Congress, or any agency in the executive branch of the Federal Government authorized under other laws to supervise such training."

"12. The Government shall pay for these correspondence courses quarterly as the course is completed.

"13. No correspondence school shall be approved unless it was in existence prior to the date of this Act.

SEC. 401. Section 3, Public Law Numbered 16, Seventy-eighth Congress, is hereby amended to read as follows:

"SEC. 3. The appropriation for the Veterans' Administration, 'Salaries and expenses, medical and hospital, and compensation and pensions', shall be available for necessary expenses under part VII, as amended, or part VIII of Veterans Regulation Numbered 1 (a), and there is hereby authorized to be appropriated such additional amount or amounts as may be necessary to accomplish the purposes

thereof. Such expenses may include, subject to regulations issued by the Administrator and in addition to medical care, treatment, hospitalization, and prosthesis, otherwise authorized, such care, treatment, and supplies as may be necessary to accomplish the purposes of part VII, as amended, or part VIII of Veterans Regulation Numbered 1 (a).

SEC. 402. Public Law Numbered 16, Seventy-eighth Congress, is hereby amended by adding thereto a new section 4 to read as follows:

"SEC. 4. Any books, supplies, or equipment furnished a trainee or student under part VII or part VIII of Veterans Regulation Numbered 1 (a) shall be deemed released to him: *Provided*, That if he fails, because of fault on his part to complete the course of training or education afforded thereunder, he may be required, in the discretion of the Administrator, to return any or all of such books, supplies, or equipment not actually expended or to repay the reasonable value thereof."

SEC. 403. Paragraph 1, part VII, Veterans Regulation Numbered 1 (a) (Public Law Numbered 16, Seventy-eighth Congress), is hereby amended by inserting after the word "time" the words "on or" and deleting the date "December 6, 1941" and substituting therefor the date "September 16, 1940."

TITLE III—LOANS FOR THE PURCHASE OR CONSTRUCTION OF HOMES, FARMS, AND BUSINESS PROPERTY

CHAPTER V—GENERAL PROVISIONS FOR LOANS

SEC. 500. (a) Any person who shall have served in active military or naval services of the United States at any time on or after September 16, 1940, and prior to the termination of the present war, and who shall have been discharged or released therefrom under conditions other than dishonorable after active service of ninety days or more, or by reason of an injury or disability incurred in service in line of duty, shall be eligible for benefits of this title. Any such veteran may apply within six years after separation from the military or naval forces, or six years after termination of the war, whichever is the later date, but in no event more than eight years after the termination of the war, to any of the established lending agencies hereinafter set forth for a loan for the purposes set forth in the title in any amount that may be agreed upon between the lender and the veteran and when such a loan is made by the lender the lender is automatically guaranteed 50 per centum of the loan by the Administrator of Veterans' Affairs and this Act is the guaranty: *Provided*, That the aggregate amount guaranteed shall not exceed \$2,000: *Provided further*, That no loan shall be negotiated until thirty days after the date of the veteran's discharge.

(b) Interest for the first year on that part of the loan [guaranteed] *guaranteed* shall be paid by the Administrator out of available appropriations.

(c) The liability under the guaranty, within the limitations of this title, shall decrease or increase pro rata with any decrease or increase of the amount of the unpaid portion of the obligation: *Provided*, That loans guaranteed shall bear interest at a rate not exceeding 4 per centum per annum and shall be payable in full in not more than twenty years.

CERTIFICATE OF ELIGIBILITY

SEC. 501. (a) An honorable discharge shall be the veteran's certificate of eligibility to apply for a guaranteed loan. All veterans who have a discharge other than honorable or dishonorable shall receive from the Administrator upon request after discharge a certificate of eligibility. Upon the making of a loan as provided herein the lender shall endorse on the back of the honorable discharge or certificate in lieu of discharge or certificate of eligibility, the date and amount of the loan and shall also forthwith transmit to the Administrator a statement setting forth the full name and serial number of the veteran, amount and terms of the loan, and the legal description of the property. No approval of the loan shall be required from the Administrator. Loans may be made by any Federal Reserve bank, National bank, State bank, private bank, building and loan association, insurance company, or mortgage and loan company established prior to the date of this Act, and any other lending institution or any person approved by the Administrator.

(b) All national banks wherever located and all other banks and trust companies located in the District of Columbia and other Territories and possessions of the United States, without regard to the limitations and restrictions of any other statute or ruling of the Federal Reserve Board, are authorized to make

any loans guaranteed under the provisions of the Servicemen's Readjustment Act of 1944, as the same is now or may hereby be amended.

PURCHASE OR CONSTRUCTION OF HOMES

SEC. 502. (a) Any application made by a veteran under this title for a loan to be used in purchasing residential property or in constructing a dwelling [or] on unimproved property owned by him to be occupied as his home may be approved if the lender finds—

(1) that the proceeds of such loans will be used for payment for such property to be purchased or constructed by the veteran;

(2) that the contemplated terms of payment required in any mortgage to be given in part payment of the purchase price or the construction cost bear a proper relation to the veteran's present and anticipated income and expense; and that the nature and condition of the property is such as to be suitable for dwelling purposes; and

(3) that the purchase price paid or to be paid by the veterans for such property or the construction cost, including the value of the unimproved lot, does not exceed the reasonable value thereof as determined by the lender's appraisal.

(b) Any application for a loan under this section for the purpose of making repairs, alterations, or improvements in, or paying delinquent indebtedness, taxes, or special assessments on residential property owned by the veteran and used by him as his home, may be approved by the lender if the proceeds of such loan will be used for such purpose or purposes.

(c) No first mortgage shall be ineligible for insurance under the National Housing Act, as amended, by reason of any loan guaranteed under this title, or by reason of any secondary lien upon the property involved securing such loan.

PURCHASE OF FARMS AND FARM EQUIPMENT

SEC. 503. Any application made under this title for the guaranty of a loan to be used in purchasing any land, building, livestock, equipment, machinery, or implements, or in repairing, altering, or improving any buildings or equipment to be used in farming operations conducted by the applicant, may be approved if the lender finds—

(1) that the proceeds of such loan will be used in payment for real or personal property purchased or to be purchased by the veteran, or for repairing, altering, or improving any buildings or equipment, to be used in bona fide farming operations conducted by him;

(2) that such property will be useful in and reasonably necessary for efficiently conducting such operations;

(3) that the ability and experience of the veteran, and nature of the proposed farming operations to be conducted by him, are such that there is a reasonable likelihood that such operations will be successful; and

(4) that the purchase price paid or to be paid by the veteran for such property does not exceed the reasonable value thereof as determined by the lender's appraisal.

PURCHASE OF BUSINESS PROPERTY

SEC. 504. Any application made under this title for the guaranty of a loan to be used in purchasing any business, land, buildings, supplies, equipment, machinery, or tools, to be used by the applicant in pursuing a gainful occupation (other than farming) may be approved if the lender finds—

(1) that the proceeds of such loan will be used for payment for real or personal property purchased or to be purchased by the veteran and used by him in the bona fide pursuit of such gainful occupation;

(2) that such property will be useful in and reasonably necessary for the efficient and successful pursuit of such occupation;

(3) that the ability and experience of the veteran, and the conditions under which he proposes to pursue such occupation, are such that there is a reasonable likelihood that he will be successful in the pursuit of such occupation; and

(4) that the purchase price paid or to be paid by the veteran for such property does not exceed the reasonable value thereof as determined by the lender's appraisal.

SEC. 505. In the event the veteran defaults in the payment of his loan and after suit or foreclosure and sale the deficiency is determined, then upon notification from the lender, the Administrator of Veterans' Affairs shall pay to the lender its guaranty not in excess of \$2,000 and not in excess of the deficiency, and be subrogated to the rights of the lender to the extent of the amount paid on the guaranty: *Provided*, That prior to suit or foreclosure the lender shall notify the Administrator, and within thirty days thereafter the Administrator may, at his option, pay the lender the [face] *unpaid balance* of the loan plus accrued interest and receive an assignment of the loan and security and thereafter sue or foreclose in the name of the Veterans' Administration.

TITLE IV

CHAPTER VI—EMPLOYMENT OF VETERANS

SEC. 600. (a) In the enactment of the provisions of this title Congress declares as its intent and purpose that there shall be an effective job counseling and employment placement service for veterans, and that, to this end, policies shall be promulgated and administered, so as to provide for them the maximum of job opportunity in the field of gainful employment. For the purpose there is hereby created to cooperate with and assist the United States Employment Service, as established by the provisions of the Act of June 6, 1933, a Veterans' Placement Service Board, which shall consist of the Administrator of Veterans' Affairs, as Chairman, the Director of the National Selective Service System, and the Administrator of the Federal Security Agency, or whoever may have the responsibility of administering the functions of the United States Employment Service. The Board shall determine all matters of policy relating to the administration of the Veterans' Employment Service of the United States Employment Service.

(b) The Chairman of the Board shall have direct authority and responsibility for carrying out its policies through the veterans' employment representatives in the several States or through persons engaged in activities authorized by subsection (g) of section 8 of the Selective Service Act of 1940 (Public Law 783, Seventy-sixth Congress, approved September 16, 1940, as amended (U. S. C. title 50, sec. 378)). The Chairman may delegate such authority to an executive secretary who shall be appointed by him and who shall thereupon be the Chief of the Veterans' Employment Service of the United States Employment Service.

(c) The public records of the Veterans' Personnel Division, National Selective Service System, and the Veterans' Employment Service of the United States Employment Service shall be available to the Board.

SEC. 601. The United States Employment Service shall assign to each of the States a veterans' employment representative, who shall be a veteran of the wars of the United States separated from active service under honorable conditions, who at the time of appointment shall have been a bona fide resident of the State for at least two years, and who shall be appointed, subject to the approval of the Board, in accordance with the civil-service laws, and whose compensation shall be fixed in accordance with the Classification Act of 1923, as amended. Each such veterans' employment representative shall be attached to the staff of the public employment service in the State to which he has been assigned. He shall be administratively responsible to the Board, through its executive secretary, for the execution of the Board's veterans' placement policies through the public employment service in the State. In cooperation with the public employment service staff in the State, he shall—

(a) be functionally responsible for the supervision of the registration of veterans in local employment offices for suitable types of employment and for placement of veterans in employment;

(b) assist in securing and maintaining current information as to the various types of available employment in public works and private industry or business;

(c) promote the interest of employers in employing veterans;

(d) maintain regular contact with employers and veterans' organizations with a view of keeping employers advised of veterans available for employment and veterans advised of opportunities for employment; and

(e) assist in every possible way in improving working conditions and the advancement of employment of veterans.

SEC. 602. Where deemed necessary by the Board, there shall be assigned by the administrative head of the employment service in the State one or more employees, preferably veterans, of the staffs of local employment service offices, whose services

shall be primarily devoted to discharging the duties prescribed for the veterans' employment representative.

SEC. 603. All Federal agencies shall furnish the Board such records, statistics, or information as may be deemed necessary or appropriate in administering the provisions of this title, and shall otherwise cooperate with the Board in providing continuous employment opportunities for veterans.

SEC. 604. The Federal agency administering the United States Employment Service shall maintain that Service as an operating entity and, during the period of its administration, shall effectuate the provisions of this title.

SEC. 605. (a) The Board through its executive secretary shall estimate the funds necessary for the proper and efficient administration of this title: such estimated sums shall include the annual amounts necessary for salaries, rents, printing and binding, travel, and communications. Sums thus estimated shall be included as a special item in the annual budget of the United States Employment Service. Any funds appropriated pursuant to this special item as contained in the budget of the United States Employment Service shall not be available for any purpose other than that for which they were appropriated, except with the approval of the Board.

(b) The War Manpower Commission shall from its current appropriation allocate and make available sufficient funds to carry out the provisions of this title during the current fiscal year.

SEC. 606. The term "United States Employment Service" as used in this title means that bureau created by the provisions of the Act of June 6, 1933, or such successor agencies as from time to time shall perform its functions and duties, as now performed by the War Manpower Commission.

SEC. 607. The term "veteran" as used in this title shall mean a person who served in the active service of the armed forces during a period of war in which the United States has been, or is, engaged, and who has been discharged or released therefrom under conditions other than dishonorable.

TITLE V

CHAPTER VII—READJUSTMENT ALLOWANCES FOR FORMER MEMBERS OF THE ARMED FORCES WHO ARE UNEMPLOYED

SEC. 700. (a) Any person who shall have served in the active military or naval service of the United States at any time after September 16, 1940, and prior to the termination of the present war, and who shall have been discharged or released from active service under conditions other than dishonorable, after active service of ninety days or more, or by reason of an injury or disability incurred in service in line of duty, shall be entitled, in accordance with the provisions of this title and regulations issued by the Administrator of Veterans' Affairs pursuant thereto, to receive a readjustment allowance as provided herein for each week of unemployment, not to exceed a total of fifty-two weeks, which (1) begins after the first Sunday of the third calendar month after the date of enactment hereof, and (2) occurs not later than two years after discharge or release or the termination of the war, whichever is the later date: *Provided*, That no such allowance shall be paid for any period for which he receives increased pension under part VII of Veterans Regulation 1 (a) or a subsistence allowance under part VIII of such regulation: *Provided further*, That no readjustment allowance shall be payable for any week commencing more than five years after the termination of hostilities in the present war.

(b) Such person shall be deemed eligible to receive an allowance for any week of unemployment if claim is made for such allowance and the Administrator finds with respect to such week that—

- (1) the person is residing in the United States at the time of such claim;
- (2) the person is completely unemployed, having performed no service and received no wages, or is partially unemployed in that services have been performed for less than a full workweek and the wages for the week are less than the allowance under this title plus \$3;

(3) the person is registered with and continues to report to a public employment office, in accordance with its regulations;

(4) the person is able to work and available for suitable [works] work: *Provided*, That no claimant shall be considered ineligible in any period of continuous unemployment for failure to comply with the provisions of this subparagraph if such failure is due to an illness or disability which occurs after the commencement of such period.

CHAPTER VIII—DISQUALIFICATIONS

SEC. 800. (a) Notwithstanding the provisions of section 700, a claimant shall be disqualified from receiving an allowance if—

(1) he leaves suitable work voluntarily, without good cause, or is suspended or discharged for misconduct in the course of employment;

(2) he, without good cause, fails to apply for suitable work to which he has been referred by a public employment office, or to accept suitable work when offered him; or

(3) he, without good cause, does not attend an available free training course as required by regulations issued pursuant to the provisions of this title.

(b) Notwithstanding the provisions of section 700, a claimant shall also be disqualified from receiving an allowance for any week with respect to which it is found that his unemployment is due to a stoppage of work which exists because of a labor dispute at the factory, establishment, or other premises at which he is or was last employed: *Provided*, That this subsection shall not apply if it is shown that—

(1) he is not participating in or directly interested in the labor dispute which causes the stoppage of work; and

(2) he does not belong to a grade or class of workers of which, immediately before the commencement of the stoppage there were members employed at the premises at which the stoppage occurs, any of whom are participating in or directly interested in the dispute: *Provided, however*, That if in any case separate branches of work, which are commonly conducted as separate business in separate premises, are conducted in separate departments of the same premises, each such department shall, for the purposes of this subsection, be deemed to be a separate factory, establishment, or other premises.

(c) (1) If a claimant is disqualified under the provisions of subsection (a) of this section, he shall be disqualified to receive any readjustment allowance for the week in which the cause of his disqualification occurred and for not more than four immediately following weeks.

(2) In addition to the disqualification prescribed in paragraph (1) above, the Administrator may, in cases of successive disqualifications under the provisions of subsection (a) of this section, extend the period of disqualification for such additional period as the Administrator may prescribe, but not to exceed eight additional weeks in the case of any one disqualification.

(d) (1) In determining under subsection (a) of this section the suitability of work or the existence of good cause with respect to a claimant, the conditions and standards prescribed by the unemployment compensation laws of the State in which he files his claim shall govern: *Provided*, That the Administrator may prescribe conditions and standards for applicants in any State having no applicable statute.

(2) In determining under subsection (a) of this section the suitability of work, no work shall be deemed suitable for an individual if—

(A) the position offered is vacant due directly to a strike, lock-out, or other labor dispute; or

(B) the wages, hours, or other conditions of the work offered are substantially less favorable to him than those prevailing for similar work in the locality.

CHAPTER IX—AMOUNT OF ALLOWANCE AND PAYMENT

SEC. 900. (a) The allowance for a week shall be \$20 less that part of the wages payable to him for such week which is in excess of \$3: *Provided*, That where the allowance is not a multiple of \$1, it shall be computed to the next highest multiple of \$1.

(b) The number of weeks of allowances to which each eligible veteran shall be entitled shall be determined as follows: For each calendar month or major fraction thereof of active service during the period stated in section 700 the veteran shall be entitled to four weeks of allowances, but in no event to exceed the maximum provided in section 700: *Provided*, That the allowance for the qualifying ninety days' service shall be eight weeks for each such month.

SEC. 901. (a) Readjustment allowances shall be paid at the intervals prescribed by the unemployment compensation law of the State in which the claim was made: *Provided*, That if none are so prescribed readjustment allowances

shall be paid at such reasonable intervals as may be determined by the Administrator.

(b) Any allowances remaining unpaid upon the death of a claimant shall not be considered a part of the assets of the estate of the claimant, or liable for the payment of his debts, or subject to any administration of his estate, and the Administrator may make payment thereof to such person or persons he finds most equitably entitled thereto.

SEC. 902. (a) Any person qualified under subsection (a) of section 700, and residing in the United States who is self-employed for profit in an independent establishment, trade, business, profession, or other vocation shall be eligible for readjustment allowances under this title within the time periods applicable, and not in excess of the total amount provided in this title.

(b) Upon application by the veteran showing, in accordance with rules prescribed by the Administrator, that he has been fully engaged in such self-employment and that his net earnings in a trade, business, profession, or vocation, have been less than \$100 in the previous calendar month, the veteran shall be entitled to receive, subject to the limitations of this title as to time and amount, the difference (adjusted to the next highest multiple of \$1), between \$100 and his net earnings for such month.

(c) Payment of such allowance shall be made by the Administrator to each eligible veteran at the time and in the manner other payments are made directly to veterans by the Administrator.

(d) Subsection (b) of section 700 and section 800 shall not apply in determining the eligibility for allowances of a claimant under this section.

CHAPTER X—ADJUSTMENT OF DUPLICATE BENEFITS

SEC. 1000. Where an allowance is payable to a claimant under this title and where, for the same period, either an allowance or benefit is received under any Federal or State unemployment or disability compensation law, the amount received or accrued from such other source shall be subtracted from the allowance payable under this title (except that this section shall not apply to pension, compensation, or retired pay paid by the Veterans' Administration); and the resulting allowances, if not a multiple of \$1, shall be readjusted to the next higher multiple of \$1.

CHAPTER XI—ADMINISTRATION

SEC. 1100. (a) The Administrator of Veterans' Affairs is authorized to administer this title and shall, insofar as possible, utilize existing facilities and services of Federal and State departments or agencies on the basis of mutual agreements with such departments or agencies. Such agreements shall provide for the filing of claims for readjustment allowances with the Administrator through established public employment offices and State unemployment-compensation agencies. Such agencies, through agreement, shall also be utilized in the processing, adjustment, and determination of such claims and the payment of such allowances. To facilitate the carrying out of agreements with State departments or agencies and to assist in the discharge of the Administrator's duties under this title, a representative of the Administrator, who shall be a war veteran separated from active service under honorable conditions and who at the time of appointment shall have been a bona fide resident of the State for at least two years, shall be located in each participating State department or agency.

(b) The Administrator, consistent with the provisions of this title, shall prescribe such rules and regulations and require such records and reports as he may find necessary to carry out its purposes: *Provided, however,* That cooperative rules and regulations relating to the performance by Federal or State departments, or agencies, of functions under agreements made therewith may be made by the Administrator after consultation and advisement with representatives of such departments or agencies.

(c) The Administrator may delegate to any officer or employee of his own or of any cooperating department or agency of any State such of his powers and duties, except that of prescribing rules and regulations, as the Administrator may consider necessary and proper to carry out the purposes of this title.

(d) Allowances paid by the cooperating State agencies shall be repaid upon certification by the Administrator. The Secretary of the Treasury, through the Division of Disbursement of the Treasury, and without the necessity of audit

and settlement by the General Accounting Office, shall pay monthly to the departments, agencies, or individuals designated, the amounts so certified.

(e) The Administrator shall from time to time certify to the Secretary of the Treasury for payment in advance or otherwise such sums as he estimates to be necessary to compensate any Federal department or agency for its administrative expenses under this title. Such sums shall cover periods of no longer than six months.

(f) The Administrator shall also from time to time certify to the Social Security Board such State departments or agencies as may be participating in the administration of this title, and the amount of the administrative expense incurred or to be incurred by a State under agreements made pursuant to this section. Upon such certification the Social Security Board shall certify such amount to the Secretary of the Treasury, in addition to the amount, if any, payable by said Board under the provisions of section 302 (a) of the Social Security Act, as amended, and the additional amount so certified shall be paid to each State by the Secretary of the Treasury out of the appropriation for the Veterans' Administration.

(g) Any money paid to any cooperating agency or person, which is not used for the purpose for which it was paid shall, upon termination of the period covered by such payment or the agreement with such agency or person, be returned to the Treasury and credited to the current appropriation for carrying out the purpose of this title, or, if returned after the expiration of period covered by this title, shall be covered into the Treasury as miscellaneous receipts.

SEC. 1101. (a) No person designated by the Administrator as a certifying officer shall, in the absence of gross negligence, or intent to defraud the United States, be liable with respect to the payment of any allowance certified by him under this title.

(b) No disbursing officer shall, in the absence of gross negligence, or intent to defraud the United States, be liable with respect to any payment by him under this title if it was based upon a voucher signed by a certifying officer designated by the Administrator.

SEC. 1102. Any claimant whose claim for an allowance has been denied shall be entitled to a fair hearing before an impartial tribunal of the State agency or such other agency as may be designated by the Administrator. The representative of the Administrator located in each State shall be the final appellate authority in regard to contested claims arising in such State, subject to review by the Administrator.

SEC. 1103. In the case of any veteran eligible under the provisions of this title who either at the time of application for the benefits herein provided is a "qualified employee" as defined in section 3 of the Railroad Unemployment Insurance Act, as amended, or was last employed prior to such application by an employer as defined in section 1 (a) of the said Act, claim may be made through an office operated by or a facility designated as a free employment office by the Railroad Retirement Board pursuant to the provisions of said Act. In such cases, the conditions and standards as to suitability of work or existence of good cause, the intervals for making claim for and payment of benefits, and the administrative and appellate procedures prescribed by or under said Act shall govern, if not in conflict with the provisions of this title, the appellate procedures being subject to final appeal to the Administrator. In such cases, a reference in this title to a cooperating State agency shall be deemed to include the Railroad Retirement Board.

CHAPTER XII—DECISIONS AND PROCEDURES

SEC. 1200. The authority to issue subpoenas and provisions for invoking aid of the courts of the United States in case of disobedience thereto, to make investigations, and to administer oaths, as contained in title III of the Act of June 29, 1936 (49 Stat. 2033-34; U. S. C., title 38, secs. 131-133), shall be applicable in the administration of this title.

CHAPTER XIII—PENALTIES

SEC. 1300. Any claimant who knowingly accepts an allowance to which he is not entitled shall be ineligible to receive any further allowance under this title.

SEC. 1301. (a) Whoever, for the purpose of causing an increase in any allowance authorized under this title, or for the purpose of causing any allowance to be paid where none is authorized under this title, shall make or cause to be made

any false statement or representation as to any wages paid or received, or whoever makes or causes to be made any false statement of a material fact in any claim for any allowance under this title, or whoever makes or causes to be made any false statement, representation, affidavit, or document in connection with such claim, shall be guilty of a misdemeanor and upon conviction thereof shall be fined not more than \$1,000 or imprisoned for not more than 1 year, or both.

(b) Whoever shall obtain or receive any money, check, or allowance under this title, without being entitled thereto and with intent to defraud the United States, shall be punished by a fine of not more than \$1,000 or by imprisonment for not more than 1 year, or both.

CHAPTER XIV—DEFINITIONS

SEC. 1400. As used in this title—

(a) The term "week" means such period or periods of seven consecutive calendar days as may be prescribed in regulations by the Administrator.

(b) The term "wages" means all remuneration for services from whatever sources, including commissions and bonuses and the cash value of all remuneration in any medium other than cash.

TITLE VI

CHAPTER XV—GENERAL ADMINISTRATIVE AND PENAL PROVISIONS

SEC. 1500. Except as otherwise provided in this Act, the administrative, definitive, and penal provisions under Public, Numbered 2, Seventy-third Congress, as amended, and the provisions of Public, Numbered 262, Seventy-fourth Congress, as amended (38 U. S. C. 450, 451, 454a, and 556a), shall be for application under this Act. For the purpose of carrying out any of the provisions of Public, Numbered 2, as amended, and this Act, the Administrator shall have authority to accept uncompensated services, and [too] to enter into contracts or agreements with private or public agencies, or persons, for necessary services, including personal services, as he may deem practicable.

SEC. 1501. Except as otherwise specified, the appropriations for the Veterans' Administration are hereby made available for expenditures necessary to carry out the provisions of this Act and there is hereby authorized to be appropriated such additional amounts as may be necessary to accomplish the purposes of this Act.

SEC. 1502. Wherever used in this Act, unless the context otherwise requires, the singular includes the plural; the masculine includes the feminine; the term "Administrator" means the Administrator of Veterans' Affairs; the term "United States" used geographically means the several States, Territories and possessions, and the District of Columbia; the term "State" means the several States, Territories and possessions, and the District of Columbia; and the phrases "termination of hostilities in the present war", "termination of the present war", and "termination of the war", mean termination of the war as declared by Presidential proclamation or concurrent resolution of the Congress.

SEC. 1503. A discharge or release from active service under conditions other than dishonorable shall be a prerequisite to entitlement to veterans' benefits provided by this Act or Public Law Numbered 2, Seventy-third Congress, as amended.

SEC. 1504. The Administrator shall transmit to the Congress annually a report of operations under this Act. If the Senate or the House of Representatives is not in session, such reports shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be.

SEC. 1505. In the event there shall hereafter be authorized any allowance in the nature of adjusted compensation, any benefits received by, or paid for, any veteran under this Act shall be charged against and deducted from such adjusted compensation; and in the event a veteran has obtained a loan under the terms of this Act, the agency disbursing such adjusted compensation shall first pay the unpaid balance and accrued interest due on such loan to the holder of the evidence of such indebtedness to the extent that the amount of adjusted compensation which may be payable will permit.

SEC. 1506. (a) Before any proposed regulation or order to carry out the purposes of this Act shall be issued by any governmental agency exercising authority conferred hereunder, other than intraagency administrative rules or orders

governing the conduct of its activities or interagency rules governing relations with other agencies of the Government, a draft thereof shall be submitted to the Committee on Finance of the Senate of the United States and to the Committee on World War Veterans' Legislation of the House of Representatives.

[(b) The draft of such proposed regulation or order shall be immediately assigned to the Committee on Finance in the Senate and to the Committee on World War Veterans' Legislation in the House of Representatives,] for study, to consider whether such rule or regulation is made in conformity with the spirit, letter, intent, and purpose of this Act, and that no unusual or unexpected use of powers herein granted is proposed. Such regulation or order may be approved or disapproved by the Committee on Finance of the Senate or by the Committee on World War Veterans' Legislation of the House of Representatives, or a duly authorized subcommittee of either. In the absence of action by either committee approving or disapproving such regulation or order, it may go into effect not earlier than the fifteenth day following, but not including the date of the receipt of the draft of such proposed regulation or order by [the President of the Senate and the Speaker of the House of Representatives] *chairmen of such committees*. If sooner approved by either committee it may go into effect immediately upon such approval. Disapproval of such regulation or order by either committee shall suspend its issuance: *Provided*, That in the event of conflicting committee actions the earlier action shall govern.

[(c) (b) For the purposes of this section the Committee on Finance of the Senate and the Committee on World War Veterans' Legislation of the House of Representatives, or any duly authorized subcommittees thereof, are authorized to sit and act during the sessions, recesses, and adjourned periods of the Congress.

[(d) (c) This section shall be effective from the date of its approval.

[S. 742, 79th Cong., 1st sess.]

A BILL To amend section 104 of the Servicemen's Readjustment Act of 1944 so as to provide for determination of claims for benefits under the laws administered by the Veterans' Administration with respect to persons discharged from the armed forces, prior to the granting of such discharge

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 104 of the Servicemen's Readjustment Act of 1944 is amended to read as follows:

"Sec. 104 (a) Whenever a member of the armed forces is to be honorably discharged or released from active duty (other than through retirement under existing laws) for disability, whether or not such disability shall have been incurred in or aggravated by such service, the Secretary of War or the Secretary of the Navy, as the case may be, shall notify the Administrator of Veterans' Affairs (hereinafter referred to as the "Administrator") of such contemplated action and shall permit him to examine such member medically and otherwise, and shall furnish the Administrator with such records and other information as may be necessary to enable him to determine to what benefits such member is entitled under the laws administered by the Veterans' Administration. The Administrator is hereby authorized and directed upon receipt of such notification to make such determination prior to the discharge or release of such member from active military or naval service: *Provided*, That prior to making such determination the Administrator shall fully inform such member as to any rights, benefits, and privileges to which he may be entitled subsequent to discharge or release from active duty, under the laws administered by the Veterans' Administration: *And provided further*, That nothing in this section shall preclude the immediate transfer of any person to a veterans' facility for necessary hospital care.

"(b) No member of the armed forces shall be so discharged or released from active service until the Administrator shall have determined (1) whether such member is entitled to pension or compensation, or both, under the laws administered by the Veterans' Administration and the exact amount of the pension or compensation, if any, to which such member is entitled; and (2) whether such member is entitled to vocational rehabilitation under any Act of Congress. Any pension or compensation awarded a member of the armed forces pursuant to this section shall become effective immediately upon the discharge or release from active military or naval service of such member.

“(c) The determination authorized and directed to be made by the Administrator under subsection (a) of this section shall be automatic and shall not be dependent upon any application for benefits.

“(d) Nothing in this section shall be construed to affect the right of any member of the armed forces, after his discharge or release from active duty has been effected, to appeal from the determination of the Administrator made under subsection (a) of this section; nor shall anything in this section be construed to prevent any such member from waiving any pension, compensation, or other benefit after an award has been made by the Administrator: *Provided*, That no such waiver shall be construed to deprive any veteran of the right to make application for any pension, compensation, or other benefit, or to receive any such pension, compensation, or other benefit to which he is entitled.

“(e) The Secretary of War and the Secretary of the Navy, in collaboration with the Administrator, are hereby authorized and directed to furnish members of the armed forces, pending the determination of the Administrator as provided in subsection (a) of this section, such medical, physical, psychological, vocational, and other rehabilitation as will better fit them to undertake any courses of rehabilitation training to which they may be entitled under any Act of Congress, or to enter civil pursuits after their discharge is effected.

“(f) (1) While awaiting the determination of the Administrator under subsection (a) of this section, any member of the armed forces may, upon his own request and in the discretion of the Secretary of War or the Secretary of the Navy, as the case may be, be granted a terminal furlough with full pay and allowances, including dependents' allowances, for the period until his discharge is effected, and with transportation and travel expense to a point selected by him: *Provided*, That such transportation and travel expense shall not exceed the amount or amounts to which he would be entitled for final travel allowance were the discharge to be effected from the station from which the terminal furlough is granted, and that when discharge is finally effected no further travel allowance shall be paid other than that which may be necessary in order to furnish such member with transportation to a military or naval station to effect the discharge and return him to the point from which so ordered: *Provided further*, That nothing in this subsection shall be construed to prevent the War and Navy Departments from revoking any such terminal furlough and ordering any such member to return to duty at any time.

“(2) While on terminal furlough as provided by this subsection, any member of the armed forces may wear and appear in civilian apparel and may engage in gainful employment while not in uniform: *Provided*, That when appearing in civilian apparel such member shall carry with him at all times adequate means of identification, to be prescribed by the Secretary of War or the Secretary of the Navy, as the case may be.

“(g) The Secretary of War and the Secretary of the Navy, in collaboration with the Administrator, are hereby authorized to establish discharge centers or other units within selected regional offices or other facilities of the Veterans' Administration for the purpose of effecting the discharge of members of the armed forces who may be granted terminal furloughs as provided in subsection (f) of this section, and for the transaction of other Army and Navy administrative matters connected with such members or with the administration of this section.

“(h) The Administrator, in collaboration with the Secretary of War and the Secretary of the Navy, is hereby authorized to establish offices or other units in selected military and naval stations to expedite the making of the determinations provided for in subsection (a) of this section, and for the transaction of any other Veterans' Administration matters connected with the administration of this section.

“(i) The Veterans' Administration shall reimburse the War and Navy Departments for such amounts as may be expended by them in carrying out the purposes of subsections (e) and (f) of this section, except that no such reimbursement expense to persons granted terminal furloughs as provided for in subsection (f) shall be made for amounts expended for the payment of transportation and travel of this section.

“(j) Any person entitled to a prosthetic appliance shall be entitled, in addition, to necessary fitting and training, including institutional training, in the use of such appliance, whether in a service or a Veterans' Administration hospital, or by out-patient treatment, including such service under contract.

“(k) Appropriations heretofore made for the Veterans' Administration 'Salaries and expenses, medical and hospital, and compensation and pensions',

shall be available for necessary expenses in carrying out the purposes of the foregoing provisions of this section, including but not confined to provision of additional personnel and facilities in military and naval hospitals and stations and regional offices and facilities of the Veterans' Administration, and reimbursement of the War and Navy Departments for amounts expended as provided in subsections (e) and (f) of this section; and there is hereby authorized to be appropriated such additional amount or amounts as may be necessary to accomplish the purposes of the foregoing provisions of this section.

"(1) No person shall be discharged or released from active duty in the armed forces until his certificate of discharge or release from active duty and final pay, or a substantial portion thereof, are ready for delivery to him or his next of kin or legal representative.

[S. 866, 79th Cong., 1st sess.]

A BILL To extend benefits under the Servicemen's Readjustment Act of 1944 to the widows of persons whose death results from service in the armed forces

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That title I of the Servicemen's Readjustment Act of 1944 is amended by adding at the end of such title a new section as follows:

"SEC. 106. In any case in which a person has died or shall hereafter die as a result of personal injury sustained, or disease contracted, or of preexisting injury or disease aggravated, in line of duty in the active military or naval service on or after September 16, 1940, and prior to the termination of the present war, his surviving widow, if any, shall be eligible for benefits under this Act to the same extent and under the same conditions as the deceased person would be if he were living and had been separated from the service under circumstances entitling him to such benefits. No such widow shall be entitled to receive any benefits under this Act after she shall have remarried, except that the remarriage of any such widow shall not in any way affect the guaranty of any loan under title III of this Act made prior to the date of such remarriage."

[S. 487, 79th Cong., 1st sess.]

A BILL To extend certain provisions of the Servicemen's Readjustment Act of 1944, relating to education and training, to children of persons whose death results from service in the armed forces

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That part VIII of Veterans Regulation Numbered 1 (a) is hereby amended by adding at the end thereof a new paragraph as follows:

"12. A child of any person who shall have died as a result of personal injury sustained, or disease contracted, or of preexisting injury or disease aggravated, in line of duty in the active military or naval service on or after September 16, 1940, and prior to the termination of the present war, shall be eligible for a course of education or training not to exceed four years under this part upon the same terms and conditions, so far as applicable, as other persons eligible therefor except that (a) such child must have satisfactorily completed a high-school course or its equivalent, (b) such course of education or training shall have been commenced before such child attains the age of twenty-one years, (c) no education or training shall be afforded to any person under this paragraph after he shall have attained the age of twenty-five years, (d) the subsistence allowance payable to a person eligible for education or training under this section shall not exceed the amount provided under paragraph 6 for persons without dependents, and (e) such education or training may be afforded to any person eligible therefor under this paragraph, notwithstanding the provisions of the second proviso in paragraph 1 of this part. As used in this section, the term 'child' means a legitimate child, a child legally adopted, or a stepchild who was a member of the serviceman's household on the date of such serviceman's death."

[S. 781, 79th Cong., 1st sess.]

A BILL To amend Veterans Regulation Numbered 1 (a) with respect to payments to educational or training institutions

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph 5 of part VIII of Veterans Regulation Numbered 1 (a), added by section 400 (b) of the Servicemen's Readjustment Act of 1944, is amended by striking out the last proviso of such paragraph and inserting in lieu thereof the following: "And provided further, That if any publicly supported institution or private institution exempt from tax under section 101 (6) of the Internal Revenue Code has no established tuition fee, or if the established tuition fee of any such institution is less than the actual cost to such institution of furnishing the education or training, the Administrator is authorized to provide for the payment to such institution, with respect to any such person, of the actual cost of furnishing such education or training, but not to exceed \$500 for an ordinary school year."

[S. 826, 79th Cong., 1st sess.]

A BILL To authorize correspondence schools to participate in the program for the education of veterans

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That part VIII of Veterans Regulation Numbered 1 (a), as amended, is amended (1) by striking out in paragraph 5 thereof "in full time or part time" and inserting in lieu thereof "in full time, part time, or correspondence", and (2) by inserting in paragraph 11 thereof before the word "scientific" the following: "correspondence schools,".

[S. 850, 79th Cong., 1st sess.]

A BILL To provide that the education and training provided for by the Servicemen's Readjustment Act of 1944 shall be made available to veterans on an equal basis without regard to their age

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph 1 of part VIII of Veterans Regulation Numbered 1 (a), as amended (added by title II of the Servicemen's Readjustment Act of 1944), is hereby amended by striking out "and whose education or training was impeded, delayed, interrupted, or interfered with by reason of his entrance into the service, or who desires a refresher or retraining course," and by striking out the last proviso in such paragraph.

[S. 974, 79th Cong., 1st sess.]

A BILL To amend parts VII and VIII of Veterans Regulation Numbered 1 (a), as amended, to liberalize and clarify vocational rehabilitation and education and training laws administered by the Veterans' Administration, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph 1 of part VII of Veterans Regulation Numbered 1 (a), as amended, is hereby amended by striking the language following the word "Provided" and substituting therefor the following language: "That no course of training in excess of a period of four years shall be approved except with the approval of the Administrator, nor shall any training under this part be afforded beyond seven years after the termination of the present war."

SEC. 2. Section 4 of Public Law Numbered 16, Seventy-eighth Congress, March 24, 1943, as amended by section 402 of Public Law Numbered 346, Seventy-eighth Congress, June 22, 1944, is amended by striking out the period at the end thereof, substituting therefor a colon, and adding a new proviso to read as follows: "Provided further, That returned books, supplies, or equipment may be turned in to educational or training institutions for credit under such terms as may be approved by the Administrator, or disposed of in such other manner as may be approved by the Administrator."

SEC. 3. Paragraph 3 of part VII of Veterans Regulation Numbered 1 (a), as amended, is hereby amended to read as follows:

"3. While pursuing training prescribed herein and for two months after his or her employability is determined each veteran, if entitled to pension, compensation, or retirement pay in an amount less than the amount payable herein, shall be paid increased pension which when added to the amount of pension, compensation, or retirement pay to which he is otherwise entitled will aggregate an amount equal to the following rates:

(a) If he has neither wife nor child, \$105.

(b) If he has a wife but no child, \$115.

(c) If he has a wife and one child, \$125 (with \$7 for each additional child).

(d) If he has no wife but one child, \$115 (with \$7 for each additional child).

(e) If he has a mother or father, either or both dependent upon him for support, then in addition to the above amounts, \$15 for each parent so dependent;

Provided, That the rates set out herein shall not be subject to the increases authorized by Public Law Numbered 312, Seventy-eighth Congress, May 27, 1944: *Provided further*, That when the course of vocational rehabilitation furnished to any person as herein provided consists of training on the job by an employer, such employer shall be required to submit monthly to the Administrator a statement in writing showing any wage, compensation, or other income paid by him to such person during the month directly or indirectly and based upon such written statements, the Administrator is authorized to reduce the pension of such person to an amount considered equitable and just but not below the amount of pension, compensation, or retirement pay to which he would be entitled for service-connected disability if not following a course of vocational rehabilitation."

SEC. 4. Paragraphs 1, 2, 6, and 7, part VIII, Veterans Regulation Numbered 1 (a), are hereby amended to read as follows:

"1. Any person who served in the active military or naval service on or after September 16, 1940, and prior to the termination of the present war, and who shall have been discharged or released therefrom under conditions other than dishonorable, and who either shall have served ninety days or more, exclusive of any period he was assigned for a course of education or training under the Army specialized training program or the Navy college training program, which course was a continuation of his civilian course and was pursued to completion, or as a cadet or midshipman at one of the service academies, or shall have been discharged or released from active service by reason of an actual service-incurred injury or disability, shall be eligible for and entitled to receive education or training under this part: *Provided*, That such course shall be initiated not later than two years after either the date of his discharge or the termination of the present war, whichever is the later: *Provided further*, That no such education or training shall be afforded beyond seven years after the termination of the present war.

"2. Any such eligible person shall be entitled to education or training at an approved educational or training institution, for a period (or the equivalent thereof in part-time study) not to exceed the time such person was in the active service on or after September 16, 1940, and before the termination of the war, exclusive of any period he was assigned for a course of education or training under the Army specialized training program or the Navy college training program, which course was a continuation of his civilian course and was pursued to completion, or as a cadet or midshipman at one of the service academies, or for such lesser time as may be required for the course of education or training chosen by him, but in no event shall the total period of education or training exceed four years: *Provided*, That his work continues to be satisfactory throughout the period, according to the regularly prescribed standards and practices of the institution: *Provided further*, That whenever the period of instruction ends during a quarter or semester and after a major part of such quarter or semester has expired, such period of instruction shall be extended to the termination of such unexpired quarter or semester.

"6. While enrolled in and pursuing a course under this part, such person, upon application to the Administrator, shall be paid a subsistence allowance of \$50 per month, if without a dependent or dependents, or \$75 per month, if he has a dependent or dependents, including regular holidays and leave not exceeding thirty days in a calendar year. Such person attending a course on a part-time basis and such person receiving compensation for productive labor performed as

part of their apprentice or other training on the job at institutions, business or other establishments, shall be entitled to receive such lesser sums, if any, as subsistence or dependency allowances, as may be determined by the Administrator: *Provided*, That any such person eligible under this part, and within the limitations thereof, may pursue such full-time or part-time course or courses as he may elect, without subsistence allowance: *And provided further*, That in no event shall subsistence allowance be paid in an amount which in addition to pension or retirement pay would exceed the amount payable under part VII.

"7. Any person eligible for education or training under this part, who is also eligible for vocational rehabilitation under part VII, may elect either benefit or may be provided an approved combination of such courses: *Provided*, That the total period of any such combined courses shall not exceed the maximum period or limitations under the part elected."

SEC. 5. Paragraph 3, part VIII, Veterans Regulation Numbered 1 (a), is amended by inserting "(a)" after the paragraph number and by adding subparagraphs (b) and (c) to read as follows:

"(b) Any such eligible person may elect in lieu of the benefits provided in (a), a short intensive postgraduate or vocational training course: *Provided*, That except as to schools and institutions supported by public funds or exempt from taxation under section 101 (6) of the Internal Revenue Code, the Administrator shall have the authority to approve such courses and the schools offering same if he finds that the school is properly equipped for such purposes and that the agreed rates for material and instructions are reasonable and fair for the service rendered and exclusive of any overhead, advertising, or selling expenses: *Provided further*, That for purposes of paragraph 5 such course shall be deemed the equivalent of one ordinary school year of education or training.

"(c) Any such eligible person may elect, in lieu of the benefits provided in (a) or (b) of this paragraph, a course of instruction by correspondence without any maintenance allowance: *Provided*, (1) That the course is a continuation of one undertaken prior to or during service, or is approved by his employer, if any, or the Administrator; (2) that the course is one scheduled by an approved public institution or one exempt from taxation under section 101 (6) of the Internal Revenue Code; or (3) that the course is one given by a private or proprietary correspondence school approved by the Administrator as equipped to give vocational training courses, and that the rates for material and instruction are found by the Administrator to be reasonable and fair for service rendered and exclusive of any overhead, advertising, or selling expenses: *Provided further*, That for purposes of paragraph 5 an elapsed calendar year, regardless of the number of lessons completed, shall be deemed the equivalent of one-half ordinary school year of education or training: *And provided further*, That nothing herein shall be construed to preclude the use of approved correspondence courses as a minor part of institutional or job training, subject to regulations prescribed by the Administrator."

SEC. 6. That paragraph 5, part VIII, Veterans Regulation Numbered 1 (a), be amended to read as follows:

"5. (a) The Administrator shall pay to the educational or training institution for each person enrolled in full-time or part-time course of education or training the customary cost of tuition, and such laboratory, library, health, infirmary, and other similar fees as are customarily charged, and may pay for books, supplies, equipment, and other necessary expenses, exclusive of board, lodging, other living expenses and travel as are generally required for the successful pursuit and completion of the course by other students in the institution: *Provided*, That in no event shall such payments with respect to any person exceed \$500 for an ordinary school year: *Provided further*, That no payments shall be made to institutions, business, or other establishments furnishing apprentice training on the job: *And provided further*, That any such institution may apply to the Administrator for an adjustment of fees and the Administrator, if he finds that the customary charges are insufficient to permit the institutions to furnish education or training to eligible veterans or inadequate compensation therefor, may provide by regulation or agreement for the payment of such fair and reasonable compensation as will not exceed the actual cost of teaching personnel and supplies for instruction, nor exceeding \$500 for an ordinary school year, inclusive of all charges and supplies, and may in like manner readjust such payments from time to time in consideration of increased or decreased enrollment and available contributions to meet such cost, whether from public or private funds. No amount in excess of the customary fees shall be charged to

the veteran under the provisions of section 1505, Public Law Numbered 346, Seventy-eighth Congress, June 22, 1944.

"(b) For the purpose of paragraph 5, an ordinary school year shall mean an academic year of not less than thirty nor more than thirty-eight weeks of full-time class instruction or the equivalent thereof: *Provided*, That for a short intensive postgraduate, vocational, or trade course there may be paid the regularly established rates therefor, if approved by the Administrator, subject to the limitations of said paragraph, and such course shall be deemed to constitute an ordinary school year.

SEC. 7. This Act shall be effective from the date of its approval: *Provided*, That the monthly rates of pension provided in paragraph 3 of part VII of Veterans Regulation Numbered 1 (a), as amended by section 3 of this Act, shall be effective the first day of the second month following the month in which this Act is enacted.

[S. 1031, 79th Cong., 1st sess.]

A BILL To amend paragraph 3 of part VII of Veterans Regulation Numbered 1 (a), as amended, so as to increase the basic monthly allowance to handicapped veterans while receiving vocational training and to provide uniform increases of pension or compensation for veterans with service-connected disabilities who have dependents

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraph 3 of part VII of Veterans Regulation Numbered 1 (a), as amended, is amended by striking out that part which precedes the colon and substituting in lieu thereof the following:

"3. While pursuing training prescribed herein, and for two months after his or her employability is determined, each veteran, if entitled to pension in an amount less than the amount payable in accordance with the rate provided for total disability in paragraph 2, part I, of Veterans Regulation Numbered 1 (a), as now or hereafter amended, including additional pension for dependents otherwise authorized by law, shall be paid increased pension which, when added to the amount of pension to which he is otherwise entitled, will equal such higher amount."

SEC. 2. That any person entitled to pension or compensation for service-connected disability under laws administered by the Veterans' Administration shall be entitled to additional pension or compensation for dependents in the following monthly amounts:

- (1) If and while rated totally disabled and—
 - (a) has a wife but no child living, \$25;
 - (b) has a wife and one child living \$40;
 - (c) has a wife and two children living, \$52, and \$10 for each additional child;
 - (d) has no wife but one child living, \$15;
 - (e) has no wife but two children living, \$27, and \$10 for each additional child;
 - (f) has a mother or father, either or both dependent upon him for support, then in addition to the above amounts, \$10 for each parent so dependent.

(2) If and while rated partially disabled, in an amount having the same ratio to the amount specified in subsection (1) hereof as the degree of his disability bears to total disability: *Provided*, That no person shall receive additional compensation or pension for dependents under any other law over the same period that any additional amount provided in (1) or (2) hereof is paid.

[S. 1324, 79th Cong., 1st sess.]

A BILL To amend title V of the Servicemen's Readjustment Act of 1944

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsection (b) of section 700 of the Servicemen's Readjustment Act of 1944 is amended by striking out clause (1) of such subsection, and by renumbering clauses (2), (3), and (4) thereof as clauses (1), (2), and (3), respectively.

SEC. 2. Subsection (a) of section 902 of such Act is amended to read as follows:

"(a) Any person qualified under subsection (a) of section 700, who is self-employed for profit in an independent establishment, trade, business, profession,

or other vocation and who either (1) is residing in the United States, or (2) is carrying on such establishment, trade, business, profession, or other vocation within the United States, shall be eligible for readjustment allowances under this title within the time periods applicable, and not in excess of the total amount provided in this title."

[S. 738, 79th Cong., 1st sess.]

A BILL To amend title III, Servicemen's Readjustment Act of 1944

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 500 of title III of the Servicemen's Readjustment Act of 1944 be amended by substituting "five" for "two" and "seven" for "five" in the second sentence, and by adding a subsection (d) as follows:

"(d) Notwithstanding the interest limitation a loan bearing a service charge of not to exceed 1½ per centum per annum of the original principal amount may be guaranteed for any of the purposes, other than real-estate loans, specified in sections 502 or 503 hereof, provided it has a maturity of not more than five years.

SEC. 2. That the first clause of section 502 of the Servicemen's Readjustment Act of 1944 be amended to read as follows:

"SEC. 502. Any application made under this title for the guaranty of a loan to be used in purchasing any land, buildings, livestock, equipment, machinery, supplies, or implements, or in constructing, repairing, altering, or improving any buildings or equipment, to be used in farming operations conducted by the applicant, may be approved by the Administrator of Veterans' Affairs if he finds—"

SEC. 3. That the first clause of section 503 of the Servicemen's Readjustment Act of 1944 and subsection (1) thereof be amended to read as follows:

"SEC. 503. (a) Any application made under this title for the guaranty of a loan for—

"(a) purchasing any business, land, buildings, supplies, equipment, machinery, merchandise, or tools,

"(b) constructing, altering, or repairing any property to be used in connection therewith,

to be used by the applicant in pursuing a gainful occupation may be approved by the Administrator of Veterans' Affairs if he finds—

"(1) that the proceeds of the loan will be so used by him in the bona fide pursuit of such gainful occupation,"

SEC. 4. That the following subsections be added to section 503:

"(b) Where an interest acquired by a veteran hereunder is represented by capital stock or a share in a partnership, such stock or partnership share shall be pledged as security for the loan or credit, whether or not the loan or credit has been secured by the reservation of rights in tangible property acquired hereunder.

"(c) And loans or credits which might be approved for a guaranty under this section may be insured by the Administrator. Such insurance may be issued direct to a lender, holder, or purchaser on a blanket basis. Losses on obligations so insured may be paid to any lender, holder, or purchaser up to an amount not in excess of 15 per centum of the total sum of the credits insured.

"(1) The veteran shall not be required to pay any insurance premiums which the Administrator shall see fit to levy on any class of cases. No such charge shall be in excess of 1 per centum of the obligation insured.

"(2) The provisions of section 500 of this title shall be applicable to any insurance to be issued pursuant thereto, except that no guaranty shall be issued with respect to any credit insured hereunder, and the limitation of 50 per centum shall not be applicable to credits insured hereunder, but for the purpose of computing the \$2,000 maximum benefit to which each veteran may be entitled any obligations insured hereunder shall be included at 15 per centum of their principal amount."

SEC. 5. That sections 501 (3), 502 (4), and 503 (a) (4) of the Servicemen's Readjustment Act of 1944 be amended to read as follows:

"That the amount of a loan covering all or part of the purchase price paid or to be paid by the veteran for such property does not exceed the reasonable normal value thereof as determined by proper appraisal; and that the amount of a

loan for construction, repairs, alterations, or improvements shall not exceed the reasonable cost thereof."

SEC. 6. That two new sections, numbered 506 and 507, be added to title III as follows:

"SEC. 506. The Administrator shall have authority to compromise or adjust any claim or other matter arising out of guaranties under this title, and to designate attorneys to accept or waive service of process and to take any necessary action in foreclosures and other legal proceedings.

"SEC. 507. The minority of a veteran, or the spouse of a veteran, shall not preclude the guaranty of a loan otherwise proper under this title: *Provided*, That no revocation, rescission, or other action or defense in connection with such contract, based upon minority shall be valid, as concerns the United States, unless asserted within six months after disability of infancy is removed."

[S. 795, 79th Cong., 1st sess.]

A BILL To amend section 500 (c), title III, Servicemen's Readjustment Act of 1944, so as to make more adequate provision for loans to veterans under the provisions of such title by removing certain statutory limitations on loans guaranteed thereunder made by national banks and certain other banking institutions

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the last sentence of section 500 (c) of the Servicemen's Readjustment Act of 1944 be amended to read as follows: "The Administrator is authorized and directed to guarantee loans to veterans subject to the provisions of this title on approved applications made to persons, firms, associations, and corporations and to governmental agencies and corporations, either State or Federal, and any loan guaranteed by the Administrator under this title may be made by any national bank, or a State bank or trust company located in the District of Columbia, without regard to the limitations and restrictions of any other statute with respect to the ratio of such loan to the appraised value of the property or with respect to the maturity of such loan."

[S. 1202, 79th Cong., 1st sess.]

A BILL To amend the Act entitled "An Act to provide Federal Government aid for the readjustment in civilian life of returning World War II veterans", known as the Servicemen's Readjustment Act of 1944", approved June 22, 1944

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the term "Federal agency" as used throughout this Act means Smaller War Plants Corporation, Reconstruction Finance Corporation, Department of Agriculture, and Federal Housing Administration.

That the term "Administrator" as used in this Act means the Administrator of Veterans' Affairs.

That the Congress finds that the loan guaranty provision of the Act herein amended to be wholly inadequate to meet the needs of veterans and hereby declares that the objective of this Act is to broaden and liberalize Government aid to veterans and to facilitate their orderly readjustment into civilian life, and to effect this, the Federal agencies, departments, and corporations hereinbefore defined are hereby authorized and directed to assume and perform the duties and responsibilities hereinafter set forth.

That title III, chapter V, sections 500, 501, 502, 503, 505 of the Act entitled "An Act to provide Federal Government aid for the readjustment in civilian life of returning World War II veterans", Public Law 346, Seventy-eighth Congress, chapter 268, second session, approved June 22, 1944, is amended to read as follows:

**"TITLE III—LOANS FOR THE PURCHASE OR CONSTRUCTION OF HOMES,
FARMS, AND BUSINESS PROPERTY**

"CHAPTER V—GENERAL PROVISIONS FOR LOANS

"SEC. 500. (a) Any person who shall have served in the active military or naval service of the United States at any time on or after September 16, 1940, and prior to the termination of the present war and who shall have been dis-

charged or released therefrom under conditions other than dishonorable after active service of ninety days or more, or by reason of an injury or disability incurred in service in line of duty, shall be eligible for the benefits of this title. Any such veteran may apply within five years after separation from the military or naval forces, or five years after termination of the war, whichever is the later date, but in no event more than five years after the termination of the war, to any Federal agency for a loan or the guaranty of a loan for any of the purposes specified in sections 501, 502, and 503: *Provided*, That the aggregate amount of such loan or guaranty shall not exceed \$5,000.

"The Federal agencies cited in this Act are hereby designated as lenders and/or guarantors and are expressly authorized and directed to make loans to veterans and to guarantee loans made to veterans by others in conformity with the provisions hereof. Any loan up to the aggregate sum of \$5,000 made to a veteran by a lender other than the Federal agencies named in the Act will be guaranteed 90 per centum. The liability for the 90 per centum guaranty shall be shared equally between the Administrator and the Federal agency guaranteeing the loan. Any loan made directly to a veteran by a Federal agency shall be guaranteed by the Administrator to the extent of 50 per centum.

"No loan shall be made direct to a veteran by any Federal agency except only after such application has been first offered to and declined by a bank or other lending institution.

"(b) Interest for the first year on any loans made under this title shall be paid by the Administrator and the Federal agency in proportion to their liability, as hereinbefore provided. No security for the guaranty of a loan shall be required except the right to be subrogated to the lien rights of the holder of the obligation which is guaranteed: *Provided*, That pursuant to regulations to be issued by the Administrator the mortgagor and mortgagee shall agree that before beginning foreclosure proceedings for default in payment of principal or interest due, the Administrator and the Federal agency shall have at least thirty days' notice with the option of bidding in the property on foreclosure or of refinancing the loan with any other agency or by any other means available.

"(c) Loans guaranteed by the Administrator and loans made or guaranteed by a Federal agency under this title shall be payable under such terms and conditions as may be approved by the Administrator: *Provided*, That the liability under the guaranty, within the limitations of this title, shall decrease or increase pro rata with any decrease or increase of the amount of the unpaid portion of the obligation: *Provided further*, That loans guaranteed by the Administrator or made or guaranteed by a Federal agency shall bear interest at the rate of 4½ per centum per annum and shall be payable in full in not more than twenty years. A guaranty fee of one-half of 1 per centum per annum shall be paid by the lender receiving such guaranty, and the Administrator and the Federal agency issuing the guaranty shall receive one-fourth of 1 per centum per annum each.

"The Administrator and a Federal agency making or guaranteeing loans to veterans are authorized, subject to the provisions of this title, to approve applications made to persons, firms, associations, and corporations, and to governmental agencies and corporations, either State or Federal.

"Whenever an application is approved by any one of the Federal agencies, it shall be mandatory upon the Administrator to issue a guaranty as hereinbefore provided.

"PURCHASE OR CONSTRUCTION OF HOMES

"SEC. 501. (a) Any application made by a veteran under this title for a loan or for the guaranty of a loan by a Federal agency designated herein to be used in purchasing residential property or in constructing a dwelling on unimproved property owned by him to be occupied as his home may be approved if the Federal agency finds—

"(1) that the proceeds of such loans will be used for payment for such property to be purchased or constructed by the veteran;

"(2) that the contemplated terms of payment required in any mortgage to be given in part payment of the purchase price or the construction cost bear a proper relation to the veteran's present and anticipated income and expenses; and that the nature and condition of the property is such as to be suitable for dwelling purposes; and

"(3) that the purchase price paid or to be paid by the veteran for such property or the construction cost, including the value of the unimproved lot, does not exceed the reasonable normal value thereof as determined by proper appraisal.

"SEC. 501. (b) Any application for the guaranty of a loan under this section for the purpose of making repairs, alterations, or improvements in, or paying delinquent indebtedness, taxes, or special assessments on, residential property owned by the veteran and used by him as his home, may be approved by a Federal agency if it finds that the proceeds of such loan will be used for such purpose or purposes.

"(c) No first mortgage shall be ineligible for insurance under the National Housing Act, as amended, by reason of any loan guaranteed under this title, or by reason of any secondary lien upon the property involved securing such loan.

"PURCHASE OF FARMS AND FARM EQUIPMENT

"SEC. 502. Any application made under this title for a loan or the guaranty of a loan to be used in purchasing any land, buildings, livestock, equipment, machinery, or implements, or in repairing, altering, or improving any buildings or equipment, to be used in farming operations conducted by the applicant may be approved by a Federal agency if it finds—

"(1) that the proceeds of such loan will be used in payment for real or personal property purchased or to be purchased by the veteran, or for repairing, altering, or improving any buildings or equipment, to be used in bonafide farming operations conducted by him;

"(2) that such property will be useful in and reasonably necessary for efficiently conducting such operations;

"(3) that the ability and experience of the veteran and the nature of the proposed farming operations to be conducted by him are such that there is a reasonable likelihood that such operations will be successful; and

"(4) that the purchase price paid or to be paid by the veteran for such property does not exceed the reasonable normal value thereof as determined by proper appraisal.

"PURCHASE OF BUSINESS PROPERTY

"SEC. 503. Any application made under this title for the guaranty of a loan to be used in purchasing any business, land, buildings, supplies, equipment, machinery, or tools, to be used by the applicant in pursuing a gainful occupation (other than farming) may be approved by a Federal agency if it finds—

"(1) that the proceeds of such loan will be used for payment for real or personal property purchased or to be purchased by the veteran and used by him in the bona fide pursuit of such gainful occupation;

"(2) that such property will be useful in and reasonably necessary for the efficient and successful pursuit of such occupation;

"(3) that the ability and experience of the veteran, and the conditions under which he proposes to pursue such occupations, are such that there is a reasonable likelihood that he will be successful in the pursuit of such occupation; and

"(4) that the purchase price paid or to be paid by the veteran for such property does not exceed the reasonable normal value thereof as determined by proper appraisal.

"SEC. 504. Any person who is found by the Administrator of Veterans' Affairs to be a veteran eligible for the benefits of this title, as provided in section 500 hereof, and who is found by the Secretary of Agriculture, by reason of his ability and experience, including training as a vocational trainee, to be likely to carry out successfully undertakings required of him under a loan which may be made under the Bankhead-Jones Farm Tenant Act, shall be eligible for the benefits of such Act to the same extent as if he were a farm tenant."

[S. 291, 79th Cong., 1st sess.]

A BILL To amend the Servicemen's Readjustment Act of 1944

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 700 (a) of the Servicemen's Readjustment Act of 1944 is amended by striking out the word "weeks" which occurs after the word "fifty-two" and inserting in lieu thereof the following: "times his allowance for a week of total unemployment,".

SEC. 2. Section 800 (c) (2) of such Act is hereby repealed.

SEC. 3. Section 800 (d) (1) of such Act is amended to read as follows:

"(d) (1) In determining under subsection (a) of this section the suitability of work or the existence of good cause with respect to a claimant, there shall be considered, among other factors, the degree of risk involved to his health, safety, and morals, his physical fitness and prior training, his experience and prior or probable earnings in his customary occupation or one for which he has been trained, the length of his unemployment, his prospects for obtaining work in the customary occupation or one for which he has been trained, the distance of available work from his residence, and prospects for obtaining local work."

SEC. 4. Section 900 of such Act is amended to read as follows:

"SEC. 900. (a) The allowance for a week shall be—

"(1) \$20, plus—

"(2) (A) \$5 if the claimant has one dependent, or

"(B) \$10 if he has two dependents, or

"(C) \$15 if he has three or more dependents,

less that part of the wages payable to him for such week which is in excess of \$3: *Provided*, That where the allowance is not a multiple of \$1, it shall be computed to the next highest multiple of \$1; and

"(b) (1) As used in this section the term 'dependent' includes only—

"(A) the lawful wife of a claimant living with him or receiving regular support from him, or the lawful husband of a claimant if dependent upon his wife for support, who, in the week for which an allowance is claimed, has not received \$5 or more either as wages, as an allowance under this title, or under any Federal or State unemployment or disability compensation law; or

"(B) an unmarried child either (1) under eighteen years of age, or (2) of any age, if incapable of self-support by reason of mental or physical defect.

"(2) As used in this section the term 'child' shall include only—

"(A) a legitimate child;

"(B) a child legally adopted;

"(C) a stepchild, if a member of the claimant's household; or

"(D) a child to whom the claimant stands in loco parentis and has so stood for not less than twelve months prior to the date of this claim on behalf of such child.

"(c) The Administrator may find an individual to be a dependent of the claimant if the claimant has certified the facts required by the provisions of this subsection.

"(d) Where a child is a dependent of more than one claimant, allowance for the child shall be made only on behalf of one claimant, as determined by the Administrator.

"(e) Where a claimant seeks an allowance for a dependent who is separated from him under court order or written agreement, the allowance for the dependent shall not exceed the amount fixed in the court order or in the written agreement. If such amount is not fixed at a weekly rate, the portion payable for each week shall be determined in accordance with regulations of the Administrator."

SEC. 5. This Act shall become effective the first Sunday of the calendar month after the date of enactment of this Act.

[S. 1176, 79th Cong., 1st sess.]

A BILL To amend the Servicemen's Readjustment Act of 1944, with respect to the education and training of veterans

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That paragraphs 1 and 2 of part VIII of Veterans Regulation Numbered 1 (a) (added by the Servicemen's Readjustment Act of 1944) are amended to read as follows:

"1. Any person who served in the active military or naval service on or after September 16, 1940, and prior to the termination of the present war, and who who shall have been discharged or released therefrom under conditions other than dishonorable, and who either shall have served ninety days or more, exclusive of any period he was assigned for a course of education or training under the Army specialized training program or the Navy college training program, which course was a continuation of his civilian course and was pursued

to completion, or as a cadet or midshipman at one of the service academies, or shall have been discharged or released from active service by reason of an actual service-incurred injury or disability, shall be eligible for and entitled to receive education or training under this part.

"2. Any such eligible person shall be entitled to education or training, or a refresher or retraining course, at an approved educational or training institution, for a period of one year (or the equivalent thereof in continuous part-time study), or for such lesser time as may be required for the course of instruction chosen by him. Upon satisfactory completion of such course of education or training, according to the regularly prescribed standards and practices of the institutions, such person shall be entitled to an additional period or periods of education or training, not to exceed the time such person was in the active service on or after September 16, 1940, and before the termination of the war, exclusive of any period he was assigned for a course of education or training under the Army specialized training program or the Navy college training program, which course was a continuation of his civilian course and was pursued to completion, or as a cadet or midshipman at one of the service academies: *Provided*, That wherever the additional period of instruction ends during a quarter or semester and after a major part of such quarter or semester has expired, such period of instruction shall be extended to the termination of such unexpired quarter or semester. Any eligible person who has pursued a preprofessional or professional course during the periods of education or training to which he is entitled under the foregoing provisions of this paragraph and has satisfactorily completed his work during such periods in such course, shall be entitled to such further additional period or periods of education or training as may be necessary to enable him to complete his preprofessional and professional courses, but in no event shall the total period of education or training to which any person is entitled under this part exceed seven years. No person shall be entitled to continue his education under this part during any of the additional periods above provided, except so long as his work continues to be satisfactory, according to the regularly prescribed standards and practices of the institution."

SEC. 2. The first sentence of paragraph 6 of such part VIII is amended to read as follows: "During the period any person is enrolled in and pursuing a course under this part (including regular holidays and leave not exceeding thirty days in a calendar year), such person shall be paid a subsistence allowance for each month in the following amounts: \$50 if such person has no dependents; \$75 if such person has one dependent; \$100 if such person has two dependents; \$125 if such person has three dependents; and \$150 if such person has four or more dependents."

SEC. 3. Paragraph 10 of such part VIII is amended to read as follows:

"10. The Administrator shall arrange for educational and vocational guidance to persons eligible for education and training under this part. From time to time the Administrator shall secure from the appropriate agency of each State a list of the agencies, organizations, and institutions within such State which are qualified to furnish such educational and vocational guidance; and the Administrator shall utilize the services and facilities of such agencies, organizations, and institutions to the fullest extent practicable in carrying out the provisions of this paragraph. At semiannual intervals the Administrator shall publish information respecting the need for general education and for trained personnel in the various crafts, trades, and professions, and shall distribute such information to interested persons and organizations. The organizations to which such information shall be distributed shall include all approved educational and training institutions, all officially recognized State and local information centers and other agencies providing information or guidance for veterans, all local chapters of nationally recognized veterans' organizations, and such other organizations as the Administrator deems appropriate. The facilities of other Federal agencies collecting such information shall be utilized to the extent that the Administrator deems practicable."

SEC. 4. Section 1505 of the Servicemen's Readjustment Act of 1944 is amended by inserting after the words "under this Act" the following "(except title II)".

Senator JOHNSON. We are honored this morning with General Bradley's presence. We would like to call on him as our first witness.

You may proceed in your own way, General Bradley.

STATEMENT OF GEN. OMAR N. BRADLEY, ADMINISTRATOR OF VETERANS' AFFAIRS, ACCOMPANIED BY E. E. ODOM, SOLICITOR, VETERANS' ADMINISTRATION; AND H. V. STIRLING, ASSISTANT ADMINISTRATOR FOR VOCATIONAL REHABILITATION AND EDUCATION, VETERANS' ADMINISTRATION

General BRADLEY. Mr. Chairman, I would like first to read my statement and then try to answer any questions you may have afterward.

There are pending before this committee several bills amendatory to the Servicemen's Readjustment Act of 1944.

Among those originated and recommended by the Veterans' Administration is S. 974, a bill to amend parts VII and VIII of Veterans Regulation No. 1 (a), as amended, to liberalize and clarify vocational rehabilitation and education and training laws administered by the Veterans' Administration, and for other purposes.

H. R. 3749, which was passed by the House of Representatives immediately prior to the summer recess, would reenact all of the provisions of the Readjustment Act, with amendments to some. Reports on these two bills were prepared in due course by my predecessor, Gen. Frank T. Hines, and have been cleared by the Bureau of the Budget, with the admonition, however, that there be submitted to the appropriate congressional committees the correspondence had by me with the Bureau of the Budget in connection with such proposed reports. The reports themselves and the correspondence are here and may either be placed in the record or read to the committee, or both. They are quite detailed and extensive, and I feel that it may be more advantageous to the committee if I make a general statement on the principles involved and then, if desired by the committee, have the correspondence and the reports explained by one or more of my staff assistants.

The Solicitor, of course, and the legislative counsel will be available to the committee for any information or assistance that may be desired; and the Assistant Administrators concerned will be available to testify as to any matters under their jurisdiction.

While there is also pending before this committee other legislation in which the Administration is vitally interested, such as S. 1203, a bill to liberalize and clarify the laws pertaining to hospital treatment, medical care, domiciliary care, and related services, and for other purposes, and S. 969, a bill to amend certain provisions of the National Service Life Insurance Act of 1940, as amended—which latter bill may need further amendments in order to adjust such insurance to peacetime requirements—comment at the present time will be directed to the two main features of the pending bills, particularly education and training and guaranty of loans.

Preliminarily, I think some question arises as to the desirability of reenacting all of the Servicemen's Readjustment Act inasmuch as that may invite amendments upon which no expression of policy is possible and also may raise serious questions of interpretation, particularly as regards time limitations. Further, the House bill in reenacting section 100, ignored the fact that said section has been reenacted in an amended form as Public Law 138, Seventy-ninth Congress. It would be a step backward to repeal the provisions of the later act.

The suggestions with respect to education and training involve the following subjects:

1. Amount of training pay.
2. Elimination of the alleged discrimination between service persons based upon age at time of entrance into active service.
3. Provisions for short, intensive courses, and for the use of correspondence courses under adequate safeguards, both as to the veteran and the Government.
4. Revised formula for extending assistance to institutions having inadequate fees.

Considering the present living costs, it seems that some reconsideration should be given to the question of training pay or subsistence allowance while pursuing vocational rehabilitation or education or training. The Veterans' Administration recommended a change in the rates of increased pension for the former, and the House bill raises the latter \$10 per month. The Bureau of the Budget suggested that instead of that, consideration be given to a flat rate for veterans without dependents, with increased amount for veterans with dependents, and that the amounts be the same under both acts but with provisions that the veteran may, notwithstanding such allowances, continue to receive whatever pension, retirement pay, or compensation he may otherwise be entitled to receive. Adoption of such flat rate would solve many administrative difficulties now inherent in the provisions of the two acts, and would go far to prevent attempts to switch back and forth as between vocational rehabilitation training under Public Law 16, and education or training under Public Law 346.

The age factor has caused much criticism, possibly through lack of understanding of the exact intent and purpose thereof. The education provisions of the Readjustment Act were intended as a benefit to those whose education or training was prevented or interrupted by active service. A proviso was added to the effect that anyone under 25 years of age at the time of entrance into active service would be presumed or deemed to have had his education or training interrupted. This was merely a rule of evidence in favor of the younger veterans. However, the older veterans feel that it places an undue burden of proof upon them to show eligibility for education or training other than a refresher or retraining course limited to 1 year.

While it is believed that there will not be a great number of older veterans desiring to take advantage of these educational opportunities, it is realized that the mere existence of purpose or intent is difficult of proof.

The Veterans' Administration has been very liberal in applying this provision but it has nevertheless created a great deal of dissatisfaction and charges of discrimination. It is believed the Congress may well desire to reexamine this subject and possibly also the question of more adequately defining the extent of courses of education or training.

Experience would indicate need for some leeway in paying for short, intensive courses. Under the formula prescribed in the act, it is necessary to prorate the maximum amount of \$500 over the period constituting an ordinary school year. It is believed that veterans who desire only such short courses should be permitted to have them with all expenses paid within the limitation of the \$500 maximum.

However, in order to provide adequate protection to both the veterans and the Government, it is felt that the Administration should have the authority to enter into contracts respecting rates. It would still be required that the institutions be approved by the appropriate State agencies.

Similar recommendation is made with respect to the use of correspondence courses and correspondence schools. It seems only appropriate that there should exist authority to protect against overselling of such courses.

The matter of assistance of State institutions is one which deserves reexamination. It was assumed originally that the States would meet their normal program and that the Federal Government should meet any additional cost by reason of the educational provisions of the Readjustment Act.

Under the language of the last proviso of paragraph 5, title II, many of the State institutions and State legislatures have been based upon such assumption. Many of the institutions have attempted to charge their nonresident rates, or other rates based upon the estimated cost of affording instruction. The veterans have objected because of the provisions of section 1505 of the act on the ground that if there should later be provided a benefit in the form of adjusted compensation or bonus, the deduction therefrom of the amount paid to the State institutions above the customary charges would result in the veteran being charged with a greater cost for his education than would be the fact if he attended the institution as a citizen rather than a veteran. The amendment proposed by the Veterans' Administration would, it is believed, provide a better formula for determining the assistance necessary, and would also provide that such additional cost would not be subject to the provisions of section 1505. This seems only fair. The Congress may decide upon an entirely different approach, as, for example, affording authority to contract with the institutions for additional services as is now the case under Public Law 16.

There are, of course, some minor technical changes proposed with respect to both Public Law 16 and title II of Public Law 346, intended mostly for the purpose of clarification and perfection of administrative techniques. In general, except with respect to the four main points above discussed, the operation of the educational provisions has proved quite satisfactory.

Perhaps it is safe to say that the greatest amount of interest has been evidenced in, and the greatest amount of controversy has arisen over the loan-guaranty provisions of title III of the act. The financial journals and the public press generally have displayed prominently criticisms and suggestions concerning such provisions. These range all the way from minor modifications with a view to expedition of administrative procedures, to the entire elimination of the provision or the transfer of the functions to other governmental agencies. Particular emphasis has been placed by some upon the transfer of the home-loan functions to the Federal Housing Administration. I have made no recommendation with respect to this matter for the reason that I feel it is the duty of the Veterans' Administration to perform to the best of its ability those functions and responsibilities placed upon it by the Congress. Concededly, from the standpoint of purely

functional operations, all responsibilities of the Veterans' Administration could be transferred to other agencies.

I believe, however, that it has been and will continue to be the view of the Congress that all veterans' benefits as such should be administered by one agency rather than being scattered among a number of agencies. Whether the loan provisions should be considered as a veterans' benefit is the question which some feel should be given further consideration. It would seem to be readily apparent that so potentially vast a program cannot be accomplished by any agency without the development of appropriate administrative machinery. It seems only logical to think that such machinery may be developed in one agency as well as in another. Some argue that greater efficiency may be obtained by centralization of responsibility in accordance with functions. Others insist with equal firmness that the veterans' program can be administered more sympathetically and understandingly by the agency responsible for all veterans' benefits. Some would attempt to combine the two ideas by making the Veterans' Administration responsible, but having the work performed by other agencies. It seems clear to me that the responsibility must carry with it the policy making as well as the administrative functions.

Great misunderstanding has existed from the very beginning with respect to the loan features of the act. In some way, the impression was broadcasted, even to the most far-flung battle fronts, that all the discharged veterans had to do was to take his honorable discharge certificate to some place and be handed out \$2,000. Consequently, disappointment is expressed when he finds out that he has to go through the ordinary procedures with respect to getting a loan. It should be kept in mind, too, that the act was intended, as the name implies, as a readjustment measure. Literally, the guaranty provision was intended to provide what ordinarily is required as a down payment in connection with purchasing a home, farm, business, et cetera. In other words, the guaranty took the place of the purchaser's equity. It must be remembered, too, that the governmental security provided was a guaranty and not an indemnity. In other words, the Government, to the extent as to the amount guaranteed, absorbs the loss instead of sharing it with the creditor. Further, the act provided stringent safeguards with respect to the veteran, as well as the Government in requiring that the loan must be a practicable one and that the purchase price must not exceed the reasonable normal value as determined by proper appraisal, of the property purchased. This later provision was intended to protect not only the Government and the veteran, but to mitigate against the recognized inflationary tendencies of the other provisions.

In operation, it has been demonstrated that in many localities houses cannot be purchased at a price representing reasonable normal values. In the agricultural field, land values are such that practically no farms can be purchased on such evaluation. The provision is of lesser importance in connection with business loans, but the difficulty of the act with respect to this type of loan is that it contemplates a secured loan, while the ordinary business loan partakes of the nature of a character loan.

Notwithstanding the above-named difficulties, it is believed that the present act will operate satisfactorily with some changes in pro-

cedure—now being perfected—and minor modifications in the act as follows:

1. It seems clear that the 2-year limitation should be extended. It is inflationary and I think it can be readily recognized that many veterans will not, within 2 years after their discharge or the end of the war, be in a position to take advantage of this readjustment provision.

2. It seems that a more realistic approach should be made to the question of present values and that reasonable normal value requirements should apply to the amount of the loan rather than the amount of the purchase price. That is to say, if the veteran, for reasons satisfactory to himself, desires to pay the market price, he should be permitted to do so, but the amount of the loan should not exceed the reasonable normal value. This will afford protection to the Government and should go as far as is wise in protecting the veteran against inflationary values. Of course, a limit could be placed, but it should be recalled that the act otherwise required that the loan be a practical one.

3. The provisions respecting farm loans should be somewhat broadened so as to include feed and supplies and improvements on land as well as buildings, and those with respect to business loans should be considerably broadened as to include, in proper cases, inventory and working capital.

4. It is believed, however, that at least with respect to non-real-estate loans, the guaranty provisions should be replaced by provisions for insurance. In fact, certain interests have urged that the entire title III be rewritten to afford insurance of real estate as well as nonsecured loans, the Government insuring such loans 100 percent, but with the maximum liability of, say, \$2,000. It is believed that this would not be practicable with respect to real-estate loans because it would afford full protection only to the extent of a \$2,000 loan, or such other limit as may be placed on the Government's liability, in an individual case. On the other hand, it is not believed that it would be sound for the Government to insure all real-estate loans 100 percent, bearing in mind that the purchaser has no real equity therein.

5. A somewhat minor item, but one which causes great administrative difficulties, is the provision of the present act respecting the payment of the first year's interest on the portion of the loan guaranteed. It would be much less expensive if this provision were changed to authorize simply the payment of a flat sum representing the amount of interest on the guaranteed portion for 1 year. This could be paid either to reduce the amount of the loan or to cover costs of closing the loan as may be deemed most desirable.

There are other modifications which will be explained in detail later.

Coming now to the provisions of the House bill, the Veterans' Administration, as explained in the report, is opposed to the fundamental changes proposed. Specifically, we are opposed to removing all safeguards, both for veteran and the Government, and leaving the matter wholly to the discretion of the creditor and the purchaser. Under such wide open grant, the Veterans' Administration or some other governmental agency would simply be responsible for paying losses. There would be absolutely no selection as to credit risks. The House bill apparently attempts to offset such inflationary provisions by transforming the "guaranty" into an "indemnity."

While the language is not clear that what is called a guaranty is intended as an indemnity, the language of section 505 of the bill appears to spell out the fact that the loss would be shared by the creditor and the Government in the ratio of the amount of the guaranty to the amount of the loan. That is to say, if the loan were for \$4,000, 50 percent thereof would be guaranteed.

Under the present act, if the veteran should default and the unpaid balance of the loan were \$4,000, the Government's liability would immediately attach in the amount of \$2,000.

Under the terms of the bill, the amount of liability would be determined after foreclosure or sale, and if the entire loss were \$2,000, the Government would be liable for 50 percent thereof, the remainder being borne by the creditor.

While, as stated, it seems to be the intent of the language employed, it is not entirely clear and, therefore, the exact meaning might not be ascertainable until a case had been carried to the highest court, and the act judicially interpreted. If an indemnity only is intended, I do not believe lending institutions would find the loans attractive. If, on the other hand the Government is to guarantee loans with no control or selections of risks, then I would recommend that such losses be paid by the Treasury without requirement that the claims be processed by any other agency.

It will be noted that there is absolutely no provision in title III of the House bill for implementing regulations to be issued by the Veterans' Administration. There are many other technical deficiencies in the bill, but these are matters for consideration when the committee considers the details thereof.

Titles IV and V of the act are reenacted without amendment. While no recommendations have been made to, or cleared by, the Bureau of the Budget, there are some minor deficiencies in the readjustment allowance provisions of title V.

For example: Some dissatisfaction has been expressed over the fact that an unemployed veteran may receive readjustment allowance if he becomes ill while unemployed, whereas if he loses his job because of illness, he is not considered available for work and therefore is not entitled to readjustment allowance.

The act also does not provide for advancement of funds to the States in order to enable them to pay the readjustment allowances under the agreement authorized. Consideration also should be had to the fact that the amounts provided are entirely too high in certain of the Territories and possessions.

To be specific, \$20 a week in Puerto Rico or the Philippines is out of line with the prevailing economy in such possessions. In another committee, representations are being made with respect to placing the Philippine benefits on a peso rather than a dollar basis, but the matter is one which properly may be brought also to the attention of this committee.

Finally, it is desired to invite specific attention to the amendment to title VI; namely, section 1506.

While the Veterans' Administration could not very well object to having its regulations reviewed informally by the Congress—in fact all regulations on the Readjustment Act were submitted informally to the World War Veterans' Legislation Committee of the House

and the Finance Committee of the Senate before they were issued—it does seem pertinent to suggest that such statutory requirement would subject the executive department of the Government to the legislative in a manner somewhat different than was apparently intended by the Constitution.

Further, if the committees, as distinguished from the Congress, should construe an act differently than the administrative official construes it, this might or might not be considered as impinging upon the functions of the judicial department of the Government. Of course, except as to contracts, perhaps, the Congress has the legislative power to amend statutes found unsatisfactory. However this may be, it seems apparent that an impossible situation would arise under the proposed section 1506 if one of the congressional committees should approve the regulations and another committee should disapprove. An administrative officer certainly, and possibly the courts, might be handicapped by such conflicting committee actions. Conceivably, it might be quite embarrassing for an administrative officer to carry out the views of the committee of one of the Houses of Congress diametrically opposite to the views of a committee of the other House.

While somewhat lengthy, this summarization of the proposals is only a generalization and leaves for further explanation the innumerable details of the pending bills and counterproposals. The Solicitor, and the administrative officials concerned with the several operational responsibilities, will explain the specific amendatory recommendations and suggestions at the pleasure of the committee. I think I may, however, briefly give you the following statistical information with respect to—

1. Vocational rehabilitation under Public Law 16.
2. Education and training under Public Law 346.
3. Loans guaranteed under title III.
4. Readjustment allowances under title V.

If you would like to have those statistics, I will put them in the record.

Senator JOHNSON. Yes; we would like to have them, sir.

General BRADLEY. Vocational Rehabilitation under Public, No. 16, part VII, on August 31, 1945: Cases in file, 104,602; applications approved pending induction, 9,225; applications approved declined induction, 3,347; in training at the present time, 16,102.

Mr. ODOM. I might explain that point because of the vast discrepancy between the first and the second.

By cases in file is meant those that have been rated as pensionable and the form for applying for the vocational rehabilitation has been forwarded to them, but they have not as yet been returned.

Is that correct, Mr. Stirling?

Mr. STIRLING. That is correct in part.

The break-down of the 104,602 applications is as follows:

Pending, 29,731. In this group there are 5,464 cases where advisement has not been initiated, 15,042 where advisement has not been completed, and 9,225 pending induction.

Cases deferred or denied, 48,593. In this group there are 5,643 applicants medically not feasible, 5,511 need for training denied, 3,347 applications approved—induction declined, 8,409 employed, 90 placed in employment, 12,838 training not desired, 12,755 no response.

The total number of disabled veterans in training as of August 31 is 16,102. Of these, 8,871 are in institutional training while 7,231 are in job training.

The total number who have terminated their training is 10,176. Of these, 1,040 have been declared rehabilitated, 7,456 have interrupted their courses, while 1,680 have been discontinued.

General BRADLEY. There were shown in training actually only 16,102.

Education and training, under Public, No. 346, part VIII: Number of cases in file (form 1950), 119,641; number eligible for training (allowed), 106,379; number in training, actually started training, 22,007.

Loan guaranties under title III: This is an accumulative statement of operations as of September 29, 1945.

Cumulative total of loan guaranty applications received: Home 26,701; farm, 815; business, 1,904; total, 29,420.

Cumulative total of loan guaranty applications executed: Home, 21,981; farm, 503; business, 1,575; total, 24,059.

Cumulative total of loan guaranty applications rejected and withdrawn on: Home, 2,969; farm, 190; business, 184; total, 3,343.

Cumulative total guaranty applications on hand: Home, 1,751; farm, 122; business, 145; total, 2,018.

Cumulative total of certifications of eligibility (form 1800) received: Home, 52,264; farm, 3,441; business, 8,850; total, 64,555.

Amount of guaranty commitments: Home, \$36,604,738; farm, \$585,001; business, \$1,824,732; total, \$39,014,471.

Payments to the unemployed during the last week of May, June, July, and August 1945 and during each week as indicated for the month of September 1945:

I believe this will show the rate of increase as it is going up.

May 26, 1945, the number was 28,838; total amount, \$649,945.

And to shorten the details, to jump to September 22, 1945, the latest one, the number has increased to 81,266, and the amount is \$1,953,439.

The total amount from the beginning of operations to date is \$34,695,138.

Payments to the self-employed during the periods indicated:

In January 1945 the number was 1,461. In August 1945 it was 12,349. The total amount from the beginning of operations to date is \$5,819,777.43.

I believe the statement will show you the way the thing has gradually increased.

(The tabulation last referred to by General Bradley, entitled "Servicemen's Readjustment Act of 1944," is as follows:)

SERVICEMEN'S READJUSTMENT ACT OF 1944

TITLE V.—Payments to the unemployed during the last week of May, June, July, and August 1945 and during each week as indicated for the month of September 1945

Week ending	Number	Amount
May 26, 1945.....	28, 838	\$649, 945
June 30, 1945.....	34, 287	770, 656
July 28, 1945.....	43, 286	992, 809
Aug. 25, 1945.....	53, 087	1, 270, 224
Sept. 1, 1945.....	58, 652	1, 372, 878
Sept. 8, 1945.....	58, 693	1, 316, 533
Sept. 15, 1945.....	74, 424	1, 745, 860
Sept. 22, 1945.....	81, 266	1, 953, 439
Total amount from beginning of operations to date.....		34, 695, 138

Payments to the self-employed during the periods indicated

Period	Number	Amount
Beginning of operations to Dec. 31, 1944.....	1, 581	\$92, 750. 73
January 1945.....	1, 461	118, 863. 36
February 1945.....	2, 477	218, 525. 63
March 1945.....	4, 378	390, 351. 04
April 1945.....	6, 868	614, 592. 30
May 1945.....	8, 917	865, 230. 52
June 1945.....	11, 908	1, 065, 042. 60
July 1945.....	11, 926	1, 190, 615. 50
August 1945.....	12, 349	1, 263, 805. 75
Total amount to date.....		5, 819, 777. 43

General BRADLEY. I would suggest that we might now start taking up the details.

The CHAIRMAN. The payments referred to are weekly payments, are they?

General BRADLEY. Yes, sir; they are weekly payments.

Senator JOHNSON. Are there any questions?

General BRADLEY. If you have any questions before we go into the details, I will be glad to try to answer them.

Senator JOHNSON. Any other questions, Senator George?

The CHAIRMAN. No, sir.

Senator JOHNSON. Does any other member have a question?

All right, go right ahead, General.

General BRADLEY. I would suggest that at this time we might have the detailed recommendations on each of these points as to what they will accomplish.

If it is satisfactory to you, I will turn that over to Mr. Odom and I will sit here and shall try to answer any questions that may come up.

Senator JOHNSON. That will be satisfactory.

I do have one question I want to clear up. I notice on page 12 that you say:

While no recommendations have been made to, or cleared by, the Bureau of the Budget, there are some minor deficiencies in the readjustment allowance provision of title V.

My question is, Have none of the recommendations herein made been cleared by the Budget?

General BRADLEY. Most of them have.

Senator JOHNSON. What you mean is simply matters of clarification?

General BRADLEY. Yes; some of the minor deficiencies, more or less for clarification rather than matters of important change.

Senator JOHNSON. So that this statement you have made here may be deemed to have been cleared by the Bureau of the Budget?

General BRADLEY. The important points; yes, sir. You will find that stated in the reports on the bill.

Mr. ODOM. Let me clarify that, if I may.

General BRADLEY. Yes.

Mr. ODOM. You have two reports. One, delivered this morning on the educational features. The other report, a copy of which was sent to Senator George in July, was a copy of the report made to the House committee on the bill which you have before you, H. R. 3749.

Now, that report, both reports, in fact, have been cleared by the Bureau of the Budget. Both reports contain our specific recommendations. It was our thought that those could be explained to you by the Assistant Administrator responsible for those particular functions. But, as General Bradley's statement here indicated, the Bureau of the Budget, in clearing those reports suggested, rather affirmatively, that the correspondence with the Bureau of the Budget concerning those reports, and which brought some of the controvarsial issues, be also supplied to the committee.

So we have that correspondence here with the reports. The reports necessarily are quite lengthy. The correspondence is somewhat less so, although it constitutes several pages. We can read it and will be glad to do so, if the committee desires, or it can be introduced in the record at some point, and we can then bring up the difficult points as they come up in the study of the bill.

I take it that General Bradley wants to do what the committee desires in that respect.

Senator JOHNSON. As I understand it, you will turn over the details of further explanation to the Department heads?

General BRADLEY. Yes. For example, the matter of education rehabilitation training, Mr. Stirling has all of the details of it. That is the first part of my general statement, and Mr. Collins, who is responsible for the loans, has some specific recommendations on changes on the loan features. Each one can supply something from their experience in administering the bill, because they have been actually administering those features.

That is the reason that I suggested that they be permitted to suggest detailed recommendations, because of their experience in administering them.

Then they can answer questions you may care to ask on how it has worked.

Senator JOHNSON. I think that would be a good way to proceed. If Mr. Stirling will come forward, we will proceed.

Mr. ODOM. Mr. Chairman, Mr. Stirling will read the report, and I will give you at this time a committee print—rather, instead of a committee print of S. 974, which you introduced, I will give you, if I

may for the record, House bill 3627, which contains the amendments by the Veterans' Administration recommended to S. 974; and which are explained in the report which Mr. Stirling has here.

Senator JOHNSON. Do you have copies for the members?

Mr. ODOM. I am sorry; no. We will get them, however, for you, before the session is over.

Senator JOHNSON. Go right ahead, Mr. Stirling.

Mr. STIRLING. Mr. Chairman, I might begin by giving you these statistics:

We have received a total of 119,641 applications.

Senator LUCAS. What are you discussing now?

Mr. STIRLING. Servicemen's Readjustment Act; 110,213 cases have been determined to be eligible. The number that has been denied is 3,834. The total in training as of August 31, was 22,007.

Senator MILLIKIN. Mr. Chairman, may I ask how many applications have been made?

Mr. STIRLING. 119,641.

Senator MILLIKIN. How many were declared eligible?

Mr. STIRLING. 110,213. We have pending 9,428.

Of the 22,007 who have gone into training, 19,053 are in institutional training. While in training on the job, we have 2,954.

Those in institutional training who are pursuing courses below the college level, are 559.

Junior colleges, 198.

Teachers colleges and normal schools, 328.

Colleges, universities, and professional, 12,013.

Trade schools, and business colleges, 5,955.

The total in training on what we call job training, professional and managerial, 215.

Clerical and sales, 130.

Service occupations, 63.

Agriculture and kindred, 21.

Senator LUCAS. Mr. Stirling, will you explain the discrepancy between the number approved and the number actually taking the courses?

Mr. STIRLING. Senator Lucas, under our procedure, as soon as a man files an application for education or training, we issue him a certificate of eligibility which he may take anywhere in this country. He doesn't have to go in immediately when he gets it. He may look around to determine what school he wishes to go to, and when he is accepted by an institution, he turns in that certificate. Then the institution sends in the certificate and notice that he has commenced training to the regional office.

The Veterans' Administration has cleared all applications to date with the exception of 9,000.

Senator LUCAS. How long can he hold the certificate before using it?

Mr. STIRLING. He must go in training 2 years after his discharge or 2 years after the termination of the present war, whichever is the later date.

Senator LUCAS. So he has a period of 2 years in which to use the certificate?

Mr. STIRLING. Yes, sir.

Senator LUCAS. And if he fails to use it in that time, the certificate becomes null and void?

Mr. STIRLING. Yes, sir.

Senator LUCAS. Can you give me any information, from what the Veterans' Administration has received in the way of letters or other communications, as to why there is that discrepancy there? It seems to me that there must be some reason why over 100,000 have been approved, and only 20,000 accepted.

Mr. STIRLING. Senator Lucas, as General Bradley pointed out, a great many of the men as of August 31 could not get into schools, because the schools were not opening until September and October. I imagine that the September and October figures will show quite a few of those having gone into training. We have received no criticism from veterans who have not been able to enter training.

Senator LUCAS. Well, it seems just a little unusual to have that many certificates out without them being acted on. I was wondering what the reaction of the veteran was, if he got a certificate and tried to get in, and couldn't get in.

Mr. STIRLING. Of course, Senator, the law places upon the institution the sole right to determine whether they will accept him. I believe that some of the boys have tried to get into colleges, and didn't meet the standards of the institutions and are now going back to other schools to make up the deficiency, like high schools, and what not.

I shall now read from the report.

Section 4 of the bill would amend paragraphs 1, 2, 6, and 7, of part VIII of Veterans Regulation No. 1 (a).

That is title II of the Servicemen's Readjustment Act.

Mr. ODOM. That should be identified as House bill 3749.

Mr. STIRLING (reading):

These amendments would remove the distinction between education and training, and refresher and retraining courses. This distinction has proved very difficult of administration and confusing to veterans applying for education and training. These amendments would also remove the distinction between veterans under 25 years of age and those over 25 years of age at the time of entrance into service.

Senator JOHNSON. What section was that?

Mr. STIRLING. That is section 4.

Mr. ODOM. I am sorry. That is the bill which I just gave you, not 3749. I was wrong. It is the bill I just gave the chairman.

Senator JOHNSON. 3627?

Mr. ODOM. That is it.

Mr. STIRLING (reading):

The distinction between the two age groups has caused considerable dissatisfaction among veterans; it has given rise to much misunderstanding of the purposes of the act and has complicated administration of benefits. The length of the course or program under part VIII may not exceed 4 years or such lesser time as may be required for the course or program of education or training chosen by the individual.

In other words, if the course of training is completed in less than the entire period for which the individual was eligible for training, the excess time may not be used as part of some other course. This restriction is designed to prevent continuation of training which would serve no useful purpose; and also to bring about a well-planned training program in advance, subject, of course, to subsequent change for satisfactory reasons.

It is believed that these amendments will not result in considerable increase in the ultimate cost of education or training under part VIII, but will simplify

and reduce the cost of administration. These amendments under section 4 will also remove the distinction in existing law between the first year of education or training or refresher and retraining courses and courses for subsequent years, and make the basic entitlement of all eligible persons 1 year plus the time such persons were in active service on or after September 16, 1940, and before termination of the war, exclusive of certain specified periods of service.

Does the chairman wish to ask any questions on that particular section?

Senator JOHNSON. I would suggest that it is all very confusing to me. I don't know whether the other members of the committee are grasping the points you are making, but I don't have anything before me, and I can't follow you, and do not altogether understand the recommendations you are making. I will have to go back and look at the reports before I will be able to understand what you are recommending. I am very much confused. I don't know about the other members.

Mr. STIRLING. I believe, Mr. Chairman, if I may proceed in this way to point out just exactly how these questions arose, it will clear itself up as we go along.

Senator CONNALLY. Why not point out what is wrong with the present law and what you propose?

Mr. STIRLING. I was going to say, Senator, that the Veterans' Administration has an educational committee composed of the following:

Dr. Arthur Andrews, president, Grand Rapids Junior College.

Dr. Horace S. Ford, treasurer, Massachusetts Institute of Technology.

Dr. Rufus C. Harris, president, Tulane University.

Dr. R. W. Kent, director, Essex County vocational schools.

Dr. Thurman D. Kitchin, president, Wake Forest College.

Dr. Robert G. Sproul, president, University of California.

Dr. Robert B. Stewart, controller, Purdue University, chairman.

At a meeting which this group had in Washington in April of 1945, they had before them certain proposed bills which different Members of Congress had introduced. Mr. Odom, our Solicitor, appeared before the committee to explain the purposes of those amendments. The committee went over those amendments and presented what they thought were the changes that should be made.

The first change which they recommended was to remove the 25-year age limit and the provision for refresher and retraining courses.

Now, Public Law 346, title II, in the last provision of paragraph 1, says:

That any such person who was not over 25 years of age at the time he entered the service shall be deemed to have had his education or training impeded, delayed, interrupted, or interfered with.

In other words, any veteran who comes to us today, having entered the service before he was 25 years of age, may secure 1 year of education or training, plus an additional period not to exceed the total period in service, but if he comes to us showing that he entered the service after 25, 1 day over 25, we have to ask him to show whether his education or training was interrupted.

Now, the Veterans' Administration has not laid down any formal procedure for determining this fact. We are letting each case stand on its own feet so that the boy may show what his intentions were before he entered the service. We are not trying to find ways and means

to keep the veteran out of training, but the present procedure does cause a lot of administrative difficulty in our regional offices, in writing letters, and so forth.

We felt that by eliminating the 25-year limitation a great deal of administrative work would be eliminated and secondly that not any more veterans over 25 would take training than they would under this law.

Senator CONNALLY. Help you or help the soldier?

Mr. STIRLING. It would help the veteran and would help the Veterans' Administration. There would be a double-barreled advantage in changing the law.

The CHAIRMAN. So you are suggesting the elimination of the 25-year provision?

Mr. STIRLING. That is right.

The CHAIRMAN. So that all veterans will stand on the same basis?

Mr. STIRLING. Yes, sir.

Mr. ODOM. That also carries with it the elimination of the requirement that his education or training shall have been prevented or interrupted by entrance into service. That is taken out also.

The CHAIRMAN. So that if he applies, he is entitled to it?

Mr. ODOM. Whether he ever went to school a day; yes, sir.

The CHAIRMAN. That is the suggestion you make?

Mr. STIRLING. That is right.

The CHAIRMAN. That has been a rather troublesome issue?

Senator CONNALLY. He doesn't have to unless he wants to, of course?

Mr. STIRLING. That is right.

Senator CONNALLY. If he wants it, I think he ought to have it. The less education he has had, the more he needs it.

Mr. STIRLING. Yes. [Reading:]

Paragraph 6 of part VIII as amended by section 4 of the bill would add to paragraph 6 as now enacted, the following proviso:

"*And provided further*, That in no event shall subsistence allowance be paid in an amount which in addition to pension or retirement pay would exceed the amount payable under part VII."

This would remove an existing inequality.

If you have before you Public Law 346, and if you will turn to paragraph 7, on page 7—or I can read it.

The CHAIRMAN. You might read it.

Mr. STIRLING (reading):

7. Any such person eligible for the benefits of this part, who is also eligible for the benefit of part VII, may elect which benefit he desires: *Provided*, That, in the event of such election, subsistence allowance hereunder shall not exceed the additional amount of pension payable for training under said part VII.

The passage of this paragraph brought into play a situation where it was possible for a veteran who was receiving, say, \$50 a month pension, basic pension, would receive also the \$50 subsistence allowance under this law, giving him a total of \$100, while another man, a disabled veteran, receiving, we will say, \$60 a month pension, and in need of training to overcome his handicap, and who enters training under what we call Public Law 16, would only receive \$92 a month.

We felt that it was wrong for the disabled veteran to receive less than the individual who was only eligible for training under Public Law 346. So we took it up with the Solicitor, recommending that

something be done to eliminate that situation, and the Solicitor felt that it could not be done, and so we have——

Mr. ODOM. Without legislation.

Mr. STIRLING. We have written in this sentence :

And provided further, That in no event shall subsistence allowance be paid in an amount which in addition to pension or retirement pay, would exceed the amount payable under part VII.

So that if a man went into training under Public Law 346, part VIII, he would receive no greater sum of money than he would have received had he entered training under Public Law 16.

Mr. ODOM. Mr. Chairman, I think it would be helpful to point out that this is a matter on which the Bureau of the Budget felt that our report should be supplemented.

It is true, as Mr. Stirling could have told you, that a man who has retired, for example, may be getting retirement pay of \$150 or \$250 a month, and if he takes his vocational rehabilitation under Public, 16, he cannot get any more. If, however, he takes education or training under Public, 346, he can get the \$50 or the \$75 a month, as the case may be, provided he isn't also eligible for training under Public, 16, in which event he would have to forego that and take it without any additional payment. That is awkward, and a man may start in a course under one law without being fully informed, although we try to advise them as to what their rights are under the other.

He may not elect to take under Public, 16, so the Bureau of the Budget suggested, and it does seem rather a good idea, that a flat payment be provided under both acts for the man without dependents and the man with dependents, to put it at whatever the Congress thinks is desirable, but not reducing it because of the fact that he is getting any pension, retirement pay, or compensation.

The CHAIRMAN. In other words, pension and retirement pay would be disregarded

Mr. ODOM. Disregarded entirely.

Senator LUCAS. Under this amendment you would harmonize the two acts?

Mr. ODOM. Under our amendment, yes, sir; it would harmonize the two acts.

Senator LUCAS. To the end that the veterans would be treated alike. Is that correct?

Mr. ODOM. Yes. But he still might object to it, because he would figure that he ought to be able to get as much as he could under the one act, whereas if he had to elect the other, he would not get that much.

Senator LUCAS. Would that still be true if we adopted this amendment?

Mr. ODOM. The Budget suggestion will eliminate that entirely.

Senator LUCAS. Why isn't that the thing to do then?

Mr. ODOM. It does appeal to us.

Senator JOHNSON. As I understand it, you equalize it by giving the benefits of the law that provides the least?

Mr. ODOM. That is what this would do, instead of giving them whatever they are entitled to in addition.

Senator JOHNSON. Instead of equalizing it by giving them the benefits of the law that provides the most, why, you provide that they will get the provisions of the law that provides the least?

Mr. ODOM. That is correct.

The CHAIRMAN. Is that the provision you carried in the committee print?

Mr. ODOM. Yes, sir; but that is not what the Budget recommended.

Senator CONNALLY. I thought you were the one that did the recommending as to legislation? When did the Budget take over your functions?

Mr. ODOM. Senator, that was merely a suggestion of the Bureau of the Budget in commenting on our report, that it would seem more desirable to have the flat payment, and they asked that we bring that to the attention of the committee.

Senator CONNALLY. They took it up with you, and you agreed with them?

Mr. ODOM. We thought that their suggestion was a good one.

The CHAIRMAN. You are submitting that to the committee?

Mr. ODOM. Yes.

Mr. STIRLING. I might say, Mr. Chairman, that that idea was not born in the Bureau of the Budget. It was born in the Veterans' Administration.

Senator CONNALLY. Why didn't you recommend it up here? Why do you have to get the Budget Bureau to sponsor it?

Mr. STIRLING. I can't answer that because I do not contact the Bureau of the Budget.

Senator CONNALLY. They contact you?

Mr. STIRLING. They contact the Solicitor.

Mr. ODOM. I think I will keep still on that point, except that I do not accept the implication.

Senator CONNALLY. It looks to me that the Budget covers a little more ground than it has business to cover.

Mr. ODOM. They are rather helpful sometimes, Senator.

Senator CONNALLY. Rather helpful? They seem to be in this case. I thought that you folks were thinking these things out, mixing a little brains with your noise and getting things straightened out.

The CHAIRMAN. Did they furnish any estimate of the costs?

Mr. ODOM. No, sir; they left that to us.

With all due respect, Senator Connally, the time was short. The chairman of the subcommittee and the chairman of the full committee, I know, will bear me out—we were under some admonition to get this report up here, and the Bureau of the Budget was merely trying to be helpful. They had no intention of reflecting on the Veterans' Administration and certainly not on this committee.

Senator CONNALLY. All right.

The CHAIRMAN. Do you estimate any very great difference in the cost following what you incorporated in this committee print and the Bureau of the Budget suggestion?

Mr. ODOM. There will be a difference dependent upon the rate adopted, and we will have an estimate made on that and bring it to you in due course.

The CHAIRMAN. All right.

Senator JOHNSON. You may proceed, Mr. Stirling.

Mr. STIRLING. We are still dealing with paragraph 7, which I just read.

Paragraph 7 of part VIII as amended by section 4 of the bill would authorize any person eligible for the benefits under part VIII who is also eligible for benefits under part VII to elect which benefit he desires, provided that the total period of education, training, or vocational rehabilitation shall not exceed the maximum period under the part elected.

As the law now stands, a veteran may pursue his training under the Servicemen's Readjustment Act and take the maximum period of 4 years, and during the last year of a 4-year course he could become eligible for training under what we call Public Law 16. That is, he might be in need of vocational rehabilitation to overcome a handicap caused by disability, thereby receiving the 4 years under the Servicemen's Readjustment Act and possible 4 years more under Public Law 16.

It was our purpose to bring that to the attention of the Congress so that they may know of that possibility. I do not know of any single case at the present time that falls in that category, but nevertheless that is a real possibility.

Section 5 of the bill would amend paragraph 3, part VIII, of Veterans Regulation No. 1 (a) to include three subparagraphs. Subparagraph (a) provides that such person shall be eligible and entitled to such course of education or training full time or the equivalent thereof in part-time training as he may elect at any approved educational or training institution at which he chooses to enroll, whether or not located in the State in which he resides, which will accept or retrain him as student or trainee in any field or branch of knowledge which such institution finds him qualified to undertake or pursue. A course in any institution not within the United States may be elected only if the course and the institution are approved by the Administrator. It is provided that for reasons satisfactory to the Administrator, the individual may change a course of instruction and any course may be discontinued at any time, if it is found by the Administrator, under regularly prescribed standards and practices of the institution that the conduct or progress of such person is unsatisfactory.

Now, the chief point in that paragraph pertains to training outside of the United States. Any number of veterans are coming to us today asking to take training in foreign countries—Mexico, Canada, England, Italy, and we had one in the University of Algiers. We believe that the Congress should know of that because it might get out of control since our Solicitor has ruled and General Hines had approved an opinion rendered by him that we could use institutions outside of the continental limits of the United States and insular possessions for the training of veterans in foreign countries.

Consequently, we are asking Congress to confirm that opinion.

Mr. ODOM. Rather, you are asking that the Administrator shall approve the institution.

Senator CONNALLY. You have already ruled that he can, haven't you?

Mr. ODOM. Yes, sir; except that the present act provides, at least as to schools in this country, that they shall be approved by the appropriate State agency, which they are, but it leaves open the approval of schools outside of any State.

Senator CONNALLY. The Administrator could approve them.

Mr. ODOM. He does, up to date.

Senator CONNALLY. Well, he should. They should be schools of sufficient quality.

The CHAIRMAN. Outside of the United States, the Administrator, of course, would have to approve them.

Senator BUTLER. How many such students have you?

Mr. STIRLING. I don't know, but we have received, I imagine, 200 letters from veterans throughout the country, some in foreign countries, who want to take advantage of the Servicemen's Readjustment Act, title II, by pursuing courses in foreign universities. I think it is a good thing. The State Department feels likewise, and we have been working with them in setting up procedures so that the State Department would be the Veterans' Administration's representative in that particular territory where the institution was located.

Mr. ODOM. A great many business interests have indicated a specific desire to send their young men to receive special training in foreign countries, particularly in the other Americas.

Senator CONNALLY. Are you turning that over to the State Department to run?

Mr. STIRLING. No, sir; but we would ask the State Department to represent us in that particular area.

Senator CONNALLY. That is what I am talking about. You are going to let them represent the Administrator in that area?

Mr. STIRLING. They would get certain reports.

Senator CONNALLY. I don't approve of that at all. You ought to run your own business. The State Department has enough to do now.

Mr. STIRLING. That would mean that we would have to set up offices over there to do it.

Senator CONNALLY. Every time you had a student go to a certain place you would have to set up an office?

Mr. STIRLING. No; but we imagine, in England, for example, there will be quite a few students, and there will be the matter of paying vouchers, and so forth. Of course, we could do it here.

Senator BUTLER. Part of the student's dealings would have to be with the State Department, wouldn't they, in order to go there?

Mr. STIRLING. To go over there, they would have to get their passport here, and visa from the foreign country, and would naturally gravitate to the diplomatic or consular offices.

Subparagraph (b) provides that any such eligible person may apply for a short intensive, postgraduate, or training course of less than 30 weeks, provided that the Administrator shall have the authority to contract with the approved institutions for such courses if he finds that the agreed cost of such courses is reasonable and fair, and provided that the limitation of paragraph 5 shall not prevent the payment of such agreed rates, but there shall be charged against the veterans' period of eligibility the proportion of an ordinary school year which the cost of the course bears to \$500.

This proposal is designed to eliminate one of the most severe criticisms we have received from veterans and educational and training institutions, especially those which fall into what you might call the proprietary groups, because we have not been able to pay the customary charges since the course which the veteran has elected, is a rather short, intensive course.

Under the present law, paragraph 5, it is provided:

That in no event shall such payments with respect to any person, exceed \$500 for an ordinary school year.

That means \$500 for tuition, books, and supplies.

The Veterans' Administration defines "ordinary school year" to mean a period of from 30 to 38 weeks. So that if a veteran elected a course for example at the New York Institute of Photography, for 16 weeks, or 17 weeks, in length, we could only pay the maximum

of sixteen-thirtieths of \$500. That amount might be less than the customary charges.

Some of these schools are excellent schools. Some of the post-graduate courses in medicine are excellent. They cost more. We believed that we should get Congress' permission to pay that amount.

The CHAIRMAN. What about night classes, do they come within the purview of this section?

Mr. STIRLING. Some of them would.

Mr. ODOM. Only if they are short courses.

I think I might say it is not as easily understood as that paragraph which Mr. Stirling read seems to indicate. If it were merely the question of paying the fee that would be one thing, but under the definition of eligibility a veteran might have 4 years total eligibility.

Now, presumably he could within those 4 years get 20 or 30 short courses.

In other words, if the course were short enough there would be almost no practical limit to the number of courses that he could get within four calendar years. Obviously, if you paid \$500 for each 1 of those short courses, and he took 20 of them, he would get far more than the act ever contemplated that any veteran would get, because the most the act contemplates would be a maximum of 4 years with a limitation of \$500 for every ordinary school year.

So that in order to make the thing workable at all, and pay less for a short term than the actual charges, customary charges of the school, the only practical way to do it, as we see it—and Senator Connally may say we are not thinking sufficiently—but the way we conceive of doing it is to provide that his eligibility will be foreshortened pro rata with the amount of payment.

Senator CONNALLY. Section 5 says [reading]:

That if any such institution has no established tuition fee, or if its established tuition fee shall be found by the Administrator to be inadequate compensation to such institution for furnishing such education or training, he is authorized to provide for the payment, with respect to any such person, of such fair and reasonable compensation as will not exceed \$500 for an ordinary school year.

Under that, can't you pay him for a shorter period up to \$500?

Mr. ODOM. We have to pro rate it. We have another point on that proviso. We are recommending a slight change in that, but under that paragraph 5 we are to pay the customary charges with the limitation of not to exceed \$500 for an ordinary school year.

Briefly, the point there is that if you do not by legislation prescribe the exact amount of his eligibility conceivably he could take 10 short courses in one calendar year at \$500 each.

The CHAIRMAN. So you limit it by the over-all he is entitled to by the \$2,000 for the 4 years?

Mr. ODOM. We propose that his eligibility will be foreshortened pro rata at the ratio the payment bears to \$500 for an ordinary school year.

The CHAIRMAN. In other words, if he were only eligible for 1 year, he couldn't by taking the short courses exceed the \$500; is that what you mean?

Mr. ODOM. Yes, sir.

Senator JOHNSON. Do you mean if he undertakes a course requiring only 1 month, that you divide \$500 by 12 and find out how much he is entitled to?

Mr. ODOM. At the present time it is on the basis of 30 weeks as being the minimum of an ordinary school year, so it would be four-thirtieths of \$500.

Senator JOHNSON. With your change, what would it be?

Mr. ODOM. It can be \$500.

Senator JOHNSON. It can be \$500, but no more than \$500 for one calendar year?

Mr. ODOM. Yes, sir; and he has used up 30 weeks eligibility.

The CHAIRMAN. The ordinary school year is defined as 30 weeks?

Mr. ODOM. Thirty to thirty-eight weeks.

The CHAIRMAN. Thirty to thirty-eight weeks?

Mr. ODOM. Yes, sir. There are a great many of those courses that are highly desirable from the standpoint of the economy of the country. The doctors coming back from the service, for example, many of them had their internship and residences interrupted, and they want to take specialized courses.

We had the application of a medical officer, just released, who wanted a 10-day course in a special brain surgery. I think the course cost \$250. That is all that that veteran would ever want. Of course, the subsistence for 10 days wouldn't amount to anything at all. But we couldn't pay enough tuition because of this formula to anywhere near cover the cost of the course.

Now, we submit to you that it would be desirable to let the veterans have what they want in those short courses, with due provision that the Administrator may contract as to fees so that there won't be any runaway propositions.

We do not suggest that you take away from the States the authority and the power and the right to approve the schools, but we do feel that unless there is some authority in the Administrator to contract as to fees that there might be some danger of runaway fly-by-night prices.

We do feel very seriously, and our educational counsel do—they debated it at some length—that these short courses, with due regard for protection to the veteran, should be permitted.

The CHAIRMAN. All of us have had a great many letters on that point. I have had numbers of veterans write me about it, where they desired the short course, and as you say, in many instances that is all the veteran does desire, and the Administration was unable to pay the fees exacted by the institutions for that short time under the formula in the present law. This gives you leeway in that regard.

Mr. ODOM. Yes, sir. I think this will satisfy everybody.

You will have suggestions that since they shortened the course of training that perhaps the amount of allowance as to subsistence might be increased. We didn't recommend that but I am sure you will have recommendations to that effect.

Senator JOHNSON. Go ahead, Mr. Stirling.

Mr. STIRLING (reading):

Subparagraph (c) provides that an eligible person may apply for a course of instruction by correspondence without any maintenance allowance, provided that the Administrator shall have authority to contract with approved institutions for such courses if he finds that the agreed cost of courses is reasonable and fair. It is provided that the provisions of paragraph 5, which are contained in section 6 of the bill, shall not apply to correspondence courses, that one-fourth of the elapsed time in following such course shall be charged against the veteran's

period of eligibility, and that the total amount payable for the correspondence course or courses for any veteran shall not exceed \$500. It is further provided that nothing herein shall be construed to preclude the use of approved correspondence courses as a part of institutional or job training, subject to regulations to be prescribed by the Administrator.

Under the present law, Mr. Chairman, the Solicitor was required to rule that paragraph 11 of title II, Public 346, did not include correspondence schools as such. Therefore, we are able to use only schools and colleges which give training in residence and who had correspondence or extension courses.

We believe it is a little unfair to the veteran who, we will say, is married, has children, has a job, and can't go to school, but realizes that perhaps he should take a correspondence course under the Servicemen's Readjustment Act. We are forced, because of this administrative situation, to deny to this class of veterans this privilege.

This amendment gives to the Administrator of Veterans' Affairs, the authority to approve such courses.

Senator BUTLER. What percent of applicancy do you have for such a course?

Mr. STIRLING. I don't know how to answer that question except to say that if the correspondence schools were asked, they would say they had thousands, but, so far as I know, there have been very few cases that have come to my attention here in the central office, and we haven't asked our regional offices how many have come in.

Senator BUTLER. Has a lot of correspondence come in on it?

Mr. STIRLING. Yes. There are bona fide cases where that is the only type of training the veteran can take, because of his economic condition and his domestic situation.

Senator BUTLER. Do you think there will be a tendency for correspondence schools to spring up?

Mr. STIRLING. Not if we use the contract form under Public 16, because we do not let the correspondence schools charge us for commissions which they pay their salesmen.

Senator CONNALLY. Doesn't the State approve them as well as the other schools?

Mr. STIRLING. Yes, sir; it would, under this amendment.

Senator CONNALLY. So that these fly-by-nights certainly ought not to be considered.

Mr. ODOM. You would have the protection of your State educational agency in approving the school, and we would also have the protection of the authority to contract as to rates so as to eliminate the salesmanship feature.

Senator CONNALLY. Most great universities have correspondence and extension courses, probably.

Mr. ODOM. We use those, too.

Senator CONNALLY. In my State we have a big university and it has its extension courses and correspondence courses—very fine and high class. I agree that they ought to have those opportunities.

Mr. ODOM. They are eligible now.

Senator CONNALLY. I know they are, but I hope that the people who are going to pass on them are not going to authorize a lot of jerk-water outfits to graft on the veterans when they have plenty of eligible correspondence schools of standing already in the communities.

Mr. ODOM. That is right.

Senator BUTLER. You think there is provision enough in the law to prevent the undue development of correspondence schools.

Mr. STIRLING. Under the present law, and under this amendment, the appropriate State agency, the State boards of education, and so forth, would still have the right and the authority to approve these schools. We wouldn't use any unless they approved them. This amendment does give the Veterans' Administrator authority to make a contract and negotiate as to the rates which I believe would act as a deterrent to run-away conditions, because we would have the appropriate agencies in the State determining whether the institution was qualified to furnish educational training plus the authority in the Veterans' Administration to make a contract and to limit the rates. [Reading:]

Section 6 of the bill modifies the last proviso in paragraph 5, part VIII, Veterans Regulation No. 1 (a), with reference to the adjustment and payment of fees and charges to educational and training institutions. This amendment appears to be necessary in order to clarify what is meant by fair and reasonable compensation for education and training at certain institutions and to afford a more definite yardstick in the matter of authorizing payment of fees by the Administrator, especially in the case of State colleges and institutions. It is considered that the provisions as drawn protect the Government against excessive charges and also permit a fair adjustment on behalf of educational institutions. It is provided that no amount in excess of the customary fee shall be charged to the veteran under the provisions of section 1505, Public Law 346, Seventy-eighth Congress, approved June 22, 1944.

The particular proviso which this affects is the last proviso in paragraph 5, title II, Public Law 346, which reads:

That if any such institution has no established tuition fee, or if its established fee shall be found by the Administrator inadequate compensation to such institution for furnishing such education or training, he is authorized to provide for the payment with respect to any such person of such fair and reasonable compensation as will not exceed \$500 for an ordinary school year.

After the Servicemen's Readjustment Act was passed, organizations of State institutions, municipal institutions, came to the Veterans' Administration asking that certain rates be established, which were pretty close to the \$500 level. The Solicitor rendered an opinion that we could not pay more than the customary charges unless evidence could be shown that additional services were being rendered by the State institutions, the State college and the university.

In September of that year, General Hines appointed an educational committee composed of the gentlemen whose names I have read into the record to consider this important subject. They arrived at a formula, which met the approval of the Solicitor and the Administrator, and this was issued to the field.

This formula permitted the State institutions to charge a sum of money coinciding with that sum which was called the nonresident rate. Some criticism has been leveled at that charge because veterans who are residents of the State are required to be charged a sum of money higher than that which they would have been charged had they paid for it themselves. In taking this matter up with the committee, they believed that if Congress were considering any changes in the law, there should be a change made in that provision, although at the present time no criticism is coming to us from any other type of institution. However, the State institutions are not receiving what they think they are entitled to.

For instance, the State of Oklahoma; the University of Oklahoma has no tuition charge for residents. They have a nonresident charge of \$50 a semester. Under existing policy we could pay that institution if they charged \$50 a month. But the attorney general in the State has ruled that they cannot charge this amount.

Senator CONNALLY. Did he base that on the idea that they would have to accept \$50?

Mr. STIRLING. No, sir.

Senator CONNALLY. The attorney general ruled they could not accept that either?

Mr. STIRLING. If a veteran were a resident of the State of Oklahoma they would charge the Veterans' Administration on the same basis as any other resident.

Senator CONNALLY. They are treating him like any other resident?

Mr. STIRLING. That is right.

The State institutions feel that the Veterans' Administration policy is unfair. They believe that the State institutions should receive as much money as a private institution receives in that State.

Senator CONNALLY. Is Oklahoma making that claim?

Mr. STIRLING. Yes, sir.

Mr. ODOM. Mr. Chairman, I think I owe it to the committee to make a little more exact explanation than Mr. Stirling did about the legal aspects of this paragraph. I am sure that the members will recall that the recommendation of the President's committee, often referred to as the Osborn committee, was that the Federal Government should assume the extra cost of this program over and above what the State normally would have done for its boys anyway.

My opinion was, not that we couldn't pay them anything until they rendered extra services—that was under Public, 16—but rather that under Public, 346 in order to bring into effect and working operation that formula and that proviso which was just read, that the States would have to make some showing that they were not in a position to furnish the education and training to the veterans. In other words, that their State legislature hadn't provided for it.

Well, the States thought they could make that showing all right, because some of the State legislatures, assuming that the Federal Government was going to bear all of the expense of the educational program for veterans, limited their appropriations for the universities and colleges.

This affects mostly the institutions of higher learning, collegiate grade, and immediately subcollegiate grade, such as the junior colleges, and doesn't affect high schools, particularly, although some of the municipal schools are affected by this.

Well, it is difficult, very difficult, to say where the State program should leave off and the Federal program should begin.

Of course, you appreciate during the war years the colleges have lost approximately 50 percent, I am informed, of their enrollment. In other words, over the period of 4 years, a little more than 4 years, the States presumably have educated only approximately 50 percent as many people as they would have educated but for the war. That figure may not be exact.

However, that is not an exact saving to the States, because, as you well know, under the law of diminishing returns you cannot

decrease your working expenses as rapidly as your enrollment may decrease.

So, unquestionably there is a great point to be made for the institutions. But the joker in the whole thing is that by reason of the application of section 1505, that anything paid on account of a veteran shall be charged against any bonus, if he gets one, the attorneys general of the States quite generally have held, why, if this occurs, what you are doing would be to charge a citizen of this State \$500 a year, if that is what it is, for his education, where the State law says you shall charge him nothing, or \$50 a semester, or whatever it is, and the men have said, "I am a citizen; why should the Federal Government be paying and charging against my bonus more than I would have to pay if I were furnishing my own education?"

The CHAIRMAN. What have you done about that provision?

Mr. ODOM. We have not worked that out. We propose to work that out by amendment providing that anything we pay over and above the customary charge shall not be subject to the provisions of section 1505.

The CHAIRMAN. So that if a bonus or adjusted pay or compensation is subsequently paid, it wouldn't be taken out?

Mr. ODOM. That is right. That is, what we pay over and above the customary charges.

The CHAIRMAN. But you would still leave the deduction to cover the customary charge?

Mr. ODOM. That is right.

The CHAIRMAN. I remember the trouble we had with this provision in the Congress.

Mr. ODOM. It is almost impossible to operate, so far as the State schools are concerned, because I don't believe there is a State that the attorney general has held that they can collect. There are two States that have enacted statutes providing, in effect, that any veteran, whether or not a resident, would have free tuition in their schools, provided, however, that if the Federal Government pays that, the school shall charge whatever they can get from the Federal Government.

Senator CONNALLY. Take, for instance, Oklahoma. They have no tuition at all, but that is restricted to their own citizens. If a man lives out of the State, it is \$50 a year.

Mr. ODOM. Yes, sir.

Senator CONNALLY. How does the law now operate in that case, and how would it operate under your proposal?

Mr. ODOM. The attorney general has ruled under their statute, they can charge nothing except as to a nonresident.

Senator CONNALLY. Now, under the present law what would be charged against that man's bonus?

Mr. ODOM. Nothing.

Senator CONNALLY. Nothing. Now, if he lived out of the State he would be charged the \$50?

Mr. ODOM. Yes, sir; but under our regulation we would pay the State of Oklahoma \$15 a month for instruction.

Senator CONNALLY. Why should you when they don't charge anything? Why shouldn't the soldier have the same privilege to attend the university as anyone else?

Mr. ODOM. Senator, this is a broad question of governmental policy. I hope I can make myself clear. It is a little bit complicated. Obviously there are going to be more veterans go to school since the Federal Government is paying all expenses than would go to school if they had to do it on their own. I told you of that backlog over 4 years.

Have you any figures on it, Mr. Stirling?

Mr. STIRLING. Not with me.

Mr. ODOM. It might amount to quite a large number of boys and girls, too, who have not gone to school.

Senator CONNALLY. I hope it will amount to a large number.

Mr. ODOM. In addition to that backlog, Senator Connally, there will be some go who never would have gone anyway. Obviously you Members of Congress intended that the Federal Government should relieve the States of the extra burden caused by this Federal program.

Now, there are only two ways that my limited faculties permit me to see how that can be done. One way would be to say, yes, regardless of the State statutes, we are going to pay you this. Of course, that is embarrassing. We would eliminate one feature of that if we would eliminate it, i. e. by not charging that against the veteran's presumptive, shall I say, bonus.

Senator CONNALLY. You would have a complaint, if you did that, from every veteran. A veteran would say, "Here I am being charged against my bonus \$15 a month, and here is a man living beside me who doesn't pay anything."

Mr. ODOM. That is right, but it wouldn't cost him anything in the long run, so that would take the sting out of that.

The only other way I can see, and we recommended this originally, and the members, particularly of the conference, will recall it, the Senate accepted our recommendation, namely that the Administrator of Veterans' Affairs be given legislative authority to contract with the institutions to care for this extra burden. The House struck that out and put in this proviso, which we have found, so far as the State schools are concerned, isn't workable.

Now, there is good reason for having that authority. If the boys were going to get their education there free, not to be charged, I mean, anything against their bonus at all in the State institutions, or in private institutions, like endowed institutions, which charge nothing, or a very small tuition rate, the nonpublic schools—by that I mean church schools and institutions operating for profit, as well as endowed institutions charging about what it costs them, or a little bit more than it costs them to furnish the educational training, they would say, "Why should you channel all of these veterans into the State schools and deprive us of getting our due share of students?"

Senator CONNALLY. Doesn't the veteran have a right to choose his school?

Mr. ODOM. Yes, but they say he would choose the State school because nothing there would be charged against his bonus.

Senator CONNALLY. He would anyway if there hadn't been any war, and everything were free there.

Mr. ODOM. I assume so. I was merely stating the arguments which the educational people have brought before us.

Senator CONNALLY. If he wants to go to a private school, and they charge him, I don't see why you wouldn't pay him the regular tuition and charge it up to him. What is your plan now?

Mr. ODOM. We propose here that we pay the cost of instruction and classroom material. That can be determined. There isn't any school that can't tell us what their cost of instruction and classroom material is. They can't tell us their actual cost, because they don't maintain figures on that. We propose that any institution may apply to the Administrator for an adjustment of fees, and the Administrator if he finds that the customary charges are insufficient to permit the institution to furnish education or training to eligible veterans—may I interrupt myself to say that the University of Oklahoma, one of their officials was in to see me in the past week, and he said "our enrollment which we will be permitted to take under our appropriation act will be filled up completely by February 1 of this year, and from that time we can't take any other students at all, veterans, or nonveterans."

Now, the only way they could do that would be to go to their State legislative bodies and get an additional appropriation, or come to the Veterans' Administration and make arrangements for us to take up that additional cost.

The bill reads:

may provide by agreement for the payment of fair and reasonable compensation as will not exceed the actual cost of teaching personnel and supplies for instruction, and not exceeding \$500 for an ordinary school year, inclusive of all charges and supplies; and may in like manner readjust such payments from time to time in consideration of increased or decreased enrollment and available contributions to meet such costs, whether from public or private funds. No amount in excess of the customary fees shall be charged to the veteran under the provisions of section 1505, Public Law Numbered 346, Seventy-sixth Congress, June 22, 1944.

Senator LUCAS. That is on the theory that the Veterans' Administration would be given the power to contract direct with the schools?

Mr. ODOM. Or by agreement. We could do it by regulation.

Senator LUCAS. But you would have to eliminate certain features of the law?

Mr. ODOM. Yes, sir.

General BRADLEY. Mr. Chairman, I would like to bring out this point, which indicates that some of these State schools may need help on this. In addition to the fact that they do not have appropriations, their classes were out of balance because of the large number coming back. They have a much larger freshman class, which means a shift of instructors, and a shift of laboratory arrangements, which adds an extra burden, and it is going to continue that way. Next year they will have to shift in the sophomore class. And so on all the way through. That is an added expense which the schools would normally not have to meet, and that is the reason we think it fair for the State institutions to get something from the Federal Government, although, as Senator Connally points out, if they had not been veterans, they would not have to pay anything. But we are faced with the fact that some of these States need help if they are going to carry out the education for the veterans in the way we think they are entitled.

Mr. STIRLING. I have nothing more, Mr. Chairman.

Senator JOHNSON. Are there any other questions?

Mr. ODOM. There is one minor amendment, simply a question of bookkeeping, but we don't need to bother you with that.

Senator BUTLER. Several remarks have been made about it costing the veterans. That it would be charged up to his bonus. Can you explain that to me?

Mr. STIRLING. Section 1505 says:

In the event there shall hereafter be authorized any allowance in the nature of adjusted compensation, any benefits received by, or paid for, any veteran under this act shall be charged against and deducted from such adjusted compensation; and in the event a veteran has obtained a loan under the terms of this act, the agency disbursing such adjusted compensation shall first pay the unpaid balance and accrued interest due on such loan to the holder of the evidence of such indebtedness to the extent that the amount of adjusted compensation which may be payable will permit.

The CHAIRMAN. It is anticipating the possible enactment of a law hereafter.

Senator CONNALLY. But that law will govern rather than this one when passed.

Senator BUTLER. The person not a returned soldier is not charged, but the returned soldier would be charged.

The CHAIRMAN. Under the proposal offered by the Veterans' Bureau, it is my understanding he would not pay more than he would as a free student.

Senator BUTLER. In other words, it is not charged against his bonus.

Mr. ODOM. That is our proposal.

Senator JOHNSON. Are there any other questions?

We will recess until tomorrow morning at 10 o'clock.

(Whereupon, at 12:15 p. m., the committee recessed until tomorrow morning, Tuesday, October 9, 1945, at 10 a. m.)

(The following information was later received for the record:)

OCTOBER 6, 1945.

HON. WALTER F. GEORGE,

Chairman, Committee on Finance,

United States Senate, Washington, D. C.

MY DEAR SENATOR GEORGE: Further reference is made to your letter dated May 9, 1945, requesting a report on S. 974, Seventy-ninth Congress, a bill to amend parts VII and VIII of Veterans Regulation No. 1 (a), as amended, to liberalize and clarify vocational rehabilitation and education and training laws administered by the Veterans' Administration, and for other purposes.

The purpose of the bill is to meet certain inadequacies pertaining to vocational rehabilitation, education and training benefits provided for veterans of World War II under Public Law 16, Seventy-eighth Congress, approved March 24, 1943, and title II of Public Law 346, Seventy-eighth Congress, approved June 22, 1944, and to establish a greater uniformity with reference to the system of benefits provided under each of these acts.

After careful study, it has been concluded that the bill should be amended to meet certain objectionable features and to clarify certain provisions. These proposed amendments are indicated in the copies of the bill enclosed herein in duplicate. The comments on the bill will be made on the assumption that the amendments proposed will meet with the approval of the committee and will indicate the effect of the bill if so amended.

Section 1 of the bill would amend paragraph I of part VII of Veterans Regulation No. 1 (a) to authorize training in excess of the period of 4 years when approved by the Administrator and extend the period after the war during which training under this part may be afforded, from 6 to 7 years. Under the present law, training may not be afforded for any period in excess of 4 years, and the training or apprenticeship required in certain professions or trades cannot be completed within that period. The extension of the period after the war during which training under this part may be taken, from 6 to 7 years will establish uniformity with the period now provided under part VIII of Veterans Regulation No. 1 (a), as amended, pursuant to the provisions of Public Law 346, Seventy-eighth Congress.

Section 2 of the bill would amend section 4 of Public Law, as amended, to authorize disposition of returned books, supplies, or equipment which may not be released to a trainee or student because of fault on his part to complete his course of training or education. Experience has shown that there is no practical outlet

for the disposition of such books, supplies, and equipment. Some educational institutions, however, are offering to accept the return of books, supplies and equipment at a discount and to credit their accounts with the Veterans' Administration accordingly. Such arrangement will simplify administrative procedure and result in a saving to the Government.

Section 3 of the bill would amend paragraph 3 of part VII of Veterans Regulation No. 1 (a), as amended, to revise upward the rates of increased pension payable to veterans while receiving vocational rehabilitation. These rates include also the 15 percentum increase authorized by Public Law 312, Seventy-eighth Congress, approved May 27, 1944. The present rates and the rates provided in the bill are set forth for convenience as follows:

	Present rates	Rates provided in bill
(a) If he has neither wife nor child.....	\$92. 00	\$105
(b) If he has a wife but not child.....	103. 50	115
(c) If he has a wife and 1 child (with \$5.75 for each additional child).....	109. 25	125
(d) If he has no wife but 1 child (with \$5.75 for each additional child).....	103. 50	115
(e) If he has a mother or father, either or both dependent upon him for support, then in addition to the above amounts, for each parent so dependent.....	11. 50	15

¹ With \$7 for each additional child.

This section would also remove the requirement in existing law that the monthly statement of an employer showing any payments made to a trainee must be sworn to by the employer. The requirement of the oath has caused much dissatisfaction among employers providing training on the job to veterans.

Section 4 of the bill would amend paragraphs 1, 2, 6, and 7 of part VIII of Veterans Regulation No. 1 (a). These amendments would remove the distinction between education and training and refresher and retraining courses. This distinction has proved very difficult of administration and confusing to veterans applying for education and training. These amendments would also remove the distinction between veterans under 25 years of age and those over 25 years of age at the time of entrance into service. The distinction between the two age groups has caused considerable dissatisfaction among veterans; it has given rise to much misunderstanding of the purposes of the act and has complicated administration of benefits. The length of the course or program under part VIII may not exceed 4 years or such lesser time as may be required for the course or program of education or training chosen by the individual. In other words, if the course of training is completed in less than the entire period for which the individual was eligible for training the excess time may not be used as part of some other course. This restriction is designed to prevent continuation of training which would serve no useful purpose; and also to bring about a well-planned training program in advance, subject, of course, to subsequent change for satisfactory reasons. It is believed that these amendments will not result in considerable increase in the ultimate cost of education or training under part VIII, but will simplify and reduce the cost of administration. These amendments under section 4 will also remove the distinction in existing law between the first year of education or training or refresher and retraining courses and courses for subsequent years and make the basic entitlement of all eligible persons 1 year plus the time such persons were in active service on or after September 16, 1940, and before termination of the war, exclusive of certain specified periods of service.

Paragraph 6 of part VIII as amended by section 4 of the bill would add to paragraph 6 as now enacted, the following proviso: "*And provided further, That in no event shall subsistence allowance be paid in an amount which in addition to pension or retirement pay would exceed the amount payable under part VII.*" This would remove an existing inequality.

Paragraph 7 of part VIII as amended by section 4 of the bill would authorize any person eligible for the benefits under part VIII who is also eligible for benefits under part VII to elect which benefit he desires, provided that the total period of education, training, or vocational rehabilitation shall not exceed the maximum period under the part elected.

Section 5 of the bill would amend paragraph 3, part VIII, of Veterans Regulation No. 1 (a) to include three subparagraphs. Subparagraph (a) provides that such person shall be eligible for and entitled to such course of education or train-

ing, full-time or the equivalent thereof in part-time training, as he may elect, at any approved educational or training institution at which he chooses to enroll, whether or not located in the State in which he resides, which will accept or retrain him as a student or trainee in any field or branch of knowledge which such institution finds him qualified to undertake or pursue. A course in any institution not within the United States may be elected only if the course and the institution are approved by the Administrator. It is provided that for reasons satisfactory to the Administrator the individual may change a course of instruction and any course may be discontinued at any time, if it is found by the Administrator, under regularly prescribed standards and practices of the institution, that the conduct or progress of such person is unsatisfactory.

Subparagraph (b) provides that any such eligible person may apply for a short intensive, postgraduate or training course of less than 30 weeks, provided that the Administrator shall have the authority to contract with approved institutions for such courses if he finds that the agreed cost of such courses is reasonable and fair, and provided that the limitation of paragraph 5 shall not prevent the payment of such agreed rates, but there shall be charged against the veteran's period of eligibility the proportion of an ordinary school year which the cost of course bears to \$500.

Subparagraph (c) provides that an eligible person may apply for a course of instruction by correspondence without any maintenance allowance, provided that the Administrator shall have authority to contract with approved institutions for such courses if he finds that the agreed cost of courses is reasonable and fair. It is provided that the provisions of paragraph 5, which are contained in section 6 of the bill, shall not apply to correspondence courses, that one-fourth of the elapsed time in following such courses shall be charged against the veteran's period of eligibility, and that the total amount payable for the correspondence course or courses for any veteran shall not exceed \$500. It is further provided that nothing herein shall be construed to preclude the use of approved correspondence courses as a part of institutional or job training, subject to regulations to be prescribed by the Administrator.

Section 6 of the bill modifies the last proviso in paragraph 5, part VIII, Veterans Regulation No. 1 (a), with reference to the adjustment and payment of fees and charges to educational and training institutions. This amendment appears to be necessary in order to clarify what is meant by fair and reasonable compensation for education and training at certain institutions and to afford a more definite yardstick in the matter of authorizing the payment of fees by the Administrator, especially in the case of State colleges and institutions. It is considered that the provisions as drawn protect the Government against excessive charges and also permit a fair adjustment on behalf of educational institutions. It is provided that no amount in excess of the customary fee shall be charged to the veteran under the provisions of section 1505, Public Law 346, Seventy-eighth Congress, approved June 22, 1944.

Section 7 of the bill is a formal provision relating to the effective date of the bill if enacted into law.

It is estimated that section 3 of the bill which proposes to increase the rates of pension, compensation, or retirement pay for veterans while pursuing training under the provisions of part VII, Veterans Regulation No. 1 (a), as amended, would cost for 1 year for the estimated number on the rolls June 30, 1945, the sum of \$2,252,000.

The Veterans' Administration recommends favorable consideration of the bill with the amendments herein suggested.

Advice has been received from the Bureau of the Budget that there is no objection to release of this report together with the accompanying correspondence.

Very truly yours,

OMAR N. BRADLEY,
General, United States Army, Administrator.

COMMITTEE PRINT OF S. 974, SEVENTY-NINTH CONGRESS, WITH AMENDMENTS
PROPOSED BY VETERANS' ADMINISTRATION WITH EXISTING LAW

[Omit the part in black brackets and insert the part printed in *italic*]

SECTION 1. That paragraph 1 of part VII of Veterans Regulation Numbered 1 (a), as amended, is hereby amended by striking the language following the word "*Provided*" and substituting therefor the following language:

"1. Any person who served in the active military or naval service at any time on or after September 16, 1940, and prior to the termination of the present war, who is honorably discharged therefrom, and who has a disability incurred in or aggravated by such service for which pension is payable under laws administered by the Veterans' Administration, or would be but for receipt of retirement pay, and is in need of vocational rehabilitation to overcome the handicap of such disability, shall be entitled to such vocational rehabilitation as may be prescribed by the Administrator of Veterans' Affairs to fit him for employment consistent with the degree of disablement: *Provided*, That no course of training in excess of a period of four years shall be approved *except with the approval of the Administrator*, nor shall any training under this part be afforded beyond **[six]** *seven* years after the termination of the present war.

SEC. 2. Section 4 of Public Law Numbered 16, Seventy-eighth Congress, March 24, 1943, as amended by section 402 of Public Law Numbered 346, Seventy-eighth Congress, June 22, 1944, is amended by striking the period at the end thereof, substituting therefor a colon, and adding a new proviso to read as follows:

"SEC. 4. Any books, supplies, or equipment furnished a trainee or student under part VII or part VIII of Veterans Regulation Numbered 1 (a) shall be deemed released to him: *Provided*, That if he fail, because of fault on his part to complete the course of training or education afforded thereunder, he may be required, in the discretion of the Administrator, to return any or all of such books, supplies, or equipment not actually expended or to repay the reasonable value thereof: *Provided further*, That returned books, supplies, or equipment may be turned in to educational or training institutions for credit under such terms as may be approved by the Administrator, or disposed of in such other manner as may be approved by the Administrator."

SEC. 3. Paragraph 3 of part VII of Veterans Regulation Numbered 1 (a), as amended, is hereby amended to read as follows:

"3. While pursuing training prescribed herein, and for two months after his or her employability is determined, each veteran, if entitled to pension **[** in an amount less than the amount payable in accordance with the compensation rates for total and temporary disability, including additional amounts for wife, husband, child, or children and dependent parents, provided by section 202, World War Veterans Act, 1924, as amended (U. S. C., title 38, sec. 475), **]** compensation, or retirement pay in an amount less than the amount payable herein, shall be paid increased pension which, when added to the amount of pension, compensation, or retirement pay to which he is otherwise entitled, will aggregate an amount equal to **[such]** the following rates:

"(a) If he has neither wife nor child, \$105.

"(b) If he has a wife but no child, \$115.

"(c) If he has a wife and one child, \$125 (with \$7 for each additional child).

"(d) If he has no wife but one child, \$115 (with \$7 for each additional child).

"(e) If he has a mother or father, either or both dependent upon him for support, then, in addition to the above amounts, \$15 for each parent so dependent:

Provided, That the rates set out herein shall not be subject to the increases authorized by Public Law Numbered 312, Seventy-eighth Congress, May 27, 1944: *Provided further*, That when the course of vocational rehabilitation furnished to any person as herein provided consists of training on the job by an employer, such employer shall be required to submit monthly to the Administrator a statement **[under oath]** in writing showing any wage, compensation, or other income paid by him to such person during the month, directly or indirectly, and based upon such **[sworn]** written statements, the Administrator is authorized to reduce the pension of such person to an amount considered equitable and just, but not below the amount of pension, compensation, or retirement pay to which he would be entitled for service-connected disability if not following a course of vocational rehabilitation."

SEC. 4. Paragraphs 1, 2, 6, and 7, part VIII, Veterans Regulation Numbered 1 (a), are hereby amended to read as follows:

"1. Any person who served in the active military or naval service on or after September 16, 1940, and prior to the termination of the present war, and who shall have been discharged or released therefrom under conditions other than dishonorable, **[and whose education or training was impeded, delayed, interrupted, or interfered with by reason of his entrance into the service, or who desires a refresher or retraining course,]** and who either shall have served ninety days or

more, exclusive of any period he was assigned for a course of education or training under the Army specialized training program or the Navy college training program, which course was a continuation of his civilian course and was pursued to completion, or as a cadet or midshipman at one of the service academies, or shall have been discharged or released from active service by reason of an actual service-incurred injury or disability, shall be eligible for and entitled to receive education or training under this part: *Provided*, That such course shall be initiated not later than two years after either the date of his discharge or the termination of the present war, whichever is the later: *Provided further*, That no such education or training shall be afforded beyond seven years after the termination of the present war [: *And provided further*, That any such person who was not over 25 years of age at the time he entered the service shall be deemed to have had his education or training impeded, delayed, interrupted, or interfered with]."

"2. Any such eligible person shall be entitled to education or training [, or a refresher or retraining course,] at an approved educational or training institution, for a period of one year [(or the equivalent thereof in continuous part-time study) , or for such lesser time as may be required for the course of instruction chosen by him. Upon satisfactory completion of such course of education or training, according to the regularly prescribed standards and practices of the institutions, except a refresher or retraining course, such person shall be entitled to an additional period or periods of education or training, not to exceed] *plus* the time such person was in the active service on or after September 16, 1940, and before the termination of the war, exclusive of any period he was assigned for a course of education or training under the Army specialized training program or the Navy college training program, which course was a continuation of his civilian course and was pursued to completion, or as a cadet or midshipman at one of the service academies, *or for such lesser time as may be required for the course or program of education or training chosen by him*, but in no event shall the total period of education or training exceed four years: *Provided*, That his work continues to be satisfactory throughout the period, according to the regularly prescribed standards and practices of the institution: *Provided [, however] further*, That wherever the [additional] period of [instruction] *eligibility* ends during a quarter or semester and after a major part of such quarter or semester has expired, such period [of instruction] shall be extended to the termination of such unexpired quarter or semester."

"6. While enrolled in and pursuing a course under this part, such person, upon application to the Administrator, shall be paid a subsistence allowance of \$50 per month, if without a dependent or dependents, or \$75 per month, if he has a dependent or dependents, including regular holidays and leave not exceeding thirty days in a calendar year. Such person attending a course on a part-time basis, and such person receiving compensation for productive labor performed as part of their apprentice or other training on the job at institutions, business or other establishments, shall be entitled to receive such lesser sums, if any, as subsistence or dependency allowances, as may be determined by the Administrator: *Provided*, That any such person eligible under this part, and within the limitations thereof, may pursue such full-time or part-time course or courses as he may elect, without subsistence allowance: *And provided further*, *That in no event shall subsistence allowance be paid in an amount which in addition to pension or retirement pay would exceed the amount payable under part VII.*"

"7. Any such person eligible for the benefits of this part, who is also eligible for the benefit of part VII, may elect which benefit he desires: *Provided*, That [in the event of such election, subsistence allowance hereunder shall not exceed the amount of additional pension payable for training under said part VII] *the total period of education, training, or vocational rehabilitation shall not exceed the maximum period authorized under the part elected.*"

SEC. 5. Paragraph 3, part VIII, Veterans Regulation Numbered 1 (a), is amended to read as follows:

"3. (a) Such person shall be eligible for and entitled to such course of education or training, *full time or the equivalent thereof in part-time training*, as he may elect, and at any approved educational or training institution at which he chooses to enroll, whether or not located in the State in which he resides, which will accept or retain him as a student or trainee in any field or branch of knowledge which such institution finds him qualified to undertake or pursue, *except that a course in any institution not within the United States may be elected only if the course and the institution are approved by the Administrator*: *Provided*, That for reasons satisfactory to the Administrator, he may change a

course of instruction: *And provided further*, That any such course of education or training may be discontinued at any time, if it is found by the Administrator that, according to the regularly prescribed standards and practices of the institution, the conduct or progress of such person is unsatisfactory.

"(b) *Any such eligible person may apply for a short intensive, postgraduate, or vocational training course of less than 30 weeks: Provided*, That the Administrator shall have the authority to contract with approved institutions for such courses if he finds that the agreed cost of such courses is reasonable and fair: *Provided further*, That the limitation of paragraph 5 shall not prevent the payment of such agreed rates, but there shall be charged against the veteran's period of eligibility the proportion of an ordinary school year which the cost of the course bears to \$500.

"(c) *Any such eligible person may apply for a course of instruction by correspondence without any maintenance allowance: Provided*, That the Administrator shall have authority to contract with approved institutions for such courses if he finds that the agreed cost of such courses is reasonable and fair: *Provided further*, That the provisions of paragraph 5 shall not apply to correspondence courses, that one-fourth of the elapsed time in following such course shall be charged against the veteran's period of eligibility, and that the total amount payable for a correspondence course or courses for any veteran shall not exceed \$500: *And provided further*, That nothing herein shall be construed to preclude the use of approved correspondence courses as a part of institutional or job training, subject to regulations prescribed by the Administrator."

SEC. 6. That paragraph 5, part VIII, Veterans Regulation Numbered 1 (a), be amended to read as follows:

"5. The Administrator shall pay to the educational or training institution, for each person enrolled in full-time or part-time course of education or training, the customary cost of tuition, and such laboratory, library, health, infirmary, and other similar fees as are customarily charged, and may pay for books, supplies, equipment, and other necessary expenses, exclusive of board, lodging, other living expenses, and travel, as are generally required for the successful pursuit and completion of the course by other students in the institution: *Provided*, That in no event shall such payments, with respect to any person, exceed \$500 for an ordinary school year: *Provided further*, That no payments shall be made to institutions, business or other establishments, furnishing apprentice training on the job: *And provided further*, That [if any such institution has no established tuition fee, or if its established tuition fee shall be found by the Administrator to be] any institution may apply to the Administrator for an adjustment of fees and the Administrator, if he finds that the customary charges are insufficient to permit the institution to furnish education or training to eligible veterans, or inadequate compensation [to such institution for furnishing such education or training, he is authorized to] therefor, may provide by agreement for the payment [, with respect to any such person,] of such fair and reasonable compensation as will not exceed the actual cost of teaching personnel and supplies for instruction, and not exceeding \$500 for an ordinary school year, inclusive of all charges and supplies; and may in like manner readjust such payments from time to time in consideration of increased or decreased enrollment and available contributions to meet such costs, whether from public or private funds. No amount in excess of the customary fees shall be charged to the veteran under the provisions of section 1505, Public Law Numbered 346, Seventy-eighth Congress, June 22, 1944."

AMENDMENTS¹ TO THE SERVICEMEN'S READJUSTMENT ACT OF 1944

TUESDAY, OCTOBER 9, 1945

UNITED STATES SENATE,
SUBCOMMITTEE ON VETERANS' LEGISLATION
OF THE COMMITTEE ON FINANCE,
Washington, D. C.

The subcommittee met at 10 a. m., pursuant to adjournment, in room 312, Senate Office Building, Senator Edwin C. Johnson (chairman of the subcommittee) presiding.

Present: Senators Johnson (chairman of the subcommittee), George (chairman of the full committee), Walsh, Connally, Gerry, Guffey, Radcliffe, Lucas, La Follette, Vandenberg, Taft, Butler, Millikin, Brewster, and Hawkes.

Senator JOHNSON. The subcommittee hearing will come to order.

We will be glad to have as many members of the whole committee remain as may find its convenient to do so, as this is a very important matter.

This morning we are going to hear from Mr. Collins, of the Veterans' Administration. He is going to talk about the financial aspects of the bill, the loan provisions, and that is a matter that I know the whole committee will be tremendously interested in knowing about.

So, Mr. Collins, if you will come up, please.

STATEMENT OF MAURICE COLLINS, DIRECTOR, FINANCE SERVICE, VETERANS' ADMINISTRATION, ACCOMPANIED BY EDWARD E. ODOM, SOLICITOR, AND FRANCIS X. PAVESICH, CHIEF, LOAN GUARANTY DIVISION, VETERANS' ADMINISTRATION

Mr. ODOM. Mr. Chairman, would it be permissible to bring up two minor points that were not covered yesterday?

Senator JOHNSON. Yes; certainly.

Mr. ODOM. Yesterday you had before you House bill 3627, which is a reprint of S. 974, with Veterans' Administration amendments. There is one thing that we should bring to your attention on the first page of that bill, beginning in line 7, reading as follows:

That no course of training in excess of a period of four years shall be approved except with the approval of the Administrator * * *.

That amendment has been requested by a number of labor organizations and others, because there are a number—and by that, I mean

¹ H. R. 3749, S. 742, S. 866, S. 487, S. 781, S. 826, S. 850, S. 974, S. 1031, S. 1324, S. 738, S. 795, S. 1202, S. 291, S. 1176.

a considerable number—of apprenticeship courses which are more than 4 years in length; and, of course, some professional courses are more than 4 years in length. The question will be whether the Congress will want to give that authority to the Administrator, to approve these courses.

Senator JOHNSON. Where does that language appear?

Mr. ODOM. Page 1, line 7. The added language is, "except with the approval of the Administrator."

Senator LUCAS. What is the number of that bill?

Mr. ODOM. H. R. 3627.

Senator LUCAS. I don't seem to have a copy of that bill before me.

Mr. ODOM. May I pass you one?

Senator JOHNSON. Mr. Odom, to clear up one point in regard to this bill, does H. R. 3627, as it is before us, now represent the recommendations of the Veterans' Bureau?

Mr. ODOM. It does; absolutely. Every recommendation we have made with respect to amendments to the educational provisions of Public 16 and Public 346 are contained in H. R. 3627, which you have before you.

Senator JOHNSON. That is fine. I am glad to know that.

Mr. ODOM. Senator Johnson, we also are preparing a committee print of that, so that when the committee decides to take it up, you will have a print of the present law with the amendments shown, so you can readily see what they are. We will have both of them for you when you take them up.

Senator JOHNSON. That will be appreciated.

Mr. ODOM. Are there any questions on that whole thing?

There is one other thing I want to bring to your attention before we take up the loan provisions.

Senator JOHNSON. Go ahead.

Mr. ODOM. We have no recommendation on this, but we have been requested to bring it to your attention.

If you will recall the present Readjustment Act, section 1503, which you will find on page 19 of the printed act, says:

A discharge or release from active service under conditions other than dishonorable, shall be a prerequisite to entitlement to veterans' benefits provided by this act, or Public Law Numbered 2, Seventy-third Congress, as amended.

Likewise, coming now to the point at issue, on page 5, title II, the same language is used, and it is used also in title III. Those terms mean that a man must be separated from active service. It is done by discharge, and it is done by his being ordered to inactive duty, or by way of retirement.

Now, there are a number of officers; in fact, the greater majority of the officers today are being not released immediately but are being put on terminal leave. An officer, or enlisted man, so far as that is concerned, any service person who is on terminal leave, is still in active service. So these officers or service persons who are now on terminal leave cannot take advantage of the educational provisions of the act or of the loan provisions. They are not finally discharged or separated from the service. They get full pay and are entitled to all benefits. If anything should happen to them, it would be considered service connected.

The question has come up: Would the Congress want to provide, by special amendment to any of these bills pending, that notwithstanding the fact that they were on terminal leave they would be entitled to the loan provisions or educational provisions?

The CHAIRMAN. Are they on terminal leave for a specified period?

Mr. ODOM. Yes.

Senator JOHNSON. What do you recommend?

Mr. ODOM. We have made no recommendations.

The CHAIRMAN. They are still drawing pay?

Mr. ODOM. Yes, sir; and have all of the benefits.

Senator BREWSTER. What objection would there be to that suggestion?

Mr. ODOM. I can see no objection to it.

There is another problem as to medical officers coming back to work for us. They know how desperately we need help. Some come and work for nothing while drawing terminal-leave pay.

The Senate passed a bill, S. 1036, about 10 days ago, I think, which will take care of that situation, permitting them to draw their regular pay while they are also in receipt of terminal-leave pay.

Senator BREWSTER. You mean they get two pays?

Mr. ODOM. Yes, sir.

The CHAIRMAN. Until they get a job, they get two pays?

Mr. ODOM. When they get a job. That will take care of the people that want to come back, and we need them. We have 600 doctors that will be given terminal leave in the next 6 months, and we can't spare 600 doctors.

Senator BREWSTER. He is not permitted to take outside employment?

Mr. ODOM. That is correct.

Senator MILLIKIN. What is the theory of the terminal leave?

Mr. ODOM. It is leave they didn't use.

Senator MILLIKIN. Can they be called back into service?

Mr. ODOM. It could be done, but I suppose under the present conditions will not be.

Senator MILLIKIN. Does the military suggest that the terminal leave does have that recapture possibility?

Mr. ODOM. There is no question it does have.

The CHAIRMAN. He is still on duty?

Senator BREWSTER. Would there be any objection to a lump sum instead of terminal leave?

Mr. ODOM. We recommend that, sir. In other words, what we recommend—when I say “we” I mean the Veterans' Administration. The Army and the Navy has had a joint board working on this for some months, and I understand their report will be available soon—I am informed that I was incorrect in saying they cannot take a job on the outside. They are permitted to.

Senator BREWSTER. While on leave?

Mr. ODOM. Yes.

Senator LUCAS. That applies only to officers?

Mr. ODOM. At the present time, I am informed that only officers get terminal leave. There is a bill pending to grant it to all.

Senator BUTLER. Is the terminal leave supposed to be of a temporary nature?

Mr. ODOM. Yes. It amounts to whatever leave they did not take while in the service. The Congress provided that any civil employee going into the armed forces could draw what leave he had not used up, could draw that pay in a lump sum.

Senator LUCAS. Does this terminal leave come about through legislation, or is that a rule of the War Department?

Mr. ODOM. I think it is by regulatory procedure in the Army.

Senator LUCAS. Why shouldn't the noncommissioned officer have terminal leave if an officer is entitled to it?

Mr. ODOM. I don't know. I understand they do not make any record of the leave taken by enlisted personnel during the war.

Senator LUCAS. It seems to me to be a rank discrimination.

Senator MILLIKIN. Do you know of any military objection to doing away with this terminal leave, and making an adjustment on a lump-sum basis?

Mr. ODOM. Senator Millikin; I can only say this. As I said, this joint board has been working on the question, and I am informed they are not reporting favorably on the pending bills to do that because it would extend it to all the enlisted men, and that would cost, they say, from two to three billion dollars, but an amendment is coming forward with respect to the lump-sum payment.

I am not privileged to tell you what that will be. It doesn't come within my jurisdiction.

Senator LUCAS. I am interested in the GI.

The CHAIRMAN. The only question here is whether the GI, or any man in the armed forces who comes under the GI bill is entitled to benefits.

Mr. ODOM. Yes, sir.

The CHAIRMAN. Whether he shall take those benefits immediately, if he is on terminal leave, or whether he has to wait until that period is out before he can start. That is the only issue we have.

Mr. ODOM. Yes, sir.

Senator JOHNSON. I think we understand the issue.

Mr. ODOM. If you like, I would be glad to get further information on the other bill. But the thing that is pressing is as to whether these officers may take immediate advantage of the educational or loan provisions. Some of them having gone on terminal leave, have gone back to their old jobs.

I recall a professor who went back to the faculty and wanted to get a house. He wanted a loan guaranty for that purpose, and we couldn't issue it to him.

Mr. Chairman, if there is no more on that, Mr. Collins is prepared to take up the loan provisions. We have copied the present title III verbatim with a committee print of the amendments and if the secretary will pass those around, I am sure you will find that more convenient than trying to follow the discussion in the printed bill.

We also have copies of the written statement which may be passed around.

Mr. Chairman, Mr. Collins is the Assistant Administrator in charge of finance, and under his jurisdiction falls the loan guaranty provisions. And I would like to introduce to the chairman and to the committee, Mr. Pavesich who is the head of the Loan Guaranty Division.

Senator JOHNSON. Go right ahead, Mr. Collins.

Mr. COLLINS. Mr. Chairman and gentlemen: The loan guaranty program under title III of the Servicemen's Readjustment Act of 1944 has been in operation for about a year. During that time it has been demonstrated that a number of changes are desirable for the attainment of the basic purposes for which the act was originally designed and for the facilitation of administrative processes. The recommendations and suggestions which we are offering to the committee are based largely upon the experience of the staff engaged on loan-guaranty work at our various field offices and upon studies of proposals emanating from various sources. The language we are suggesting for the accomplishment of proposed statutory changes was in some instances taken from bills now pending before the Congress. These changes are premised upon the retention of the framework of the present act, including the features that admit of supervision and control by the Government.

In this presentation, the comment follows the order of the sections of the act.

SECTION 500 (A)

Duration of program: The term within which guaranties can be extended to eligible veterans should be lengthened. Considering the youth of many discharged veterans in comparison to the time of life in which individuals usually find it desirable to acquire the types of property specified in this act, an extension of the term up to 10 years after the termination of the war is not considered overlong. This may be done by inserting the word "ten" in the place of the words "two" and "five" as they appear in the present context, or by simply stating, in lieu of the present language—

Any such veteran may apply within 10 years after the termination of the war * * *

Such extension of the period during which guaranties are available should operate to lessen the inflationary tendencies of the program, will spread over a longer period the impetus the program will give to the economy of the Nation, and will lessen competition among veterans for scarce equipment or materials.

Mr. ODOM. If you look at the other copy you will see how that is put in.

Senator VANDENBERG. What does "termination of the war" mean?

Senator LUCAS. I was just going to ask that.

Senator VANDENBERG. Is that the official termination?

Mr. ODOM. As provided in this act it is as proclaimed by the President, or declared by joint resolution of the Congress.

Senator WALSH. For your information, and for the information of the committee, the Committee on Naval Affairs, in order to encourage reenlistments in the Navy, has made provision that a man may reinlist at the termination of his present enlistment, and have all the advantages of the GI bill of rights.

Mr. ODOM. The 10 years would cover him then too.

Senator WALSH. Yes.

SECTION 500 (B)

Mr. COLLINS. Payment of interest for the first year on the guaranteed portion of a loan: The administrative involvements and the burden on lenders entailed in payment of interest for the first year under

the present provisions are so great that it would be preferable to have the first sentence of section 500 (b) changed to read:

An amount equivalent to 4 percent of the amount originally guaranteed shall be paid to the lender by the Administrator out of available appropriations for credit upon the loan at the time the loan is closed.

Senator LUCAS. Will you explain further, as to what that does?

Mr. COLLINS. Here are some of the vouchers, the interest vouchers. We can explain it better by a reference to those vouchers.

The CHAIRMAN. That is intended to take care of the payment of the first year's interest on the loan?

Mr. COLLINS. Yes, sir.

The involvements will be illustrated by an examination of the interest voucher (1865) approved by the Comptroller General on August 21, 1945.

A reading of the instructions on the reverse side shows that the computations will be based on the balance outstanding from time to time during the year, or up to an earlier date on which the loan may have been paid in full or the borrower may have transferred title to the property.

Payment is to be claimed, made, and credited in full in accordance with the terms of the obligation on which it accrues. In the absence of any express agreement such part of the first year's interest on the guaranteed portion of the loan as has not been paid by the borrower should be claimed by the holder and such part as has been paid by the borrower should be shown as payable to him.

I think the part of the instructions that I have referred to above, will show that what should be a relatively simple process, and what we had expected to be a relatively simple process, paying 4-percent interest on the first year, has become involved because of amortization of the loan. We would pay only on the principal outstanding, making the calculations for the reduction during the first year. If we pay at the time the loan is closed, we would pay 4 percent on the amount we guarantee, and that amount would be applied on the loan by the lender.

Senator MILLIKIN. What is the difference in cost to the Government?

Mr. COLLINS. The difference in cost is represented by the interest on the reductions made by reason of the partial payment by the veteran. So that the veteran who defers making a payment under our present plan is in a much better position, he gets more interest than the man who makes no arrangement to reduce the loan during the year.

I haven't the figure stating the exact amount.

Mr. ODOM. Wouldn't that be overcome by the administrative saving?

Mr. COLLINS. Yes; it would be overcome to a large extent by that.

Senator LUCAS. How does that section read at the present time?

Mr. COLLINS. "Interest for the first year on that part of the loan guaranteed by the Administrator, shall be paid by the Administrator out of the available appropriations."

So we are not paying it until the end of the year, or until the loan is paid off if it is paid off prior to the end of the year.

Senator LUCAS. You are certain that an amendment would clear up the administrative difficulty that you have encountered?

Mr. COLLINS. We have every reason to believe so, Senator.

SECTION 500 (C)

Maturity of loans: It is generally recognized that farm-loan maturities should extend over a period of more than 20 years. If the financing of farm loans to veterans is to be effectively aided by the guaranties provided in the Servicemen's Readjustment Act, it might be well to consider extending the maturity on loans for the purchase of farm realty to 30 or 35 years. This change could be effected by adding after the second proviso of this subsection the words:

, or in the case of loans or farm realty, in not more than — years.

Senator LUCAS. What are the terms of the Jones-Bankhead Farm Loan Act?

Mr. ODOM. 40 years.

Mr. COLLINS. 40 years.

Senator LUCAS. Two-thirds of them will die before they get that thing paid up.

Mr. COLLINS. Removal of restrictions as to national banks and others——

Senator LUCAS. Your recommendation is that it be changed to 30 years?

Mr. COLLINS. 30 or 35, whichever the committee desires.

Senator JOHNSON. What would you say, about 40 years, to make it conform to the Jones-Bankhead Act?

Mr. COLLINS. That would be acceptable.

The CHAIRMAN. Did you give consideration to the effect on the ability of the veteran to make a loan of that length of time through private lending institutions at 4 percent?

Many banking institutions might be willing to make shorter loans, and might not be willing to make a loan for long, 30 or 40 years.

Mr. COLLINS. Of course, this would not require the loans to be for the maximum period. This would merely be permissive and extend the period that could be covered by the loan. At the present time they are limited to 20 years. The lender and the borrower could arrange that term between themselves. But in those other cases, where they wish to, they could go to 30 or 40 years.

The CHAIRMAN. It is merely permissive.

Mr. COLLINS. It is merely permissive; yes, sir.

Senator LUCAS. It is not more than that?

Mr. COLLINS. That is right.

The CHAIRMAN. Many lending institutions couldn't make the 20-year loan, but had to get special permission or make amendments to their charters. That has been one of the difficulties already.

Mr. ODOM. Pretty generally the States have amended their statutes to take care of that.

The CHAIRMAN. I know. If it is permissive, I can see no objection to that, and from the standpoint of the borrower, the veteran, of course, it would obviously be advantageous because it would reduce his annual payments, cut them down.

Mr. COLLINS. Removal of restrictions as to national banks and others: Many institutions are so restricted under existing laws that their participation in extending credit to veterans under a guaranty has been impeded or barred. For example, national banks may not make real-estate loans for a term of more than 10 years. Such restric-

tions as to institutions under Federal jurisdiction will be removed as to guaranteed loans to veterans by adding at the end of the present subsection 500 (c) the following:

Any loan at least twenty per centum of which is guaranteed by the Administrator under this title may be made by any national bank, or Federal savings and loan association, or by any bank, trust company, or insurance company organized or authorized to do business in the District of Columbia, without regard to the limitations and restrictions of any other statute or regulations with respect to the ratio of such loan to the appraised value of the property or with respect to the maturity of such loan.

It will be noted that the above context is along the lines of a provision contained in Senate bill 795 which was introduced by Senator Johnson and referred to the Committee on Finance in March of this year.

The CHAIRMAN. Let me ask, did the Federal Reserve Board sit in with you on the formation of this particular amendment?

Mr. ODOM. Mr. Chairman, I think the answer to your question is "No." However, a great many people did sit in with us on bills, including the one which was referred to here, introduced by the chairman. Also, H. R. 2789, introduced by the chairman of the World War Veterans Committee in the House. And H. R. 2877.

I do not recall that a companion bill to H. R. 2877 has been introduced, but if it has been, it unquestionably has been referred to the Committee on the District of Columbia.

There is a Budget clearance on these bills.

Senator VANDENBERG. Clearance from whom?

Mr. ODOM. The Bureau of the Budget.

Senator VANDENBERG. This is a change in the fundamental law.

Mr. ODOM. This is putting the two together. The difficulty is that the Federal banks cannot, except an FHA insured loan, lend on an amortized basis for more than 10 years. So the national banks today cannot take advantage of any GI loan which runs for more than 10 years. The States have quite generally, I think 42 of them, passed this year and last year legislation which permits different lending institutions, State bank sometimes, sometimes building and loan associations, sometimes insurance companies, in some instance all of them, to lend under the provisions of title III of the Servicemen's Readjustment Act, exactly the same as they provided some years ago with respect to such institutions making loans subject to the provisions of the act pertaining to the Federal Housing Administration.

Senator MILLIKIN. Under the language proposed, you would have relief against restrictions on the term of the loan, and also relief against restrictions on the ratio of the loan.

Mr. ODOM. The effect of this would be to permit them, whereas now some of them have a limitation of 66 $\frac{2}{3}$ percent of the value of the property, this would restrict them to 80 percent as a maximum of the reasonable, normal value of the property. At least 20 percent have been guaranteed by the Veterans' Administration. The theory is that the part guaranteed is not a risk to the lender. So they would risk actually only the unguaranteed portion of the loan.

Senator LUCAS. It might be 80 percent or anything under that?

Mr. ODOM. Yes. Mind you, we are recommending here that you retain the "reasonable, normal, value" as the top limit of the loan. We will come to that a little bit later.

The CHAIRMAN. The question I raise is that you are affecting the fundamental, organic, banking act, and Federal Reserve System, and some other people mightn't think that is right.

Mr. ODOM. That is correct. Possibly those features ought to be handled by the other committees to which they would ordinarily go.

Senator VANDENBERG. At least we ought to have the opinion of the Comptroller of the Currency.

The CHAIRMAN. Yes; if you didn't have them sit in with you.

Mr. ODOM. All of them did not.

The CHAIRMAN. We will have to have them come up here and ask them about it.

Mr. ODOM. Yes.

Senator LUCAS. Is the District of Columbia the only one that is affected by this?

Mr. ODOM. No, sir. This would affect national banks throughout the country.

Senator LUCAS. I am thinking about everybody chartered here in the District of Columbia. That is what you state here. Is there anything authorized to do business outside of the District of Columbia?

Mr. ODOM. No, sir; that wouldn't affect that. This would affect national banks no matter where located. It would affect all lending agencies named who are located in or do business in the District of Columbia.

The CHAIRMAN. The object of the amendment is to make available to the GI the national banks.

Mr. ODOM. And all lending agencies in the District of Columbia?

The CHAIRMAN. Yes; which are the same as State banks in the States.

Mr. ODOM. Yes.

The CHAIRMAN. That is handled by the Congress.

Mr. ODOM. That is right.

Senator MILLIKIN. Have the banks evidenced a desire for this amendment?

Mr. ODOM. Yes, sir; they have. The American Bankers' Association is represented here and they can speak for themselves. They might not want to go to 80 percent.

Senator LUCAS. What would be the objection on the part of the national banks in going to 25 years?

Mr. ODOM. I don't know of any objection on that, Senator Lucas. As I say, they are represented so they can answer that question.

Senator JOHNSON. Go ahead, Mr. Collins.

Mr. COLLINS. Section 501 (a) (3).

Much criticism has been directed at the feature of the present act which limits the purchase price of properties to be bought through a guaranteed loan to the "reasonable normal value" of such property. It is contended by many that the veteran should be permitted to pay more than the appraised value if he chooses, and that the prescribed limit should govern only the amount of the loan. This suggestion can be met if Congress so desires, by changing section 501 (a) (3) to read:

That the amount of a loan covering all or part of the purchase price paid or to be paid by the veteran for such property does not exceed the reasonable normal value thereof as determined by proper appraisal, and that the amount of a loan

for construction, repairs, alterations, or improvements does not exceed the amount so appraised to be the reasonable cost thereof: *Provided*. That no loan shall be guaranteed under the provisions of this section where the veteran is to pay in cash or otherwise an amount in excess of 10 per centum of the reasonable normal value of the property being acquired, or of the reasonable cost of improvements, or where such excess has not been fully paid and discharged prior to the closing of the loan.

The purchase-price limit has been retained in the above context so as to hold down the purchase price or cost to not more than 10 percent above the appraised value. This will afford the veteran additional facilities in the acquisition of property without too great a risk and at the same time will minimize the inflationary consequences of the change.

The 10-percent clause is merely suggestive and may, of course, be adjusted to any percentage the committee deems proper. The last clause requiring the excess above the appraisal to be paid in cash or its equivalent is designed to eliminate the evil of second mortgages or other obligations which are apt to overburden the veteran and result in the foreclosure of his property or the failure of his business.

If this suggestion is adopted equivalent changes should be made in section 502 (4) and section 503 (4).

Senator MILLIKIN. Who establishes the reasonable and normal value?

Mr. ODOM. We do.

Senator MILLIKIN. Have you set up a criterion for that?

Mr. COLLINS. It is set up by proper appraisal.

Senator MILLIKIN. Based on what year? Based on what criteria?

Mr. COLLINS. We say here in the regulations, which are quite lengthy on this point of "reasonable normal value," in section 36400 (k) (1):

Reasonable normal value is the price the property would ordinarily bring or the transaction would ordinarily cost in a contract between a willing and well-informed buyer and a willing and well-informed seller, both acting free from necessity and under circumstances not affected by economic or other conditions of an impermanent character.

Senator MILLIKIN. Did you say of an impermanent character?

Mr. COLLINS. Impermanent character.

The purpose and intent of (1)—
that is what I have just read—

is to assure that the price to be paid represents a fair and reasonably permanent value in the real property to be acquired.

(2) To give so far as real estate is concerned, the basis for a fair but not unreasonable risk on the part of the Government when executing its guarantee.

(3) To assure that the appraisal shall be founded upon true and reasonably permanent values.

Then we go on to say how that valuation would be justified.

Senator MILLIKIN. In practice, do you go back to prewar values?

Mr. COLLINS. We are really dependent upon the opinion of the particular appraiser who is selected from an approved list of appraisers. I think the question you are asking, Senator, may be answered here:

Reasonable normal value is not necessarily the fair market value nor fair market value in the usual legal sense of those terms, nor is it necessarily the same as value for mortgage purposes.

Senator VANDENBERG. When you get all through it says you use your common sense.

Mr. COLLINS. That is about the size of it.

Senator VANDENBERG. You would save quite a bit of paper if you would say just that.

Senator LUCAS. Mr. Chairman, may I ask a question?

I would like to have you, Mr. Collins, give me an actual example of how section 501 (a) (3) operates in its present form.

Mr. COLLINS. Might I turn that question over to the specialist in that line, Mr. Pavesich?

Senator LUCAS. All right.

Mr. COLLINS. It is—

Senator LUCAS. I don't want to make it too long, but please follow with an example of how it would operate under the proposed amendment.

Mr. PAVESICH. The usual case we are having, Senator, is the purchase price of the property—let us say it is \$7,000. The appraiser comes in and says \$6,200 of value. That prevents us closing that particular loan until the loan-guaranty officer in that particular area, after examination, oftentimes of the property itself, feels justified in making the final determination as to value.

If he is agreed that the property is worth \$6,200 he then rejects that loan.

Now, if you had a limitation, where a certain percentage is allowed, for instance in this case, it would be 10 percent, or \$620 could be added, and that would bring it up to \$6,820. Now, that difference there between \$7,000 might bring about a renegotiation, which we have done in approximately a thousand cases with an average saving of over \$300 to the veteran, or it might be just the difference that the loan-guaranty officer was willing to go as to his idea of value on this property.

But we do want that cleared up because many veterans are saying, "I know this property. It is high, but I have no place else to live. I have saved up \$3,000"—or it may be \$5,000, whatever the sum is—and he says, "Why can't I buy this thing? It is my money. I think it is high, but I want to buy it."

We have tried to extend as far as we can the determination of those values to get the veteran in that place but oftentimes we are confronted with the fact that you cannot justify the value and the act ties us down to the value, the value must tie in with the purchase price. If we could tie it in to the loan, we would have much more leeway than we have today, when you cannot buy things at reasonable normal value.

Senator CONNALLY. You said if he saved \$3,000. Would not that margin it? Wouldn't that take care of the danger of a risk?

Mr. PAVESICH. Yes; if it is tied into the loan, he might pay slightly more.

Senator CONNALLY. You mean under the law now, even if he should pay \$2,000?

Mr. PAVESICH. No; he can't do that under the law now, because it is tied in to the purchase price.

Senator CONNALLY. That is what I am trying to get at.

Mr. ODOM. He could pay the \$2,000 and get a loan guaranteed for the balance?

Senator CONNALLY. That is what I am talking about.

Mr. ODOM. No; I am wrong. The present law says that the purchase price shall not exceed the reasonable normal value.

Now, the other aspect of that is, of course, if these guaranteed loans are to have a market, they, they must be confined to proper appraisals. You can't have marketable loans that are not on sound economic principles.

Senator CONNALLY. You mean under the present law there is no difference between a man with \$500 in his pocket and one with \$2,000, you have to treat them both the same?

Mr. ODOM. Absolutely.

Senator MILLIKIN. It is unreasonable to take the view that this is to inflate the price of property to a soldier 10 percent and when that is reached you will have to inflate it another 10 percent?

Mr. PAVESICH. I think that is certainly the thing that will have to be considered very carefully.

Mr. ODOM. That is right.

Mr. PAVESICH. On the other hand, I think you will find a great many people who do not think we may not have a correction of this situation for 2 or 3 years, and it is possible that the Congress, if they desire, could give some percentage limitation and change it a year later as things become normal.

Senator CONNALLY. You have got to draw it carefully because there is an army of these real-estate promoters waiting to grab the veteran.

Senator MILLIKIN. It seems to me, Mr. Chairman, that it defeats itself. When you are given permission for the 10-percent inflation, you will reach it quickly, you will reach that overnight, and then you will have to give another 10 percent.

Mr. ODOM. I think a partial answer to that Senator, is that we have reached that situation now. You can't buy any property anywhere today, practically, for reasonable normal values, and that is why there have been very few farm loans made, and—what percentage of the home loans have been refused?

Mr. PAVESICH. About 14 percent.

Senator MILLIKIN. What is the answer?

Mr. PAVESICH. Fourteen percent.

Mr. ODOM. On new construction, of course, it is difficult to apply reasonable normal values, that is, to a house that is being built, but with labor prices and material prices as they are today, I am informed that no house can be built to be sold for what might be termed the reasonable normal value.

Senator CONNALLY. I think that is true.

Senator LUCAS. It is going to be difficult to operate under this act, then, isn't it?

Mr. ODOM. Under the present act they just don't get any place to live. Any change in formula is going to bring about administrative difficulty.

Of course, that is what administrative agencies are for.

Senator LUCAS. If we make a change as suggested by the Veterans' Administration, does it become mandatory on the Veterans' Administration to treat every veteran alike on this 10 percent?

Mr. ODOM. I would say it would be mandatory to treat them all alike as we have to now.

Senator LA FOLLETTE. You say that they cannot buy anything?

Mr. ODOM. Yes.

Senator LA FOLLETTE. I understood it to be stated that only 14 percent of the loans had been rejected on this basis.

Mr. ODOM. I should perhaps be corrected to that extent, Senator, but it is getting more difficult right along.

Of course, you understand that the ceiling prices have had an effect on this too. I don't know whether those ceiling prices are going to be removed.

I was going to say in answer to Senator Lucas' question there is one other provision in the act which would have an effect on that administratively, and that is the provision that it must be a practical proposition. The loan must be a practical one.

The CHAIRMAN. Does that apply to other than business loans?

Mr. ODOM. It applies to all of them.

Senator LUCAS. That would leave you discretion.

Mr. ODOM. It also must be within the reasonable expectation of the abilities of the veteran to pay out.

Senator LUCAS. You have got a lot of discretion, then?

Mr. ODOM. There is considerable but that is difficult to administer.

Senator LUCAS. Of course.

Mr. PAVESICH. May I say to Senator La Follette, in regard to the 14 percent, those were the ones we rejected. At the present time the lenders are rejecting before they get to us, and we have no idea what it is, but we know it is very large. That is where the turn-downs are occurring.

Senator LA FOLLETTE. So that the 14 percent doesn't actually represent what is happening in the operation?

Mr. PAVESICH. No, sir; it does not.

Senator LA FOLLETTE. You have no way of knowing, of course, how many the lenders have turned down?

Mr. PAVESICH. We have no way of tabulating it. We do know from talking with them that they are telling these veterans there is no use of going in on this deal because you couldn't justify a value on this purchase.

Senator VANDENBERG. As to your turn-downs, your 14 percent would you say, generally, that they were eligible loans on the basis of a reasonable consideration?

Mr. PAVESICH. I would say all of these loans would have gone through, probably, with this leeway, or close to this leeway.

Senator LUCAS. Won't this have a tendency to inflate the situation to the end that you find yourself in a short while where you are now?

Mr. PAVESICH. That is true in a sense, but now you are beginning to pick up on building, and, of course, new construction will have a tendency to fill up the needs, and as to old structures, I think there is a tendency for those to shade off now.

As quick as building picks up you will begin to get back to a normal condition of supply and demand.

Senator LUCAS. When is that going to be?

Mr. ODOM. Well, we would all like to know that.

Senator CONNALLY. A lot of these boys, if you don't prevent it, are going to be exploited.

Mr. ODOM. I don't believe anybody would be exploited very much under the 10 percent.

Senator CONNALLY. They are going to be exploited if they can be. There are those that are watching with a deed in one hand and a mortgage in the other.

Senator LUCAS. Your contention is that there are certain individuals who want to buy certain pieces of property, for a sentimental reason or otherwise, and they want to buy that property more than they want property 15 or 20 blocks away?

Mr. PAVESICH. It is largely necessity, Senator. There is not much sentiment. They want some place to live.

Mr. ODOM. I remember one case. I think Mr. Pavesich remembers it. It happened this property was located near where I used to live, and I know the property very well. This veteran was living in some defense property. He was not paying a very high rent in that defense property, naturally. But he said, "I don't want to bring up my family in this community. I want to be in Washington Park, and this home over in the Washington Park area is just exactly the type of community and is the type of home I want my family to live in."

The schools, the churches, everything there was what he wanted.

The difference there was the difference between an appraised valuation, as I recall it of \$7,900 to \$8,000, and a price of \$8,700. He said, "I am willing to take that property. I have got the money to pay for it." But the act says the purchase price cannot exceed the reasonable normal value.

Senator VANDENBERG. Doesn't the reasonable normal value fluctuate with the times?

Mr. ODOM. I would say yes.

The CHAIRMAN. What did the House bill do with this language?

Mr. ODOM. The House bill would leave that, and that is the objection we have to it, to whatever the price the builder or the lender and the purchaser may agree upon.

Senator LUCAS. Is that the term that is generally used?

Mr. ODOM. I should use the term "lender" and "purchaser should agree upon."

Mr. PAVESICH. A reasonable value, or market value, I think would be easier to explain.

Senator LUCAS. We always talked about fair cash market values in our section of the country.

Mr. COLLINS. It was the word "normal" that gave the trouble.

Senator JOHNSON. Mr. Collins, you may go ahead if there are no other questions.

Senator LUCAS. Mr. Chairman, may I make one suggestion before Mr. Collins leaves? It may not occur to me later. It seems to me that Mr. Collins has presented this in a way that we can really understand it, and I would suggest that other witnesses follow this same procedure. I think it would be very helpful.

Senator JOHNSON. We agree with Senator Lucas that the presentation this morning is a great improvement over what we have had.

Go ahead, Mr. Collins.

Mr. COLLINS. Section 501 (b).

Delinquent indebtedness: Other than that it applies only to indebtedness on a veteran's home, there has been conflict of opinion as to what Congress intended by the provision for "delinquent indebtedness" in section 501 (b) of the act. It may have been intended to supplement

the Soldiers and Sailors Civil Relief Act of 1940 which provided moratoriums on indebtedness but which left unsolved the question of how the veteran would liquidate any backlog upon his return to civilian life. If that was the purpose it should be extended as well to farms and business properties, and should cover not only indebtedness becoming delinquent during the period of service but that becoming delinquent within a limited period after his discharge. The following context is worded to cover this point, and limits the after-service period to 2 years:

The Administrator may approve the guaranty of a loan purposed to refinance any indebtedness of a veteran which is secured of record on property used or occupied by the veteran as a home or for farming purposes, or indebtedness incurred by him in the pursuit of a gainful occupation, or any delinquent taxes or assessments on such property or business, provided it is found that—

(1) such default or delinquency occurred not later than 2 years after his separation from active service, and

(2) such refinancing will aid the veteran in his economic readjustment.

The above context could be added to the act as a new section, numbered 506 and the corresponding provision in section 501 (b) deleted, i. e., all of line 3 of the present subsection 501 (b) should be stricken out.

Mr. ODOM. May I make this explanation? The 2 years is the time limited by the Soldiers and Sailors Civil Relief Act, and we thought that it might be well to have the two laws correspond in that connection. At the present time we are having great difficulty in determining just exactly what is intended by the Congress in that 501 provision with respect to delinquent indebtedness. In fact, there has been some tendency to permit indebtedness to become delinquent in order to, perhaps, take advantage of the provisions of the act.

Mr. PAVESICH. That is a possibility.

Mr. ODOM. I assume that the Congress had some thought that it had some relationship to the financial inability to maintain the obligations because of the veteran's service.

Senator CONNALLY. This prior indebtedness, that is, any debts he may have, regardless of whether secured or not?

Mr. ODOM. This would include both secured and unsecured, if it involved the particular items named.

Senator CONNALLY. And provided also that it is found that it would aid his economic rehabilitation, and so on?

Mr. ODOM. Yes, sir.

Senator CONNALLY. Suppose that he was in a business and it became defunct, and owed a lot of debts. Would this include that?

Mr. ODOM. He probably comes under the Soldiers and Sailors Relief Act and has a moratorium on those debts.

Senator CONNALLY. But a moratorium doesn't help; you have to eventually.

Mr. ODOM. He could borrow the money. He could get a guaranteed loan for the purpose of taking up those indebtednesses; yes, sir. It would not enable him, for example, to pay off his premiums on his commercial insurance, which we have guaranteed under the Soldiers and Sailors Civil Relief Act, but would cover only the items specified.

Senator VANDENBERG. Before you go to the next section, may I ask this further question regarding the 10 percent in the previous section?

It seems to me that that is inevitably going to be a direct invitation at the expense of the veteran and I am wondering whether you

wouldn't reach every necessity that you confront if you simply deleted the word "normal" in the existing law so that it would read "does not exceed the reasonable value thereof." Then you haven't hung up any target for the seller to shoot at, and probably always reach.

Mr. ODOM. You probably could do that, Senator Vandenberg. Whether the loans would have as good a market, that it would be considered as being as sound as under this proposal, I do not know that I am prepared to say. There are people here, I think, representing the lending agencies, both in the primary and secondary fields, that could answer that question better than I.

Senator VANDENBERG. All right.

Mr. COLLINS. The word "normal" has prevented a great many loans being made that would really ordinarily be considered good loans. That is about the answer.

Senator JOHNSON. Then you agree with Senator Vandenberg's suggestion?

Mr. COLLINS. Personally, I agree.

Senator VANDENBERG. It obviates what seems to me is a hazard to the veteran.

Senator CONNALLY. "Normal" is retrospective rather than prospective.

Mr. COLLINS. Yes, sir.

Senator CONNALLY. You don't know what is going to be "normal" 10 years from now. You are judging it by what it was prior to now.

Mr. COLLINS. That is right.

Senator LUCAS. One question on section 501 with respect to delinquent indebtedness. I think I understand that provision, but let me propound this question:

If a veteran has now borrowed the total amount that can be loaned under this act, either for farming purposes, or for the buying of a home, or indebtedness incurred by him in pursuit of a gainful occupation, and he loses all that money in a venture, under this provision the Federal Government would refinance that veteran, take over his debts, and pay them. Am I right about that?

Mr. COLLINS. No, sir.

Senator LUCAS. What would this do?

Mr. COLLINS. The limit on the amount of the guaranty is \$2,000.

Senator LUCAS. All right.

Mr. COLLINS. A veteran who has not exhausted the \$2,000 and is borrowing money for the purpose of paying off this delinquent indebtedness can have a guaranty up to \$2,000 or at least to the extent that he has not exhausted his guaranteed credit with us.

Once he has exhausted that \$2,000 he can't come back to us again under this act.

Senator LUCAS. Supposing he has exhausted \$1,500?

Mr. COLLINS. He could come back and get the new indebtedness guaranteed up to \$500. He has a \$500 credit remaining.

Senator LUCAS. He has that at the present time, doesn't he?

Mr. COLLINS. He has the \$2,000, and if he has used the \$2,000 to buy a home, he is finished.

Senator LUCAS. Is he finished under this amendment?

Mr. COLLINS. Yes, sir. It merely permits the utilization of all or part of the \$2,000 guaranty in connection with financing of indebted-

ness of a delinquent character. That is all. It just expands the purposes for which the guaranty may be given.

Senator LUCAS. He can't do that at the present time?

Mr. COLLINS. No, sir; except in connection with home loans. It doesn't apply to business or farm loans.

Senator LUCAS. In other words, if he only has \$1,000 in a venture, insofar as the Federal Government is concerned, and he is entitled to \$2,000, you will permit him to use the extra \$1,000 in liquidating obligations that he might have incurred in some business venture or in connection with the buying of farm lands?

Mr. COLLINS. That is correct.

Mr. ODOM. There is one other aspect of that. You spoke about the loans already guaranteed. Under the regulations which have been issued, there are liberal provisions for indulgences and even under the law we can refinance those loans to a certain extent so as to protect a good risk even though he is in temporary difficulty.

Senator LUCAS. That is under the present law?

Mr. ODOM. Yes, sir.

Senator LUCAS. And you do not amend that?

Mr. ODOM. No, sir; we do not.

Senator JOHNSON. Go ahead, Mr. Collins.

Mr. COLLINS. Section 502.

Farm lending purposes of loan: The first six lines of this section should be supplemented to read (new matter printed in italic):

Any application to be made under this title for the guarantee of a loan to be used in purchasing any land, buildings, livestock, equipment, *supplies* or implements, or in repairing, altering, *constructing* or improving any *land*, equipment or buildings, *including the farmhouse*, to be used in farming operations conducted by the applicant *involving production in excess of his own needs or for working capital requirements necessary for such operations*, may be approved by the Administrator of Veterans' Affairs if he finds—

(1) that the proceeds of such loan will be used *for any of such purposes in connection with bona fide farming operations conducted by the applicant;*

The purposes of most of these changes are self-evident. They supplement the present language of the act so as to permit the farmer to get credit for all essential farming purposes. This will make it possible to approve many applications which now must be rejected. For example, a loan for seed, fertilizer, or insecticides must now be rejected. Nor can we now approve a loan for a farmer to clear land and plant fruit trees. The phrasing "involving production in excess of his own needs" will extend the benefit of the act to part-time farmers, who cannot be aided at present. Provision for "working capital requirements" will qualify loans for payment of labor, that is, at harvest time.

Senator MILLIKIN. I notice that the qualification No. 1 says "that the proceeds of such loan will be used for any of such purposes in connection with bona fide farming operations conducted by the applicant." Supposing the purpose of the loan was to enlarge a farmhouse for the benefit of other members of the family. The farmhouse, I assume, would be used in connection with a bona fide farming operation. Would that be a legitimate application?

Mr. COLLINS. Yes; that would come within it.

Senator MILLIKIN. I am not debating the matter, but it seems to me that several provisions have been proposed putting this guaranty in

the status of a bonus rather than a loan for setting these men up in business. That is why we passed the act originally.

This is so broad that under this section you could spend the money for a multiplicity of purposes. It would not have to have a direct connection with setting the man up in business.

Mr. ODOM. It would have to be useful in operating the farm.

Senator MILLIKIN. Of course, anything spent on a farm would have, I assume, some useful purpose to the farm.

Mr. COLLINS. Section 503—

Senator LUCAS. Let me ask you one question. That last act, as amended, does not add to your administrative difficulties?

Mr. ODOM. It simplifies them.

Mr. COLLINS. We reject a great many loans that would be covered by this amendment. Questions have been raised as to whether the word "buildings" in the present act includes the farmhouse. That is why we put that in to make clear that it did. We have turned down loans for seed, fertilizer, and insecticides, and that caused some resentment, and we have not been able to explain the basis of such rejections except that we find it in the law, that the law restricts the purposes.

Mr. ODOM. Not with the desire to be other than serious, I think Mr. Collins ought to tell you about the veteran who wanted to go into the turkey-raising business. If we considered that that was an agricultural venture, we couldn't guarantee a loan to provide the feed to feed his turkeys, and if we considered it as a business venture, we couldn't guarantee the loan to pay for the turkeys, so he could go into the turkey business.

Senator LUCAS. Could he go into the turkey business now?

Mr. ODOM. He could under the amendment; yes, sir.

Senator LUCAS. Under the amendment he could go into the turkey business. That is the purpose of the amendment?

Mr. ODOM. Well, I thought that would be illustrative.

Mr. COLLINS. Section 503.

Business purposes.—The present language is not broad enough to qualify many essential items which are required to be financed in the acquisition of a business. The context should be changed to read (new matter printed in italics):

Any application made under this title for the guarantee of a loan *the proceeds of which are to be used for the purpose of engaging in business or for the purpose of pursuing a gainful occupation, whether full time or part time, or for the cost of acquiring for such purpose land, buildings, supplies, equipment, machinery, tools, inventory, stock in trade, or for the cost of the construction, repair, alteration or improvement of any realty or equipment used for such purpose, or to provide the funds needed for working capital,* may be approved on a secured or unsecured basis by the Administrator of Veterans' Affairs if he finds—

(1) that the proceeds of such loan will be used *for any of such purposes* in the bona fide pursuit of such *business or gainful occupation by the applicant;*

The restrictive effect of specifying types of property in the present context, without supplementing such mention by words or more general application has necessitated the rejection of many meritorious applications. For example, machinery cannot be modernized or repaired. A store cannot be altered. Stock in trade cannot be acquired. Working capital cannot be obtained through a loan. All these purposes should be made eligible, and will be under the context set forth above.

Senator JOHNSON. You do not mean, of course, to eliminate the second, third, and fourth conditions?

Mr. COLLINS. No; just one.

Senator JOHNSON. Just one. That is the only one. You are modifying that in both 501 and 502.

Senator VANDENBERG. Is there anything new, in your concept, when you insert "on a secured or unsecured basis"?

Mr. COLLINS. When a loan is made for working capital, or on inventory, especially on inventory that is fluctuating all the time, it is difficult to get a base for security.

Senator LUCAS. The Veterans' Administration has construed this act very rigidly, hasn't it?

Mr. ODOM. I don't think so, Senator Lucas. We construed it, I think, very liberally.

Senator LUCAS. Very liberally. I have understood otherwise.

Mr. ODOM. Yes, sir. I have every decision that has been rendered on this title III with me and I will be glad to turn them over to the committee or any member of the committee, or to explain them. I think we have been very liberal in the construction of this title.

Of course, we appreciate that there were certain safeguards which were put in for perfectly apparent purposes and we did adhere to those safeguards.

Senator CONNALLY. You say "whether full time or part time." If you don't put in full time, you won't have any part time.

Mr. COLLINS. We put that in with the idea that some people go into business on a permanent basis and on a full-time basis after starting on a part-time basis.

Senator CONNALLY. I am not objecting although I don't think it is a good provision.

Senator MILLIKIN. Could a man purchase an automobile under this provision if it is to be used in his occupation? Not just used to go to and from work.

Mr. ODOM. He can buy a boat if it is used in his occupation.

Senator MILLIKIN. Of course, if a man uses an automobile to go to and from his work, I suppose he is using it in his business.

Mr. ODOM. But it isn't, of course, necessary.

Senator HAWKES. We had that situation under gas rationing. The man who used his automobile to go to and from work received more gasoline than the other fellow. So I think the point Senator Millikin brings up is a point to think about.

Senator MILLIKIN. I am not sure that I object but I would like to know the scope. Take the sections you have read so far. He gets \$2,000 for almost any imaginable purpose—unless it were to be used to go out to the race track.

Mr. COLLINS. Subsection 2 requires that such property will be useful in and reasonably necessary for the efficient and successful pursuit of such occupation. That is retained under "Business property," section 503 in the original act.

Senator JOHNSON. You may proceed, Mr. Collins.

Mr. COLLINS. Section 507 (new).

Powers of Administrator: Additional powers are needed to be vested in the Administrator in order that he may have proper discretionary power to deal in the various complications which will arise

in the course of the guaranty program. Those lending institutions whose vital rights are concerned in their dealings with the Administrator should have a right to resort to the courts for a definition of their legal rights. These powers can be supplied by the addition of the following context to the act.

SEC. 507. (a) With respect to matters arising by reason of this title as now or hereafter amended and, notwithstanding the provisions of any other law, the Administrator may—

(1) Sue and be sued in his official capacity in any court of competent jurisdiction, State or Federal;

(2) Subject to specific limitations in this Act, consent to the modification with respect to rate of interest, time of payment of principal, or interest, or any portion thereof, security or other provisions of any note, contract, mortgage, or any lien instrument with respect to which a Loan Guaranty Certificate or an Indemnity Contract has been issued;

(3) Pay, or compromise, any claim on or arising because of, such certificate or contract;

(4) Pay, compromise, waive, or release any right, title, claim, lien, or demand, however acquired, including any equity or any right of redemption;

(5) Purchase at any sale, public or private, upon such terms and for such prices as he determines to be reasonable; and take title to property real, personal, or mixed; and similarly sell at public or private sale, exchange, assign, convey, or otherwise dispose of any such property; and

(6) Complete, administer, operate, obtain, and pay for insurance on and maintain, renovate, repair, modernize, lease, or otherwise deal with any property acquired or held pursuant to this title; provided that the acquisition of any such property shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction of, on, or over such property (including power to tax) or impair the rights under the State or local law of any persons on such property.

(b) The powers by this section granted may be exercised by the Administrator without regard to any other provisions of law not enacted expressly in limitation hereof, which otherwise would govern the expenditure of public funds, provided that section 3709 of the Revised Statutes shall apply to any contract for services or supplies on account of any property acquired pursuant to this section if the amount of such contract exceeds \$1,000.

(c) The financial transactions of the Administrator incident to, or arising out of the guaranty of loans pursuant to this title and the acquisition, management, and disposition of property, real, personal, or mixed, as incident to such activities and pursuant to this section, and vouchers approved by the Administrator in connection with such transactions shall be final and conclusive upon all officers of the Government.

Mr. ODOM. The whole purpose of this rather lengthy section is to make it specific as to what the Administrator's powers are.

Senator LUCAS. You have surely done that.

Mr. ODOM. For the purpose, sir, of making it perfectly clear to those who are dealing with us just what they are. If this may involve, as it well could, perhaps thousands of titles, any title insurance man or any lawyer who has to search titles would at once see that it is imperative for some specific person to have the authority to close out all of these transactions, grant proper title, and so forth, and so on.

It is a little long, but it is long for the purpose of making it absolutely clear to all concerned just exactly what the powers are.

Senator LUCAS. You expect a few foreclosures?

Mr. ODOM. We rather fear there may be some.

Senator CONNALLY. Why would you want the Administrator to be sued by every Tom, Dick, and Harry?

Mr. ODOM. They have the right to sue at the present time except that the suit would have to be brought against the United States. He does this in the name of the United States as the Administrator.

The reason for that would be that it would be more convenient. I would say, in connection with closing out transactions and the granting of title and everything of that sort if it may be done by the administrative officer instead of having to be done under the law which controls at the present time the disposition of governmental property.

As you know, I don't need to tell you, the Congress is the only authority that can actually dispose of Government property. You have placed, of course, certain authority to do that in different administrative officials. At the present time the Administrator has authority under the law to dispose of surplus property. But this would hardly be surplus property.

Senator LUCAS. There is nothing like this at present?

Mr. ODOM. No, sir; there is nothing in the present law except the authority to purchase in order to protect—and that is the reason for this—to protect against sales in many States—I am not so sure that this isn't true in your State, Senator Lucas—at a nominal bid instead of bidding in the full amount of the unpaid balance.

Senator CONNALLY. He has authority under the present law to foreclose.

Mr. ODOM. He has authority under the present law to either arrange for refinancing or to tell the holder of the note to go ahead and foreclose, and he has the authority to appear and bid at the foreclosure sale, for the purpose of protecting the interests of the Government. But this is to go a step further. If he is successful—we hope he is not—in getting the property, what is he going to do with it?

Senator CONNALLY. You go much further. You allow him to be sued by any lender or anybody else.

Mr. ODOM. The whole purpose of this, Senator Connally, is that the suit would be brought against the Administrator instead of against the Government.

Senator LUCAS. Is this the first time that the GI has ever been permitted to sue the Government?

Mr. ODOM. No, sir. Under the War Risk Insurance Act, there was something like 30,000 suits filed, and the Government won about 85 percent of them.

The CHAIRMAN. Let me ask you, in the original GI Act, that is, the present act, all these financial transactions are lifted out of the jurisdiction of the Comptroller's office?

Mr. ODOM. This would; yes, sir.

The CHAIRMAN. This would; but are they now?

Mr. ODOM. No, sir; not clearly so, at any rate.

The CHAIRMAN. They still come within the jurisdiction of that office?

Mr. ODOM. Mr. Chairman, I don't know as I exactly understood your question. Insofar as the loan provisions are concerned, this as a contract and under any contract the parties concerned have the right to sue.

The CHAIRMAN. I am not talking about suits. I am talking about the General Accounting Office. Under that amendment which is proposed, of course, everything is lifted out of the General Accounting Office.

Mr. ODOM. That is in line with section 11 of Public 866, which you will remember was put in for the purpose of spelling out that

under the law the Administrator's decisions are final and not subject to review by any other governmental official or any court. But that applies only to gratuities. Not to contractual matters.

The CHAIRMAN. That is right, but here you are extending it to contractual matters?

Mr. ODOM. That is right, for the purpose of expediting of settlement.

The CHAIRMAN. I am not saying it might not properly be done; I am asking if under the GI Act as it is now that is done?

Mr. ODOM. No, sir.

The CHAIRMAN. Whether you are writing this in for the first time.

Mr. ODOM. This would be to extend that right under this provision. In other words, at the present time I think a great many of those matters would fall finally within the jurisdiction of the General Accounting Office.

The CHAIRMAN. Unless this amendment is made.

Mr. ODOM. Of course, this is not new. Under the other acts, such as HOLC and the Reconstruction Finance Corporation, those are not settled in the manner prescribed for governmental departments in general. That is, they are not settled in the General Accounting Office.

Senator LUCAS. Does this follow the General Accounting Office provisions?

Mr. ODOM. Not verbatim, but the general effect would be the same.

The CHAIRMAN. All right. I wanted to get that clear.

Senator MILLIKIN. Could a member of this committee sue for damages against the Administrator?

Mr. ODOM. He has authority to pay all these claims out of appropriated funds now. Any administrative officer can be sued for damages. I have been myself—for \$150,000. But not under this act. He could sue under the general law. This would not extend it.

Senator MILLIKIN. Supposing a guaranty were put on a very expensive piece of real property the value of which would be many times the amount of the Government guaranty.

Mr. ODOM. Yes.

Senator MILLIKIN. Would the Government go into extensive real-estate operations?

Mr. ODOM. No, sir. No more than at the present time, and at the present time we would have to decide—and it is going to be a real administrative difficulty—we have to decide in any default what will be the best procedure calculated to protect the interests of the Government. If we feel that the best procedure is to let them go ahead and foreclose, we would immediately say, "Yes; we are liable for the full amount of the guaranty." That is, as reduced by the pro rata provisions of the act. We would pay that liability and then we would be through unless the property were liquidated for money enough to pay the lender's unpaid balance, costs, and so forth, and if he received anything over that he would hold it in trust for us.

The CHAIRMAN. Under the original act they have the authority to buy the whole property.

Senator MILLIKIN. Under certain circumstances I notice you have the authority to operate insurance on property. Do you operate your own insurance company?

Mr. ODOM. We could but we don't have any.

Senator MILLIKIN. I am speaking in terms of power you are asking for.

Mr. ODOM. Not under this; no, sir.

Senator MILLIKIN. It says:

complete, administer, operate, obtain, and pay for insurance on * * *

Senator JOHNSON. It means operate the property.

Mr. ODOM. That really means pay for the insurance.

Senator MILLIKIN. It says [reading]:

complete, administer, operate, obtain and pay for insurance on, and maintain, renovate, repair, modernize, lease, or otherwise deal with any property acquired or held pursuant to this title.

What I am asking is, could you operate your own insurance company on the property?

Mr. ODOM. No, sir; I would say not.

Senator JOHNSON. Doesn't that word "operate" go to the property itself instead of insurance?

Mr. ODOM. If it doesn't, I couldn't be in favor of it. That wasn't the intention, that means to complete, administer, operate, obtain and pay for insurance on, and maintain, renovate, repair it, modernize it, lease it, or otherwise deal with it.

Senator MILLIKIN. You have no doubt in your mind there is no intention to give you authority to operate an insurance company?

Mr. ODOM. No, sir; there is not.

Mr. COLLINS. As I understand it, the purpose is to have an exception made to the present law which doesn't permit the payment of insurance premiums on Government property generally and the authority we are seeking would permit us to do that.

Senator LUCAS. Do you have any authority under this amendment to bid more than costs?

Mr. ODOM. We have authority to purchase the property, protect the Government's interests.

Senator LUCAS. You would protect it if you bid debt, interest, and cost.

Mr. ODOM. As a practical matter, we never would bid more than enough to protect the Government and we would not under this. In other words, we wouldn't go into the real estate business just to make money, or lose it.

Senator LUCAS. Your bid would only be what was necessary to protect the interest of the Government?

Mr. ODOM. Yes, sir.

Senator JOHNSON. You may proceed, Mr. Collins.

Mr. COLLINS. There are two other points concerning which there has been a great deal of discussion and to which it is desired to call the attention of the committee: namely, the question of increasing the maximum guarantee from the present \$2,000 limit, and the inclusion in the act of a plan for issuing coverage to institutional lenders on a group basis.

The guaranty is intended to take the place of the cash down payment a purchaser ordinarily supplies above the amount he is required to borrow. Lenders in general are not inclined to loan above 60 to 75 percent of the financing required in home and farm buying. The

maximum guarantee of \$2,000 appears to work fairly well today in connection with the purchase of homes and unless we have a continued price increase it probably will take care of home buying in a reasonably satisfactory manner. Unfortunately, the \$2,000 appears to be inadequate when the question of the purchase of farms is involved, particularly when one attempts to buy in the best farm sections of the country where experience has shown the veteran would have the greatest likelihood of success. This tends to channel veterans into the probability of failure, requiring the Government to pay out on a high percentage of its farm-loan guaranties.

What has been said about the farm-loan guaranty applies equally to business loans as the present \$2,000 guaranty limit restricts the veteran to enterprises with very limited possibilities.

In view of what has been said the Congress may wish to consider the desirability of increasing the amount of the maximum guaranty.

It is suggested also that consideration be given to adding a new section to the act setting up a group plan for both real-estate and non-real-estate loans. Under this proposal the Administrator would furnish coverage to those lenders who make loans to veterans for any of the purposes specified in the act, such protection covering the lender's losses up to a specified percentage of the aggregate of all loans any such lender might make or purchase. If the group plan is adopted as an alternative plan it is believed that it should be confined to supervised lending institutions and the coverage against loss supplied by the Government be limited to 15 percent.

The group plan puts a premium on sound lending but does not entail a sure prospect of having to share the loss which is a feature of many of the so-called insurance plans. Restricted to supervised institutions, it will admit of a very simple qualifying procedure. A single form, combining the elements of notice and certification as to essential facts, is all the Administrator of Veterans' Affairs should have to require of the lender.

Short-term loans, a characteristic of business and farm personalty lending, are high-cost loans to a lender and it is generally believed that the 4-percent interest ceiling allows him less than a fair return on his risk and handling cost. Adjustment upward would appear to be in order.

If the committee favors making provision for a group insurance plan along the lines indicated above, a draft incorporating its details will be prepared and submitted for the committee's consideration.

Senator JOHNSON. Mr. Collins, under that suggested provision does it permit the pooling of borrowing privileges for farm and business loans on the part of prospective borrowers, GI borrowers, does this permit them to pool?

Mr. ODOM. If I may answer that; no, sir. That pooling idea is a different thing. Senator Johnson. You had in S. 738 a provision for this type of pool which is a mortgage pool. It is not a pooling of resources or lending facilities.

Senator JOHNSON. Have you given consideration to the pooling of borrowing privileges?

Mr. ODOM. They do that now under the present act. In some localities—for example, Philadelphia is one and I think Rochester is another—but in several localities the lending agencies have created a cen-

tral agency to process all of these so-called GI loans and the veteran may go to that central point and he may either, if it is a loan that one bank would ordinarily make, he may be referred to that bank, or it may be made out of a pool of resources contributed by the separate lending agencies to that central agency.

Senator JOHNSON. But suppose that a hundred veterans should decide that they want to buy a business, one business, and run it as a corporation or a partnership.

Mr. ODOM. What you have in mind is the proposition of whether under the present act corporate stock can be the subject of one of these guaranteed loans. It can be but it would have to be purchased by the veteran not as an investment but in order that he might enter into and pursue a gainful occupation.

In other words, if two, three, or four veterans should decide to create a corporation to engage in a certain type of business and they wanted a corporation rather than a partnership, for the usual reasons, under the present act, the present act could be construed to permit the purchase of the stock of the corporation if, and only if, each one of those veterans is going to be an active participant and manager of that business.

Senator JOHNSON. He is going to be employed.

Mr. ODOM. That is right.

Senator JOHNSON. By the corporation.

Mr. ODOM. Yes.

Senator JOHNSON. Are there any other questions?

Senator LUCAS. I would like to have a further explanation of this last suggestion. I am not sure that I clearly understand it.

Senator JOHNSON. The group proposal.

Senator MILLIKIN. Give us an example of that, please.

Mr. COLLINS. Lender A may have a dozen loans aggregating \$20,000. When the loans were approved by the Veterans' Administration, we would set up on our books and he would set up on his books, a reserve of 15 percent, or \$3,000. We would compensate him for any losses up to the amount of the reserve. Thus, if one loan went completely bad and the rest of them were good, he might be reimbursed for that entire loss under this group plan.

Mr. ODOM. That would finish it if that were the amount.

Mr. COLLINS. That would finish it; that would wipe him out.

Senator LUCAS. This is an additional benefit to the veteran?

Mr. COLLINS. This is an alternative plan. We would under this suggestion have an additional section that would leave this option to the lenders. They could either avail themselves of the regular procedure for guarantee or could participate in this group plan.

Senator LUCAS. Wouldn't there be an advantage to the pool plan over the regular plan?

Mr. COLLINS. It is believed that some lenders, now reluctant, would come in. Some lenders prefer the present plan under which the first loss is covered. If a lender loses \$2,000 on any particular loan he can come in for the \$2,000. Under the group plan he could only get an aggregate of 15 percent of his loans. But there would be benefits to him as well. If a loan went completely bad under this, he might get the entire amount paid to him.

Mr. ODOM. It would simplify processing, would it not?

Mr. COLLINS. Very much.

Senator LUCAS. Where does the veteran get any benefit out of it?

Mr. ODOM. It is mainly in the expedition in processing the loans. In other words, the lender and the borrower would have to comply with the provisions of the law as it is or as it would be amended. As Mr. Collins pointed out in his comment, all that he would have to do would be to come in afterward and show that he had done that and he would then have a stake in this participation.

Mr. COLLINS. There has been quite a bit of agitation, I might say, on the part of lenders for this type of group plan as facilitating the operation. It would cut down our expenses tremendously in administration.

Senator LUCAS. This is a plan solely for the benefit of the lenders? The GI gets no benefit other than, perhaps, that it might encourage the lender to make these loans?

Mr. COLLINS. He would get an expedited service.

Mr. ODOM. It would not reduce the benefit to the veteran.

Senator LUCAS. No; but we are paying some extra money out of the Treasury.

Mr. PAVESICH. As a matter of fact, Senator Lucas, I think it would make more credit available to the veteran because of having the ease of making loans in this way. Only 15 percent of his \$2,000 would be allotted.

Senator LUCAS. I can see some advantage there. There might be a little more encouragement to the lender to make the loan.

Senator CONNALLY. What do you mean in "(c)"?

The Administrator shall pay the same amount on each loan insured hereunder as he would be required to pay under the first sentence of section 500 (b) hereof if the loan were guaranteed rather than insured.

Mr. ODOM. Four percent of the guaranteed portion for the first year.

Senator CONNALLY. It doesn't say anything about interest.

Mr. ODOM. That is what the first section as we propose it, to be amended, would provide.

Senator CONNALLY. If the loans were guaranteed rather than insured?

Mr. ODOM. Yes.

You may have a question on the interest rate on that next one, too; the 3-percent discount rate. Business loans would be more practical on a discount rate than a straight interest rate, perhaps. But on a non-amortized loan it would be advantageous to an agency making business loans to have a somewhat higher rate and we propose there that it would be a rate equivalent to the discount rate at 3 percent. That would be less than 6 percent.

Senator JOHNSON. Mr. Odom, does that complete all the suggested amendment the Veterans' Bureau has to the so-called GI bill of rights?

Mr. ODOM. Yes, sir; but, Mr. Chairman, I want to inquire now what will be your pleasure. Under date of July, sometime in July, General Hines, then the Administrator of Veterans Affairs, forwarded to Senator George, chairman of the full committee, a copy of a letter addressed to the chairman of the World War Veterans' Legislation Committee of the House of Representatives, under date of July 16, 1945, with a complete analysis of and recommended amendments to H. R. 3749. It is so lengthy that I would not attempt to go into that analysis

unless the committee, either at this time or at some other time, desires it. My purpose now is to ask whether it would not be appropriate to put into the record at this point the letter and the analysis and recommendations concerning H. R. 3749, and also the correspondence with the Bureau of the Budget which, as General Bradley told you yesterday, the Director suggested should be brought to your attention.

Those matters are very lengthy and I am satisfied, if the committee is, to simply insert them in the record at this point, subject to any further questions that you may desire to ask at any other time.

Senator JOHNSON. What is the pleasure of the committee with respect to that matter?

As I understand it, it is an analysis by the Veterans' Bureau, section by section, of H. R. 3749, which has passed the House and is now before us, and upon which we will receive a great deal of testimony as this hearing continues.

Mr. ODOM. Yes.

Senator JOHNSON. Do we want that put into the record for our reference?

Senator LUCAS. Is that the bill that was passed in the last session?

Mr. ODOM. Just before the recess, passed by unanimous consent.

Senator LUCAS. On the floor of the house.

Mr. ODOM. Yes, sir.

The CHAIRMAN. We might put it in the record now so that we will have it before us.

Senator JOHNSON. Yes. We may want to call upon the representatives of the Veterans' Bureau for further comment and assistance and interpretation on that matter. Without objection, the matter referred to will be placed in the record.

(The correspondence above referred to is as follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,

BUREAU OF THE BUDGET,

Washington, D. C., September 26, 1945.

HON. OMAR N. BRADLEY,

Administrator of Veterans Affairs,

Veterans' Administration, Washington, D. C.

MY DEAR GENERAL BRADLEY: Your letter of September 20, giving your views with respect to reports proposed by your predecessor, Brig. Gen. Frank T. Hines, on H. R. 3749 and H. R. 3119, Seventy-ninth Congress, satisfactorily explains many of the questions raised in my letter of September 14.

There is no objection to the submission of the proposed reports. However, it is believed the Congress will be interested in the comments on the proposed legislation contained in your letter of September 20, 1945, and it is accordingly suggested that these comments be submitted to the appropriate committees of Congress.

Very truly yours,

PAUL H. APPELBY, *Acting Director.*

WASHINGTON, D. C., September 20, 1945.

DIRECTOR, BUREAU OF THE BUDGET,

Washington, D. C.

SIR: This is in response to your letter of September 14, 1945, requesting my views with respect to reports proposed by my predecessor, Brig. Gen. Frank T. Hines, then Administrator of Veterans' Affairs, on H. R. 3749 and on H. R. 3119, Seventy-ninth Congress. The first-mentioned bill would amend the Servicemen's Readjustment Act of 1944 in several respects, the two chief ones being title II, education of veterans, and title III, guaranty of loans.

I am generally in accord with the proposed reports, but feel that consideration should be given to the points which you state were raised by members of your staff.

Public Law 346 is a Readjustment Act intended to assist veterans in resumption of their civilian pursuits. The time limitations placed upon the filing of applications for the several benefits were intended, not so much to limit the period of readjustment as to preclude the duplication of benefits. It was realized at the time that to an extent this limitation, particularly with respect to applications for guaranty of loans, would be inflationary, and as an offset, as well as added protection to the veteran and the Government, the condition was added specifying that the purchase price of the property offered as security for a guaranteed loan must not exceed the "reasonable normal value as determined by proper appraisal." In practice it has been found that both of these requirements are questioned. In the first instance, it may take more than 2 years to so orient himself either by way of education or training or otherwise so that he would be in a position to take advantage of the loan-guaranty provisions. Further, it has been found that few homes and fewer farms can be purchased today at a price representing, or not in excess of, the "reasonable normal value."

Procedure essential to make determination of the statutory requirements has also led to considerable delay in approving applications for guaranty of loans. This is of particular importance in connection with business loans and, to a certain extent, with farm equipment loans where the transactions usually require the immediate payment of cash costs.

Specifically, I agree with General Hines' recommendation against the provisions of title III, of H. R. 3749 insofar as they would provide automatic guaranty of loans made by a lending institution without prior or subsequent approval of any Federal agency. Further, I feel that the provisions of said bill substituting "reasonable value as determined by the lender's appraisal" for "reasonable normal value as determined by proper appraisal," would be highly dangerous, not only to the veteran but to the Government, and that this would not be overcome by the fact that the lender would share in the loss. There are other technical difficulties in title III as passed by the House, all of which are pointed out in the analysis supplied with the proposed report, but in my judgment the above-mentioned difficulties are the most important and the most dangerous.

While I am sure there will be some interests that will desire to retain the guaranty features of the present act, I am of the opinion that the insurance provisions suggested as a possible alternative or substitute merit careful consideration. Some, of course, have advocated that the insurance extend to the full amount of the loan, or at least 90 percent thereof, but with a limitation of any individual case of \$3,000. I feel that the suggested 75 percent and \$2,000 limitation are conservative and therefore safe. With respect to values, I think the suggestion may be a good one that the purchase price not exceed the reasonable normal value as determined by governmental appraisal but with a proviso that in the event the agreed price does exceed the reasonable normal value, but not to exceed a limited percentage, say 15 percent, that the loan may be insured in an amount not to exceed the reasonable normal value, the difference being made up by the veteran by way of a cash payment or in other acceptable manner. To the extent that this would permit such purchases at increased valuations, it would be inflationary, but there would be adequate protection for the Government and a certain degree of protection for the veteran.

With respect to whether the Veterans' Administration should have any responsibility for these loan programs, I am sure you realize this involves a broad question of public policy. Literally, every responsibility of the Veterans' Administration, except perhaps the historic pensions, could be functionally assigned to other existing governmental agencies. I am in agreement with the view that veterans' benefits as such should be administered by one agency rather than by many. I am not sure that loans should be included in the category of veterans' benefits, and if this view could be made to prevail, I would favor the assignment of full responsibility therefor to those agencies operating in the several loan fields. I do not, however, agree that there should be any divided responsibility for I do not see how the Veterans' Administration could be made responsible for policies and for payment of losses without any responsibility in connection with approval of the loans on which the losses occur. It can readily be realized that any such scheme would result in the Veterans' Administration receiving all of the criticism and blame and in the operating agencies being relieved of any responsibility therefor. Under the present law the Veterans' Administration does in some cases utilize other governmental agencies in processing the applications. Approval,

however, is made only by the Veterans' Administration. Under the proposed insurance provisions, the processing would be reduced to a minimum, and while the utilization of other Government agency facilities would not be precluded, it is not at all clear that it would be advantageous to continue the present arrangements. I am sure you realize the Veterans' Administration never requested that it be made responsible for any part of the loan program, in fact, it advised against it, but under the circumstances I would hesitate to be too insistent upon reconsideration of this matter by the Congress. I will, however be very glad to present to the congressional committees such views as you may have on this or any other matters in connection with this legislation.

Neither title II of H. R. 3749 nor H. R. 3119 meets the view of the Veterans' Administration with respect to necessary amendments to the Vocational Rehabilitation Act, Public Law 16, Seventy-eight Congress, or title II of the Servicemen's Readjustment Act. Our views in that respect are expressed in the proposed report on H. R. 3119 and the amendments to the said bill which accompanied the report.

The Vocational Act does not permit the approval of a course in excess of 4 years and it has been found there are numerous apprenticeship courses which require more than 4 years even though the actual training might not exceed that limit. Too, there are certain professional courses which cannot be completed in 4 years. In view of the need of professionally trained persons and the lag in such training that has been occasioned by the war period, it seemed desirable to afford some leeway in this respect.

It has also been urged that the rates of training paid are insufficient under existing costs of housing and other living expenses. This has also been urged with respect to the maintenance allowance under the educational provisions of the Readjustment Act. It was intended to make attractive the rehabilitation of handicapped veterans, while on the other hand, the view prevailed that education or training under the Readjustment Act should not be made too attractive from the standpoint of remuneration. There is much to be said for your suggestion that a flat amount be provided in each instance with an additional amount for dependents and permitting the veteran also to receive whatever pension or other benefit he may be entitled to. In some instances, however, this would reduce the amount received by persons in training under Public Law 16 and in others it would increase the amount. The cases which would be benefited would be those receiving large payments of pension or of retirement pay which might extend to as much as \$300 per month. However, this is possible at present under the Readjustment Act, there being no maximum limitation. I feel such a provision could be justified and I am willing to advocate it to the congressional committees if you think desirable.

From your comment on the suggestion to remove the distinction that now exists between veterans under 25 and those over 25 at the time of entering the service, I wonder if you have fully appreciated the purpose of the suggestion as explained in the proposed report on H. R. 3119. It is true that in the genesis of the education provisions of the Readjustment Act the intent was expressed to restore educational opportunities lost by entrance into the active military service. The proviso with respect to 25 years of age established only a rule of evidence for the purpose of enabling those under that age readily to establish that their education was interrupted. The difficulty is that those over that age, even though having the intent and desire to continue their education when they can afford to, cannot submit any very concrete evidence of such fact. This proviso, therefore, has been very unpopular in that the older veterans insist it is discriminatory. Experience does not show that there is a great proportion of those over 25 who desire extensive additional education benefits but they do feel that they are discriminated against in that they gave as much time out of their lives as did those who were younger. But the real purpose of the suggested amendment was to shorten the average period of training rather than to throw it wide open. If you will consider carefully the amendment proposed to paragraph 2, you will see that period of training, instead of being equal to the period of service plus 1 year, would be "for such lesser time as may be required for the course or program of education or training chosen." This again should be considered in connection with the proposals respecting the short intensive courses. Under the act as it exists at the present time, a veteran with 4 years eligibility could take as many of such courses as he can crowd into 4 years. Under the amendment he would be restricted to the time necessary to complete the program elected. Of course, the right in the Administrator to authorize change of courses for good cause shown would be retained. It is the opinion of

the Veterans' Administration that these provisions would be more workable than those of the present act.

In connection with the short intensive courses and correspondence courses, I would like again to invite your attention particularly to the amendments proposed by the Veterans' Administration to section 5, H. R. 3119. These would leave the approval of the institution to the State as provided in the present act but would give the Administrator authority to contract with such approved institutions for satisfactory courses at agreed rates. While, of course, this involves some administrative difficulties, it is believed far more desirable than to throw the matter wide open as would be done by the House-approved H. R. 3749.

Particular note has been taken of your comment respecting the payment of additional tuition. I am sure you realize that that is authorized in the present law. The underlying bases and reasons are set out in Administrator's Decision 580, copy of which is enclosed. The intent of the act was not to provide a State subsidy for education, although it is difficult to sell this idea to some State officials, but rather to provide that the increased cost due to the Federal program would be borne by the Federal Government rather than by the States. It was assumed, of course, that each State would bear its normal burden. It will be realized, however, that there is a tremendous backlog of persons who would have progressed normally through the school system but for the intervention of the war period. This has not been a total saving to the States or even what might be determined a deferred expenditure. Doubtless, if the Federal Government pays the expenses together with maintenance allowance, there will be many more than the normal number seeking educational advantages. It was the intent of the act for the Federal Government to take up this additional expense.

While it is difficult to express in statutory language, it is believed that the formula proposed in section 6, H. R. 3119, would be more reasonable than the one contained in the present law. The Veterans' Administration originally recommended a provision similar to that contained in section 2 of Public Law 16, whereby the Administrator would be granted authority to contract for such additional services as were found necessary to accomplish the Federal program. Neither House of Congress, however, would accept this suggestion. For your information, it may be stated that there was the additional consideration that because of the provisions of section 1505 veterans who did not desire to have any charges set up against any possible future bonus would elect the State schools with little or no tuition instead of the private or endowed institutions charging tuition rates approximating at least the cost of instruction. I do agree, however, that it is not necessary to state that section 1505 will not be applicable. This can well be left for consideration should the Congress later decide upon bonus legislation. The above, however, is explanatory of what has heretofore been considered. It appears that something should be done as great dissatisfaction has arisen under the present language of paragraph 5, title II, of the Readjustment Act. Specifically, that language is "That if any such institution has no established tuition fee, or if its established tuition fee shall be found by the Administrator to be inadequate compensation to such institution for furnishing such education or training, he is authorized to provide for the payment, with respect to any such person, of such fair and reasonable compensation as will not exceed \$500 for an ordinary school year." If you have any alternative suggestion which would adequately implement the intent of the Congress to have the Federal Government assume the additional cost of the Federal program, I would be very glad to give consideration thereto.

It will be appreciated if I may have your advices at the earliest possible moment, inasmuch as I have been requested, both by Senator Walter F. George, chairman, Committee on Finance, United States Senate, and Senator Edwin C. Johnson, chairman, Veterans' Subcommittee of said committee, to supply reports on these bills at the earliest possible moment in order that hearings may be afforded many persons and organizations interested in such matters.

Respectfully,

OMAR N. BRADLEY,
General, United States Army, Administrator.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., September 14, 1945.

Gen. OMAR N. BRADLEY,
Administrator of Veterans' Affairs,
Veterans' Administration, Washington 25, D. C.

MY DEAR GENERAL BRADLEY: By his letter of June 28, General Hines transmitted two copies of a proposed report on H. R. 3119, Seventy-ninth Congress, a bill to amend parts VII and VIII of Veterans Regulations No. 1 (a), as amended, to liberalize and clarify vocational rehabilitation and education and training laws administered by the Veterans' Administration, and for other purposes.

By his letter of July 24, General Hines transmitted two copies of a report submitted to the Committee on World War Veterans' Legislation on June 26, 1945, on H. R. 3749, Seventy-ninth Congress, a bill to amend the Servicemen's Readjustment Act of 1944, to provide for readjustment allowances for all veterans of World War II, with copies of analysis of the bill and draft and explanation of proposed amendments. The report was also furnished to Hon. Walter George, chairman, Senate Committee on Finance, under date of July 19, 1945. The House of Representatives subsequently passed H. R. 3749, without giving consideration to the amendments proposed by General Hines.

In studying the proposed reports on these two bills, members of my staff have raised questions on both the educational and loan guarantee provisions. The attached memorandum outlines the points of difficulty.

I would appreciate it very much if you would review the proposed reports on these bills in the light of these comments and advise me of your attitude toward the two legislative proposals.

Very truly yours,

HAROLD D. SMITH, Director.

MEMORANDUM FOR THE DIRECTOR

Subject: Reports of Veterans' Administration on H. R. 3119 and H. R. 3749.

H. R. 3119 makes various changes in the vocational rehabilitation and GI education programs of the Veterans' Administration. H. R. 3749 amends the GI bill in several particulars, especially the education and loan provisions. In considering the reports on the two bills it was deemed more satisfactory to consider them together due to the overlapping found in the proposed changes in the education program.

We would first like to clarify the background against which our comments are made. The announced purpose of Public Law 46 was to provide for the readjustment to civilian life of returning veterans. Consequently, we feel that all proposed amendments should be considered in the light of their effectiveness in accomplishing this purpose.

VOCATIONAL REHABILITATION AND EDUCATION

H. R. 3749 proposes to extend the period of time after discharge or the end of the war in which the veteran may commence his education from 2 to 4 years and the period of time in which he may complete his education from 7 to 9 years. This is subject to some question on the grounds that long extension of the education privilege would not serve to accelerate the veterans' adjustment.

Both H. R. 3749 and H. R. 3119 provide for intensive courses of less than 30 weeks and for correspondence courses. The actual aid to the veteran by the use of such intensive or correspondence courses would depend upon the quality of such training. Many institutions offering intensive and correspondence courses are not supervised in any manner by State educational bodies, and the quality of the courses is subject to serious question. It would seem that the burden of approving such nonsupervised institutions, which would fall upon the Administrator of Veterans' Affairs, would be most difficult to carry on in a manner affording adequate protection to the veteran.

H. R. 3749 proposes to increase the subsistence allowances under the GI bill from \$50 to \$60 a month without dependents, and from \$75 to \$85 a month with dependents. H. R. 3119 proposes increases in the rates of pension payable to veterans while receiving vocational rehabilitation. The present maximum is \$82 and the proposal is for a new maximum of \$115. The present law provides that the pension of those receiving vocational rehabilitation shall be increased

from the rate normally paid to the maximum while undergoing the training. As a result, such training is financially attractive to those veterans who have suffered the least disability (10, 20, or 30 percent), but not particularly attractive to those veterans who have suffered the heavy disability (70 percent, and up). We feel that no change in the vocational rehabilitation or the GI education payments should be made without first considering the disabled veteran who is most in need of help. It would appear that the payment of a flat additional amount to all veterans receiving vocational rehabilitation without changing the pension payable for disability would be much more equitable.

H. R. 3119 proposes to remove the distinction that now exists between veterans under 25 and those over 25 at the time of entering service. The present law provides that the full benefit of the educational provisions should be given to those whose education was interrupted as a result of service, but States that all veterans under 25 at time of entering service shall be presumed to have suffered such an interruption. With the background of readjustment in mind, it is difficult to see what aid would be granted to the veteran by a change in the present law. All those whose education was actually interrupted are provided for despite their age at the time of entering service. Furthermore, the present provision for 1 year's training for all veterans with 90 days of service should enable those who have completed their education, but whose duties in the armed forces were such that reeducation is now required, to place themselves on the footing they would have gained had military service not intervened.

H. R. 3119 provides in section 6 that the Administrator of Veterans' Affairs may provide for the payment of additional tuition to institutions which can show that their regular rates are not sufficient to pay for teaching costs and supplies and also amends section 1505 of Public Law 346 which now provides that all benefits received by the veteran from the education, loan, and readjustment allowance programs shall be recorded at a central point and the total of such benefits shall be deducted from any future bonus. Section 6 of H. R. 3119 provides that any additional tuition beyond the customary rates shall not be charged to the veteran as provided in section 1505. We feel that both of these proposals are quite objectionable. It was not intended that Public Law 346 would operate as a direct subsidy to educational institutions. It would furthermore seem unwise to countenance any practice by educational institutions of charging more tuition for veterans than for nonveterans. Finally, even if such a practice were to be allowed, the justification for it should be so well documented that there could be no reason for failing to charge the total cost to the veteran under section 1505 of Public Law 346.

GUARANTIES OF VETERANS' LOANS

The loan provisions of H. R. 3749, as passed by the House, would completely overhaul the existing title III, notably by providing for automatic guaranties of loans without any prior review, either by the Veterans' Administration or by any other Government agency. Any lending institution established prior to the act would be given full authority to determine on the basis of its own appraisals that the purchase price of the property to be financed does not exceed its "reasonable normal value" and that all other requirements of the law have been met. We concur with General Hines in opposing such a drastic change, since it would almost completely remove the present protection for the Government and the veteran by placing appraisal of the security and approval of the loan entirely in the hands of the most interested party, the lender, without the usual safeguards arising from the possibility of losses on unwise loans.

The alternative amendments suggested by General Hines include several needed improvements. We are especially in sympathy with the apparent intention to provide loan insurance on a pool arrangement, rather than solely through individual loan review, and with the proposed limitation of the amount payable on such insurance to 75 percent of the lender's loss or \$2,000, whichever is less (instead of the present guaranty of all losses up to 50 percent of the loan, or \$2,000).

The proposal to limit the purchase price to "reasonable market value" instead of the reasonable normal value contemplated in the present law, however, would make the appraisal requirement virtually meaningless. Alternatively, the loan, rather than the purchase price, might possibly be limited to a reasonable normal value, conservatively appraised, thus requiring the veteran to finance any excess cost with his own funds. Such a requirement would be less inflationary and

would put the veteran on notice that the value of his purchase may possibly decline later.

The suggested amendments would also eliminate the use of the housing, farm, and business lending agencies to aid in processing guaranteed loans. Although we have long opposed the present duplicate review, we seriously question the wisdom of this solution. Rather, it might be preferable at this time for the Veterans' Administration to reconsider the possibility of vesting these specialized lending agencies with the full responsibility of caring for the veteran in this area, subject to general policies prescribed by the Administrator of Veterans' Affairs. This arrangement would not only relieve the Veterans' Administration of a difficult operation, foreign to its previous experience, but would also assure greater efficiency and coordination in the loan programs for veterans and nonveterans in these three important areas.

JULY 24, 1945.

The DIRECTOR, BUREAU OF THE BUDGET,
Washington, D. C.

SIR: There are transmitted herewith two copies of a report submitted to the Committee on World War Veterans' Legislation on July 16, 1945, on H. R. 3749, Seventy-ninth Congress. A bill to amend the Servicemen's Readjustment Act of 1944 to provide for a readjustment allowance for all veterans of World War II, with copies of analysis of the bill and draft and explanation of proposed amendments.

This report was submitted to the committee without usual clearance through your Office in conformity with Budget Circular No. A-19, dated August 1, 1944, in view of information received that the committee had voted to report the bill without amendment and the desirability of making available to the committee the results of the study made of this proposed legislation by the Veterans' Administration in the event the bill should be considered by the House of Representatives before its contemplated recess. The bill passed the House of Representatives, without amendment, July 18, 1945.

A copy of the letter of July 16, 1945, with enclosures was furnished Hon. Walter F. George, chairman, Committee on Finance, July 19, 1945, as indicated by the copy of letter enclosed.

Your advice is requested as to the relationship of the proposed legislation, and amendments proposed by the Veterans' Administration, to the program of the President.

Respectfully,

FRANK T. HINES, *Administrator.*

JULY 19, 1945.

Hon. WALTER F. GEORGE,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

MY DEAR SENATOR GEORGE: I am informed that H. R. 3749 was passed by the House of Representatives yesterday. Unquestionably it will be referred to your committee and I trust that full opportunity will be granted for hearing the objections and suggestions of the Veterans' Administration and of the many organizations interested, particularly in the loan provisions of title III of the Servicemen's Readjustment Act of 1944. For your immediate information I am attaching copy of letter addressed to chairman of the Committee on World War Veterans' Legislation, House of Representatives, on July 16, 1945, together with an analysis of and recommended amendments to H. R. 3749, and a proposed substitute for title III.

I believe it is understood in all circles that title III, as passed by the House, is wholly inadequate and that affecting amendments offered by the Veterans' Administration, if accepted by the Senate, will probably be accepted by the House. However, I feel that the matter is of such great importance that serious consideration should be given to the proposed substitute in connection with the several bills now pending before your committee.

Very truly yours,

FRANK T. HINES, *Administrator.*

JULY 16, 1945.

HON. JOHN E. RANKIN,
*Chairman, Committee on World War Veterans' Legislation,
House of Representatives, Washington, D. C.*

MY DEAR MR. RANKIN: This letter is in response to your letter of July 11, 1945, requesting report on H. R. 3749, Seventy-ninth Congress, a bill to amend the Servicemen's Readjustment Act of 1944 to provide for a readjustment allowance for all veterans of World War II. Inasmuch as I am informed that the committee voted to report the bill without amendment, and that it may be desirable to have further information available should the bill be considered by the House of Representatives before contemplated recess, I am forwarding this report without securing the usual clearance. A copy has been supplied the Bureau of the Budget.

The careful study and analysis of the bill will, I am sure, lead to the conclusion that its enactment without amendment would raise serious questions with respect to its operation and effect. Among other things, it would repeal section 100 of the Servicemen's Readjustment Act of 1944, as amended by Public Law 138, Seventy-ninth Congress, and it would likewise repeal amendment to section 502 of said act, as amended by section 16, Public Law 98, Seventy-ninth Congress, an act to amend the Federal Farm Loan Act, the Emergency Farm Mortgage Act of 1933, the Federal Farm Mortgage Corporation Act, the Servicemen's Readjustment Act of 1944, and for other purposes. Further, the reenactment of several sections, such as sections 301, 302, and 700 containing specific limitations, and section 101 containing an authorization for appropriation, would raise serious questions of intent.

Of more far-reaching concern, however, is the proposed basic change in title III respecting the guaranty of loans. The present act emphasizes two safeguarding features: First and foremost, the protection of the veteran through prescribing that loans may be guaranteed only if the purchase price of the property concerned does not exceed a reasonable normal value as determined by proper appraisal; and, second, the safeguarding of the Government through requiring that the fact of meeting the statutory conditions be determined by the Administrator under proper regulations and delegations of authority. The bill would delegate all authority to the lending agent, including the authority to determine the value of the property and that the statutory conditions are met. There would be left to the Veterans' Administration only the authority and duty to pay resultant losses, and the statute is not clear whether this shall be on a pro rata basis or otherwise. Finally, the bill would repeal all of present title III without any specific provision safeguarding the contractual rights of those who have received guaranties thereunder.

There is attached an analysis of the bill showing the amendments which I consider necessary to make it readily operable and to make clear the intent. There is some question whether the act should be revised until further experience shall have demonstrated deficiencies. However, if the Congress reaches the conclusion, as apparently the committee has, that title III should be amended in a fundamental manner at this time, it would be my recommendation that there be substituted for the present guaranty provisions of the act an outright insurance plan, not dissimilar to those which have proved satisfactory respecting other types of loans. I have therefore had prepared, and there is submitted herewith, a proposed bill which, if enacted, would provide such an insurance plan, would safeguard the guaranties already made, and would afford appropriate administrative authority to carry out the purpose of the act.

I am convinced, however, that the matter is one which should receive most careful consideration and if the committee has decided to make a radical change in the manner of handling loans to veterans, it is suggested that they give careful consideration to the amendment suggested in the attached draft of bill.

As stated, advice has not as yet been received from the Bureau of the Budget as to the relationship of the proposed legislation to the program of the President.

Very truly yours,

FRANK T. HINES, *Administrator.*

ANALYSIS OF AND RECOMMENDED AMENDMENTS TO H. R. 3749

Section 100 reenacts same section of Public Law 346, Seventy-eighth Congress, thereby repealing said section as amended by Public Law 138, Seventy-ninth Congress. It is recommended that the bill be amended so as to preserve the latter enactment.

Section 101 reenacts same section as Public Law 346, Seventy-eighth Congress. It should be made clear that in so doing it does not authorize another appropriation of \$500,000,000 for the purpose of constructing hospital facilities.

Section 102 reenacts the same section without amendment.

Section 103 reenacts the same section without amendment.

Section 104 reenacts the same section of the act with an amendment taken from another bill pending before the committee—H. R. 3522. It is recommended that this amendment be left in its original context.

Section 200 reenacts the same section without amendment.

Section 300 reenacts the same section without amendment.

Section 301 reenacts the same section without amendment. This section contains a time limitation and it should be made clear whether its reenactment is intended to extend the 15-year period during which the person may file application for revision of discharge.

Section 302 reenacted with an amendment to authorize a Board of Medical Survey. The statement above with respect to the time limitation in section 301, is applicable also to this section.

Under title II, section 400 (b), part VIII, paragraph 1, is reenacted with amendment to paragraph 1, changing the 2-year limitation to 4 years, and the 7-year limitation to 9 years.

Section 400 (b), part VIII, paragraph 2, is reenacted without amendment. It is recommended that the word "instruction", occurring in lines 17, 18, and 20, page 13, be changed to "eligibility", as obviously the period referred to is that of eligibility.

Section 400 (b), part VIII, paragraph 3, is reenacted with an amendment consisting in subparagraph (b), providing for short intensive courses under contract with approval institutions with authority for paying more than the pro rata customary charges but limiting the period of education or training accordingly.

Section 400 (b), part VIII, paragraph 4, is reenacted without amendment.

Section 400 (b), part VIII, paragraph 5, is reenacted with an amendment including correspondence courses.

Section 400 (b), part VIII, paragraph 6, is reenacted with amendments making clear that subsistence allowances shall not be paid for enrollment in correspondence course and changing the amount of subsistence payments from \$50 to \$60 for one without dependent or dependents, and from \$75 to \$85 for one with a dependent or dependents. It is recommended that there be added the following: "The increased rates provided in this paragraph shall be effective from and after the first day of the first calendar month subsequent to the approval of this Act." This would avoid administrative difficulty.

Section 400 (b), part VIII, paragraph 7, is reenacted without amendment.

Section 400 (b), part VIII, paragraph 8, is reenacted without amendment.

Section 400 (b), part VIII, paragraph 9, is reenacted without amendment.

Section 400 (b), part VIII, paragraph 10, is reenacted without amendment.

Section 400 (b), part VIII, paragraph 11, is reenacted with an amendment to include correspondence schools.

Section 400 (b), part VIII, paragraph 12, is added for the purpose of clarifying method of payment for correspondence-school courses. It is recommended that there be added, after striking the period at the end, "in accordance with the percentage of lessons completed: *Provided*, That the provisions of paragraph 5 shall not apply to correspondence courses, that one-fourth of the elapsed time in following such course shall be charged against the veteran's period of eligibility, and that the total amount payable for a correspondence course or courses for any veteran shall not exceed \$500." Without some similar amendment, it would be difficult, if not impossible, to interpret the provision.

Section 400 (b), part VIII, paragraph 13, is added for the purpose of confining correspondence courses to those correspondence schools in existence upon the date of approval of this amendatory act. For the purpose of clarification, it is recommended that the word "amendatory" be inserted before the word "Act".

Section 401 is reenacted without amendment.

Section 402 is reenacted without amendment.

Section 403 is reenacted without amendment.

Under title III, sections 500 to 505, inclusive, constitute a complete revision of the present law. Essentially, the eligibility and objectives are retained, but the question arises whether by the repeal of any section there is an intent to affect any contract made under the law as it existed prior to the amendment.

Section 500 reenacts the eligibility provisions of the present law but extends

the time within which application for loan may be made from 2 years to 6 years. It further provides that the application may be approved by the lending agency rather than by the Administrator of Veterans' Affairs and that in such event the lender is automatically guaranteed 50 percent of the loan by the Administrator of Veterans' Affairs, the act being the guaranty. A proviso limits the amount which may be thus guaranteed to not to exceed an aggregate of \$2,000, thereby insuring that no loan in excess of \$4,000 may be so guaranteed. Interest on the part guaranteed is payable by the Veterans' Administration for the first year. The present act contemplates and authorizes loans to 100 percent of the purchase price of the real estate or personal property involved. The amendment contains no such provision, but instead provides that such loans may be in any amount which may be agreed upon by the lender and the veteran.

Subsections (b) and (c) of section 500 are reenacted with formal changes to eliminate reference to guaranty by the Administrator of Veterans' Affairs, and the provision in subsection (b) of the present law is transferred to section 505. The last sentence of subsection (c) of section 500 of Public Law 346, Seventy-eighth Congress, specifying eligible lenders, is repealed, and a somewhat different provision is contained in section 501.

Section 501 (a) provides that an honorable discharge shall constitute a certificate of eligibility for a guaranteed loan. Other persons eligible under the law would be required to secure a certificate of eligibility from the Administrator of Veterans' Affairs. The language employed, however, is subject to interpretation. For clarification purposes, it is recommended that there be substituted for the second sentence, lines 7 to 10, inclusive, page 22, the following: "Any veteran discharged or released from active service without receiving an honorable discharge may apply to the Administrator of Veterans' Affairs for a certificate of eligibility which shall be granted in accordance with the provisions of applicable law, including sections 300 and 1503 of this Act." The section provides specific procedure which eliminates any necessity for prior approval of the loan by the Administrator of Veterans' Affairs. It specifies that loans may be made by any Federal Reserve bank, National bank, State bank, private bank, building and loan association, insurance company, or mortgage and loan company established prior to the date of this act and any other lending institution or any person approved by the Administrator. It is recommended that in line 19, page 22, after the word "Reserve", there be added the word "member".

A committee amendment has been proposed, it appears, to permit banks to lend up to the full value of the property notwithstanding legal or regulatory restrictions in other acts, and also to permit amortized loans in excess of the period now limited in the National Banking Act. It is questionable whether the intent and effect is clear.

Section 502 is a reenactment of section 501 of Public Law 346, Seventy-Eighth Congress, with the following amendments: In line 4, page 23, of the bill, provision is made for determination by the lender instead of by the Administrator as to whether the loan is eligible for guaranty under the law. In lines 18 and 19, page 23, "to be determined by the lender's appraisal" is substituted for "reasonable normal value as determined by proper appraisal". This abandons any adequate safeguard to the veteran.

Section 503 of the bill reenacts section 502 of the law with similar changes, and section 504 reenacts section 503 with parallel changes. It is recommended that in section 503, line 11, page 24, after the word "machinery", there be added the word "supplies" and, in the same line after the word "in", add the word "constructing". The reenacted section 503 does not retain the amendment enacted by section 16, Public Law 98, Seventy-ninth Congress. In line 7, page 25, after the word "machinery" add the word "merchandise" and, in the same line after the word "tools", add "constructing, altering or repairing, any property to be used in connection therewith". The effect of these amendments would be to broaden the basis for loans in connection with farming so as to include seed, fertilizer, and other necessary supplies, and also with respect to constructing necessary buildings, repairing or altering existing buildings; and in connection with business loans to add loans for the purpose of purchasing merchandise or inventory, as well as for constructing, altering, or repairing property to be used in connection with a bona fide business undertaking.

Section 504 of the act, affording to the Administrator authority to approve loans and to make regulations with respect thereto, is repealed, and no authority to issue necessary regulations is contained in the bill.

Section 505 of the act is repealed, including a subsection (a) thereof, which authorized the guaranteeing of loans secondary to loans made, insured, or

guaranteed by any governmental agency, and subsection (b), which made eligible veterans also eligible for loans under the Bankhead-Jones Farm Tenant Act. However, there is nothing in the bill which would preclude a veteran securing a loan from or insured or guaranteed by any other governmental agency, such as the Federal Housing Administration, the Farm Security Administration, the Reconstruction Finance Corporation, or the Smaller War Plants Corporation; nor are loans under the bill restricted to those secured by first, or any specified type of, liens.

Section 505 is new legislation and provides that liability under the guaranty shall not be paid until the deficiency is ultimately determined, whereas under the present law the guaranty is immediately payable upon default, subject to possible later reimbursement in whole or in part, dependent upon amount realized in liquidation. The section contains a proviso authorizing the Administrator alternatively and at his own option to pay the holder of the obligation the unpaid balance of the loan, plus accrued interest, and to accept an assignment of the loan and the security therefor. It is not clear whether the loss is shared pro-rata or whether the Government bears the entire loss to the full amount of the guaranty. To make this clear, it is recommended that on page 26, line 6, after the word "the", insert "pro rata part of the net"; page 26, line 13, strike "Veterans Administration" and insert in lieu thereof "United States, accept title, or otherwise make such adjustment as he may determine in the best interest of the veteran, or his dependents, and of the United States". The first insertion would make clear the intent that the contract is one of indemnification rather than a guaranty, and on a pro rata basis as to loss; the second would authorize broader power in the Administrator acting for the United States, to adjust claims.

It is also recommended, in order to afford authority for the Administrator to carry out the provisions of this title, give regular acquittances, etc., that the following be added as section 506:

"SEC. 506. (a) With respect to matters arising by reason of this title as enacted in Public Law 346, Seventy-eighth Congress, and as hereby amended, the Administrator shall be authorized to sue and be sued in his official capacity in any court of competent jurisdiction, State or Federal. He shall also have the authority in his discretion—

"1. To pay or compromise any claims on, or arising because of guaranty contract; and

"2. To pay, compromise, waive, or release any right, title, claim, lien, or demand, however acquired, including any right of redemption; and

"3. In the name of the United States of America upon such terms as he determines to be reasonable to take title to property of any kind, and sell at public or private sale, exchange, assign, convey, or otherwise dispose of any such property in the name of the United States of America; and

"4. To maintain, renovate, repair, modernize, lease, or otherwise deal with any property acquired or held in accordance with this title.

"(b) The foregoing powers may be exercised by the Administrator without regard to any other provisions of law governing the expenditure of public funds not enacted expressly in limitation thereof."

Since the amended title III specifies no effective date, and contains no saving clause, it is recommended there be added an additional section, as follows:

"SEC. 507. This title as amended shall be effective from the date of its approval: *Provided*, That any guaranty approved on any application filed prior to the 1st day of the first calendar month subsequent to the approval of this amendatory Act shall be and remain subject to the provisions of title III, Public Law 346, Seventy-eighth Congress, and that the repeal or amendment of such title hereby shall not affect any contractual right, title, interest, power, or liability thereunder."

Further, it is recommended that authority to issue necessary administrative regulations be restored by adding the following section:

"SEC. 508. The Administrator shall issue regulations, consistent with provisions of this Act, necessary to carry out administratively the provisions of this title."

Title IV, chapter VI, Employment of veterans, sections 600 to 607, inclusive, constitute a reenactment of the present law.

Title V, chapters 7 to 14, inclusive, sections 700 to 1400, inclusive, constitute a reenactment of the present law. It should be made clear whether the reenactment of section 700 provides an effective date other than that provided by the enactment of the original act.

In title VI, sections 1500 to 1505 constitute reenactment of the present law. Section 1506 is new. Subsection (a) thereof provides that any proposed regulations or order to carry out the purposes of this act, other than inter-agency administrative rules or orders or interagency rules governing relations with other governmental agencies, shall, before becoming effective, be submitted to the Committee on Finance of the Senate and to the Committee on World War Veterans' Legislation of the House of Representatives. If neither committee acts within 15 days the rule or order would become effective. If approved by either committee it would become effective immediately upon such approval, and if disapproved by either committee it would not be issued. The proviso is to the effect that in the event of conflicting committee actions the earlier action shall govern. Subsection (b) authorizes the said committees or any duly authorized subcommittees thereof to sit and act during the sessions, recesses, and adjournments of Congress. Subsection (c) makes this section effective from the date of its approval. It is recommended that the proviso be eliminated as no executive would desire to act in defiance of a committee disapproval.

PROPOSED AMENDMENT TO TITLE III, PUBLIC LAW 346, SEVENTY-EIGHTH CONGRESS

SEC. 506. (a) Any loan or advance of credit to an eligible veteran by a State or federally supervised bank, trust company, insurance company, personal credit company, savings and loan association, or similar credit institution for the purposes described herein may be insured against loss by the Administrator of Veterans' Affairs provided that the amount payable on any such insurance shall not exceed 75 percent of the net loss incurred by the lender nor 75 percent of the original amount of the loan or credit, and the aggregate amount of insurance so issued for the benefit of any one veteran shall not obligate the Administrator to pay losses in excess of \$2,000.

(b) Such insurance shall be issued on application made before or within thirty days after the obligation is incurred, and within two years after separation of the veteran borrower from the military or naval forces, or two years after termination of the war, whichever is the later date, but in no event more than five years after the termination of the war.

SEC. 507. Any person who shall have served in the active military or naval services of the United States at any time on or after September 16, 1940, and prior to the termination of the present war, and who shall have been discharged or released therefrom under conditions other than dishonorable after active service of ninety days or more, or by reason of an injury or disability incurred in service in line of duty, shall be an eligible veteran for the purposes of this title.

SEC. 508. The Administrator shall, on account of a veteran determined to be eligible, issue such insurance upon the certification of the veteran and the lender that the loan or advance of credit is made for one or more of the purposes specified herein and that it is qualified in all other respects for such insurance within the terms of this title and the regulations issued hereunder.

SEC. 509. (a) Any loan or credit insured hereunder for any of the purposes specified herein shall not bear a rate of interest in excess of 4 per centum per annum and shall be payable in full in not more than twenty years, except that loans or advances of credit for the purchase of personal property under sections 513 (b) or 513 (c) hereof shall bear interest at a rate not in excess of 5 per centum per annum and shall have a maturity of not more than 5 years.

(b) Insurance may be issued on loans or advances of credit secured by junior liens provided the obligations secured by the prior liens do not carry an interest rate in excess of that prescribed herein for insured obligations.

(c) "Interest" means the compensation fixed by law, or by the parties to a contract, for the use or detention of, or forbearance with respect to money, irrespective of the name applied to such compensation. Interest may be computed in accord with a practice customary in the locality in which the loan is made.

(d) The terms and conditions of any insured loan or credit shall otherwise accord with those customary in the locality in which the loan or credit is made, and the lender shall require such form of security as is customarily required in its locality in relation to the particular type of loan, and may release or permit the exchange or substitution of any part of such security in accordance with the ordinary practices of lending in the locality.

(e) Any transfer or conveyance within one year of the date of acquisition, of title to any property acquired with the proceeds of a loan or advance of credit

insured hereunder, except personal property acquired for reprocessing or resale, shall mature the entire obligation, except when consented to in advance by the Administrator.

SEC. 510. The Administrator shall reserve the right to examine the records of any lending institution pertinent to loans or advances of credit insured hereunder, and may for good cause disqualify any such institution for the issuance of further insurance.

SEC. 511. The Administrator is authorized to promulgate such rules and regulations as he may deem necessary and appropriate for carrying out the provisions of this title, and may require the insured, before exercising any right arising by reason of the default of the borrower, to give the Administrator thirty days notice of its intention to do so, subject to such exemptions as the Administrator may authorize. The Administrator is authorized to take any steps he may deem necessary following a default to protect or save the equity of the borrower, or purposed to reduce the prospective loss of the insurer, including the right to bid in at foreclosure sale or to refinance the delinquent obligation, and shall in connection with payment of any indebtedness or loss thereon be fully subrogated to the rights of the lender.

SEC. 512. (a) With respect to matters arising by reason of this title, as enacted in Public, 346 and as hereby amended, the Administrator shall be authorized to sue and be sued in his official capacity in any court of competent jurisdiction, State or Federal. He shall also have the authority in his discretion:

1. To pay or compromise any claims on arising because of an insurance or guaranty contract; and
2. To pay, compromise, waive, or release any right, title, claim, lien, or demand, however acquired, including any right of redemption; and
3. In the name of the United States of America, upon such terms as he determines to be reasonable, to take title to property of any kind, and sell at public or private sale, exchange, assign, convey, or otherwise dispose of any such property in the name of the United States of America; and
4. To maintain, renovate, repair, modernize, lease, or otherwise deal with any property acquired or held in accordance with this title.

(b) The foregoing powers may be exercised by the Administrator without regard to any other provisions of law governing the expenditure of public funds not enacted expressly in limitation hereof.

SEC. 513. An application for insurance under the provisions of this title must establish and certify that the loan or advance of credit described therein is made for one of the following purposes:

(a) For the purchase, construction, repair, alteration, modernization, or improvement of property occupied or to be used by the veteran as a home; and that

- (1) The purchase price or cost bear a proper relation to the veteran's present and anticipated income and expenses,
- (2) The purchase price or cost paid or to be paid by the veteran for such property or purpose does not exceed the reasonable market value thereof.

(b) For the purchase, construction, alteration or improvement of any farm house, buildings or equipment to be used by the veteran in bona fide farming operations conducted by him, including the purchase of land, machinery, tools, supplies, or livestock to be so used; and that

(1) Such property will be useful in and reasonably necessary for efficiently conducting such operation, and that such operation will constitute his major occupation,

(2) The ability and experience of the veteran, and the nature of the proposed farming operations to be conducted by him, are such that there is a reasonable likelihood that such operations will be successful,

(3) The purchase price or cost paid or to be paid by the veteran for such property or purpose does not exceed the reasonable market value thereof.

(c) For the purchase, construction, repair, alteration, modernization, or improvement of any property, machinery, tools or equipment to be used by the veteran in a bona fide business to be operated by him individually or in the management of which he shall be entitled actively to participate, irrespective of whether the veteran's ownership is vested in him as an individual, or is in the form of capital stock or partnership share; or for making available credit by which the veteran engaging in such business may be provided with supplies, inventory, merchandise, or working capital adequate to enable him to start or continue such business, and that—

(1) Such property will be useful in and reasonably necessary for the efficient and successful pursuit of such occupation, and that such business will constitute his major occupation,

(2) The ability and experience of the veteran, and the conditions under which he proposes to pursue such occupation, are such that there is a reasonable likelihood that he will be successful in the pursuit of such occupation,

(3) The purchase price or cost paid or to be paid by the veteran for such property or purposes does not exceed the reasonable market value thereof.

(d) For the refinancing of existing indebtedness on property owned by an eligible veteran and used by him for home, farming or business purposes.

SEC. 514. The term "reasonable market value" as used herein, shall mean the price the property would ordinarily bring or the transaction would ordinarily cost in a contract between a willing and well-informed buyer and a willing and well informed seller, both acting free from necessity.

SEC. 515. These sections, 506 through 515, shall become effective the first day of the third month following the date of enactment and the Administrator shall issue no guaranties under sections 500 through 505 of this title on any application filed on or after such date.

VETERANS' ADMINISTRATION DRAFT

[Omit the part printed in black brackets and insert the part printed in italics]

TITLE III—LOANS FOR THE PURCHASE OR CONSTRUCTION OF HOMES, FARMS, AND BUSINESS PROPERTY

CHAPTER V—GENERAL PROVISIONS FOR LOANS

SEC. 500. (a) Any person who shall have served in the active military or naval service of the United States at any time on or after September 16, 1940, and prior to the termination of the present war and who shall have been discharged or released therefrom under conditions other than dishonorable after active service of ninety days or more, or by reason of an injury or disability incurred in service in line of duty, shall be eligible for the benefits of this title. Any such veteran may apply within [two] *ten* years after [separation from the military or naval forces, or two years after termination of the war, whichever is the later date, but in no event more than five years after] the termination of the war, to the Administrator of Veterans' Affairs for the guaranty by the Administrator of not to exceed 50 per centum of a loan or loans for any of the purposes specified in sections 501, 502, and 503: *Provided*, That the aggregate amount guaranteed shall not exceed \$2,000. If the Administrator finds that the veteran is eligible for the benefits of this title and that the loan applied for appears practicable, the Administrator shall guarantee the payment of the part thereof as set forth in this title.

(b) [Interest for the first year on that part of the loan guaranteed by the Administrator shall be paid by the Administrator out of available appropriations.] *An amount equivalent to 4 per centum on the amount originally guaranteed shall be paid to the lender by the Administrator out of available appropriations for credit upon the loan at the time the loan is closed.* No security for the guaranty of a loan shall be required except the right to be subrogated to the lien rights of the holder of the obligation which is guaranteed: *Provided*, That pursuant to regulations to be issued by the Administrator the mortgagor and mortgagee shall agree that before beginning foreclosure proceedings for default in payment of principal or interest due, the Administrator shall have at least thirty days' notice with the option of bidding in the property on foreclosure or of refinancing the loan with any other agency or by any other means available.

(c) Loans guaranteed by the Administrator under this title shall be payable under such terms and conditions as may be approved by the Administrator: *Provided*, That the liability under the guaranty, within the limitations of this title, shall decrease or increase pro rata with any decrease or increase of the amount of the unpaid portion of the obligation: *Provided further*, That loans guaranteed by the Administrator shall bear interest at a rate not exceeding 4 per centum per annum and shall be payable in full in not more than twenty years *or in the case of loans on farm realty, in not more than ——— years.* The Administrator is authorized and directed to guarantee loans to veterans subject to the provisions of this title on approved applications made to persons, firms, asso-

ciations, and corporations and to governmental agencies and corporations, either State or Federal. *Any loan, at least 20 per centum of which is guaranteed by the Administrator under this title, may be made by any national bank for federal savings and loan association; or by any bank, trust company, building and loan association, or insurance company, organized or authorized to do business in the District of Columbia; with respect to: (1) Ratio of amount of loan to value of the property, (2) maturity of loan, (3) requirement for mortgage or other security, or (4)—if guaranteed in full—dignity of liens, without regard to the limitations and restrictions of any other statute or regulation.*

PURCHASE OR CONSTRUCTION OF HOMES

SEC. 501. (a) Any application made by a veteran under this title for the guaranty of a loan to be used in purchasing residential property or in constructing a dwelling on unimproved property owned by him to be occupied as his home may be approved by the Administrator of Veterans' Affairs if he finds—

(1) that the proceeds of such loans will be used for payment for such property to be purchased or constructed by the veteran;

(2) that the contemplated terms of payment required in any mortgage to be given in part payment of the purchase price or the construction cost bear a proper relation to the veterans' present and anticipated income and expenses; and that the nature and condition of the property is such as to be suitable for dwelling purposes; and

(3) [that the purchase price paid or to be paid by the veteran for such property or the construction cost, including the value of the unimproved lot, does not exceed the reasonable normal value thereof as determined by proper appraisal.] *that the amount of a loan covering all or part of the purchase price paid or to be paid by the veteran for such property does not exceed the reasonable normal value thereof as determined by proper appraisal, and that the amount of a loan for construction, repairs, alterations, or improvements does not exceed the amount so appraised to be the reasonable cost thereof; provided that no loan shall be guaranteed under the provisions of this section where the veteran is to pay in cash or its equivalent an amount in excess of 10 per centum of the reasonable normal value of the property being acquired, or of the reasonable cost of improvements, or where such excess has not been fully paid and discharged prior to the closing of the loan.*

(b) Any application for the guaranty of a loan under this section for the purpose of making repairs, alterations, or improvements in, [or paying delinquent indebtedness, taxes, or special assessments on,] residential property owned by the veteran and used by him as his home, may be approved by the Administrator if he finds that the proceeds of such loan will be used for such purpose or purposes.

(c) No first mortgage shall be ineligible for insurance under the National Housing Act, as amended, by reason of any loan guaranteed under this title, or by reason of any secondary lien upon the property involved securing such loan.

PURCHASE OF FARMS AND FARM EQUIPMENT

SEC. 502. Any application *to be made* under this title for the guaranty of a loan to be used in purchasing any land, buildings, livestock, equipment, [machinery,] supplies or implements, or in repairing, altering, *constructing or improving any land, [buildings or] equipment or buildings, including the farmhouse,* to be used in farming operations conducted by the applicant *involving production in excess of his own needs or for working capital requirements necessary for such operations,* or to purchase stock in a cooperative association where the purchase of such stock is required by Federal statute as an incident to obtaining a loan on which a guaranty is sought, may be approved by the Administrator of Veterans' Affairs if he finds—

(1) that the proceeds of such loan will be used [in payment for real or personal property purchased or to be purchased by the veteran, or for repairing, altering, or improving any buildings or equipment, to be used in] *for any such purposes in connection with* bona fide farming operations conducted by [him] *the applicant;*

(2) that such property will be useful in and reasonably necessary for efficiently conducting such operations;

(3) that the ability and experience of the veteran, and the nature of the proposed farming operations to be conducted by him, are such that there is a reasonable likelihood that such operations will be successful; and

(4) **[**that the purchase price paid or to be paid by the veteran for such property does not exceed the reasonable normal value thereof as determined by proper appraisal**]** *that the amount of a loan covering all or part of the purchase price paid or to be paid by the veteran for such property does not exceed the reasonable normal value thereof as determined by proper appraisal, and that the amount of a loan for construction, repairs, alterations, or improvements does not exceed the amount so appraised to be the reasonable cost thereof; provided that no loan shall be guaranteed under the provisions of this section where the veteran is to pay in cash or its equivalent an amount in excess of 10 per centum of the reasonable normal value of the property being acquired, or of the reasonable cost of improvements, or where such excess has not been fully paid and discharged prior to the closing of the loan.*

PURCHASE OF BUSINESS PROPERTY

SEC. 503. Any application made under this title for the guaranty of a loan **[**to be used in purchasing any business**]** *the proceeds of which are to be used for the purpose of engaging in business or for the purpose of pursuing a gainful occupation, whether full time or part time, or for the cost of acquiring for such purpose land, buildings, supplies, equipment, machinery, tools, inventory, stock in trade, or for the cost of construction, repair, alteration, or improvement of any realty or equipment used for such purpose, or to provide the funds needed for working capital, [to be used by the applicant in pursuing a gainful occupation (other than farming)]* may be approved on a secured or unsecured basis by the Administrator of Veterans' Affairs if he finds—

(1) that the proceeds of such loan will be used **[**for payment for real or personal property purchased or to be purchased by the veteran and used by him in the**]** *for any of such purposes in connection with bona fide pursuit of such business or gainful occupation by the applicant;*

(2) that such property will be useful in and reasonably necessary for the efficient and successful pursuit of such occupation;

(3) that the ability and experience of the veteran, and the conditions under which he proposes to pursue such occupation, are such that there is a reasonable likelihood that he will be successful in the pursuit of such occupation; and

(4) **[**that the purchase price paid or to be paid by the veteran for such property does not exceed the reasonable normal value thereof as determined by proper appraisal**]** *that the amount of a loan covering all or part of the purchase price paid or to be paid by the veteran for such property does not exceed the reasonable normal value thereof as determined by proper appraisal, and that the amount of a loan for construction, repairs, alterations, or improvements does not exceed the amount so appraised to be the reasonable cost thereof: Provided, That no loan shall be guaranteed under the provisions of this section where the veteran is to pay in cash or its equivalent an amount in excess of 10 per centum of the reasonable normal value of the property being acquired, or of the reasonable cost of improvements, or where such excess has not been fully paid and discharged prior to the closing of the loan.*

SEC. 504. The Administrator of Veterans' Affairs is authorized to promulgate such rules and regulations as are deemed necessary and appropriate for carrying out the provisions of this title, and may delegate to a subordinate employee authority to approve loans subject to the provisions of this title and the rules promulgated thereunder.

SEC. 505. (a) The Administrator shall designate such agency or agencies, if any, as he finds equipped to determine whether the guaranty of loan should be approved under this title. In any case wherein a principal loan, for any of the purposes stated in section 501, 502, or 503, is approved by a Federal agency to be made or guaranteed or insured by it pursuant to applicable law and regulations, and the veteran is in need of a second loan to cover the remainder of the purchase price or cost, or a part thereof, the Administrator, subject otherwise to the provisions of this title, including the limitation of \$2,000 on the total amount which may be guaranteed, may guarantee the full amount of the second loan: *Provided, That such second loan shall not exceed 20 per centum of the purchase price or cost and that the rate of interest thereon shall not exceed that on the principal loan by more than 1 per centum: And provided further, That regulations to be promulgated jointly by the Administrator and the head of such agency may pro-*

vide for servicing of both loans by such agency and for refinancing of the principal loan to include any unpaid portion of the secondary loan with accrued interest, if any, after the curtailment thereon equals twice the amount of the secondary loan.

(b) Any person who is found by the Administrator of Veterans' Affairs to be a veteran eligible for the benefits of this title, as provided in section 500 hereof, and who is found by the Secretary of Agriculture, by reason of his ability and experience, including training as a vocational trainee, to be likely to carry out successfully undertakings required of him under a loan which may be made under the Bankhead-Jones Farm Tenant Act, shall be eligible for the benefits of such Act to the same extent as if he were a farm tenant.

Sec. 506. The Administrator may approve the guarantee of a loan purposed to refinance any indebtedness of a veteran which is secured of record on property used or occupied by the veteran as a home or for farming purposes, or indebtedness incurred by him in the pursuit of a gainful occupation, or any delinquent taxes or assessments on such property or business, provided it is found that—

(1) *such default or delinquency occurred not later than two years after his separation from active service, and*

(2) *such refinancing will aid the veteran in his economic readjustment.*

Sec. 507. (a) With respect to matters arising by reason of this title as now or hereafter amended and, notwithstanding the provisions of any other law, the Administrator may—

(1) *Sue and be sued in his official capacity in any court of competent jurisdiction, State or Federal;*

(2) *Subject to specific limitations in this Act, consent to the modification, with respect to rate of interest, time of payment of principal or interest or any portion thereof, security or other provisions of any note, contract, mortgage, or any lien instrument, with respect to which a Loan Guaranty Certificate, or an Indemnity Contract, has been issued;*

(3) *Pay, or compromise, any claim on, or arising because of, such Certificate or Contract;*

(4) *Pay, compromise, waive, or release any right, title, claim, lien, or demand, however acquired, including any equity or any right of redemption;*

(5) *Purchase at any sale, public or private, upon such terms and for such prices as he determines to be reasonable; and take title to property, real, personal, or mixed; and similarly sell at public or private sale, exchange, assign, convey, or otherwise dispose of any such property; and*

(6) *Complete, administer, operate, obtain and pay for insurance on, and maintain, renovate, repair, modernize, lease, or otherwise deal with any property acquired or held pursuant to this title: Provided, That the acquisition of any such property shall not deprive any State or political subdivision thereof of its civil or criminal jurisdiction of, on or over such property (including power to tax) or impair the rights under the State or local law of any persons on such property.*

(b) *The powers by this section granted may be exercised by the Administrator without regard to any other provisions of law not enacted expressly in limitation hereof, which otherwise would govern the expenditure of public funds: Provided, That Sec. 3709 of the Revised Statutes shall apply to any contract for services or supplies on account of any property acquired pursuant to this section if the amount of such contract exceeds \$1,000.*

(c) *The financial transactions of the Administrator incident to, or arising out of the guaranty of loans pursuant to this title and the acquisition, management, and disposition of property, real, personal, or mixed as incident to such activities and pursuant to this section, and vouchers approved by the Administrator in connection with such transactions shall be final and conclusive upon all officers of the Government.*

SEC. 508. (a) Any loans which might be guaranteed under the provisions of sections 501, 502, or 503 hereof, when made or purchased by any financial institution subject to examination and supervision by an agency of the United States or of any State or Territory, including the District of Columbia, may, in lieu of such guaranty, be insured by the Administrator under an agreement whereby he will reimburse any such institution for losses incurred on such loans up to 15 percent of the aggregate of loans so made or purchased by it.

(b) *Loans insured hereunder shall be made on such other terms, conditions, and restrictions as the Administrator may prescribe within the limitations set forth in this title. The Administrator may fix the maximum rate of interest payable on any class of non-real-estate loans insured hereunder at a figure not in excess of a 3-*

percentum discount rate or an equivalent straight interest rate on nonamortized loans.

(c) The Administrator shall pay the same amount on each loan insured hereunder as he would be required to pay under the first sentence of section 500 (b) hereof if the loan were guaranteed rather than insured.

Senator JOHNSON. Before we leave the present testimony on 500 (c), which provides for an amendment to the banking laws, I would like to put in the record a letter which Senator George received from Chester Morrill, secretary to the Board of Governors of the Federal Reserve System, on April 30, 1945, stating their position.

Without objection, I will place that letter in the record.

(The letter referred to, dated April 30, 1945, is as follows:)

BOARD OF GOVERNORS,
FEDERAL RESERVE SYSTEM,
Washington, April 30, 1945.

HON. WALTER F. GEORGE,
Chairman, Committee on Finance,
United States Senate, Washington, D. C.

DEAR CHAIRMAN GEORGE: This will refer to your recent telephone conversation with Governor Ransom at which time you asked that the Board of Governors make a report to your committee on the bill S. 795, which would amend the Servicemen's Readjustment Act of 1944 so as to enable national banks and State banks and trust companies in the District of Columbia to make loans to veterans to be guaranteed by the Administrator of Veterans' Affairs "without regard to the limitations and restrictions of any other statute with respect to the ratio of such loan to the appraised value of the property or with respect to the maturity of such loan."

We understand that the purpose of the bill is to relieve national banks of the limitations and restrictions of section 24 of the Federal Reserve Act in the making of real estate loans to veterans which are guaranteed by the Administrator of Veterans' Affairs. For your convenient reference I am enclosing a copy of the first paragraph of this section which is pertinent in this connection. This section permits a national bank to make a real estate loan for a term in excess of 5 years only on condition that installment payments are sufficient to amortize 40 percent or more of the principal of the loan within a period of not more than 10 years. On the other hand, real estate loans guaranteed by the Administrator (which if in excess of 5 years are required by regulation to be amortized) may lawfully be amortized over a period of 20 years but, under rulings of the Administrator, such loans, even with shorter maturities, must be amortized at a rate sufficient to pay the entire amount of the loan within the life of the loan. Real estate loans made by national banks which are guaranteed by the Administrator would thus have to be fully paid within 10 years, and under section 24 of the Federal Reserve Act the amount of such loans could not exceed 60 percent of the appraised value of the property. This means that national banks cannot compete with the many State banks and other financing institutions that are not subject to such restrictions in the making of real estate loans guaranteed by the Administrator.

In view of this situation, the Board favors the objective of the bill S. 795, which is to eliminate the competitive disadvantage under which national banks are now placed in making real estate loans guaranteed by the Administrator. There is no reason why national banks should not have equal opportunity with other banks in making such guaranteed loans to veterans. In this connection, we understand that legislation has been or will be proposed in a number of States to permit State institutions to make loans guaranteed by the Administrator on a more liberal basis than is permissible under the present laws of those States, and this will have the effect of increasing the disadvantage of national banks as compared with State institutions in making loans to veterans. However, the bill S. 795 is in the form of an amendment to the Servicemen's Readjustment Act of 1944, and since its effect is to modify section 24 of the Federal Reserve Act, we feel that the bill should specifically amend section 24. It would seem more appropriate that any exemption from the restrictions of section 24 should be dealt with directly in the provisions of that section rather than in some other statute. This could be accomplished by striking out all after the enacting clause and inserting the following in lieu thereof:

"The third sentence of section 24 of the Federal Reserve Act, as amended, is further amended by inserting after the words 'National Housing Act' at the end of such sentence the following: 'or to real estate loans guaranteed in whole or in part under the provisions of title III of the Servicemen's Readjustment Act of 1944'."

In view of the fact that this legislation relates to national banks, copies of this letter are being sent to Senator Wagner, chairman of the Banking and Currency Committee of the Senate, and to Congressman Spence, chairman of the Banking and Currency Committee of the House of Representatives. Also, since H. R. 2789 is identical with S. 795, we are sending a copy of this letter to Congressman Rankin, chairman of the House Committee on World War Veterans' Legislation.

Very truly yours,

CHESTER MORRILL, *Secretary.*

SECTION 24. LOANS ON FARM LANDS

1. REAL ESTATE LOANS BY NATIONAL BANKS

SEC. 24. Any national banking association may make real estate loans secured by first liens upon improved real estate, including improved farm land and improved business and residential properties. A loan secured by real estate within the meaning of this section shall be in the form of an obligation or obligations secured by mortgage, trust deed, or other such instrument upon real estate, and any national banking association may purchase any obligation so secured when the entire amount of such obligation is sold to the association. The amount of any such loan hereafter made shall not exceed 50 per centum of the appraised value of the real estate offered as security and no such loan shall be made for a longer term than 5 years; except that (1) any such loan may be made in an amount not to exceed 60 per centum of the appraised value of the real estate offered as security and for a term not longer than 10 years if the loan is secured by an amortized mortgage, deed of trust, or other such instrument under the terms of which the installment payments are sufficient to amortize 40 per centum or more of the principal of the loan within a period of not more than 10 years, and (2) the foregoing limitations and restrictions shall not prevent the renewal or extension of loans heretofore made and shall not apply to the real estate loans which are insured under the provisions of titles II and VI of the National Housing Act. No such association shall make such loans in an aggregate sum in excess of the amount of the capital stock of such association paid in and unimpaired plus the amount of its unimpaired surplus fund, or in excess of 60 per centum of the amount of its time and savings deposits, whichever is the greater. Any such association may continue hereafter as heretofore to receive time and savings deposits and to pay interest on the same, but the rate of interest which such association may pay upon such time deposits or upon savings or other deposits shall not exceed the maximum rate authorized by law to be paid upon such deposits by State banks or trust companies organized under the laws of the State in which such association is located.

Senator JOHNSON. I have also another letter, dated September 17, 1945, signed by Bray Hammond, assistant secretary, Board of Governors of the Federal Reserve System, addressed to Senator George, dealing with section 501 (a), which provides that "loans may be made by any Federal Reserve bank, national bank, State bank, private bank, building and loan association, insurance company, * * *"

The CHAIRMAN. You have eliminated in your amendment the Federal Reserve bank.

Mr. ODOM. No; we don't have that.

The CHAIRMAN. You have eliminated that. You only put in the national bank.

Mr. ODOM. That is right. National bank, Federal savings and loan association, or any bank or trust company or insurance company in the District of Columbia.

The CHAIRMAN. You meet that objection then?

Senator JOHNSON. The object of this letter is that Federal Reserve banks not be included.

The CHAIRMAN. That is right.

Mr. ODOM. Am I not correct, Mr. Collins, that the regulation is sufficient to enable them to participate reasonably in the program?

Mr. PAVESICH. The Federal Reserve?

Senator JOHNSON. They don't want to be included.

The CHAIRMAN. They do participate indirectly, of course.

Mr. ODOM. They probably would indirectly purchase them.

(The letter above referred to, dated September 17, 1945, is as follows:)

BOARD OF GOVERNORS,
FEDERAL RESERVE SYSTEM,
Washington, D. C., September 17, 1945.

HON. WALTER F. GEORGE,

*Chairman, Committee on Finance,
United States Senate, Washington, D. C.*

DEAR SENATOR GEORGE: This refers to the bill H. R. 3749, cited as the Servicemen's Readjustment Act of 1945 which passed the House of Representatives on July 18, 1945, and which is now pending before your committee.

The matters of particular concern to the Board of Governors of the Federal Reserve System are certain provisions contained in section 501 of the bill with respect to the making of loans to veterans. The last sentence of section 501 (a) of the bill provides that "loans may be made by any Federal Reserve bank, national bank, State bank, private bank, building and loan association, insurance company * * *" and section 501 (b) provides that such loans may be made by national banks and banks located in the District of Columbia "without regard to the limitations and restrictions of any other statute or ruling of the Federal Reserve Board."

In the Board's opinion it is not necessary or desirable to include Federal Reserve banks in the list of institutions which are authorized to make loans to veterans guaranteed under the Servicemen's Readjustment Act. The Board feels that so far as practicable loans of this type should be made by private banks and other types of private lenders and that Federal Reserve banks should not be in a position of competing with the private banking system for such loans. Under existing law, loans made to veterans by member banks of the Federal Reserve System could be used as the basis of obtaining credit from the Federal Reserve banks under the provisions of section 10 (b) of the Federal Reserve Act, and the Reserve banks are thus already in a position indirectly to assist in the program for guaranteed loans to veterans. The provision of the bill for national and State banks and other lending institutions to make such loans appears to be sufficient to provide all eligible veterans with reasonable sources of guaranteed loans without any need for giving this authority to the Federal Reserve banks. It is respectfully suggested, therefore, that the words "Federal Reserve bank" be stricken from the last sentence of section 501 (a) of the bill.

The clause in section 501 (b) that loans to veterans may be made without regard to the limitations of any statute is extremely broad and seems most undesirable. This clause would exempt loans to veterans from all such safeguarding provisions of the law as the limitation upon the amount of loans which a member bank of the Federal Reserve System can lend to an executive officer of such bank and the limitation upon the amount of loans which a national bank can lend to one borrower. In addition, the clause would appear to permit loans to veterans without regard to the statutory provisions providing penalties for the making of loans by banks to bank examiners or for the accepting of fees or commissions by bank officials for procuring loans from member banks.

Moreover, the provision in section 501 (b) that guaranteed loans to veterans may be made without regard to any ruling of the Federal Reserve Board seems inappropriate. If, as pointed out hereinafter, this provision is intended to relate to real estate loans under section 24 of the Federal Reserve Act, the Board is not the agency which administers the provisions of this law relating to real-estate loans and hence the language just quoted is unnecessary. If, on the other hand, the language quoted is intended to have general application, we do not know of any ruling or regulation of the Board that would affect this matter.

The Board's Regulation W pertaining to consumer credit provides that loans guaranteed under the Servicemen's Readjustment Act of 1944 are exempt from all the provisions of that regulation. It would seem, therefore, that the provision in section 501 (b) referring to the Federal Reserve Board should be eliminated.

It may be that the intention of the framers of the proposed legislation is to remove only the limitations and restrictions contained in section 24 of the Federal Reserve Act with respect to the ratio of the loan to the appraised value of the property and with respect to the maturity of the loan. This matter was discussed in our letter to you dated April 30, 1945, with reference to the bill S. 795 pending before your committee. A copy of such letter is enclosed for your convenience. In that letter the Board stated that it favored the objective of the bill S. 795 but felt that it would be more appropriate that any exemption from the restrictions of section 24 should be dealt with directly in the provisions of that section rather than in some other statute. This could be accomplished by striking out all of section 501 (b) and inserting in lieu thereof the following:

"The third sentence of section 24 of the Federal Reserve Act, as amended, is further amended by inserting after the words 'National Housing Act' at the end of such sentence the following: 'or to real estate loans guaranteed in whole or in part under the provisions of title III of the Servicemen's Readjustment Act of 1945'."

Very truly yours,

BRAY HAMMOND, *Assistant Secretary.*

Senator JOHNSON. Do you have anything further to say, Mr. Collins?

Mr. COLLINS. No, sir.

Senator JOHNSON. I want to thank you for a very clear presentation of a very difficult and technical matter. I hope that the rest of our witnesses will give us references so that we can follow the proposals as we have been able to follow your proposals.

I would like to ask the committee what their pleasure is. I am very anxious to proceed as rapidly as possible with the hearings on the veterans' legislation. I presume that within 10 days the Finance Committee will have before it the new revenue measure and most of the members will have to attend the hearings on that bill. We would like to proceed so that we could have the hearings behind us before that bill gets here.

Mr. ODOM. Mr. Chairman, could I suggest this: Yesterday General Bradley indicated that he hoped the committee could proceed after finishing with these bills, this group of bills relating to the Servicemen's Readjustment Act, to consider the bill which was introduced as S. 1203, of which we have seen an amended copy. The amendments on the other side are contained in House bill 3522. It is a codification and a somewhat liberalization of the laws respecting medical care, hospitalization, reduction of hospital pay, and some other matters in connection therewith. Hearings began on that but were discontinued because of the recess. Then, of course, the insurance bills are pending but we are now preparing another bill to put the National Service Life Insurance Act on a peacetime basis and we are not quite ready on the insurance question. We will be as soon as we can get a clearance. We have a clearance, as the Senator will remember, on an adverse report on the pending bills. But we hope to present something constructive to you to put the National Service Life Insurance Act on a peacetime basis.

Senator JOHNSON. Yes. The subcommittee has a lot of work ahead of it in veterans' bills, and we simply must make progress on them. They are controversial in the extreme. Many people want to be heard. And the only way I know of getting that work behind us is to continue these hearings in both the forenoon and the afternoon until we get them behind us.

Mr. ODOM. I don't want to be understood as apologizing for the Veterans' Administration or the committee, either, but this committee and the Veterans' Administration has more legislative bills actually by count, than all of the rest of the Congress put together.

Senator JOHNSON. Well, there is only one way to make progress and that is to get on with the hearings.

Senator LUCAS. I don't know why you should give us that information.

The CHAIRMAN. I think you should proceed all week both in the afternoon and mornings.

Mr. ODOM. There are many interests that are vitally affected by the educational provisions which we have recommended as well as by the loan provisions which we have recommended. There is a most widespread interest.

Senator LUCAS. I move that we adjourn until 2:30.

Senator JOHNSON. I would be very glad to proceed with the hearings both in the morning and in the afternoon until we have some of this work behind us.

It has been moved that we recess until 2:30. If there is no objection, we will recess then until 2:30.

(Whereupon, at 12:30 p. m., the committee recessed until 2:30 p. m. this day.)

AFTERNOON SESSION

Senator JOHNSON. Colonel Taylor, are you ready to proceed?

STATEMENT OF COL. JOHN THOMAS TAYLOR, DIRECTOR, NATIONAL LEGISLATIVE COMMITTEE, THE AMERICAN LEGION

Colonel TAYLOR. Mr. Chairman and members of the subcommittee, the American Legion deeply appreciates this opportunity to appear before the subcommittee and submit recommendations proposing certain amendments to the GI bill of rights, the Servicemen's Readjustment Act of 1944. These recommendations are made by our organization based upon studies resulting from complaints submitted to us by our men in the field who are concerned with the operation of the act. Before referring to our recommendations, however, I should like to refresh the memories of the members of this subcommittee as to certain outstanding decisions, which were reached by your subcommittee, the Senate Finance Committee, the Senate, and the other branch of Congress upon the so-called GI bill of rights. The majority opinion of this committee and of the Congress displayed a firm conviction on several points, as follows:

(1) That the laws pertaining to veterans must be administered by a single Federal governmental agency, thus avoiding the chaos and confusion which followed World War I;

(2) That the Servicemen's Readjustment Act of 1944 would not be used as a vehicle to perpetuate temporary Government agencies, nor to allow for the building of any huge bureaucracy; and

(3) That the act was intended solely and wholly for the World War II veteran and not for the benefit of financial or educational institutions.

It is unnecessary to remind the members of this committee of the terrible confusion that existed for the World War I veteran in the early postwar years when it was necessary for him to apply to several different governmental agencies for benefits provided by laws enacted by Congress. The inefficiency which prevailed because of this condition resulted in resentment and complaints from the veterans and eventually led to the consolidation of administration of all laws within one governmental agency. When the Servicemen's Readjustment Act was under consideration the Congress realized that there were existing agencies which could administer some of the titles of the act, and it was for this reason that the act provided in section 505 (a) that the Administrator shall designate such agency or agencies, if any, to determine whether the guaranty of loans should be approved under this title.

In this connection, certain persons are advocating that the home-loan section of title III be transferred in its entirety to the Federal Housing Administration. Your committee will hear some proponents of that.

Senator MILLIKIN. If the chairman please, may I ask a question?

Senator JOHNSON. Certainly.

Senator MILLIKIN. Are there any bills pending to that effect?

Colonel TAYLOR. No; but it is being advocated by many bureaus that came into being during the war, various functions of Veterans' Administration should be taken over, and I am sure you will hear from several of the proponents who come before this committee. We are opposed to it.

We of the Legion do not think this is at all necessary. In the first place, FHA insured mortgages are available to a qualified veteran under section 501 (c) and section 505 (a). And you will find out, under section 6 of the FHA Act which was enacted for war purposes and enabled FHA to go out and build this war housing, that the FHA can go ahead and assist in the building of homes of lower values.

The fact of the matter is, and I want the committee to recall that, that that was purely a war measure and expires by its very terms on July 1, 1946.

Further, during the pendency of the bill a conference was held in the office of a Member of the Senate with two officials of the Federal Housing Administration, and representatives of the Legion, with a view to possibly proposing that the Federal Housing Administration should be designated in the act to handle the section of the act pertaining to home loans. That is not on the part of the Legion.

The Federal Housing Administration with its existing facilities could approve loans only in about one-third of the country because of its requirement as to economic soundness which involves location of homes and type of construction. In other words, the veteran who desired to obtain a loan but who wished to build where electricity and sewers were not available would not be eligible.

We of the Legion are, of course, interested in the boys who live at the fork of the creek.

Because of that agency's inability to serve all veterans on a Nation-wide basis, the proposal was rejected.

Further, if the loan title of the Servicemen's Readjustment Act of 1944 should be transferred to the FHA in its entirety, it would be

just as logical to transfer the hospitalization phase for veterans to Public Health Service; the compensation and pension payments to the Social Security Board; the educational title to the Office of Education, and continue this until nothing is left of the Veterans' Administration. We would then return to the chaos, confusion, and inefficiency that existed before establishment of the Veterans' Administration.

It is our understanding also, that if the home-loan section was turned over to the FHA in its entirety as has been suggested, it would be necessary for that agency to employ additional appraisers, auditors, and other personnel, thus violating the very thing Congress hoped to avoid—the building of a huge bureaucracy.

I am quoting from the testimony of General Bradley, Director of Veterans' Administration, before your committee yesterday, in which he said:

I believe, however, that it has been and will continue to be the view of the Congress that all veterans' benefits as such should be administered by one agency rather than being scattered among a number of agencies. Whether the loan provision should be considered as a veterans' benefit is a question which some feel should be given further consideration.

It would seem to be readily apparent that so potentially vast a program cannot be accomplished by any agency without the development of appropriate administrative machinery. It seems only logical to say that such machinery may be developed in one agency as well as another.

It was for this reason that I brought this to the attention of the committee here today.

Senator JOHNSON. How do you interpret the inference of his language?

Colonel TAYLOR. I know the pressure that is being put on you. I receive letters from around the country that seem to be inspired by somebody or something advocating that the FHA should be the agency to handle this.

As I say, you will hear from some witnesses to that effect, but that language speaks for itself, Mr. Chairman.

Senator MILLIKIN. But it doesn't mean anything.

Colonel TAYLOR. [reading]:

Whether the loan provisions should be considered as a veterans' benefit is a question which some feel should be given further consideration. It would seem to be readily apparent that so potentially vast a program cannot be accomplished by any agency without the development of appropriate administrative machinery.

Senator JOHNSON. Does that mean it should or it should not?

Colonel TAYLOR. That is what I would like to know, and I call it to the attention of this committee. We feel that agency is handling fairly efficiently all those matters, although Senator Lucas asked Mr. Odom today whether he thought this particular act was being administered in an efficient manner.

We don't want the sections of the Veterans' Administration to get from under that one roof, because if they do every Member of this Senate will be hounded to death by individuals and communications, because nothing results but chaos and confusion.

And we don't want the veterans' laws used as medium for carrying through legislation for some other department of government.

With these reminders on record, I should now like to point out that at the last meeting of our national executive committee, a resolution

was adopted containing recommendations for certain changes in the act. I shall make additional reference to this resolution hereafter. With the permission of the chairman and members of the subcommittee I should like to make my statement and then present Mr. Kraabel who has something to say about title II of the educational section.

As to title II, our resolution specifically asks that the educational title of the act be amended to provide:

That payments for tuition and other fees as set forth in paragraph 5, part VIII, Veterans Regulation Numbered 1 (a) (title II, Public Law 346, 78th Cong.), not to exceed \$500, shall be made for any complete specialist course, less than an ordinary school year in duration, which was available and given in well-recognized and operating schools or institutions on or before June 22, 1944.

These recommendations were submitted to the Veterans' Administration and we find that with most of them they are in accord.

Yesterday, Mr. Stirling testified:

That the advisement and counselling services be enlarged and be made available to applicants, with travel expenses for this purpose defrayed by the Veterans' Administration. Provision for an advance or loan of not to exceed \$100 in any case to qualified applicants commencing or undertaking courses under this act, which provision to be similar to that set forth in paragraph 8, part VII of Veterans Regulation No. 1 (a).

The subsistence allowance payable to a qualified veteran pursuing an educational or training course under this act shall be payable even though the applicant finds part-time or full-time work, which was discussed here yesterday.

It is a fact that a man drawing subsistence allowance and taking the educational course, if he is working some place during part or full time and he has to work to maintain his family if he has one, and if he doesn't have a family \$50 a month is not sufficient to maintain him, and if he does work that amount is deducted.

That tuition charges and fees paid for identical educational courses for World War II veterans under provisions of Public Law 16 and Public Law 346, Seventy-eighth Congress, be equalized.

You will recall yesterday a suggestion of the Veterans' Administration was to equalize it by bringing it down to the lowest amount paid to the individual.

In one instance the man would get \$50, and \$50 would make \$100, and under the other he would get \$50 and \$44.60 which would bring it to \$94.60, and they suggested equalizing it by bringing it down.

Senator MILLIKIN. What is that advisement and counseling service?

Colonel TAYLOR. I can explain it, but Mr. T. O. Kraabel could do much better, as he is handling these things.

Mr. KRAABEL. Mr. Chairman and Senators, under the original act there is a contract arrangement by the Veterans' Administration with the educational institutions and there the disabled man is consulted and advised on training objectives, and really is a ward of the Veterans' Administration under its auspices in order to determine what he shall have as course or training objective.

They are expanding these units in Government educational institutions.

Under Public Law 346, the man is a free agent to select his course and his training institution. However, there are some of the boys

who, after they have returned home, have talked it over with their families or with a service officer of the Veterans' Administration who are still puzzled as to what course to follow.

We feel then that in worthy cases like that, after he has tested his own judgment and that of the service officer and the available school teachers in his locality, he should be certified to the Veterans' Administration and permitted to go to the nearest advisement and counseling service and be advised on this.

He is home and has spent probably most of his mustering-out pay to get reoutfitted, and probably hasn't anything with which to make this trip.

In my State of North Dakota, he would probably go 200 miles.

I think it is the purpose of the act that Uncle Sam take the boy to the school and get his training objective and get him started, and we are asking that that be included in whatever this committee might decide for title II of Public Law 346.

We ask that Public Law 346 be expanded to permit him to have it if he needs it.

Colonel TAYLOR. We have been advocating that the age limit of 25 years be taken from the act and the Veterans' Administration are in accord with us.

Also we find constant complaint, as you gentlemen yourselves here find from your own States, about the State institution charging the nonresident fee to a veteran resident of the State, charging it against the soldier, whereas the local boy living across the street at home, in some instances gets it for nothing and certainly gets it for a smaller fee.

Of course, we are against that, and we could not understand, and I cannot understand at this time the argument advanced by the Veterans' Administration as to why States should be reimbursed. I think the records will show that practically every State during the war years, with the tremendous war industries in the States, and the tremendous assistance the Government has given the States on various projects, are well off financially, and why the Government itself should be saddled with this educational load is beyond me.

The General said yesterday it was to sort of get over a hump during the next sophomore and junior year, when there would be a great many veterans seeking these educational advantages, and the instance was presented of the State of Oklahoma where the attorney general has ruled that the State won't even accept the \$50 that the Veterans' Administration has offered to pay for the student.

As a matter of fact, I think the record will show that the State of Oklahoma has reached the point where it cannot take any students, either veterans or nonveterans, because they are filled to capacity.

But there is no reason I can see why, of two students, one a veteran and one a nonveteran, the veteran should be charged the out-of-State fee for his education.

And it was pointed out it would be charged under section 1505 as against any compensation act this Congress might pass in the future.

Whether Congress passes a compensation act is out of the question, but section 1505 was read to the committee yesterday and at this time any benefits the veteran gets out of this act will be charged against any future adjusted compensation.

Mr. Chairman and gentlemen of the committee, we are asking for the repeal of section 1505. I don't believe the Congress which has been studying about the returning veteran, here in 1944 and 1945, contemplates taking away from the veteran because of some benefit that the Congress might give him now, anything that the Congress might decide on in the future.

As a matter of fact, if there were an adjusted compensation bill passed tomorrow, I think that would be taken out anyway, but that does deter men from going to schools and colleges.

Senator JOHNSON. You recall the observation of Senator Connally yesterday, that when and if we pass an adjusted pay bill, the terms would be written into that bill?

Colonel TAYLOR. No question about that. And that brings me to title III.

On September 17 and 18 we called here to Washington 32 of the leading bankers of the country and home-loan-insurance men, and savings and building men, and home-loan building men, the best brains of the country. We took H. R. 3749, the Rankin bill, and laid it beside Public Law 346 for those gentlemen to decide on, those who are charged with the functioning of this legislation and who are the ones who have been complaining about the administrative difficulties that exist in the law, and we asked them to make such suggestions as in their opinion would make the functioning of this act more simple.

They prepared, and we accepted from them, their recommendations.

I gave a copy of the legislative recommendations which I ask to be inserted in the record, to General Bradley, Director of the Veterans' Administration, and I am glad to say the recommendations we made at that time were put into the record today by Mr. Collins.

There were a couple of changes.

The Rankin bill extended the period of application to 6 years, while the Veterans' Administration recommended 10 years. The Legion suggests 10 years.

The Legion recommended payment of 4 percent on the amount originally guaranteed at the time of closing. The Veterans' Administration adopted that suggestion.

The Legion recommendation provided for a certificate of eligibility to be furnished upon request by the Veterans' Administrator to veterans. Nothing was said about that feature. That is one of the things that causes the greatest difficulty.

The soldier, in going to the lender and applying for a loan, and then asking for a guaranty through the Veterans' Administration, submits his discharge certificate, and then the lender must ask for a certificate of eligibility, and that goes to the Veterans' Administration and from there to New York, where they look the matter up, and that takes 8 or 10 or 12 weeks before it gets back to the lender.

That is one of the things we thought should be corrected. We think that the veteran really could be given this certificate of eligibility upon discharge from the Army.

The suggestion has been made that it be stamped on his discharge certificate. I don't think veterans want anything like that stamped on their certificate. They look with a great deal of pride, I think, on their discharge certificate, and their thought is as to who is going to get that certificate sometime in the future, and the veteran does not

want it to appear on the discharge certificate that he has been borrowing money or doing anything else.

There should be some way in which the veteran could get a certificate of eligibility which could be used for that stamping purpose, in the same way, the idea being that the Government or lender should be protected against anybody going around and getting three or four loans or guaranties.

So we advocated that administratively the veteran be given a certificate of eligibility which could be used for applying for a guaranty.

The Veterans' Administration, as I say, recommended nothing on that.

The Legion recommended no advance approval of loans by the Administrator or of loans by supervised institutions or other lending institutions approved by the Administrator. Well, that is the thing that is in the Rankin bill. The Rankin bill says that the lender shall make the appraisal; that the lender shall decide the value; and then, in the Rankin bill it states very definitely that this bill itself, when enacted by both Houses, shall constitute the guaranty, and that is certainly the subject for careful consideration. We have nothing to say about that. We think the Senate and the House getting together can decide where the appraisal shall be made by a duly authorized appraiser from a list of appraisers, and that the Veterans' Administration should decide, in the final analysis, whether they shall execute the guaranty.

The Legion recommended that national banks and Federal savings and loan associations, and financial institutions in the District of Columbia, be authorized to make practically all loans to be guaranteed by the Administrator.

The Veterans' Administration adopts this proposal.

The Legion recommends that veterans be protected and that the purchase price not exceed the "reasonable normal value." The Veterans' Administration recommends that the loan not exceed the reasonable normal value and the veteran be permitted to pay an additional 10 percent.

The Legion recommends unsecured business loans as well as some broadening of purposes in connection with business loans. The Veterans' Administration recommendations adopt that suggestion.

The Rankin bill omits present section 505. Veterans' Administration recommendations provide continuation of section 505. We urge the reinstatement of 505, so we have reached the point with the Veterans' Administration where we are in thorough accord; they have adopted our recommendations, and we believe that this will greatly facilitate and speed up the making of these loans.

Under title VI, it will be noted that section 602 provides that where deemed necessary by the Veterans' Placement Service Board of the United States Employment Service, there shall be assigned by the administrative head of the Employment Service in the State one or more employees "preferably veterans" on the staffs of local employment service offices, whose services shall be primarily devoted to discharging the duties prescribed for the veterans' employment representative. It is our thought that such employees dealing with the employment of veterans should be "war veterans." Therefore, we

recomend that the phrase "preferably veterans" be stricken from section 602 and there be inserted in lieu thereof the phrase "who shall be war veterans."

I only touched on these things lightly because I have here today, and I am putting it in the record, the names of the advisers and counselors we had here from the lending agencies. You have the list of names, and I hope, Mr. Chairman, and gentlemen of the committee, you will call upon them to explain just what these paragraphs and sections mean.

(The list referred to is as follows:)

- Allen, W. B., Continental Illinois National Bank, Chicago, Ill.
 Anderson, H. Loy, Mortgage Bankers Association of America, 812 Tower Building, Washington, D. C.
 Auer, Edward D., Lincoln National Life Insurance Co., Fort Wayne, Ind.
 Birdsall, Guy H., Associate Solicitor, Veterans' Administration.
 Bodfish, Morton, executive vice president, United States Savings and Loan Leagus, Chicago, Ill.
 Braman, Harold P., National Savings and Loan League, 1835 K Street NW., Washington, D. C.
 Brott, J. O., 719 Fifteenth Street NW., Washington, D. C. (American Bankers Association).
 Brown, A. G., American Bankers Association, 22 East Fortieth Street, New York City.
 Davies, Phil S., the San Francisco Bank, 526 California Street, San Francisco, Calif.
 Eason, George M., National Savings and Loan League, 735 South Olive Street, Los Angeles, Calif.
 Ferguson, Abner, United States Savings and Loan League, Washington, D. C.
 Fisher, Ernest M., American Bankers Association, 22 East Fortieth Street, New York, N. Y.
 Gunderson, Carrol, American Bankers Association, 105 West Adams Street. Chicago, Ill.
 Hall, William B., the Detroit Bank, 46 State Street, Detroit, Mich.
 Harrell, L. P., the Morris Plan Bank, 700 Fourteenth Street NW., Washington, D. C.
 Hogg, Robert L., American Life Convention, 230 North Michigan Avenue, Chicago, Ill.
 Hudgens, R. W., Farm Security Administration, Washington, D. C.
 Kacy, Howard W., 51 Louisiana Avenue, Washington, D. C., Acacia Mutual Life Insurance Co.
 Kerr, Robert D., First National Bank, St. Louis, Mo.
 McCarthy, M. F., National Association Mutual Savings Banks, 110 East Forty-second Street, New York, N. Y.
 McGill, John M., Equitable Life Insurance Co. of Iowa, Des Moines, Iowa.
 Mattison, E. A., executive vice president, Bank of America, 300 Montgomery Street, San Francisco, Calif.
 Morrison, Frank, First Federal Savings & Loan Association, 610 Thirteenth Street NW., Washington, D. C.
 Odom, E. E., Solicitor, Veterans' Administration.
 Picard, Ralph, Farm Security Adminlstration, Washington, D. C.
 Russell, Horace, United States Savings & Loan League, 221 North La Salle Street, Chicago, Ill.
 Satterfield, Dave E., Jr., Life Insurance Association of America, 165 Broadway, New York, N. Y.
 Stonier, Harold, general counsel, American Bankers Association, 22 East Fortieth Street, New York, N. Y.
 Stout, Richard H., Morris Plan Bankers Association, 1025 Connecticut Avenue NW., Washington D. C.
 Travers, James M., West Baltimore Building Association, St. Paul at North, Baltimore, Md.
 Walker, Oliver M., Walker & Dunlop, 1200 Fifteenth Street NW., Washington, D. C.
 Walton, George E., Metropolitan Life Insurance Co., No. 1 Madison Avenue, New York, N. Y.

LEGION REPRESENTATIVES

- Atherton, Warren H., past national commander, 520 First National Building, Stockton, Calif.
- Emery, John, past national commander and representing National Real Estate Boards, Grand Rapids, Mich.
- Hill, Dana C., 1608 K Street NW., Washington, D. C.
- Lavers, Ralph, director, national employment committee, 1608 K Street NW., Washington, D. C.
- Kelley, Charles Q., Farm Security Administration, Little Rock, Ark.
- Kraabel, T. O., director, national rehabilitation committee, 1608 K. Street NW., Washington, D. C.
- Nowak, Edward, vocational training and educational representative, 1608 K Street NW., Washington, D. C.
- Sullivan, Francis M., assistant director, national legislative committee, 1608 K Street NW., Washington, D. C.
- Taylor, John Thomas, director, national legislative committee, 1608 K Street, Washington, D. C.
- Waldrip, W. B., national executive committeeman, the American Legion and the Detroit Bank, Detroit, Mich.
- Warner, Milo J., past national commander, the American Legion, Nicholas Building, Toledo, Ohio.
- Welsh, A. D., Missouri Bankers Association, and past department commander, the American Legion, 1535 South Eighth Street, St. Louis, Mo.

Senator JOHNSON. Are there any questions?

(No response.)

Colonel TAYLOR. Thank you very much, Mr. Chairman.

Senator JOHNSON. Mr. T. O. Kraabel, have you a statement to make now?

STATEMENT OF T. O. KRAABEL, DIRECTOR, NATIONAL REHABILITATION COMMITTEE, AMERICAN LEGION

Mr. KRAABEL. The statement has been pretty well covered by the legislative director, Mr. Chairman.

I might comment briefly on title II.

We feel rather strongly about the matter of men who are intent upon getting a short-term or specialist course complete in itself, and that the normal charge covering that course not to exceed \$500 should be payable and not be prorated, as was explained yesterday.

The Veterans' Administration agrees with that.

We also see the point that where one specialist course takes a tuition within the \$500 limitation, that should also operate against the total credit of time that the man may have earned for his educational course so it will equalize out at the end of 4 years.

I have already explained about the advisement and consulting service.

And then there is the matter of these men who have jobs.

We have several World War II boys on our staff. They are training on the job in service work, but they would also like to take courses preparing themselves in law, or whatever course they might select. In doing so we feel that the fact that they have a job supplementing the subsistence allowance should not operate to their disadvantage on the subsistence allowance.

We feel that Congress did not put the subsistence allowance in there as a needs clause, but they really did name it for subsistence. We feel the veteran should receive that because they are put to additional

expense in taking that course after their work hours. To reverse it, the man is taking a full course, and finds a part-time job to supplement the family income.

There is a statement in the law that anyone who may choose may take a course without the subsistence allowance. That has been interpreted to mean that the sense of Congress was there should not be subsistence allowance where there is full-time work not connected with the training objective or the course being pursued.

But we have complaints from these boys that they feel they should, as free agents, be permitted to supplement subsistence allowance by work when they can get it, whether connected with their course or not.

There is also the proposition in some schools where students, under Public Law 16, the disabled veterans training rehabilitation courses, are taking courses of education for which the Government pays the school a certain fixed sum under contract and, in some classes there will be a man under title II of Public Law 346, for whose course the Government is paying a different amount to the same school for identically the same course.

The complaints from our people in the field are that that is confusing and not understandable to these boys. They are all looking to section 1505, and they feel that if under 346 more is being paid than would be paid under contract under Public Law 16, they will have charged back more than the original cost, so we ask that that be equalized.

There was a proposal yesterday by the Veterans' Administration which may go to this point, whereby they will go under contract to the schools under Public Law 346 as well as Public Law 16.

Senator LUCAS. Under what theory does the discrepancy arise between the two?

Mr. KRAABEL. I think historically, Senator, Public Law 16 of March 1943, was enacted by Congress first, the disabled coming first, as they should, and it took the pattern of the law—not entirely, but the substance—which was followed after the last war.

These disabled men have service-connected disabilities for which a pension is paid, there is vocational handicap, and training is necessary to overcome that handicap.

To accomplish the full purpose of the law, the Veterans' Administration virtually has the man as its ward until training is accomplished. And it has contracts with different schools and is not limited in the charges which the schools make for special or regular courses.

Then, under our theory of the Servicemen's Readjustment Act, where the man is a free agent to select his school in whatever State it might be, there the ordinary tuition charge would be payable unless that school could show the Administrator that educating a big group of World War II veterans would entail additional expense. That was developed yesterday by the Administrator and his colleagues.

The result is in many places they have for the same identical courses, two different fees paid by Uncle Sam to that school. We believe that should be done away with.

Senator JOHNSON. We thank you, Mr. Kraabel.

Have you any other witnesses?

Colonel TAYLOR. No; but I suggest since Mr. Bodfish is here representing the building and loan people and he sat in on the writing of the recommendations we submitted, some time today it might be well to hear from him.

Senator JOHNSON. Thank you, Colonel Taylor. We will call on him.

Now, we will have Dr. Francis J. Brown, of the American Council of Education.

Will you proceed in your own way, Dr. Brown?

STATEMENT OF FRANCIS J. BROWN, AMERICAN COUNCIL ON EDUCATION, WASHINGTON, D. C.

Mr. BROWN. Mr. Chairman and members of the committee, I am glad for this opportunity to meet with this subcommittee of the Senate Finance Committee to discuss the proposed amendments to one of the most vital pieces of legislation passed by the Seventy-eighth Congress.

In presenting this statement, I am speaking officially for the council's committee on the relationship of higher education to the Federal Government and on behalf of Guy E. Snavely, executive director, Association of American Colleges.

The recommendations have been discussed unofficially with the presidents of the National Association of State Universities and of the Association of Land-Grant Colleges. These three organizations, together with the council, represent the bulk of the major organizations in the field of higher education.

The council's membership represents 111 national associations in the field of education and 728 institutions of higher education, school systems and educational departments in industry. It is a nonprofit organization founded in 1918 as a means through which to establish liaison between education and the agencies of Government, especially the Departments of War and Navy.

We have had close relations with all organizations within Government and have rendered many services to those organizations.

The members of the committee on the relationships of higher education to the Federal Government are:

O. C. Carmichael, chairman, chancellor, Vanderbilt University, Nashville, Tenn.

Chancellor H. W. Chase, New York University, New York, N. Y.

President James B. Conant, Harvard University, Cambridge, Mass.

President Herman B. Wells, Indiana University, Bloomington, Ind.

President Carter Davidson, Knox College, Galesburg, Ill.

Edward V. Stanford, rector, Augustinian College, Washington, D. C.

President Raymond Walters, University of Cincinnati, Cincinnati, Ohio, and

George F. Zook, ex officio, president, American Council on Education.

The American Council on Education has from the beginning, and continuously, been interested in the problem of the educational readjustments of the veteran. The members of the council's staff served on the Postwar Conference and on the Armed Forces Committee on Postwar Educational Opportunities for Service Personnel.

In October 1943, almost a year before Public Law 346 was passed, the council submitted a series of questions to the presidents of colleges and universities to procure their judgment in regard to the postwar education of veterans.

In the council's bulletin, Higher Education and National Defense No. 60 (published November 30, 1943), there was presented a proposed plan for the education of veterans, definitely setting the pattern, much of which later was incorporated in the legislation. In March 1944 the council called together representatives of 21 national organizations representing all levels and types of education.

This group spent a total of 11 days during the intervening months, studying the proposed bills and making specific recommendations.

Individual members of the group met with congressional committees throughout hearings on the proposed bills which eventually were merged into Public Law 346. The council made representation to the House Committee on World War Veterans' Legislation while pending amendments were being considered and prior to the passage of H. R. 3749 by the House. A member of the council's staff discussed this legislation with the chairman of the Finance Committee of the Senate and the chairman of the subcommittee on veterans' legislation.

As a result of these and other conferences, two studies of the operations of Public Law 346 during this past year have been made. One of 100 colleges and universities; the other of the administration of Public Law 346 on the State level.

In cooperation with the National Education Association and the American Vocational Association comparable studies have been made by these organizations of the operation of Public Law 346 through public-school systems and vocational schools.

The Congress is to be commended on the far-reaching values of its legislation pertaining to the education of veterans. A recent magazine article stated that the GI is rejecting education. This is not true. Colleges and universities report that already this fall the number of veterans in their institutions is three times that of last June, and the number of those discharged without disability has only now become significant. Public-school systems report an unprecedented number of applications from veterans seeking many types of education of less than college level.

A recent study of men at the separation center indicates that 7 percent plan to take advantage of the educational benefits made possible by the Congress and indications definitely point to the fact that even this percentage is conservative. One man hazards a guess that the number will be in excess of a million.

The Congress is to be commended especially in passing legislation which is based upon the principle that the readjustment of the veteran is a national responsibility and that the cost of his education and training is to be borne by the Federal Government.

States and institutions are gladly sharing by providing physical facilities, counseling, the maintaining of records and reports and in other ways not directly related to providing education and training.

This acceptance of the responsibility on the part of the Federal Government to provide fair and reasonable compensation to the institution for the training and education of veterans and the institution's acceptance of responsibility to provide physical facilities has made

possible the development of an educational program which will meet the needs of the increasing number of veterans and will be of vital significance to the welfare of the Nation.

The following specific recommendations regarding the Senate Print of H. R. 3749 are the outgrowth of the factual studies previously referred to and, as will be presented in later testimonies before this committee, are agreed upon in principle by the National Education Association, the National Catholic Education Association, the American Vocational Association, and representatives of the major organizations in the field of higher education.

Following are the specific recommendations dealing with title II, Education for Veterans:

1. Elimination of age qualifications for benefits in excess of 1 year.

Page 12, line 16, beginning "*and provided further*" and closing with the end of line 19 should be taken out of the bill.

Approximately 50 percent of the men inducted into the armed forces were over 25 years of age. It is impossible to determine the number of veterans of this older-age group who wish to return to school and college and are barred from doing so by this provision.

The fact that this clause is in the act, however, has a negative effect upon some who would otherwise go.

In this recommendation we agree with the statement of the American Legion that has just been presented and we are confident that it is not the purpose of the Congress to bar even one veteran who wishes to continue his education.

Senator LUCAS. Is that also the view of the Veterans' Administration?

Mr. BROWN. It is. We have discussed it with them several times.

2. Payment of \$500 for periods of less than ordinary school year.

In this, we are taking the opposite position of the testimony just presented to you.

We recommend that lines 11 to 20, section 3 B, page 14, be stricken out. The addition of this paragraph makes a very significant change from the original act and one strenuously opposed by the council's committee and those for whom I am speaking.

Senator JOHNSON. When you talk about striking lines, what bill are you talking about?

Mr. BROWN. Senate print of H. R. 3749.

Senator JOHNSON. That is what I presumed. Go ahead.

Mr. BROWN. It is recognized that there may be instances and some I am sure may be presented to you later during these hearings in which reputable institutions may feel they could justifiably charge at the rate of more than \$500 for an ordinary school year but it is our judgment that when such charges are necessary the institutions should bear such additional cost.

Or, if it is the will of the Congress that payment should be made in excess of \$500 for an ordinary school year to an institution, then such increase should be made by stepping up the total payment per year in the instance, for example, of a medical school for which the average cost of instruction is approximately \$2,000 per year.

It is our considered judgment that no increase in the basic payment is necessary and that with few exceptions, primarily of institutions operating for profit, the payment of \$500 for a school year is adequate.

In a sense, this problem is not primarily one of colleges and universities. Approximately 60 percent of the veterans have not completed a high school education.

This means that the bulk of pressure for the payment of fees of \$500 for periods of less than 30 weeks will come, has come in fact, from educational institutions at the subcollegiate level operating for profit. It is impossible to supervise adequately or even to approve such institutions.

This will be especially true if the profit motive is permitted to loom large and if the approval of such payment is left, as it is in this provision of the bill, in the hands of the Veterans' Administration.

Replies to the questionnaire previously referred to show that of those responsible for the administration of Public Law 346 on the State level only 3 of the 40 States replying believed that there were instances in which the \$500 for an ordinary school year would be inadequate; even these statements are qualified by "in a few instances."

The States were also asked to indicate whether they would be able to inspect adequately such schools for approval and to provide continuous supervision. Only five believed that such supervision would be possible in their States. There was complete unanimity in their opposition to the section of this paragraph leaving the decision as to the amount of payment to the Administrator of Veterans' Affairs.

They were also unanimous in their opposition to the section which would penalize the veteran and benefit the institution—the institution naturally gets the money and the man loses the time.

This whole attitude toward this particular paragraph of the bill is based not on judgment but on experience and is forcefully stated by Dr. Alonzo G. Grace, commissioner of education of the State of Connecticut:

We have sufficient evidence now that schools operating for profit, and sometimes with little interest in the veteran, would gladly accept this change in procedure. This would make possible the development of short courses by an institution which was licensed and approved to do a specific job. For example, a school of radio which is perfectly legitimate could break the legitimate course down to a series of refresher courses and charge substantial sums for the service.

The same danger is expressed by Dr. Clyde Erwin, state supervisor of public instruction of the State of North Carolina:

I am convinced that those changes are not in the interests of the veteran or the general public good. We have already had sufficient experience to know they are intended to serve the interest of a few selfish individuals bent upon getting rich at the expense of the veterans and the Federal Government.

Senator LUCAS. What have these fellows been doing heretofore?

Mr. BROWN. What do you mean?

Senator LUCAS. This group you are now complaining against. How have they been maintaining themselves up to the present time?

Mr. BROWN. For the most part the programs have not to any considerable degree gotten under way.

The payment the Veterans' Administration makes at the present time is the fraction per week based on the length of the institution's ordinary school year.

If the ordinary school year is 30 weeks and the short course is 10 weeks, the Veterans' Administration has paid ten-thirtieths, or one-third of \$500.

Senator LUCAS. The point I am making is that most of the short-term institutions are now in existence or you would not be here complaining against them. Is that true?

Mr. BROWN. That is true.

Senator LUCAS. These fellows say here that these people are going to get rich at the expense of the veterans. I would like to know how they have made a living up to this time.

Mr. BROWN. They have charged fees in excess of costs for nonveterans, at a profit. This would make it mandatory upon the Federal Government to pay them comparable fees at a profit, and the attitude of the groups I represent is that it is not the responsibility of the Federal Government in the instance of a veteran or any group, to pay beyond the cost.

Senator LUCAS. Neither is it to the interest of the group you represent. Isn't that true?

Mr. BROWN. That is true.

Senator LUCAS. In other words, while you are saying that it is to protect the veteran and keep the smaller institutions from getting rich at the expense of the veteran, at the same time you are protecting your own institutions as well?

Mr. BROWN. Protecting them in this way: There are undoubtedly instances in which some of the professional schools might—and legitimately, as they would see it—charge more than the fractional ratio which amounts to \$14 or \$16 per week.

Senator LUCAS. But isn't there a feeling without this type of legislation, a distinct feeling, between the type of school that you represent and the so-called short-term or correspondence course? Isn't there a dividing line between the two, and isn't there a definite division as to the two types of schools? In other words, your people do not believe in this type of school, do you?

Mr. BROWN. I wouldn't say that at all, sir. We recognize very definitely that the commercial schools operating for profit have a real place in the total educational system.

I suppose if one counts all types from barber schools to secretarial schools—

Senator LUCAS. Then why shouldn't the veteran have that opportunity if we want to give it to him?

Mr. BROWN. We would not deprive him of that opportunity, but we would say two things: (1) That the Federal Government has no obligation to pay that institution funds sufficient to pay a profit. It is entirely legitimate to pay the approximate cost of actual instruction, but we say that while we recognize that, perhaps a medical school which wants to offer a 6-week refresher course for doctors who will want to go back after service in the Army, will actually have to pay more than \$16, that additional cost should be borne by the institution, and (2), expressing the judgment of those for whom I speak, we say that the interests of the veteran are endangered less by making it impossible for such institutions to collect such additional sums, than it is by making it possible for all institutions to charge higher fees.

Senator LUCAS. In other words, you would not give the veteran as much to attend the shorter courses as you would to attend the longer course?

Mr. BROWN. Proportionately the same.

Senator LUCAS. If he is going to spend 9 months on a \$500 course and 2 months on some other course, you would apportion that according to the period he spends at school?

Mr. BROWN. Yes, sir.

Senator LUCAS. Regardless of the type or the kind of school he is attending?

Mr. BROWN. Yes; because of the danger of once stepping over. As I pointed out in my formal statement, the difficulty is first approving the school, and, second, providing adequate supervision to protect the veteran.

Senator LUCAS. You are protecting the veteran, but you are protecting yourself, too, aren't you?

Mr. BROWN. I don't see what you mean.

Senator LUCAS. Assume a veteran who gets \$500 wants to go to school for 6 weeks if he can only get one-quarter of that he may not go to the 6-week school but may take the \$500 and go to a school for 8 or 9 months.

Mr. BROWN. Not if he wanted the particular kind of specialist training implied in these refresher courses, and these various schools are setting these courses up.

Senator LUCAS. But a lot of veterans will come back and think they can get an education for \$500 in 6 weeks' time, and they will take that refresher course but they may want to get the \$500 and extend it over 8 months instead of taking the \$200.

I don't want to put words in your mouth—I may be wrong about that.

Mr. BROWN. We would say the institutions ought to make up the difference so that the actual charge to the Veterans' Administration will be the same.

In the instance of the tax-supported or tax-free institutions that difference is made up.

In the interest of the commercial ones, it would be made up by decreasing the amount of profit to the institution.

Senator MILLIKIN. Supposing a man wants to go to a barber school; what type of school is available to him?

He can't go to an institution of higher education, can he?

Mr. BROWN. No. That is why I said so forcefully at the beginning that these schools have a real place in American education.

Senator MILLIKIN. How can they exist without a profit?

Mr. BROWN. They can and have existed on the basis of profit where the individual pays his own fees. That is the whole principle on which it operates.

In this instance, I think the principle is: Shall the Government be a party to the profit of the institution.

Senator MILLIKIN. How else can the veteran get that education?

Mr. BROWN. By a shared responsibility in which the institution offers a special rate to veterans.

Senator MILLIKIN. You don't want to take away all profit? You just want to take away some of it?

Mr. BROWN. Enough so that it stays within that amount that was fixed by Congress, \$500 for the ordinary school year.

Senator MILLIKIN. You would not oppose a fair profit to that type of institution, would you?

Mr. BROWN. Provided it could come without opening it up to the type of commercialism that would be inevitable without setting some definitely fixed maximum.

Senator MILLIKIN. Let's set a maximum but you are opposing the profit motive for that type of institution. If a man wants to go to a barber's school he has to find a barber's school. If the only barber's school is one operating on a profit, how can we help the veteran who wants to be a barber by telling the school it can't operate for a profit?

Mr. BROWN. There is a point in instance of that, sir.

There are instances where there might be a reasonable demand for a type of school that cannot be adequately supervised.

Our feeling is that this is a shared obligation, and if the barber's school seeks to serve veterans, there is then the feasibility of their reducing profits to the point where they can come within the range of a generous allotment, \$500, for an ordinary school year.

Senator MILLIKIN. Then your object does not go to the amount, but it goes against the exorbitant profit by that type of institution; is that right?

Mr. BROWN. I would say that is true.

Senator LUCAS. Assume they do make exorbitant profits. How does that affect the institutions which you represent here?

Mr. BROWN. The institutions that are tax free, members of the council and other organizations to which I referred, are making no profit. In the instance of these special courses in medicine they are operating constantly by a drain upon endowment and other sources.

Senator LUCAS. That is true at the present time. How will this affect vitally the institutions of learning that you represent, assuming that the school for barbers does make a profit?

Mr. BROWN. I wouldn't think so, because the opportunity for education must be varied as the interests of the veterans, and there certainly is a place for all institutions.

Senator LUCAS. Then your objection cannot be to the institution?

Mr. BROWN. Our objection is that if the profit motive is permitted to come into the picture, by leaving it entirely fluid to the national organization to determine the amount of payment without providing the opportunities for supervision in continuous operation, then there is danger to the veteran in not establishing a definite maximum.

That is our whole point.

If there were machinery for adequate supervision, if everyone could be trusted not to profit unduly upon the veteran and the Government, certainly our objection would be withdrawn.

Senator LUCAS. Of course, you have to look to that all through this legislation. It applies to almost every phase of legislation where the veteran is obtaining money. You have to look for the honest man to deal with.

Senator JOHNSON. Mr. Brown, are you afraid that there will be a basis for violent competition on the part of educational institutions to give short courses—is that the basis of your fear—instead of the orthodox long courses that we will have an epidemic of short courses which will be made attractive to the veteran and he will be induced to try the short course rather than the long course?

Mr. BROWN. I think it is a case of both, that there will be all the veterans the institutions can accommodate, and the facilities will not be adequate.

They are interested from the point of view of exploitation at the expense of the veteran, and there is danger that some of the reputable institutions might not share the cost of the education of the veteran—

Senator JOHNSON. Assuming the tuition fee remains the same, trade-school training, would you then object to the same fee for the veteran as for the civilian?

Mr. BROWN. Yes; if by your question you mean an institution that charges \$500 for 6 weeks, and would collect that from veterans.

Senator JOHNSON. I assume the institutions will not take advantage of the veteran. I take it the tuition will remain the same in the trade schools.

If that is so, and it takes \$200 or \$300 or \$500 will you still object then?

Mr. BROWN. If, in excess of the ratio.

Senator JOHNSON. I am asking if the trade school tuition fee remains the same for the veteran as it has been in the past for the civilian, notwithstanding the \$500, do you still object?

Mr. BROWN. Yes.

Senator JOHNSON. On what grounds?

Mr. BROWN. On the grounds that the institutions operating for profit are charging the same fee for the veteran as for the nonveteran, makes the Government a party in the profit making, without possibility of supervision to make sure the veteran gets value received.

Senator JOHNSON. What have we got to do with the fellows who want to go to the trade schools and the tuition in peacetime to come remains the same as for the civilian in peacetime in the past?

Mr. BROWN. My guess would be that these institutions would adjust their fees in the interest of the veteran, rather than bar the veteran because he did not pay the full fee.

Senator MILLIKIN. Mr. Chairman, it seems to me you were going into an angle I would like to get a little more satisfactory answer on.

Isn't it a fact that among educators they feel if you have a lot of highly advertised short courses that will subtract from those who might otherwise go to their own institutions? Hasn't there been discussion like that?

Mr. BROWN. That was not true at all in the committee of college presidents, whose names I read, nor in any one of a dozen conferences I have attended in the past few months, nor in the groups of State college presidents, and I presume I have had the opportunity of discussing this with at least 10 State groups. Their problem is how to get adequate facilities.

Senator MILLIKIN. Will you explain this problem of shared costs a little more?

Mr. BROWN. Yes; let me use an illustration.

In the provisions of medical education—one could generalize in the whole field of education—there are very few institutions that charge the full cost of instruction. Statistically, you would find that the average tuition paid in the United States meets approximately 60 percent of the total cost of instruction.

In other words, the boy pays 60 percent and the institution pays 40.

Senator BUTLER. But who pays the institution? The institution could not exist if somebody didn't make up that difference.

Mr. BROWN. That is made up through a number of sources and, in the case of the tax supported institution through acts of legislature, and for most of the private ones, part is made up from endowment and gifts.

Senator BUTLER. Then I interpret your answer to mean that you would make rules or regulations that would almost require a returned veteran to attend an institution kept alive by tax money or endowment instead of paying for what he wanted at the rate the institution would charge others for the course.

Somebody has to pay the freight.

If the trade school is not an endowed institution you would be denying the veteran the privilege of going to the short-course school.

Mr. BROWN. We would rather take the risk of barring the veteran from those types of schools that cannot offer their courses within that range which the Congress has set of \$500 for an ordinary school year than open up the opportunity of exorbitant charges to all kinds of institutions recognizing that it is almost impossible to give supervision continuously to these institutions.

Senator BUTLER. There is a State institution of some kind in each State that passes on the eligibility of these schools that give the course—

Mr. BROWN. On the school itself; yes. But in the study I have already referred to, it was very definite that while one may be critical, perhaps, only a few of the States have been able to set up an adequate staff to provide adequate supervision and inspection.

In these replies that have come to me, 40 out of the 48, not more than a dozen say they could adequately inspect prior to approval and supervise these schools. Actually, but seven suggest that they could supervise this type of institution.

Senator MILLIKIN. That is, under the existing type of organization?

Mr. BROWN. Yes.

Senator MILLIKIN. And presumably they would expand to meet the load?

Mr. BROWN. One might assume so.

Senator LUCAS. Assuming a private school that carries on a 6-week to 2-month course does make a profit, the question is: Is it better for the veteran who comes back with a limited amount of education, who will make a good mechanic or a good barber, or something he can readily do under this limited course, to attend that school, or do you insist on his spending \$500 in an institution you are representing here whereby when he finished that first year he would probably be through for good?

Maybe he hasn't the background and the ability to carry on the kind of a course you are thinking about.

Is it better to eliminate the preliminary course where it can really do some good, rather than have him spend \$200 or \$300 or all of the \$500?

Mr. BROWN. As you have raised the question, certainly the answer is "No." and we would give an enthusiastic "No."

As I have indicated, 60 percent of these men have not completed high school, so this is primarily a problem of subcollegiate level.

We would say if the amount of the fee is left without a top, and that is what this provision of the act does, it is virtually impossible to

set up the machinery to give adequate supervision to be sure the veteran is getting value received.

Senator LUCAS. That will be a matter for the Veterans' Administration.

Senator MILLIKIN. Mr. Chairman, I would like to ask the witness how could that supervision be developed so it would be adequate?

Mr. BROWN. The proposal has been made by a number of individuals with whom I have discussed this, that the act ought to carry with it an amendment which would give to the State departments of education, or whatever agency was named by the Governor to approve these schools, funds of money so they could adequately set up this supervision.

We have not discussed that with you because we believe this is a State responsibility and the States, in some instances, have taken the problem seriously and in others they have not.

Senator MILLIKIN. You have two barrels to your gun; one, you object to exorbitant profits, and the other is that you fear under present conditions you can't exercise proper supervision?

Mr. BROWN. That is correct.

Senator JOHNSON. Go right ahead.

Mr. BROWN. Third, correspondence schools.

Our recommendation is that on page 15, line 14, you should strike out "or correspondence course" and the same throughout. I shall not follow it in detail.

The recommendation to strike out all reference to correspondence schools does not mean that veterans are barred from taking correspondence courses. Public Law 346 has been interpreted to include correspondence courses offered by institutions which also provide residence instruction. These institutions, almost 100 in number, are approved colleges and universities, State departments of education, and a few city school systems. More than 1,000 different kinds of courses at all levels are available to the veteran.

These institutions are approved by regional and national accrediting associations. Not one cent of payment for such courses goes for commissions, advertising, or profit, as would be true if commercial correspondence schools are included in the provisions of this bill.

The difficulty of approval and supervision of the more than 1,000 correspondence schools operating for profit is virtually impossible. Again referring to the study, only 7 of the 40 State representatives believe that correspondence schools should be included, and all but these same 7 state that it would be impossible to evaluate adequately such schools prior to approval or to maintain continuing supervision.

Senator LUCAS. Let me ask you a question right there. Who makes the determination with respect to the 1,000 different kinds of courses that are available to the veterans? Who makes that determination?

Mr. BROWN. They are courses that are provided by the institutions either publicly supported, or privately supported that have correspondence courses, state agencies of education, in which only two have such courses, and they themselves determine on the basis of the need the types of courses they will give. They vary a good deal as the needs vary.

Senator LUCAS. How many correspondence schools are there outside of these correspondence courses that have been approved by your group?

Mr. BROWN. That is a hard figure to get. I have tried to get fairly accurate information and I have estimated there are approximately 1,000 correspondence schools that operate for profit.

Senator LUCAS. Is there any supervision at all over these correspondence schools?

Mr. BROWN. None whatever. They have no relationship at all to the State agencies of education because they are in interstate commerce.

What the technical aspects of that are, I don't know. But that came out in several letters from the State superintendents.

Senator LUCAS. In other words, anybody can start up a correspondence school and carry it on regardless of merit?

Mr. BROWN. There must within the State be certain requirements for incorporation, just as in any other business, but in terms of educational value the answer is "Yes."

Senator JOHNSON. We have had that same thing here in Washington about some diploma mill?

Mr. BROWN. That is correct.

Senator JOHNSON. Didn't we regulate them in some way?

Mr. BROWN. Those were for the most part institutions——

Senator JOHNSON. They were giving degrees?

Mr. BROWN. Yes, and an institution to give a degree must have a charter from within the State for that degree.

But if your institution does not wish to be State-approved it can operate independently of the State organization.

Senator JOHNSON. I think they would be in grave danger of using the mails to defraud if they went contrary to the fraud laws of the Federal Government.

Mr. BROWN. Or without giving value received, which is a difficult thing to measure. The percentage of completions in the correspondence schools is very low.

Senator MILLIKIN. What is that?

Mr. BROWN. That has been estimated at from 4 to 7 percent.

Senator MILLIKIN. Isn't it true that through high-pressure advertising and solicitation, a man signs on the dotted line and in a moment of enthusiasm is caught for the down payment, is loaded up with a lot of books, he receives his first lesson and is still a little enthusiastic, and answers that, and pretty soon that fozzles out and the correspondence course has sold its books and gotten its down payment and it makes its money out of a turn-over of that kind?

Mr. BROWN. That is a very accurate description of what would happen.

Senator MILLIKIN. Is there any way that that could be supervised or regulated? There are some legitimate completions to the great benefit of the men who are taking them. Are there enough of them in the system to warrant our doing something about it, to give the veteran a chance to do something about it, and give the veteran a chance to go through the course?

Mr. BROWN. There are three possible alternatives.

One is the one proposed here, that the correspondence courses be limited only to accredited schools and to colleges.

A second possibility would be to make plans for payment to the correspondence school, not on the basis of textbooks received, but solely on the basis of the number of lessons completed, and, perhaps, that is implied in paragraph 12 of the act as you have it.

The third possibility would be that which was at one time in the initial discussions of H. R. 3119, which stated that no payment to a correspondence school should be made for commissions, advertising, or administration, as I recall. Of those three alternatives, which our group discussed, we believe that the interests of the veteran make it desirable to choose the first.

Senator LUCAS. It strikes me that maybe something should be done by the Federal Government to set up some regulatory body over these schools if they are as bad as you say they are.

Mr. BROWN. They vary. I don't mean to condemn all by condemning some.

Senator LUCAS. But now, your schools in the States have certain regulatory bodies over them, do they not?

Mr. BROWN. That is correct, sir.

Senator LUCAS. Why shouldn't the Federal Government have some supervision over a school that is there for the purpose of high finance, highly advertised for the purpose of making a profit only and not delivering the goods? In other words, it is more or less of a confidence game, if your conclusion is correct.

Mr. BROWN. I do not mean to too seriously condemn all commercial correspondence schools. One could be critical perhaps of some correspondence courses offered by institutions that also require residence, but you do lay your finger on the grave danger which is the inadequate requirement of supervision.

Senator LUCAS. If these correspondence schools are as bad as they are painted here, we certainly should be looking into them before we permit the veterans' money to be frittered away on a course that will amount to nothing and for which the Government is paying the bill.

Mr. BROWN. In a meeting they had in one of the Southern States, held at Nashville——

Senator LUCAS. I don't believe they are as bad as they are painted.

Mr. BROWN. And I could name by name some that have a fine reputation. But at this meeting in Nashville this group stated they did not believe the correspondence schools should be approved as training agencies, primarily because of the lack of supervision.

Senator MILLIKIN. Again, you come back to lack of supervision and the commercial feature.

Mr. BROWN. The same two basic points.

Senator JOHNSON. Go ahead.

Mr. BROWN. The fourth point to which we would direct your attention is in terms of maintenance, and on page 16, line 13, we suggest striking out "or dependents" and substituting for it the phrase "and \$10 additional per month for each dependent child." This in effect retains the subsistence payments as at present included in the bill with the addition of \$10 per month for each dependent child. In order to determine the cost of board and room in colleges and universities, the questionnaire to 100 institutions previously referred to requested data on living costs for single persons and married couples living on

the campus: single persons, married couples, and married couples with one dependent living off the campus.

A number of bills in Congress proposed various amounts, and we attempted to get factual data.

Average cost for board and room for single persons on the campus is \$46 per month, for those living off the campus it is \$66 per month. Since many veterans are housed off the campus, it is reasonable to allow a figure approximating off-campus costs. In regard to married couples the average cost is \$87 on the campus and \$112 per month off the campus.

While it might be possible to justify an even higher payment than \$85 per month for a married veteran, the fact that the majority of institutions also provide scholarships and work opportunities warrants the present figure of \$85.

Data indicate a considerable increase in living costs for married persons with one dependent. The average for the 100 institutions reporting is \$136 per month.

Remember that is off the campus.

Colleges and universities, however, are making every possible effort to provide apartments for veterans at costs very much lower than can be procured other than through the institution. In the light of this fact, the committee recommends only the additional payment of \$10 per dependent child. These recommendations in the light of the specific data again represent the considered judgment of the council's committee that the institution has a responsibility in sharing costs with the Federal Government and that the individual veteran has also a responsibility to provide for expenditures over and above board and room.

Senator MILLIKIN. Have you made any estimates as to the average number of dependents veterans who take these courses will have?

Mr. BROWN. We do not have that information, sir.

Now, this last comment would bear very directly on the previous testimony before the committee. Page 44, line 17, we would add:

Provided. That the amount of the difference between established fees and the payments made to the institutions for the training and education of the veteran shall not be charged against or deducted from such adjusted compensation.

As indicated earlier in this statement, Public Law 346 and the identical wording of H. R. 3749 is a recognition of the responsibility of the Federal Government to provide fair and reasonable compensation to educational institutions. It is also a recognition that provision for the cost of such training and education is a Federal obligation. Public-school systems, for the most part, charge no fees. Many publicly supported colleges and universities do not charge tuition but have small incidental fees.

As was pointed out by Mr. Taylor, a number of the institutions have put in State or out-of-State fees.

If the institution, public school, or college charges only its established fees, the bulk of the cost of the education of the veteran is shifted from the Federal Government to the State or municipality. If the institution, in conformity with the full intent of the act, receives payment from the Federal Government for veterans in excess of established fees charged the nonveteran, the bill as now worded actually shifts the payments from the Federal Government to the veteran him-

self, in case an adjusted-compensation act is later passed by the Congress. This fact has given credence to the assertion, on the part of certain groups, that institutions collecting a higher fee are discriminating against the veteran. It is apparent that the veteran himself is not personally concerned with this matter, as evidenced by the fact that many have transferred from relatively free institutions to those with relatively high fees. Despite this fact, the differential in payment has been used by certain groups to bring pressure upon public institutions to make no charge other than their established fees. The inclusion of the provision stated above would definitely transfer this differential in payment to the Federal Government, as was the intent of the Congress. It would eliminate further pressure upon institutions and the State to bear an undue share of veterans' education, as compared with the private institutions in the State which charge a higher tuition fee. The addition of the proposed provision would, therefore, be a very significant step in equalizing the educational opportunity for veterans.

In the study that I previously referred to, certainly the data would substantiate the statement by the American Legion of wide differential payments under Public Law 16 and Public Law 346, and while no action has been taken by the committee, and I am speaking wholly as an individual who has gone over the data, I am sure if it were presented to the committee they would have urged again uniformity of payment under these two acts for the same education.

It is our very earnest hope that these recommendations will be incorporated in the act as approved by this committee. The recommendations are based not on judgment but on the results of a study of 1 year's operation of Public Law 346. They are concurred in by the national associations in the field of education representing the great majority of education at all levels in the United States. They are presented solely in the interest of the veterans.

Senator JOHNSON. Thank you very much, Dr. Brown. Are there any questions?

(No response.)

Senator JOHNSON. Mr. Frank Haley, Military Order of the Purple Heart.

STATEMENT OF FRANK HALEY, REPRESENTING THE MILITARY ORDER OF THE PURPLE HEART

Mr. HALEY. Mr. Chairman, I have no prepared statement to submit to this committee. However, I appear on behalf of the Military Order of the Purple Heart, composed entirely of wounded veterans, men who shed their blood in combat with an enemy in all wars; to give the views of our organization relative to amendments to the GI bill, Public Law 346.

Our organization has always felt and advocated that the first should come first, and we believe that the men who faced the enemy on the battlefields or in the air or on the seas and suffered wounds at the hands of the enemy should come first and be considered first.

Our organization, following the presentation of the so-called GI bill, called its legislative committee together and gave some consideration to the bill as originally submitted.

I personally appeared before the Senate subcommittee of the Committee on Finance at hearings at that time. Our organization took the stand that we could not and did not support the GI bill in its original form as submitted, nor did we support it in its amended form as it was finally passed by both Houses of Congress and signed by the President, becoming Public Law 346.

Since that time our national executive committee of the Military Order of the Purple Heart has met on two occasions and again considered the GI bill and proposed amendments to this bill, and on each occasion the national executive committee of our organization has reached the same conclusion as we reached in refusing to support the GI bill at the time it was first introduced.

I would like to give to this committee some of the reasons why the Military Order of the Purple Heart has taken such an action.

We felt that this bill was entirely too broad, that it covered entirely too much territory, that it threw the gates open for everyone who had ever worn a uniform, every branch of the service, men or women.

The number may run to eighteen or twenty million before it is over with. No one at that time could foresee what the cost of such a piece of legislation may run into, and the question is today, if anyone, even after this war is over and the fighting has ceased, could foretell what the cost of this bill may eventually be to our Government.

Many of us old-timers who served in World War I and even in previous wars, as did I, who served in both the Spanish-American War and World War I, overseas in both and severely wounded in World War I, remember one morning in 1932 when we woke up and found what we considered Public Law No. 2 passed, the famous Economy Act, without the knowledge of any recognized veterans' organization, so far as I have been able to ascertain, and without any questions being asked.

And who got hit through that bill? The wounded and disabled veterans. They are the ones that got it, and they got it in the neck.

Now, we fear that there may be a repetition of such a law being passed.

When the fighting was still going on, certainly no one would have the audacity nor the nerve to come out and advocate anything but "give it to the veterans."

It was "give it to them; we will give them the world."

But there are agencies that have always been in existence since World War I, advocating economic action on the part of the United States Congress, and I fear, as do other members of our organization, that some day we will find a repetition of what happened in 1932.

I certainly hope that I am wrong in that assumption, but I think it is well worth considering, and I think that much care should be taken and due consideration given by all interested, and particularly so by the United States Congress and Senate.

Now, for that reason our organization never approved the GI bill, Public Law 346.

We have not been particularly interested in any amendments that have been submitted. We felt that this structure was so top-heavy that it would cave in the entire structure of its own weight.

I am inclined to believe that our prophecies along those lines have proven, at least to a certain extent, correct, in that we find that ever

since Public Law 346 was signed by the President and became a law it has been practically impossible to administer and operate the things provided for under the act.

Now, I think that is borne out by the fact that so many amendments have been proposed by the various veterans' organizations, by the Veterans' Administration, and by Congress, and, I believe, the Senate itself.

Now, I know I am going to be criticized by many of my friends in other veterans' organizations, and, incidentally, I am a member, and an active member, of all of them. But the feeling of the Military Order of the Purple Heart, its national officers, its national executive committee, and my personal feeling as a national service director representing that organization here in Washington, is that we are of the opinion and firm belief that there is only one way to correct and remedy many of the things contained in the so-called GI bill, Public Law 346.

There are some things that perhaps could be taken out separately, and separate legislation enacted, so far as they cover the same things. As far as the educational feature of this bill is concerned, we are firm in our belief that every man who was wounded in action, every man who was disabled in line of duty in any way, shape, form, or manner, should be rehabilitated at the expense of the Government.

The Military Order of the Purple Heart has questioned throughout the advisability and the good policy of attempting to educate and train every man that wore a uniform that came out of the service healthy, strong, and perhaps came out in a better condition physically and mentally than he was when he entered the service.

We have questioned throughout the advisability of this Government trying to educate those men, putting them in universities or colleges for 12 months, 2 years, 3 years, or 4 years.

I venture to say that a great majority of those men would never become educated. You could keep them in college the rest of their natural lives and it just isn't in them. I would like to see somebody put me in a college and keep me there and educate me. They would have a sweet job on their hands, Mr. Chairman and gentlemen of this committee. It just can't be done.

And I believe that those men, if they were just left alone, and if they were not given so much advice—good, bad, and indifferent—as soon as they came out of the service healthy and strong and in good physical condition and mental condition, they would take care of themselves.

They would take a chance with every other American in the country, and I think they would come out on top.

Last year there were a number of bills introduced in the House of Representatives—I think 10 in all—and at least 1 introduced in the United States Senate, that provided for an adjusted compensation to World War II veterans.

Those bills, of course, died a natural death. We knew they would. But during this Congress a new bill of similar nature has been introduced in the House. It is H. R. 127.

Now, as I said, we believe there is one way to remedy all of the evils, all of the troubles we have had so far and that we will have in the future in trying to administer and carry on under the provisions of the GI bill 346, and that is to repeal the entire act.

These may sound like harsh words, but I believe that that would remedy and help.

If Congress would see fit to enact such legislation as provided at present under H. R. 127, I think you would have the answer; and these veterans, men and women, returning home—whether disabled, whether wounded, or able-bodied—would have something, and they would be able to take care of themselves. They would not have to depend on anyone.

Another thing that such legislation would do, in our opinion, is that it would forestall any future attempt to have a bonus bill passed by World War II veterans. I cannot help but feel—I may be wrong, but I do feel—and I base that assumption on things that I have heard; expressed by GI's coming out of the service who have come home from overseas—I feel that sooner or later one day there is going to be another bonus drive on for a bonus for World War II veterans.

If such a bill as H. R. 127 would be enacted into law, it would forestall and stave off any such action.

The proposed H. R. 127 is liberal; but it does not give the men who served in a camp in this country, who lived on the best in the land, who had the best food, wore the best clothes that the Government could buy, and had the best quarters to sleep in, the things it would give the men who were overseas, who were overseas for 2 years or more, who laid in foxholes in Italy, Sicily, France, and Germany and on all islands throughout the Pacific.

It would be graded upon length, place, and time of service.

I would merely leave that thought with this committee.

Mr. Chairman, I greatly appreciate the courtesy extended in permitting me, as a representative of the Military Order of the Purple Heart, to come before your committee and express our views.

I know that our views are contrary to all others, but we still stand on them, and I regret to say that we have found it so far impossible, and we have been unable to support this GI bill.

I hope that my many friends in veterans' organizations will not hold this against me personally. I merely expressed the ideas of our organization, and I want to add that they are my personal views as well.

I thank you, Mr. Chairman.

Senator JOHNSON. We thank you very much, Mr. Haley.

Now, we will hear from Col. Sidney Post Simpson, of the Practicing Law Institute.

STATEMENT OF COL. SIDNEY POST SIMPSON, EDUCATIONAL ADVISER, VETERANS PROGRAMS, OF THE PRACTICING LAW INSTITUTE

Colonel SIMPSON. Mr. Chairman and members of the committee, at the outset I want to state that I will be testifying solely on the educational provisions of the GI bill of rights.

I will be taking a position for the most part the same as that taken by the Veterans' Administration, and in accord with it, and in a position consistent with that taken by the American Legion, although we go a little further than either.

Our position is diametrically opposed on one very important issue to the position taken by the American Council on Education. I, therefore, feel that I should say a word at the outset as to who I am representing before this committee.

I am appearing before you on behalf of the Practising Law Institute, a nonprofit educational institution conducting courses for lawyers, which is acting in the matter of refresher education for lawyer veterans as the agency of the American Bar Association.

The institute, which has its headquarters in New York City, is approved as a postgraduate school by the New York State Department of Education. Its president is former Under Secretary of the Treasury Arthur A. Ballantine, and among its trustees are Secretary of War Patterson, Assistant Secretary of the Navy Hensel, Dean Young B. Smith, of the Columbia Law School, and Judge Thomas D. Thacher of the New York Court of Appeals, formerly Solicitor General of the United States. Its director and founder is Mr. Harold P. Seligson of the New York bar.

The institute has been in successful operation for 12 years, and is the only educational institution in the United States with comparable experience in giving postgraduate courses for practicing members of the bar, as distinguished from postgraduate courses of the type many law schools give.

Courses have been given not only in New York, but also in 32 other cities from New Hampshire to California and from Florida and Texas to Illinois. All these out-of-State courses which thus far have dealt with the subjects of Federal taxation and general and trial practice, have been given at the request and under the sponsorship of various State and local bar associations.

When the problem of providing refresher instruction for lawyer veterans began to become pressing, the American Bar Association designated the Practising Law Institute as its agency to organize and carry out a Nation-wide plan of refresher instruction for lawyer veterans in cooperation with State and local bar associations throughout the country. The institute is now actively engaged in organizing the materials for these courses. One special veterans' course has already been successfully given in New York City—

Senator CONNALLY. You are going to refresh the lawyers who have been practicing lawyers?

Colonel SIMPSON. That is correct, sir.

Senator CONNALLY. What are you going to teach them? What kind of a course do you give them?

Colonel SIMPSON. What we have in mind, Senator, is a course which will consist primarily of three subject matters. First, we hope to assist the local bar association and law schools in organizing refresher courses in local law.

Senator CONNALLY. They are going to need a few clients more than they will need refresher courses. If they get the clients, they can refresh themselves.

Colonel SIMPSON. And I will have something to say on that subject a little later, Senator, if I may.

In the second place, we expect to make available materials on general and trial practices to be supplemented by local lectures, and in the third place, we propose to continue to make available the courses in Federal

taxation which we have heretofore made available and which, of course, do not necessarily require local lecturers.

We will have, of course, institute courses in Federal taxation which will be open to veterans and nonveterans. One is running in St. Louis and one will be opened in Boston in the very near future.

Before going further, I should, I believe, state my qualifications to testify on this bill, both as a lawyer and as a veteran.

I am a member of the bar of the Supreme Court of the United States and of the bars of the District of Columbia, Massachusetts, and New York. From 1922 to 1931 I practiced law in Washington and in New York. From 1931 until I went on leave in 1940 to enter the Army, I was professor of law engaged in teaching as a professor at the Harvard Law School.

In World War I, I enlisted as a private and ended up as a first sergeant. In World War II, I served as a major and lieutenant colonel of Field Artillery. For the past 2 months I have been educational adviser for veterans' programs to the Practising Law Institute, and have been trying to work out this program in consultation with the section on legal education of the American Bar Association, of which I have been a member for over 20 years.

I have said that I appear before this committee on behalf of the Practising Law Institute. That is true, but only in a technical sense. I am really here to speak for more than 25,000 lawyers who have served in the Army, Navy, Marine Corps, and Coast Guard, mostly in the combat branches, with credit to themselves and to their country, and who are now faced with the necessity of reestablishing themselves in civilian practice.

I thoroughly agree with Senator Connally that what they primarily need is clients, but what they need in addition to clients is to refresh their knowledge.

I am authorized to speak on this matter for the organized legal profession. I think this is sufficiently evidenced by the statements from the section of legal education of the American Bar Association and from the National Lawyers Guild which I am filing with the committee.

(The statements referred to follow:)

SEPTEMBER 19, 1945.

**MEMORANDUM BY THE SECTION OF LEGAL EDUCATION AND ADMISSIONS TO THE BAR
OF THE AMERICAN BAR ASSOCIATION**

Since the summer of 1943, the section of legal education and admissions to the bar of the American Bar Association has actively sponsored the idea that the bar has a responsibility for refresher courses for lawyers who have served and are serving in the armed forces of the United States. The section does not have a staff sufficiently large or experienced in post-admission legal education to prepare and conduct courses of this kind. A survey was made of agencies which might be able to plan and carry out a program of education for lawyer-veterans upon their discharge from the service.

After careful consideration, the council of the section chose the Practising Law Institute because it believed the institute to be best prepared to undertake this work. The institute was the choice, first, because it has had experience in post-admission legal education in New York for more than 12 years. During that time it has offered courses for attorneys who reside in New York and it has conducted summer programs in the city for nonresident lawyers. In cooperation with the section of taxation of the American Bar Association, the institute has organized and conducted short, intensive courses in more than 20 other cities. This cooperative program has been unusually successful. Second, the institute

was chosen because it is a nonprofit educational corporation. The section was anxious to make this refresher program available to as many men as possible, without financial gain to itself or to its cooperating agency. Third, the institute was sufficiently well financed to advance the large sums of money necessary to do the preliminary planning and to prepare the printed materials which were deemed essential. Fourth, the institute was willing to add to its staff men who would devote their full time to this program.

The board of governors of the American Bar Association in September 1944 authorized the section of legal education to cooperate with the Practicing Law Institute, to the end that refresher courses for lawyer-veterans might be made available through local bar associations all over the United States. A cooperating committee representing the section has assisted the institute in planning the courses and curricula.

If the lawyer-veteran is to be served adequately, three types of program seem to be required: (1) Short, intensive courses of a month or less duration; (2) part-time courses in the larger cities extending over a period of 3 to 6 months; and (3) materials for home study for those who cannot enroll in the courses.

It is hoped that the provisions for veterans' education will be so modified that this national program of reeducation will be available to the maximum number of lawyer-veterans without expense to the veterans themselves.

ALBERT J. HARNO,
*Chairman, Section of Legal Education and Admissions to the Bar,
American Bar Association.*

NATIONAL LAWYERS GUILD,
New York 17, N. Y., October 4, 1945.

Senator EDWIN JOHNSON,
*Chairman, Subcommittee on Veterans Legislation,
Senate Committee on Finance, Senate Office Building,
Washington, D. C.*

DEAR SENATOR JOHNSON: Our organization has examined the proposals for amendments to the Selective Service Readjustment Act (Public Law 346, 78th Cong.) made by the Practicing Law Institute and approves the proposed amendments.

The four proposed amendments apply to the educational features of the present law:

1. The tuition fees: The law allows \$500 tuition for a school year. No objection would be taken to that except for the interpretation by the Veterans' Administration which limits payment to a maximum of \$16.67 per week, regardless of the number of hours of instruction. While this provision may be satisfactory in the case of academic students, it ignores the needs of large numbers of professional students such as lawyers, accountants, engineers, etc., who require intensive refresher courses and not a repetition of a normal year-round academic course. We, therefore, favor the amendment contained in H. R. 3749 to permit the veteran to apply the annual tuition to a shorter period.

2. Subsistence and travel allowance: The present subsistence allowance of \$50 a month to students without dependents and \$75 per month with dependents are patently insufficient. The proposed amendment will authorize the Veterans' Administrator to take into account factors which call for an increase in subsistence allowance.

At the same time, especially in the case of professional students who are required to travel long distances to their school, travel allowance should be made in the prevailing mileage rates. Unless these obvious needs are met, the provision for veterans' education becomes a mockery to many veterans.

3. Lessons which we have learned from discussion with increasing numbers of veteran-lawyers, support our conclusion that amending the educational section to provide for correspondence courses is desirable. Many lawyers and law students will not have the time to return to school; yet they will want to refresh their education. Correspondence courses by nonprofit educational institutions should be encouraged to meet such needs.

4. Books: Lawyers and other professionals who wish to study on their own, should be provided with the necessary tools—books. The present educational section of the law is in a sense a strait-jacket because it fails to allow for the various methods by which education can be acquired; regular academic

courses, special courses, refresher courses, night courses, correspondence courses, and home study. The choice in each case should be made not by the Veterans' Administration but by the veteran and the law should be administered in the spirit which it was intended so as to permit every veteran the free choice in his form of education.

The National Lawyers Guild goes beyond the proposed amendments and urges that the veteran-lawyer or other professionals requiring books should be allowed to purchase such books, the cost thereof be applied against the \$500 per annum allowance for education charges.

Respectfully yours,

ROBERT W. KENNY, *President.*

Moreover, the amendments which we advocate in the memorandum which I am presently going to file with the committee, giving the details of the amendments which we propose are presented not merely for the benefit of lawyer veterans, but for the benefit of all veterans of whatever vocation or profession, who desire to return to their prior calling, whether it be as lawyers or barbers, or, for that matter, for the benefit of those who may desire short intensive courses to fit themselves for callings which they have not heretofore exercised.

So I am speaking, Mr. Chairman, not only on behalf of the lawyers but on behalf of the accountants, and I have been specifically authorized to speak for them by the American Institute of Accountants, and I would like to file a copy of a letter from that organization.

Senator JOHNSON. That may be done.

(The letter referred to is as follows:)

AMERICAN INSTITUTE OF ACCOUNTANTS,
New York, N. Y., October 1, 1945.

Col. SIDNEY POST SIMPSON,

*Educational Adviser, Veterans Programs, Practicing Law Institute,
New York, N. Y.*

DEAR COLONEL SIMPSON: The American Institute of Accountants, the national professional organization of certified public accountants, is publishing a refresher course for returning veterans who were preparing for or engaged in public accounting before entering the armed forces. This material will be available for presentation in organized classes at the established educational institutions, in special courses, sponsored by State and local organizations of certified public accountants, in staff-training programs of accounting firms, and for home study by individuals.

The executive committee of the institute believes that the proposed amendments to the GI bill of rights, which have the endorsement of the Practicing Law Institute, representing the American Bar Association, for the purpose of introducing flexibility into the provisions covering the ways in which veterans may pursue refresher studies with financial aid from the Veterans' Administration, would be helpful in carrying out the institute's program for returning veterans.

You are authorized to present this letter to the Committee on Finance of the United States Senate at the forthcoming hearings on H. R. 3749 as representing the views of the American Institute of Accountants.

Yours sincerely,

JOHN L. CAREY, *Secretary.*

Colonel SIMPSON. And I feel I am also speaking equally for the engineers and for many teachers and for the doctors.

I would like to present for the record a copy of a telegram which I received this morning from the chairman of the subcommittee on veterans' administration of the committee on postwar medical service of the American Medical Association, which I will read to the committee:

The educational problems of the medical profession with reference to the GI bill are substantially similar to the education problems of the legal profession. If the subcommittee on the veterans education program of the

committee on postwar medical service of the American Medical Association had the opportunity of presenting its viewpoints these would be found to be in substantial agreement with the views expressed in the document Education Needs of Lawyer Veterans. It is still the hope of the medical group that some of its problems can be solved by changes in the regulations. It may well be, however, that to effect certain desirable changes amended legislation may be necessary.

ALPHONSE M. SCHWITALIA,

Chairman, Subcommittee on Postwar Medical Service.

And I would also like to file memorandum prepared by the Practising Law Institute on educational needs of lawyer veterans.

Senator JOHNSON. Without objection, that may be done.

(The memorandum referred to is as follows:)

PRACTISING LAW INSTITUTE,

New York 7, N. Y., September 16, 1945.

EDUCATIONAL NEEDS OF LAWYER VETERANS

There are at least 25,000 lawyers in the armed services. Most of them will soon be discharged. Many of them had had only 1 or 2 years' experience in practice before they entered the service. A considerable number of them had completed law school courses, and some had been admitted to the bar, but have had no experience in practice at all. Even those who had practiced for some years have been away from the law for 3 or 4 or 5 years. Moreover, a very large proportion of the lawyers in the Army and Navy have served in the combat branches, and have had no occasion while in the service to make use of their legal training or to keep up with new developments in the law. When these men and women are discharged from the service of their country, it is imperative that they be given the opportunity to secure the best possible refresher training in the shortest period of time consistent with sound educational practices.

Lawyer veterans who have practiced or were ready to enter practice before becoming members of the armed forces do not need and emphatically do not want postgraduate law courses of the character customarily given by the law schools of this country, which in any event, will have their hands very full in taking care of the large number of veterans who had begun the study of law before they entered the service and those who desire to begin law study after their discharge. What is needed and wanted by the veteran lawyers is adequate access throughout the United States to practical and somewhat intensive refresher courses which will enable them to reenter the practice of their profession with proper preparation, but without undue delay.

The American Bar Association, realizing that the primary responsibility for organizing such refresher courses rests upon the legal profession itself, is perfecting plans to make such instruction available throughout the United States in cooperation with various State and local bar associations. In order to accomplish these purposes most effectively, the association's section of legal education has made arrangements with the Practising Law Institute, New York, N. Y., to act as a central clearing house for information with regard to refresher courses, to provide printed materials for such courses wherever desired by State and local bar associations, to arrange for the services of competent instructors where requested, and generally to function as the operating agency of the section of legal education of the American Bar Association in the practical carrying out of the association's plans.

The selection of the Practising Law Institute for this purpose was logical because:

First. The Institute is a nonprofit educational institution chartered by the board of regents of the University of the State of New York and, as such, has been certified to the Veterans' Administration by the New York State department of education as qualified and approved to provide instruction and training.

Second. The institute has had 12 years' successful experience in conducting practical courses for lawyers, not only in New York City but in other parts of the country. Thus, it has conducted, in cooperation with the American Bar Association's section of taxation, courses on tax law in 32 different cities from Florida and Texas to Connecticut and New Hampshire and from Pennsylvania to California, which since 1943, were attended by over 3,600 lawyers. These courses were

conducted under the auspices of the State and local bar associations, with uniform success. The institute thus has the know-how needed for the association's veteran project. The qualifications of the institute for this purpose have also been recognized by the war committee of the bar of the City of New York, which is cooperating with the institute in developing plans for refresher courses for lawyer veterans in New York City, one of which has already been successfully given.

Third. Since the Practising Law Institute has for 12 years specialized in the giving of practical postgraduate instruction for lawyers after their admission to the bar, it is desired by the American Bar Association that the unique facilities and experience of the institute be made available to the American bar generally and to the American law schools, as well as to the lawyer veterans themselves.

The program of courses for lawyer veterans which has been worked out jointly by the association's section of legal education and the Practising Law Institute, is well advanced, and, as stated above, one course under the program has already been given in New York City. The section of legal education has informed the various State and local bar associations of the country of the facilities available and a number of them desire to take advantage of those facilities for the benefit of lawyer veterans returning to their own States and communities. The proposed program, however, is meeting with difficulties arising out of the present provisions of Public Law 346, Seventy-eighth Congress, commonly known as the GI bill of rights, as interpreted by the Veterans' Administration. Since amendment of this statute is now under consideration by the Congress, we feel under a duty to call attention to the specific difficulties which have arisen and to make concrete suggestions as to how these difficulties may be resolved in the interest of the lawyer veterans. There are four such difficulties:

1. *Amount of tuition fees payable.*—The GI bill of rights at present authorizes the payment for full- and part-time instruction of an educational institution's customary cost of tuition, not exceeding \$500 for an ordinary school year. As interpreted by the Veterans' Administration, payment under the statute is limited to a maximum of \$16.67 a week (usually \$14.70 a week), regardless of the number of hours of instruction provided, or 67 cents an hour, whichever is lower, even though the institution's customary tuition fees do not exceed \$500. As a result, intensive postgraduate courses of short duration must either be given to veterans at less than the amount charged nonveterans, or the veteran must pay the difference between the institution's established tuition fee and the limited amount which the Veterans' Administration will pay, even though the total tuition cost to the veteran during a 12-month period is less than \$500. The first alternative is unfair to the educational institution; the second is unfair to the veteran. Without entering upon argument as to whether this interpretation of the present law is justified by its terms, it is suggested that the law should be made sufficiently specific to avoid such interpretation in the future, and thus to protect the right of lawyer veterans to receive the best possible refresher training without being unduly delayed in reentering legal practice.

An illustration will serve to emphasize this point. During the 2-week period January 29 to February 9, 1945, the Practising Law Institute gave an intensive refresher course primarily for lawyer veterans, which was sponsored by the section of legal education of the American Bar Association, the committee on postwar problems of the New York State Bar Association, and the war committee of the bar of the city of New York. This course included 84 hours of instruction, and the fee prescribed was \$100, which included, without additional charge, printed materials of permanent value. The course was open to and attended by lawyers who were not veterans at the same tuition fee. Nevertheless, under the interpretation of the law previously referred to, the Veterans' Administration determined that only \$29.40 per veteran (\$14.70 a week) student should be paid to the Practising Law Institute.

We are, of course, acutely aware of the necessity for preventing the exploitation of veterans or of the Government through excessive tuition charges for veterans' refresher courses. But we are equally aware that the present law, as interpreted by the Veterans' Administration, will make it impossible to afford to lawyer veterans the kind of refresher instruction they most want and need. To insure adequate refresher training for veterans who are already members of the bar, or, for that matter, members of the other professions, adequate refresher courses must not be made impossible by arbitrary weekly or hourly limitations such as exist at present. The courses which it is contemplated will be offered under the national veterans plan will be open to lawyers who are not veterans and who will be charged exactly the same tuition as the veterans themselves.

The interpretation placed upon the present law by the Veterans' Administration has worked special hardship upon institutions which, like the Practising Law Institute, have provided instruction to eligible veterans without receiving from the Veterans' Administration payment of their regular tuition fees, as paid by nonveteran students, and which, like the institute, have not deemed it proper to collect the difference from veteran students. Whether or not Congress sees fit to correct this past injustice, it surely should not be perpetuated for the future.

2. *Subsistence and travel allowances.*—The subsistence allowances of the present law of \$50 a month to veteran students without dependents and \$75 to those with dependents are increased by H. R. 3849, passed by the House of Representatives, to \$60 and \$85, respectively. Quite aside from the question whether these allowances, even if increased, would be adequate for veterans taking postgraduate courses at institutions in the vicinity of their homes, they may very well be extremely inadequate for veterans attending short, intensive postgraduate courses away from home. It will be necessary for many lawyer veterans to do this if they are to secure adequate refresher training, since practical difficulties will prevent the offering of refresher courses except in some 40 or 50 of the larger cities of the country, where living costs are particularly high. Moreover, veterans who must travel a substantial distance from their homes in order to secure a refresher course are placed at an unfair disadvantage under the present law by reason of the fact that no travel allowance is available to them. These difficulties can be corrected by providing in the GI bill of rights, when amended, that the Veterans' Administration be authorized (1) in the event that the normal subsistence allowance is inadequate for a veteran taking a short, intensive postgraduate course away from home, to establish a suitable per diem allowance at a rate greater than the normal monthly amount, and (2) to pay a mileage allowance to and from the city where he will attend the course, provided that the total allowance during any 12-month period shall not exceed the amount normally payable, exclusive of travel expenses or increased allowances.

3. *Correspondence courses.*—Even with the changes proposed above with respect to subsistence and travel allowances, there will be a number of lawyer veterans who will be unable to take advantage of refresher courses except by correspondence. Refresher instruction of the type contemplated by the national program cannot be provided by existing correspondence schools because of the specialized nature of the subject matter. While H. R. 3749, which has been passed by the House, amends the present bill of rights to authorize the payment of tuition fees for correspondence courses conducted by correspondence schools in existence prior to the effective date of the amendment if enacted, this will not meet the situation so far as lawyer veterans requiring correspondence courses are concerned. Their needs can be met, however, by providing for the payment of tuition fees for correspondence courses given by nonprofit educational institutions which have not previously offered correspondence courses, providing that such institutions are approved for instruction in residence and have been in operation for 2 years or more.

Many lawyer veterans will desire to take correspondence courses for their professional reeducation without receiving credit and without the necessity for taking examinations. This need can readily be satisfied by providing in the GI bill of rights, as amended, that payment for self-study correspondence courses shall be made when all the lessons, books, supplies, equipment, and materials have been furnished to the veteran.

4. *Books for home study.*—The needs of some lawyer veterans can best be met by supplying them with the necessary books and materials for home study without any correspondence course arrangements. Many of these veterans, it must be remembered, are mature men with considerable experience in practice, who are perfectly capable of determining their own educational needs. The GI bill of rights should therefore provide for payment by the Veterans' Administration for books and other materials prepared or made available by approved educational institutions where desired by lawyer veterans who wish to secure them for home study without enrollment either as correspondence students or students in residence.

To guard against abuse, the Veterans' Administration should be authorized to pay for such books and materials only when they are made available by approved educational institutions not operated for profit, which certify that such books and materials are suitable for home study by the particular veteran making application to have them paid for under the GI bill. It should be further provided that the Veterans' Administration must determine that the cost of the books and materials was fair and reasonable.

The precise wording of the amendments to the present law necessary to eliminate the difficulties outlined above which now stand in the way of adequate refresher instruction for lawyer veterans will, of course, depend on the future history of pending amendatory legislation. Assuming, however, that the Committee on Finance of the Senate will give primary consideration to H. R. 3749 as it has passed the House of Representatives, the attached draft of amendments to this bill has been prepared. These amendments incorporate the revisions of parts of S. 974, introduced by Senator Johnson of Colorado, which it is understood have been prepared by the Veterans' Administration, and which were endorsed by the President of the United States in his message to Congress of September 6, 1945. The Veterans' Administration revisions go far to eliminate the existing difficulties discussed in this memorandum, and, if supplemented as proposed in the draft which follows, will eliminate them entirely.

The sole purpose of this memorandum and of the draft amendments submitted herewith is to make possible the most practically useful and desirable refresher education for lawyer veterans throughout the United States. The American Bar Association through its section of legal education and with the aid of the Practising Law Institute has assumed the responsibility properly belonging to the legal profession for providing adequate educational readjustment to its members who, in most cases at great personal sacrifice, have honorably served their country on land, on sea, and in the air.

What the Practising Law Institute, as the agency of the American Bar Association for this purpose, seeks is merely that the educational provisions of the GI bill of rights be so worded as to make possible the quickest and most effective reestablishment of these men and women in our profession from which they have been absent for a while to serve their country in its hour of need.

ARTHUR A. BALLANTINE,
President,

HAROLD P. SELIGSON,
Director,

SIDNEY POST SIMPSON,
Educational Adviser, Veterans Programs.

September 16, 1945.

SUGGESTED AMENDMENTS TO H. R. 3749

1. *Amount of tuition fees payable.*—Amend section 400 (b) 3 (b) (p. 14 of H. R. 3749) by deleting the word "vocational" from line 12. This conforms the section to section 6, subparagraph (b) as S. 974 as revised by the Veterans' Administration.

2. *Subsistence and travel allowances.*—Add the following provisos at the end of section 400 (b) 6 (p. 16 of H. R. 3749) :

"*And provided further,* That if the subsistence allowances established herein are inadequate for a person attending a short, intensive postgraduate or training course under paragraph 3 (b) hereof, at a place distant 50 miles or more from his home, the Administrator shall so determine and shall establish a per diem subsistence allowance at a rate in excess of the daily rate of the allowance established herein, but not exceeding \$6 per day, and shall pay such per diem allowance to such person while such person is attending such course, and, in addition, thereto, shall pay to such person a travel allowance at the rate of three cents (3¢) per mile to and from the place where such person attends such course: *Provided, however,* That the aggregate subsistence and travel allowances payable to such person attending such short, intensive postgraduate or training course shall not exceed the subsistence allowance payable under this paragraph during an ordinary school year."

3. *Correspondence courses.*—(1) Add the following subparagraph (c) at the end of section 400 (b) 3 (p. 14 of H. R. 3749) :

"(c) Any such eligible person may apply for a course of instruction by correspondence without any maintenance allowance: *Provided,* That the Administrator shall have authority to contract with approved institutions for such courses if he finds that the agreed cost of courses is reasonable and fair: *Provided further,* That the provisions of paragraph 5 shall not apply to correspondence courses, that one-fourth of the elapsed time in following such course shall be charged against the veterans' period of eligibility, and that the total amount payable for a correspondence course or courses for any veteran shall not exceed \$500: *And provided further,* That nothing herein shall be construed to preclude the use of

approved correspondence courses as a part of institutional or job training, subject to regulations prescribed by the Administrator."

This adds to H. R. 3749 the language of section 5, subparagraph (e) of S. 974 as revised by the Veterans' Administration.

(2) Delete section 400 (b) 12, page 10 of H. R. 3749, or amend same by adding the following proviso:

"Provided, however, That payment for self-study correspondence courses not for academic credit and not requiring the passing of examinations or the making of reports, payment shall be made when all the lessons, books, supplies, and equipment are mailed to the student."

If the amendment proposed under (1) above is adopted, section 400 (b) 12 should be deleted; otherwise it should be amended as indicated.

(3) Delete section 400 (b) 13 (p. 19 of H. R. 3749), or amend same by adding the following proviso at the end thereof:

"Provided, That this limitation shall not apply to educational or training institutions supported by public funds or exempt from taxation under section 101 of the Internal Revenue Code which have been in operation (whether or not such institutions have heretofore given or offered correspondence courses) for not less than two years prior to the date of this act."

If the amendment proposed under (1) above is adopted, section 400 (b) 13 can and should be deleted; otherwise it should be amended as indicated.

4. *Books for home study.*—Add the following paragraph at the end of section 400 (b) (p. 19 of H. R. 3749):

"12. Upon application by any eligible person as defined in paragraph 1 hereof, the Administrator shall have authority to pay for books, supplies, and equipment for home study: Provided, That such books, supplies, and equipment are made available by an approved institution supported by public funds or exempt from taxation under section 101 of the Internal Revenue Code and that such institution certifies to the Administrator that such books, supplies, and equipment are suitable for home study by such person: And provided further, That the Administrator finds that the cost of such books, supplies, and equipment is reasonable and fair."

This paragraph would be numbered 12, as indicated, if the present paragraphs 12 and 13 are deleted as proposed under "3. *Correspondence courses*" above; otherwise the paragraph would be numbered 14.

Colonel SIMPSON. The difficulties with which we are concerned, not merely on behalf of these several professions but I feel on behalf of all veterans are four in number.

First, there is the arbitrary limitation on tuition for short, intensive postgraduate or training courses of less than 30 weeks' duration. Under the present law as interpreted by the Veterans' Administration, the perfectly proper and indeed generous limitation of \$500 on tuition for an ordinary school year has been translated into an arbitrary weekly limitation which, as applied to most institutions, works out at the rate of \$14.70 per week, and it is our position that you cannot satisfactorily give practical courses in law on a short, intensive basis on any such basis as that.

Something was said about sharing the cost. Well, my old university, Harvard, could share costs, but I don't know how the Practising Law Institute would share any costs. It has no endowment income to devote to the purpose.

And the same thing goes equally for a number of legitimate proprietary institutions, of which incidentally we are not one, who can only continue in operation on a profit basis. I don't think this business about difficulty in supervision is perhaps as serious as has been suggested. The Veterans' Administration after carefully studying the matter think they can give that supervision or they would not have recommended the form of legislation that they have recommended.

We are not afraid to trust the Veterans' Administration on that, although certainly we feel that the law has been not wholly free

from efforts at profit-making by proprietary and very unsatisfactory schools, although not all proprietary ones have been unsatisfactory.

We do not believe that the original intent of Congress was to enact anything about \$14.70 per week. It was \$500 maximum.

The interpretation that has been placed upon it is what we seek to get away from in the hope it will make possible the refresher courses we think should be given, and I assure this committee that from the standpoint of providing such courses for the bar we are practically licked by the present situation, and we are not in business to make money either.

Senator CONNALLY. You never did tell me what these refresher courses are.

Colonel SIMPSON. I briefly summarized those. Local law and procedure to be worked out by the local bar associations and the law schools which we will do ourselves for New York State; a course on general and trial practice designed to help those men coming back who have not had much practical experience, to learn from old lawyers some of the things they would have learned in actual practice or in an office had they been there instead of in the South Pacific.

Senator CONNALLY. You are not going to teach these lawyers anything but what they learn in a courtroom or learn themselves?

Colonel SIMPSON. We hope to teach them more rapidly.

Senator CONNALLY. You will have a lot of people teaching them who never tried law suits in their lives.

Colonel SIMPSON. That is not our intention; that is not our practice.

In the 12 years the Practising Law Institute has operated in New York City, the lectures have been given by leaders of the New York bar.

Senator MILLIKIN. I should like to say, Mr. Chairman, that I have heard very complimentary things of this organization.

Senator CONNALLY. If you wait a while, you will hear some more.

Colonel SIMPSON. And we believe, with that experience behind us, we can honestly be of help, as I think some of the bar associations feel we have been, particularly in the field of Federal taxation which is certainly something that anybody who has been out of it for 5 years needs a refresher course on.

I might say also we are not proposing to charge anything like \$500 for the refresher course.

Senator CONNALLY. What are you going to charge?

Colonel SIMPSON. Exactly the same fees that we charged the students before, during the war, who were not veterans.

Senator CONNALLY. What were they?

Colonel SIMPSON. The average fee for a 12-lecture course, including books, is about \$20.

Senator CONNALLY. \$20 for 12 lectures?

Colonel SIMPSON. Including books which would sell separately at \$10.

Senator CONNALLY. How long would they take?

Colonel SIMPSON. In practice, we spend over 12 weeks. What we want to do for the refresher course is to accelerate them and get them into 2 weeks.

I can't answer precisely what the length of the course will be, because that is what we are trying to work out right now with the various bar associations, and since we are working in cooperation with them

and the local law schools, the length of the course we are being asked to assist with to a degree in Atlanta right now may be different than what we are asked to assist with in Massachusetts or Texas.

So we very strongly urge that this amendment, as the Veterans' Administration has urged, be favorably considered by the committee, and we think it is very important that a man coming back from the service should get what he really most wants and most needs, and that is to get back to his profession or his prior calling, if he wants to, in the shortest possible time consistent with good educational practice and good instruction, and that is our reason for urging this, and it applies just as much to the doctors and to the accountants and to everybody else.

Secondly, with regard to the problem of subsistence allowances—and here we are going beyond anything that has been heretofore suggested to the committee—I want to make it plain to the committee that we are not proposing any increase in the amount any man would receive in any school year over and above the amount he would receive as what may be determined to be the subsistence allowance or any increased amount the Congress may determine.

Senator MILLIKIN. Mr. Chairman, I don't see the relation between the subsistence allowance and this particular type of work.

Colonel SIMPSON. I will endeavor to make that clear if you will bear with me a moment.

Take the case of a lawyer in Cairo, Ill., who wants to take an intensive refresher course, 4 hours a day for 6 or 8 months.

As a practical matter to get the kind of practicing lawyer to lecture that can give the best instruction, it would be necessary to go probably to Chicago—certainly at least to Peoria or Springfield.

These men, when they come out of the service, are usually pretty broke. Their terminal leave or mustering out pay would just about buy them civilian clothes.

I am speaking primarily of mature men who are either already members of the bar, or law-school graduates about ready for the bar.

To go from Cairo to Chicago on a straight subsistence allowance for 6 weeks is a pretty tough proposition and what we are proposing is that in such situations, the Veterans' Administrator be permitted, not compelled, but permitted to set up a per diem and to allow travel at the rate of 3 cents per mile to and from the place where the course is given with the proviso that the total increased subsistence plus travel should not exceed the subsistence allowance alone which he would get if he went to school for the entire year.

So it does have a pretty direct relation to what we are trying to do.

And it is particularly important in the part of the country I come from and farther west, where everything is not right close together,

This travel allowance provision is not in H. R. 3479, nor is it in the Veterans' Bureau suggestions, but we are submitting a proposal on it.

Briefly, in regard to this matter of correspondence courses, we wish to urge the solution of that problem which the Veterans' Administration proposes. I myself feel the correspondence courses have a very slight application in the field of law, although I think they can be safely used in some fields.

But the point I want to make is this: In H. R. 3479 there is a provision in section 13 that correspondence schools in existence at the date

of the amendatory act shall be approved or at least shall be allowed to function if they are approved.

The Practising Law Institute has never given a correspondence course. We think we are probably going to have to meet the demand of lawyers who can't go from Cairo to Chicago. Particularly in Federal taxation they may try to get something more from correspondence; and we feel that no profit institutions which have been given instruction in residence should be permitted to give correspondence courses.

Senator JOHNSON. Do you make a distinction between correspondence schools and correspondence courses?

Colonel SIMPSON. That distinction I suppose is that a correspondence school, in common parlance, is one that gives no instruction but correspondence courses, but the correspondence classes could be given by correspondence schools, or a school that also gives instruction in-residence, but an established school giving instruction in-residence, can give correspondence courses.

Any other distinction would be certainly an odd one.

Now, I come to the last point I have to make, and I think this point, certainly to veterans, that is lawyer-veterans, and possibly to some other professional men, may well be the most important.

We are proposing that the Veterans' Administration be authorized to pay for books for home study, not for reference or to build a library, but for home study under very carefully defined restrictions.

These lawyer-veterans, and many other professional men and some women who have served in the armed forces are mature people and are best equipped to judge, I suggest, whether they should secure instruction by going to school in-residence, by taking correspondence work, or by studying at home, and we suggest that there is no reason why these people should not be able to secure suitable books for home study under the GI bill of rights.

If this could be done, it would certainly save the Government much money. It would allow veterans to get the selfsame books without going to the expense of taking the course, and costing the Government subsistence and tuition. I think a good many lawyers certainly would rather prefer to do that.

Of course, we realize the Veterans' Administration ought not and certainly would not want to be authorized to pay for any old kind of a book that any veteran might want, on the plea that he wanted it for home study. But that is not what we are proposing at all, and I want, if I may, to read to the committee the specific amendment which we proposed on that subject, by which we have endeavored to make materials for home study possible without opening the door to abuse.

This is what we propose:

Upon application by any eligible person, the Administrator shall have authority to pay for books, supplies, and equipment for home study, providing that such books, supplies, and equipment are made available by an approved institution supported by public funds or exempt from taxation under section 101 of the Internal Revenue Code by a non-profit-approved institution and that such institution certify to the Administrator that such books, supplies, and equipment are suitable for home study of such person.

In other words, if a man who has completed the eighth grade wanted to buy a set of Fundamentals of Federal Taxation which could be made available to the proper people by the Practising Law Institute, we certainly could not certify that such books were suitable for home

study by such person, and the discretion would be in the Administrator to pass finally on such judgment.

And provided further, That the Administrator finds that the cost of such books, supplies, and equipment is reasonable and fair.

Now, the committee may wish, if it is inclined to consider this proposal favorably, to put a top limit, and an over-all top limit of perhaps \$100—or probably the medical people would say \$200—on that.

Certainly it would be much less than the \$500 top limit which the Veterans' Administration proposes to put on correspondence work.

Under their proposal you use up part of the eligibility by taking correspondence courses, but you never can have more than \$500 of correspondence work.

Certainly some limitation, if the committee deemed it appropriate, could be imposed here.

Senator MILLIKIN. Mr. Chairman, it seems to me that the weakness of the last argument that is being made is that you have no check whatever upon the use. If a man is going to one of your refresher courses, he may not get anything out of it, but through natural absorption he would probably get something out of it.

Now, as to correspondence schools, in correspondence with the school you would get something, but I am afraid that here you are just furnishing a man with a library.

Colonel SIMPSON. That may be, but in the case of the kind of problem I am now talking about, if he had a chance to get \$100 worth of books suitable for home study—not reference books—the ordinary motivation of self-interest and the fact that he wanted to get clients, or he wanted to compete as a doctor, or if he were an accountant he wanted to succeed in that profession, would lead him to——

Senator MILLIKIN. If I may make a personal remark, I am a sucker for books. I read an advertisement on a professional book, and I must have that book, and I am going to read it as soon as it comes. I have crates of those in storage in Denver, and being reasonably studious I have still not opened them.

Colonel SIMPSON. Senator, let me put this case to you.

Suppose you were out of the Army after 4 years in it, and suppose you had a chance to get a volume to review the significant developments in the law from 1940 to 1945, in the major fields of the law, published under the editorship of the dean of the University of Virginia Law School, with articles by distinguished legal scholars.

Senator MILLIKIN. I would say I would want that book and I would probably read that book.

Colonel SIMPSON. That is exactly the book we are now trying to find a way to publish for the association.

Senator MILLIKIN. I would want that book, and would probably read that book, but you have not directed our minds to any particular type of book, and I am just afraid you are building up a man's library.

Colonel SIMPSON. If further safeguards are desired, I think they could be worked out. I would make this suggestion.

The safeguards here proposed, with the discretion left in the Administrator—which would undoubtedly be exercised by way of laying down suitable regulations as has been done, for example, with much of this educational stuff by advice of a distinguished educational advertising committee—ought to take care of that.

To circumscribe the language in the law much more was something, frankly, that we hesitated to undertake for the reason that while this recommendation is covered and concurred in by the accountants and the doctors, and I suspect by some others who have not as yet communicated with us, we did not know sufficiently well what their particular problems were so that we could do it just right.

That seems to me a matter that could be handled perfectly well on the administrative level, provided this is not made a right but a privilege and an authority to the Veterans' Administration and I am sure it could be worked out on that basis.

That, if I may thank the committee for their indulgence, completes my presentation on behalf of the Practising Law Institute and these professional associations.

I do want to say in conclusion that we are asking this not merely on behalf of the lawyers and the professions, but on behalf of all veterans of this war who want to get started with a job, want the knowledge to get started, and want to do it quickly.

Senator JOHNSON. Thank you very much, Colonel Simpson.

The hour is growing late. We had one more witness today, but the hour is so late that I don't think we had better call on Mrs. Helen Chiasson. Is Mrs. Chiasson present?

Mrs. CHIASSON. Yes, sir.

Senator JOHNSON. Did you want to put your statement in the record, or do you wish to wait until some other time to testify?

Mrs. CHIASSON. Just as you prefer. I will submit it for the record if you wish.

Senator JOHNSON. We will be glad to have it handled that way if you wish.

Mrs. CHIASSON. Very well.

Senator JOHNSON. Will you state for whom you are appearing?

Mrs. CHIASSON. I am really appearing personally in behalf of veterans and disabled veterans, but it is based on my experience with the Surgeon General's office, educational reconditioning program.

Senator JOHNSON. We will be very glad to make that a part of the record, Mrs. Chiasson.

Mrs. CHIASSON. Thank you, sir.

Senator JOHNSON. I am sorry the hour is so late. We would have liked to have heard your testimony, and perhaps asked you some questions.

(The statement of Mrs. Helen K. Chiasson, New York City, is as follows:)

STATEMENT OF HELEN K. CHIASSON, NEW YORK CITY

It is evident from many angles the home front is not measuring up to its responsibility to our veterans, particularly the disabled, in connection with jobs and business opportunities. The disabled veterans and/or their dependents are competing in the labor market with the millions of unemployed Government and civilian war workers and the greatly accelerated number of physically fit servicemen being discharged. All indications point to this condition showing a marked increase during the coming months.

More than 50 percent of disabled veterans cannot take advantage of reemployment in the job he held at the time of entrance into the

armed services due to service incurred disability. Owing to family responsibilities many feel they cannot accept the advantages offered under the GI bill for vocational rehabilitation. The total he may receive for maintenance of himself and family will in most cases be far below that allotted while he was in active service. These allowances should be increased to the amounts necessary to permit the veteran and his family to maintain a decent standard of living during the period he is being rehabilitated. It must be borne in mind the disabled veteran is generally not physically able to work in addition to the necessary class work and home study. Also, he cannot accomplish the best results if he is not properly fed, housed, and free from financial worries.

The large percentage of disabled veterans who cannot for financial reasons or who do not care to take advantage of their vocational rehabilitation rights under Public Law 16—should, in my opinion, have the benefit of the most expert counseling and advice regarding their rehabilitation problems the country can offer. Unfortunately, reports from hundreds of disabled veterans would indicate such is not the case today. Due to my connection with the educational reconditioning program at Army convalescent hospitals, I have had an opportunity to view the matter at first hand and have made a follow-up survey on many patients following discharge.

Of the Army convalescent patients I have worked with, who have been discharged, many are now among the legions of unemployed. They are not only willing but eager to be self-supporting and expect only the necessary advice and guidance to enable them to become adjusted to civilian life. For varied reasons some want a different type of work. Others are interested in engaging in business. Many are unaware of the responsibilities imposed upon business owners by Government regulations since they left civilian life for military hence the necessity of expert advice for their information and protection. I do not concur with the view held by many that our disabled veterans prefer increased pensions to gainful employment. Any tendency in that direction, is I am sure due to failure on the home front to assist the disabled veteran with his adjustment problems. If he is unable to be placed in a position or to engage in business, he must of necessity resort to other avenues for income in order to live. Therefore, we cannot—must not fail them in rendering whatever cooperation is necessary to occupy a useful place in society.

Since the widow of a veteran or wife of a disabled veteran is entitled to civil-service preference for Government employment, it would be to their advantage to have the same privilege under Public Law 16 that the husband would have enjoyed had it been possible for him to do so. By placing them in a more advantageous position to compete for jobs which would increase their earning power, it would enable them to provide a better standard of living for their dependents and improve the morale of the family generally. Since only dependents with genuine desire to be self-supporting or to supplement the family income would qualify under existing requirements, the expenditure would be nominal as compared with the great good it might accomplish. At present many wives and widows of veterans are unable to qualify for Government positions being filled with those more recently out of school or college due to job requirements. The fact that she

may have married within the past few years and may have been at home raising a family before and while the husband was in military service should not, in my opinion, prevent her being given educational advantages to enable her to compete with those having more recent training. Also, I believe, if for any reason, a husband becomes disqualified for certification by Civil Service Commission, the wife should become eligible for the preference.

The attitude of life-insurance companies toward the covering of disabled veterans would indicate their life expectancy is considerable less than the average. Therefore, every encouragement should be given the wife to fit herself to assume the responsibility of supporting the family if and when it should become necessary.

I am well aware of the great advantage to those left with the responsibility of support and education of children that a necessary basic training provides. By being fortunate enough to have that advantage following World War I, I was able to provide for and educate three children through college. In addition, my business was such that I was able to offer positions to thousands of veterans and dependents. In many cases, the wives or widows had no former business experience, but with proper personnel selection and training they became worthy competitors, from an earning standpoint, with the average able-bodied man.

I am confident those individuals and organizations seriously concerned with delinquency will agree that the better morale and home environment engendered by higher educational standards and increased income are worthy of careful consideration in this issue. From personal experience and the application of the principles outlined have developed the highest type citizens—mothers, father, officers, and men and women—who have served their country with credit and distinction in World War II.

It would also be greatly to the advantage and increased morale of returning servicemen if they could, where warranted, demand an accounting from the person whom they entrusted with the power of attorney, usually at the suggestion of their commanding officer and without realizing in all cases precisely what it meant. Many return to find assets dissipated they assumed were being held for them.

Senator JOHNSON. I want to place in the record a letter submitted by Senator Saltonstall.

(The letter referred to is as follows:)

DEPARTMENT OF MASSACHUSETTS,
VETERANS OF FOREIGN WARS,
Boston, Mass., September 20, 1945.

Senator LEVERETT SALTONSTALL,
Senate Building, Washington, D. C.

DEAR SENATOR SALTONSTALL: There is now pending before Congress H. R. 3749, which bill is to provide for a readjustment allowance for all veterans of World War II. The action that you and the Congress take in the proposed amendment will affect the lives of several million men and women under title 2, chapter 4, Education of veterans.

I am particularly interested in the amendment offered in title 2 for the following reasons:

1. The present program offers little incentive for a veteran to continue his education.
2. Only recognized accredited schools or educational institutions shall provide for the veterans' education.

3. That the present \$50 and proposed \$60 a month allowance for living expense is wholly inadequate for the veteran to live on and offers no incentive for him to continue his education.

4. That the age limit of 25 restricts and limits the number of veterans interested in continuing an education. The veteran should be permitted to continue his education even if he entered the service at the age of 30 years.

5. A veteran with dependents now receiving \$75 a month is inadequate and the proposed \$85 a month is also inadequate, and this sum should be increased to not less than \$150 a month for a period of 10 months which covers the educational year.

6. The allowance of \$500 to cover tuition, textbooks, etc., should be increased to a sum not exceeding \$1,000. Many schools have already and many are planning, to raise their tuition fees, which will prohibit veterans from attending the better schools.

7. In spite of the controls to be placed on living costs there will be some inflation and the allowance for living costs as provided in this bill, as well as the allowance for tuition can be adjusted as such costs rise and drop in the future.

8. Any incentive or encouragement given the veteran to continue or take up education, will not only be of benefit to that veteran but will enable him to secure employment upon the completion of his education.

With the ever-increasing number of veterans being discharged and with conversion rapidly taking place there will be many jobs open to the nonveteran and the veteran, but there will also be a number of unemployed veterans in spite of every attempt made to give full employment to everyone.

If 750,000 or 1,000,000 of the returning veterans will take advantage of the education bill as provided in Public Law 346 and with the amendments in H. R. 3749, provided such amendments are an incentive to the veteran, then there will be that less to compete with at least for the present time in the field of occupancy.

I believe the GI bill started out with the best of intentions for the veteran, but when it was put into practice, it fell short of accomplishing to the fullest the program to help the veteran. Under the GI bill, section 1505, which may provide for adjusted compensation, the veteran feels that any allowance or moneys advanced for education may be taken out of the bonus, if he should ever receive such, and for this reason he is reluctant to continue his education.

I appreciate the effort that you are putting into this program, Mr. Senator, and the sincerity of your efforts in trying to correct the GI bill of rights for the benefit of the veteran and of the many other problems that face you during these trying times. Possibly some suggestions offered in this letter may have some merit, and if they do I hope they can be incorporated in the amended bill.

I have written to several other Senators and hope that when the bill is completed, the veteran will be satisfied and we will feel that the job has been well done.

With kindest regards.

Sincerely,

JULIUS MELTZER,
Chairman, Junior Activities,
Department of Massachusetts.

Senator JOHNSON. The committee will adjourn at this time to meet at 10 o'clock in the morning and continue the hearing.

(Whereupon, at 5:20 p. m., the hearing was adjourned until 10 o'clock tomorrow morning, Wednesday, October 10, 1945.)

(The following letters were later received for the record:)

THE UNIVERSITY OF WISCONSIN,
Madison, October 10, 1945.

The Honorable ROBERT M. LA FOLLETTE,
Senate Office Building, Washington, D. C.

DEAR SENATOR LA FOLLETTE: According to information received from the American Council on Education, the Senate Finance Committee, of which I understand you are a member, is conducting hearings this week on H. R. 3749, the new GI bill passed by the House of Representatives.

I understand the new legislation includes the following changes in the GI bill:

1. The limiting clause now effective for veterans who entered the armed forces prior to their twenty-fifth birthday is eliminated.

2. Maintenance payments are increased \$10 per month.

3. Provision is made not to deduct certain payments to educational institutions from any subsequent adjusted compensation payable to the veteran.

There may be other amendments, but the above three are of particular importance to the University of Wisconsin. I am, therefore, taking the liberty of asking that these changes be given favorable consideration by the Senate Finance Committee.

Under the rules adopted by the Veterans' Administration pursuant to the provisions of Public Law 346, the GI bill, the University of Wisconsin is collecting from the Veterans' Administration the equivalent of the nonresident tuition for all veterans admitted under Public Law 346, whether or not they are residents of Wisconsin. This policy was discussed with the State superintendent of public instruction, representatives of the State teachers' colleges, and the Governor before it was officially adopted by the regents. It was the consensus of those who participated in these discussions that the cost of the educational benefits made available to veterans by Congress should be a Federal expense and not charged to the several States. This seems to be particularly appropriate because the privately endowed universities and colleges will receive the full amount of their higher tuition fees and it would seem to be unfair to ask the several States which maintain State-supported universities and colleges to carry the cost of veterans enrolled at the State-supported schools and also the cost of their pro rata share for veterans enrolled in privately endowed schools.

The objections that have been raised to the present procedure come from the veterans who think they will be charged for the payments made to universities and colleges by having reductions made in subsequent adjusted compensation. These objections could be eliminated completely if Congress would agree not to reduce subsequently adjusted compensation payments for the payments made to educational institutions.

Kind regards and all good wishes.

Yours sincerely,

E. B. FRED.

STATE OF WISCONSIN,
CENTRAL STATE TEACHERS COLLEGE,
Stevens Point, October 9, 1945.

HON. ROBERT M. LA FOLLETTE, JR.,
Senate Office Building, Washington, D. C.

DEAR SENATOR LA FOLLETTE: It has come to my attention that some modifications are being proposed to the so-called GI bill of rights. There are some that I think should be made. In the light of our experience here I feel that the married veterans do not receive enough subsistence allowance. There will be a proposal, as I understand it, to pay married veterans \$85 with an additional allowance of \$10 for each child. I would be for that. The single veterans are better off under the present bill than the married ones but I would also support an addition of \$10 for them. I also believe it would be well to remove the clause which limits the education for those who were inducted after their twenty-fifth birthday. I believe there are many young fellows who may not be suffering any service-connected disability in the sense that they could be paid a pension for it but whose exposure and hardship during the war will ultimately affect their earning capacity much earlier in life than would otherwise be the case and who should be given the opportunity now to prepare for some type of work which may not be so strenuous physically.

There are also good reason for setting up some pretty good screen so that hastily organized correspondence schools or other fly-by-night types of organizations will not be able to exploit the veterans under the GI bill of rights. Those three amendments especially I am interested in.

I am pleased that Congress is so ably standing off the requests of the War Department and the veterans' organizations for peacetime conscription. I would have a feeling that we have lost the war if it is to result in peacetime compulsory military training in this country.

Sincerely yours,

WM. C. HANSEN, *President.*

AMENDMENTS¹ TO THE SERVICEMEN'S READJUSTMENT ACT OF 1944

WEDNESDAY, OCTOBER 10, 1945

UNITED STATES SENATE,
SUBCOMMITTEE ON VETERANS' LEGISLATION
OF THE COMMITTEE ON FINANCE,
Washington, D. C.

The subcommittee met at 10 a. m., pursuant to adjournment, in room 312, Senate Office Building, Senator Edwin C. Johnson (chairman of the subcommittee) presiding.

Present: Senators Johnson (chairman of the subcommittee), George (chairman of the full committee), Lucas, La Follette, Butler, and Millikin.

Senator JOHNSON. The subcommittee will be in order.

Is Mr. Ketchum here?

(No response.)

Corporal Ahrend, did you want to make a brief statement, sir?

Corporal AHREND. Yes, sir.

Senator JOHNSON. You may proceed in your own way, Corporal.

STATEMENT OF CORP. JOHN J. AHREND

Corporal AHREND. Mr. Chairman, on behalf of the GI's, we have more or less a tentative organization.

We are, of course, willing to aline ourselves with any veteran organization that we think will be to the advantage not only of ourselves but our Nation as well.

We started our organization after the first GI bill of rights came to our attention as being rather inadequate.

Senator LUCAS. What is the name of your organization, Corporal?

Corporal AHREND. We have none, sir. It is just a group of soldiers.

Senator LUCAS. Good enough.

Corporal AHREND. We first began talking about the GI bill of rights in our battalion and we more or less decided upon a definite program.

We, of course, in our educational program were interested in post-war problems, and it worked in very nicely there. And after we had decided on this program, the boys began talking with other units about and it got to be pretty well known throughout France in about 6 months' time.

I was the first one of the group to get back to the United States. I landed about the 21st of September.

¹ H. R. 3749, S. 742, S. 866, S. 487, S. 781, S. 826, S. 850, S. 974, S. 1031, S. 1324, S. 738, S. 795, S. 1202, S. 291, and S. 1176.

Between here and New York and Fort Dix and visiting a dentist, I haven't had time to work out a systematized program, but I do have some things I would like to say.

First of all, the boys feel that they should be heard and understood. We have learned to be men of action and we are interested in helping in national affairs.

We know that the end of the war came suddenly and feel that America was not prepared for it, so we are willing to do our share to take care of the situation.

We have also learned, through seeing, that world-wide peace depends on America. We are, in a sense, you might say, the shining example for the rest of the world that we saw. That is Europe. And this can only be accomplished through individual effort on everyone's part. Not only the soldiers, but the rest of the United States as well.

We won one fight, but I think the biggest one is confronting us.

We have a three-fold program. That is, education, rehabilitation, and last, but not least, working for peace.

To accomplish that there are a few things that must be done.

First, and immediately, battle-weary and mentally injured soldiers will have to be assured of security. You would be surprised at the number of men that can walk around and carry on a conversation and apparently, as far as you can see, nothing is wrong with them, when in reality there is.

I happen to work with psychoneurotic boys, rehabilitating them, in our battalion, which ran up over 50 percent.

The CHAIRMAN. What is your outfit, corporal?

Corporal AHREND. I was with the medical attachment. First we had a regiment, the Three Hundred and First Ordnance Regiment. Then, after we got overseas, it was divided into two battalions. We were stationed in France, and as far as I know, the boys are still there.

I wouldn't say that 75 percent of the boys are mental cases. That would be exaggerating it. But in order to avoid making mental cases of them, we must do something to assure them of their security. That is the one thing that will turn the picture.

Senator LUCAS. Corporal, you are talking about the boys that were in battle and came back?

Corporal AHREND. I am talking about all of them, sir.

I happened to be back of the lines. A lot of our men were sent to the front. But by the time everything was said and done, the boys that stayed back of the lines were mentally hurt as much as the ones that went to the front, unless there was a physical injury.

Senator JOHNSON. Corporal, the men you came in contact with were men sent to your battalion for treatment; were they not?

Corporal AHREND. No, sir; they were back there to work, sir. They were men who were hospitalized and in many cases, as we used to say, shell-shocked.

Senator JOHNSON. Shell-shocked troops?

Corporal AHREND. That is right.

Of course, some of them were injured physically, part of a hand, or had shrapnel wounds. Of course, that is a physical injury.

But I found there was a mental injury as well.

Senator MILLIKIN. Corporal, I want to get straight how many there were.

You say there is a high percentage of nervous cases in connection with men who had not been in combat, but who were in the back areas?

Corporal AHREND. Yes, sir. I am taking the Army as a whole.

The ones in the rear echelon or the service troops—naturally I had a better chance of coming out without that injury than the ones who were on the front line. But I am surprised to learn some are still mentally disturbed.

Senator MILLIKIN. Even those who had not been in combat?

Corporal AHREND. Yes, sir.

For instance, just in casual conversation, or conversation to get information, why, it is indicated. We will have to be careful with those soldiers. I don't think that they should be babied. They don't want that. All they are interested in is an opportunity to take care of themselves.

For one thing, anyone who has been used to freedom and who has been under regimentation for 3 or 4 years, it will make a little bit of difference.

Senator MILLIKIN. What in your opinion, Corporal, is the cause of that nervous state of a large number of men who were not in combat areas?

Corporal AHREND. I think it is just the fact that they are away from home and afraid to be out.

And you would be surprised at the information we used to get in these foreign countries about what is happening at home. And even some of our own statesmen made statements that got into the press, or, at least, they were supposed to have made them—in many cases I questioned them myself, but every man didn't do that—statements that were contradictory, someone would say something and the other fellow would say something else, and we didn't know what to think.

I think the situation was better when we had something to do and did it. But I think the last 3 months have been very difficult.

Senator JOHNSON. Go right ahead, Corporal. We have many witnesses and we want to get on as far as we can.

Corporal AHREND. I think that the first thing to be done is to assure these men that they will have a program of security, and so far I have seen nothing except the educational program in the making. That was part of our program and I am willing to forget that part of it in lieu of what I have heard presented here. So we won't touch on that.

Since we are concerned about our national security and our own security and position and improving the national economic situation over a period of years, we are not thinking of an immediate program but something that will be of long standing.

Therefore, we would like a program of investment rather than a program of expense. A lot of soldiers feel that when they get out there will not be a job for them to go to, which will be true, and in talking to them, the ones who have been discharged since I have been back, many of them weren't finding what they wanted, or any job. It is not what they want exactly. They want a job but they are not getting it.

In time, they feel, feeling so insecure, they will be a ward of the Government, something that I don't think that any man would want, especially a soldier. He has learned to be an individual. He has learned to think.

So in order to bring about this program that we are interested in, we have a few suggestions.

First, that each soldier upon discharge be given \$5,000. That seems like a lot of money. It would run up into the billions.

The question of inflation might come up. But why should that come up in view of the fact that in our savings today in the United States, according to statistics, they are well over \$50,000,000,000. What is sauce for the goose is sauce for the gander, if you look at it from that standpoint.

However, in my opinion, inflation can be handled when the time comes.

We have learned to work out our first problem and can take care of the second when we have to.

SENATOR LUCAS. Corporal, what was your business in civil life before you went into the Army?

CORPORAL AHREND. More or less interested in economics, sir.

The immediate program is to get each and every man employed, as far as these men are concerned, whether a mental case or not, whether they have been hospitalized or not. Unless they have this position of responsibility and interest, the situation might be chaotic from the standpoint of an individual in our Nation.

I think now is the best opportunity to head off a bonus that will, in my opinion, be paid sooner or later.

If these boys come back and they can't get what they think they are entitled to, since they have been told, were told before they went overseas, that they were coming back to security, they are going to expect it, and with the numbers involved, they might get it.

So in order to get these men back in their normal occupations as citizens of the United States, let's work out this program now.

As far as the \$5,000 is concerned, we feel that it should be spent by the Government through the soldier who will be charged with the return of it; that is, that would be spent for a home, a business, equipment, to further a livelihood or an education.

SENATOR LUCAS. You would place the control of the \$5,000 in the hands of the Government?

CORPORAL AHREND. Absolutely. We don't think it would be very safe to give a man \$5,000 if he was a mental case.

SENATOR LUCAS. I mean all of them.

CORPORAL AHREND. Not only that, but there are too many things that could happen to that \$5,000.

We are interested in a program of safety and security as well as a place to occupy our time.

Any further questions? There should be a lot of them.

SENATOR JOHNSON. Any questions?

Thank you very much, Corporal, for your views.

THE CHAIRMAN. I am compelled, Mr. Chairman, to go to the Foreign Relations Committee.

SENATOR LA FOLLETTE. I regret that I must go, too, Mr. Chairman.

CORPORAL AHREND. I would like to bring this up.

I have heard it said that there would be a restraint as far as men going together and pooling whatever they might get through a program that we think will be forthcoming, and that there has been objection to that unless a man is employed in this business that he is interested in.

I happen to know 10 men that are interested in going into business, and they are very efficient and, in my opinion, are interested in the same business. This thing has been organized on paper. One of the men has lost both arms, and I don't think that he could be working in this business, although he was, and is, the brains of the business.

Now, if he is in a position to go ahead and make a livelihood, I see no reason why he couldn't be permitted to invest his money in this business that they have already planned.

I would like to leave that thought.

Senator JOHNSON. We understand that is permissible now.

Senator George, Senator La Follette, and Senator Lucas, we are sorry to lose you, but I think we will go on with our hearing and you can read the testimony in the record.

The CHAIRMAN. Yes.

Senator LUCAS. Let me ask you, Corporal. You generally favor the GI bill of rights?

Corporal AHREND. Yes, sir.

Senator JOHNSON. Thank you, Corporal.

Mr. Gresham Griggs.

STATEMENT OF GRESHAM GRIGGS, COMMUNITY ADVISORY SERVICE CENTER, BRIDGEPORT, CONN.

Senator JOHNSON. All right, Mr. Griggs, you may proceed in your own way.

I understand that you represent the Community Advisory Service Center of Bridgeport?

Mr. GRIGGS. I am working with them in Bridgeport; yes, sir.

I wouldn't say that I represented them.

Senator LUCAS. In order that Mr. Griggs may have proper introduction before this committee, I should like for the record to say that he and I were in school together. We happened to be in the same class—and were fortunate enough to graduate.

In other words, I want to vouch for him in advance.

Senator JOHNSON. That is a pretty strong recommendation.

Senator MILLIKIN. If he is in the Senator's class, he is all right.

Senator LUCAS. Thank you, but I was talking about law school.

Senator JOHNSON. That must have been a very good school.

You may proceed, Mr. Griggs.

Mr. GRIGGS. Mr. Chairman, I came down at the suggestion of Senator Lucas in response to a letter I had written him in regard to some proposed changes in the so-called GI bill of rights.

Having been associated with the community center, the Veterans' Community Center in Bridgeport, for the last 6 months, and having seen the practical application of the present GI bill, I would say that in general the present bill works.

It works so far as Bridgeport is concerned. I think the whole question is a matter of administration of the present bill rather than any substantial changes in it.

I can mention a few changes that might be advisable from our point of view, but so far as making it easier for a veteran to borrow money, I would like to go on record, after experience with several hundred of them, as opposing them.

In support of that I have some letters here and some other information which I think ought to go before the committee to show how the plan works if it is properly administered.

Senator JOHNSON. In that connection, I have had a letter from a constituent of mine in Colorado, and Senator Millikin's constituent also, in which he stated:

I shall never forgive anyone who gets my son on a note that he cannot pay.

His son is in the Army. So we will have to be careful, Senator Millikin.

Mr. GRIGGS. I will say this, beginning with the real-estate loans. We have made considerable progress on the purchase of homes.

One bank, and not too big a bank, has already loaned out over \$250,000 this year in home loans, and has turned down almost as many. The reason most of it was turned down was because of too high a price paid.

Before a veteran can borrow money on a home there are three considerations that have to be met:

First, he must find a place that is priced right.

Second, his credit record must be good.

In the third place, his income must be sufficient for him to meet the payments.

In other words, he must not bite off more than he can chew later.

The cooperation with the Veterans' Administration has been excellent. Early in the game there were a few bugs to get out. They are out.

Last month we got one application through in 9 days from the time the GI came in until he had moved into his home.

So far as the press reports that I have read about, objections to the red tape simply do not exist if the thing is handled right. It is a matter of administration.

This is the way it works: A man comes into the office. He wants to buy a home. If he has a bank of his own, we send him to that bank. If not, he goes to a bank of our choice. He goes into the bank, talks to the man in charge, a man who is trained on veterans' loans, and, without him signing a single Government form, the bank sends an appraiser, an expert, out to look at the place, the same day, if possible.

The appraiser comes back and says the place is priced right. That is, it is worth as much as he, the veteran, is paying for it.

The next step is a credit report. That takes a day to come in from the credit clearinghouse. If he is a dead beat, they don't want any truck with him.

Next, there is a check-up on his income, on his job.

With those three things out of the way they say O. K., it's a deal.

And then he begins to make out the forms. Not before. The girl in the office makes them up. He simply signs his name.

Now, that is the so-called red tape they objected to. We haven't had any objection to it.

I have here a letter which I would like to put into the record.

It is a letter from the Bridgeport People's Savings Bank, under date of September 20, 1945.

May I read the letter?

Senator JOHNSON. Yes, sir.

Senator LUCAS. That is Bridgeport, Conn.?

Mr. GRIGGS. Yes.

Maj. G. GRESHAM GRIGGS,
Community Advisory Service,
Golden Hill Street, Bridgeport, Conn.

DEAR MAJOR GRIGGS: We enclose herewith a statement of our activity in connection with home loans to veterans to date.

You will note that the total actually closed plus those pending is very nearly half of the total number of applications. In other words, we have rejected very nearly half of the applications we have received. In those that we have rejected is one veteran for whom we looked at five different houses—for another veteran, three different houses, and some of those that have been rejected have subsequently found something suitable at a satisfactory price and we have completed the loan. All rejections have been determined because of inferior properties and locations as well as excessive prices, and we do not know of a single case where the veteran has been anything but grateful for the information we have given them.

We find the service rendered by the Veterans' Administration excellent. We had one approval in August which came through in 9 days from the time the application was made. We have had several come through in 11 to 12 days, and I believe the average eliminating the very first few loans we have made is about 2 weeks or 15 days. There is scarcely any delay in the Veterans' Administration. We are getting almost overnight service, but there is usually a delay of 3 to 4 days in receiving the report by the Veterans' Administration appraiser and sometimes the applications are held here several days pending receipt of necessary information such as employment, etc.

We look forward to an increase in business of veterans' loans and will, as always, continue to pursue a conscientious approach to the subject.

Yours very truly,

L. R. BAILEY, Vice President.

Bridgeport-People's Savings Bank, September 20, 1945

	Number	Amount
Actually closed.....	34	\$182, 111
Pending (all will be approved).....	11	63, 300
Approved and withdrawn for various reasons.....	4	22, 500
Applications rejected.....	31	167, 200
Total.....	80	435, 111

Senator MILLIKIN. Are the veteran employees and appraiser connected with the bank?

Mr. GRIGGS. Yes.

Along that line there has been another improvement in the service.

Up until last week the Veterans' Administration after submission of the certificate of eligibility would send down to the bank a list of three appraisers who were approved and they were to take the top one if he was available, and if not, No. 2, and if he was not available they would take No. 3.

Now, that took some time. It made for some delay. They changed that at our request. They have given each bank a list of 15 qualified appraisers and the bank can take anyone on the list.

It is all a matter of administration.

Senator JOHNSON. I recall the Veterans' Administration testified here this week that they turned down 14 percent of the loans that were approved locally.

What has been your experience with that?

Mr. GRIGGS. We have had one in all of the city.

Senator JOHNSON. What would that be in percentage?

Mr. GRIGGS. One out of sixty or seventy, I should say.

Senator JOHNSON. That is about 2 percent.

Mr. GRIGGS. Not over that.

Senator MILLIKIN. That would be one that had been approved?

Mr. GRIGGS. Approved by the local bank and turned down.

We tried to get a review on that and they said they wouldn't review it.

That, again, is a matter of the attitude of the local bank.

Senator JOHNSON. It seemed that 14 percent was an extremely high turn-down.

Mr. GRIGGS. I can see where it would be. If the banks are anxious to make loans and are not looking at the interests of the veterans, you have one situation. If the banks feel that they are safe with the \$2,000 guaranty and are willing to make the loan regardless of what the value of the property is, then I can see the necessity of the Veterans' Administration stepping in and checking it.

Senator JOHNSON. You think the check should be continued?

Mr. GRIGGS. Definitely, unless you get all of the lending institutions in the frame of mind where they are looking out for the interest of the veteran instead of merely their security.

Take a lad buying a house for \$5,000. He can get a \$5,000 first mortgage at 4 percent. Now, the bank is guaranteed for \$2,000. They are only putting up \$3,000 of their money.

Suppose the place is only worth \$4,000. The bank is fairly safe on a 75-percent mortgage for \$3,000. The Government is risking quite materially the guaranty.

Now, in Bridgeport a bank will not make that kind of a loan. They will say the place is only worth \$4,000. If the lad says, I will put in a thousand dollars of my own, it doesn't matter. There is no loan. Not until we think that place is worth \$5,000.

Now, that is very necessary because these boys don't know very much about the purchasing of real estate. Where a man has never been more than \$200 or \$300 ahead of the game in his life and he comes back and he wants to buy a \$5,000 or \$6,000 house, it is almost beyond his imagination. He buys a house the way he would buy a suit of clothes. He looks at the price tag. He doesn't know that in a real-estate deal the asking price is just an asking price. He needs help, and that is what he gets. And they are appreciate of that help we are told by the banks, and I know this, too, as I have talked to hundreds of them.

Senator LUCAS. Mr. Chairman, does the record disclose the reasons for the turn-down of 14 percent or was that just a blanket statement without any qualification?

Senator JOHNSON. I have forgotten. I don't think there was too much explanation of it.

Senator LUCAS. It would be interesting to know the reasons in view of what Mr. Griggs has said.

Senator MILLIKIN. I don't remember that there was any explanation.

Mr. GRIGGS. Yesterday, I had a call from the bank. A lad wanted to buy a shore property. Banks are slow to loan money on shore property. The neighborhood is unstable. The zoning is usually nonexistent. There is no protection for a long-term loan. The banks are

sympathetic and nobody gets brushed off, to use that expression. This lad wanted to buy this shore property. The banker took a look at it and didn't like the looks of it, but he didn't like to say so to this lad. He said why don't you get a contractor to give this place a thorough inspection and see what he thinks about it. Two nights later the house blew down in a storm, showing that the suggestion of the banker was a good one.

This same lad came in later and said he had a place that was really well built. The banker told him that before they loaned anything on places in that community they wanted to have a survey made. In that case they found that the man's garage was 3 feet on somebody else's lot. And again the boy was grateful for the suggestion.

Those things all happen. The banks are doing that and it doesn't cost the GI anything for an appraisal.

Senator JOHNSON. But the banks are not the only people who approve such loans. I understood from the testimony the other day that in many instances contractors build houses and they approve their part of the loan to some association or other. That might explain the high percentage of failures.

Mr. GRIGGS. That is where your Veterans' Administration appraisal comes in. It should stay there. So far as our banks are concerned in Bridgeport we don't need it. They would say they would rather get along without it but they feel countrywide and to take care of lenders other than good, sound institutions who have the right frame of mind, there should be that check on the part of the Veterans' Administration or somebody else.

Senator LUCAS. Could you leave the discretion with them?

Mr. GRIGGS. No. If you make it discretionary then the man who wants to slip one over will do it.

Senator LUCAS. I am referring to just your bank.

Mr. GRIGGS. Our bank; yes.

Senator LUCAS. I am using your bank as an example.

Mr. GRIGGS. Who would have the discretion then?

Senator LUCAS. I am talking about the Veterans' Administration having discretion as to whether or not they shall use appraisers. If they are satisfied that your institution is doing an honest job it does seem to me that they should perhaps have discretion and so eliminate some red tape and expense in sending appraisers in there.

Mr. GRIGGS. Give that discretion to the Veterans' Administration or whoever is going to determine it.

Senator LUCAS. That is right. They can determine what banks are on the square with the veteran.

Mr. GRIGGS. I have had two cases where what I call unscrupulous contractors were involved. In both cases the contractor advertised that he would build homes for veterans. He was doing that because he could get priorities on building material for homes for the veteran. It is my suspicion that he realized that the veteran couldn't go ahead with it. He would take the veteran's deposit and he could resell the property after the veteran fell down.

In one case the man put up \$400. I got ahold of every bank in town and I stopped any construction loans on the part of that contractor until he gave that veteran back the \$400.

In the other case he was building a house on the veteran's lot. The man was earning \$35 a week and the contractor was putting up a \$7,200 house. How could he finance that on \$35 a week? In that case I told the contractor to stop construction.

Senator LUCAS. If it is being done there it is being done all over the country. You raise a question which seems to me is vital and serious and one that we should look into with a view to protecting the veteran.

Mr. GRIGGS. They are protected if you do have a good check on the part of the Veterans' Administration or some other supervisory organization.

Senator MILLIKIN. I should like to ask, What is the average amount of loans on these properties? What is the average in dollars? What kind of home is the average veteran trying to get?

Mr. GRIGGS. They run from \$3,500 up to \$7,000 or \$8,000. But in every case the income must be sufficient to meet the payments.

Senator MILLIKIN. Let's assume that a veteran is making \$40 a week. What kind of a home would he buy?

Mr. GRIGGS. Between \$5,000 and \$6,000. At \$6,000 in Bridgeport his monthly payments for principal, interest, taxes, and insurance, which are ordinarily paid by the bank, it would amount to \$42 a month.

Senator MILLIKIN. About a fourth of his monthly income.

Mr. GRIGGS. We put it down as a flat figure that he shouldn't spend more than 25 percent for shelter unless he has some outside income.

Are there any questions about the home loan? I want to get into the business loan phase of this bill.

Senator JOHNSON. Go right ahead.

Mr. GRIGGS. I was interested in one of these Washington letters, which was the occasion for my original correspondence with Senator Lucas, which gave some statistics which I think are very misleading, statistics on the number of business loans that have been made to veterans.

Unfortunately, in our office we haven't much time to build up statistics. I can't give you percentages.

Our banks in Bridgeport up to now have made perhaps 250 loans to veterans.

Senator JOHNSON. Business loans?

Mr. GRIGGS. Business or personal loans. I think only three of these have been cleared as GI loans; that is, out of the 250. And in many cases I have been the reason why they were not cleared.

A business loan is for a very short period of time, usually the life of the equipment that they are buying with the loan. It isn't a sound loan if it goes beyond that. In most cases a business loan doesn't run more than a year or two.

I tell the veteran: "Why should you sacrifice this guaranty credit that you have with the Government on a 1-year loan? You have used it up, and you can't get it again. On a home loan, that runs for 20 years, the difference between 4 percent and 5½ percent on a \$6,000 home would amount to \$90 a year for the long period of time. The difference between 4 percent and 6 percent on a \$1,000 loan for a year is \$20. You have used up your credit. Why should you do that?"

They go to the bank, sell their proposition to the bank, sign their name to a note, get their money, and it is over.

Senator MILLIKIN. What is the limit on loans of that kind?

Mr. GRIGGS. I don't know the limit, but the average with us is about \$400 to a veteran that wants to go into business.

Senator MILLIKIN. Is the loan secured in any way?

Mr. GRIGGS. Usually not. I have used this as a criterion very often. When a man has been in the Army for 3 or 4 years and hasn't saved a nickel, if he hasn't any good reason for not saving, I try to point out that it seriously affects his credit at the bank. We have had dozens go into business without any loans. They have saved their money. They have been looking ahead to this. They may need legal advice, but that is all. They don't want a loan. They know what they want to do.

I have had considerable experience in my life on bond issues, financing small businesses, and so on. You gentlemen are aware of the heavy casualties in small businesses in this country. I have some statistics here from the Better Business Bureau that I might give you. There are some 340,000 bankruptcies annually in this country. Most of them are small businesses. That is 3,500,000 in 10 years, or about the same amount as the total small businesses in this country.

The reason for those failures has been pretty well determined. When a lad is fresh out of the Army he comes into our center and tells us that he wants to go into business, but very often he doesn't know what sort of business he wants to go into. His first idea is to get the \$2,000 and then to see how he wants to spend it.

When it is explained that the Government doesn't loan him any money—doesn't give him any money or loan him any money under this bill—that he must have a business proposition that he can sell to the bank and that then the Government steps in and guarantees half of that loan, then he begins to realize what it is.

Here is an example of the ultra case. Two boys come in. They have a wonderful proposition. They can buy a lot on the Post Road in Southport for \$6,000. It is a vacant lot. The man only wants \$4,000 cash. The oil company will put up a \$12,000 building on that lot at their own expense and which will belong to the owners of the land after they have used up so much gasoline over a period of 10 years. Then they need \$2,000 more to equip the machine shop and for working capital.

Neither of these boys had a dime. One had no experience whatever in a gas-station business. The other had worked once as an attendant. I tried to explain to them that on this financing there would be three different people who would want a first mortgage. The man that owned it and was only getting two-thirds of the value in cash; the oil company that was putting up the building; and the bank that was loaning them \$5,000 or \$6,000. There would be a clash for first security on that. We tried to handle that thing in an orderly way, and I think we have had good results.

A youngster that comes in, wants to go into business—who has had no training particularly, has determined while in the Army that he doesn't want to go back to his old job; he has gotten confidence in himself; he wants to do something else. That is fine, but he is not ready to go into business. He hasn't had business training and doesn't understand the fundamental economics. He doesn't know the difference between a corporation and a partnership. He doesn't know what constitutes a valid sale or contract. He doesn't know the pitfalls in the way of any business.

Well, he has a program ahead of him. We like to have them go into business but not yet. Under the provisions of the present law—and I do hope they will extend that time—he has until 2 years after the official determination of the end of hostilities to get a loan.

Now, why shouldn't he go into training for that? He hasn't the capital. He can take a job in that industry and learn something about it. He can go to night school. We set up a course in the junior college in Bridgeport for young businessmen which gives that fundamental information. I tell those boys that they shouldn't any more want to go into business with the equipment they have than they should want to fight Japs without training. They haven't a chance in competition.

And that is the way they see it. They are reasonable. They are very reasonable on that. The school provisions are marvelous—the training provisions.

I would like to put these figures before the Senate. Up in Bridgeport we have over 800 veterans engaged in apprentice training or training on the job in the various industries under Public Law 16—over 800; and we will have thousands before we get through. We are getting 100 percent cooperation with the chamber of commerce and the manufacturers' association. Without a dissenting voice in the manufacturers' associations, they are taking it on.

Senator MILLIKIN. Are they taking courses in apprenticeship?

Mr. GRIGGS. Apprentice or training on the job. If a man has been through the apprentice stage and wants to perfect himself, if that course is approved by the proper authorities in the Veterans' Administration, and he qualifies for that, he can get supplementary pay while training on that job. We have over 800 in on that now.

Senator JOHNSON. He will receive some pay from the institution?

Mr. GRIGGS. Yes; even as an apprentice, he gets paid from the institution.

Senator MILLIKIN. Take the case of a man who wants to start a filling station, who wants to go into business on his own right away. Your advice to him would be to get some more experience in that business?

Mr. GRIGGS. We have had several of them that have gone broke already that came in and did it on their own.

In one case a man had his gas siphoned off one night, and he had no reserves. That is what they do not understand. A man must have a cushion. He has to have a reserve. We have had a number of those.

We had a case of a man who bought a "dog" wagon, and after he bought his "dog" wagon he found that he didn't have any red points. We also had one that bought a restaurant, and they had a price war at the time OPA ceilings were established and he had to sell a turkey dinner for 60 cents. He was losing money from the start.

That is what we try to avoid.

Senator MILLIKIN. You think that the 3-year period puts an unsound pressure on a man to hurry into a business for which he is not qualified?

Mr. GRIGGS. It wouldn't do any harm, sir, to extend that period on homes as well as businesses. It would help our case where we are trying to postpone a rush into something that the man is not prepared for.

They trained the men for 2 years before letting them go overseas to fight. A man ought to be willing to take that same amount of training before he hops into his life work in business. He will have more chance of success.

We have had a great many men who have gone into business. I took this [indicating] out of the Sunday paper in Bridgeport. It shows him before and after; one in uniform and one in his business.

So far as objections are concerned, they have been very, very few. I think they could be counted on the fingers of the two hands, all those we have had in Bridgeport so far who have gone out unsatisfied, and they were the type of people that you would expect it of. There are always a few that you never could satisfy.

Here is one. This man came in and wanted to get a \$4,000 loan to open up a gas station. He was 21 years old. He had no experience. I suggested that he go in and see our occupational counselor. This veteran was referred to Mr. Sarkin. Let me read this:

The veteran was referred to Mr. Sarkin by Major Griggs, to whom he had come on September 17 to discuss getting a \$4,000 loan with which to open a gas station. Major Griggs quickly ascertained that he had no previous experience. He felt that the money was given him by the Government to use in any venture that he desired to undertake. It was pointed out that the money is loaned by a bank and then underwritten by the Government. Major Griggs felt that he would benefit from Public Law 16 and suggested that he see Mr. Sarkin.

He indicated to Mr. Sarkin that he had no desire for training under Public Law 16 but wanted the loan. He persisted in the belief, even after the explanation by Major Griggs, that the money is given him directly by the Government. Mr. Sarkin reexplained the loan provisions but seemingly to no avail. He did point out that the veteran was free to negotiate with any bank of his choice but that ordinarily a bank would hardly consider him a good risk. The veteran seemed very much dissatisfied with the fact that a bank had to pass upon his ability to successfully operate a business. He left considerably disgruntled.

Senator MILLIKIN. It is not necessary for a bank to pass on it; somebody has to, but there is no misunderstanding—general misunderstanding—is there, to the effect that a man must do business with a bank in order to qualify for these guaranties?

Mr. GRIGGS. There is considerable misunderstanding on that. A great many think that all they have to do is to walk into a bank and to say, "I want the \$2,000."

Senator MILLIKIN. I mean, a private person could make a deal, and if it passed the Veterans' Administration inspection it would be just as good as if he made his deal with the bank?

Mr. GRIGGS. That is right; but we are dealing with people who have never borrowed money in their life.

Senator MILLIKIN. My point is that there is nothing in the GI bill of rights, as I recall, that compels a man to do business with a bank if he can find other places to do business.

Mr. GRIGGS. That is right.

I was interested in the previous speaker here. He said that some of these boys are having difficulty in getting jobs. I wouldn't say that that was true up in New England. I am acquainted with many industries up there, and they are all looking for men of all types, at all times.

In the Bridgeport area we have 43 percent of the veterans interested in further training of some sort, either college or apprentice training. That is due to the counseling. These fellows who come in go out

with a definite program ahead of them for bettering themselves so that later on they can get into business.

As I say, under the present bill it comes back to the point that if it is administered properly it doesn't require a great deal in the way of change. I think the time limit could be extended very well on the educational features. Our educational adviser states that it works a hardship in some cases to require a man to complete his education in a certain time.

Another thing is the age limit. Under the present bill if a man went into service before he was 24 years of age it was presumed that his education had been interrupted. If he is over 24 when he gets out he must prove that his education was interrupted. In many cases a man of 26 who left school early should be allowed to go to school.

We had one man who was 28 and who had never finished the eighth grade. He wanted to go to college. He is in college today. He came in this summer. He had never finished the eighth grade. We took his tests. He had an I. Q. of 128. He placed within 3 percent of what anybody had ever gotten. He is in Trinity College right now.

That was an exception under the law. He proved that his education had been interrupted in the early days.

I think there might be a good many of those people—people who had never applied themselves in the secondary schools but who realized after they got into the service that they should have, and now they want to go to college. They should be allowed to do so. The 26-year-old limitation is perhaps a little arbitrary and perhaps should be lifted.

The time limit of 2 years after discharge, I think, should be extended, because there are men in high school now who will enter college later; and if that 2-year limit is on, they won't. The major part of their education comes out of their own pocket. That is also true in training for law or medicine—things of that sort.

You will have to remember also that a great many of these people should have been in school during the depression and for financial reasons could not be. Now they want to complete their education.

It is the recommendation of our educational solicitor that all age restrictions be removed so far as education is concerned.

The way we are selling this in Bridgeport, the training and educational features of the bill are the most valuable parts of it. It is worth a great deal more than the business loans or the home loans, because it is an opportunity to develop the individual to become a good citizen and a responsible person in the community, and everything possible should be done to aid that.

As to the amount of living expenses under the present bill, I think it is \$50 a month for a boy that is in college, and it goes up to \$80 a month if he has a wife and dependents. I think that might be liberalized too, and I believe it was in the House bill. I don't see any objection to that because of the present living costs.

I would like to say just a word, if I may, Senator, about the operation of this Bridgeport center. It has been written up considerably in the national magazines. Mrs. Eugene Meyer came up early in the game and spent a week at Bridgeport. Mr. Meyer is very interested in the program.

It was started as a community project. I think perhaps in the administration of the bill it plays its most important part. The center was started as a community enterprise and has grown to the point where the whole community is a part of it. We have a center in which are represented the Veterans' Administration. We have a full branch there now. They have a panel of insurance men who give insurance advice. They have an educational counselor and occupational counselor. I am supposed to handle the financial end of it. They have a farm person who comes in. We have a Red Cross representative, and so on.

They are all in the same building, and the work is all done there. But handling 600 people a week now, we are almost up to capacity, and what we are doing is extending the service out—bringing the rest of the citizenry into it.

I call on lawyers; I call on businessmen. If a man comes in, and he wants advice on a subject that I don't think I am qualified to give it on, I will call up one of these men and say, "Here is a man. I want you to take care of him." He will say, "Send him down." He gives him a half a day discussing, say, the insurance business. I had a man yesterday who wanted to go into finance. I got ahold of the head of the trust department of one of the banks and said, "I am sending this lad down this afternoon. I want you to take care of him, tell him where to go to school, and so on."

On legal advice it is the same way. We have got the whole city tied into it. I have never had one refusal from any industrialist, commercial institution, or any professional man. The boys know and feel that they are in the hands of their friends. The town is interested—not in the veteran in general but in this particular fellow.

The reputation of this little Bridgeport plan throughout the country is perhaps the answer to the question. If you are interested in going further into that, I brought some of these things along. I might pass you up this literature.

Senator JOHNSON. I will be glad to have copies for the committee.

Thank you very much, Mr. Griggs. Your testimony will be very helpful to this committee.

Is Mr. Ketchum here?

(No response.)

Mr. Bodfish.

STATEMENT OF MORTON BODFISH, EXECUTIVE VICE PRESIDENT, UNITED STATES SAVINGS AND LOAN LEAGUE, CHICAGO, ILL.

Senator JOHNSON. Mr. Bodfish, you represent the United States Savings and Loan League of Chicago?

Mr. BODFISH. I do, Mr. Chairman.

Senator JOHNSON. You may proceed in your own way, Mr. Bodfish.

Mr. BODFISH. Mr. Chairman, we are here at the suggestion of Colonel Taylor, of the American Legion, with whom we have worked in connection with the home-loan program most closely.

I might explain that the United States Savings and Loan League is composed of 3,625 local savings institutions specializing in home loans. This league includes the vast majority of active savings and loan associations and cooperative banks in the United States, both in

assets and numbers. Currently we make more than one-third of all of the home loans in the United States and over one-half of all the home loans originated by financial institutions.

From the very first, we have cooperated with the Veterans' Administration and the American Legion in the development of a workable and practical home-ownership program. As a result, our institutions have to date made approximately 18,000 home loans, or about 85 percent of all the home loans which have been guaranteed for veterans.

We find the present law to be workable and practical. Some administrative and legislative improvements can be made, and it is particularly important to extend the time to 6 or 10 years during which the veteran may apply. The proposals for the amendment of the present title III submitted by General Bradley and his associates in the Veterans' Administration are consistent with the purposes and present functioning of the act and are all satisfactory from our point of view.

These recommendations include the more important recommendations developed by the American Legion in conferences with the representatives of the various lending institutions.

We are satisfied that the procedures of the Veterans' Administration will be, and are being, adjusted to eliminate unnecessary delay. Furthermore, although the "reasonable normal value" concept is somewhat difficult of administration, a majority of our people appear to believe that this concept and the Veterans' Administration appraisal will tend to provide certain protection for the veterans.

SENATOR MILLIKIN. Mr. Bodfish, has your organization formed any opinion on the cycle of prices for new homes? Obviously they are up now and will probably go higher. Have you any opinion on when they are apt to come down?

MR. BODFISH. We do not expect them to come down much. We see all the elements in the cost picture—which, after all, are largely labor—tending to stabilize, or, if anything, causing the price to go higher; so we do not expect to see the cost of producing new homes—which, after all, is the controlling factor of real-estate value—to decrease substantially in the near or even reasonable future.

SENATOR MILLIKIN. You feel that the standard of normal value, then, is, roughly, present value?

MR. BODFISH. I think it is cost of production at the present time and what thoughtful men with a lot of common sense and experience think the cost of production of new houses will be after the war. I don't think that any year prior to the war or in the early days of the war represents a norm that we can tie to. The fact is that costs just simply have changed, and certainly none of us want to see the compensation of labor going clear back into the woods of the Northwest substantially decreased.

SENATOR MILLIKIN. Do you see any technological improvements such as may call for mass production of homes counteracting the increase in wages?

MR. BODFISH. Well, there is a great deal of talk about new and modern methods, but we have seen that go on for 10 or 20 years, and we think the standards and the facilities wanted in homes would keep ahead of any economies that seem to be effected in production. While

there will be some improvement, probably, in assembly on the site, we don't see any great change in price due to changes in methods of production of homes.

We point out that reasonable amendments of the present law will make it more workable and facilitate the present program which has excellent prospects of providing the veterans with the most liberal credit ever known in America for the financing of homes, farms, and small business property. We point out that any major change from the present program, which has taken more than a year to develop to its present stage, will result in delay. It is very difficult to get such a national program as this under way in less than about a year, and it customarily takes about 2 years for such a program to function smoothly. This has been true in the past in the case of the Home Owners' Loan Corporation and Federal Housing Administration. A change to another agency of the Government or to another loan plan necessarily will result in considerable delay.

We participated in a conference called by the American Legion of all types of mortgage lenders for a study of the present law and of H. R. 3749 by Mr. Rankin, of Mississippi. The recommendations of that conference with respect to the Rankin bill will be presented by the Legion, and we see no objections to any of those recommendations.

If H. R. 3749 is to be enacted, it is essential that the language of the guaranty be clarified to make it clear that the Government is to pay the losses upon these loans up to the final amount of the guaranty.

You recall that Mr. Odom pointed out a vague situation in the Rankin proposal. He didn't know whether it was pro rata of the loss or whether it was guaranteed up to the amount of the guaranty. I mention that because there has been a great deal of discussion of the guaranty.

It was one of the most difficult problems they had to work out.

I don't think we can expect the first mortgage lenders to provide credit at 4 percent for 20 years up to 100 percent of the value, with a guaranty which merely prorates the loss. We do not request a larger guaranty than 50 percent of the loan or \$2,000, whichever is smaller. We believe that amount of guaranty to be reasonably sufficient.

Senator MILLIKIN. Would not a prorated system tend to assure sounder loans?

Mr. BODFISH. I think it would. There is no question but what it would put an added reason for caution and care on the part of the lender. But, Senator Millikin, the problem we are struggling with here is to get a loan program which goes up to 100 percent of value of small houses and which eliminates entirely the personal stake or the down payment that is traditionally considered so essential to a safe long-term mortgage advance.

The reason for the guaranty program was that the guaranty of the loan would be effective, so that the lenders who customarily, and our institutions, for a century, have lent 75 to 80 percent on small homes to owner-occupants, would go up to a full 100-percent loan, so that the veteran would not need a down payment; he could get his home before he had acquired that.

I am afraid that a proration of the loss, where the loss deals with the most risky portion of the loan, and a portion of the advance which has never been made by local lenders before, we might find it quite

difficult to persuade lenders to take that share of the risk of the down payment, which is really what it amounts to.

If you have the amendments which Mr. Odom presented I would like to comment on them. I think Senator Lucas' suggestion that we make our comments on the draft provided by the Veterans' Administration is very good.

The first comment I have to make there, Mr. Chairman, is one that is not germane to our field entirely. We make very few farm loans. The question was raised as to the appropriate term or duration of farm loans to be guaranteed and it was suggested 30 or 35 years.

We feel, as a matter of fact, our group, including myself, who are among the first that took the lead in getting home loans up to a 15- or 20-year basis, we think a 20-year pattern is consistent with the earning and saving capacity of a family, that they ought to get their home free and clear in that period.

We wonder if some of those same reasons may not apply to the duration of your farm loan. The only reason we have any right to raise any question about the farm loan, as we make very few of them, is because whatever is the pattern in that field tends to become the pattern in the urban mortgage field.

Senator MILLIKIN. There is a difference in fundamental theory. In the home loan you have continuing obsolescence to consider, whereas a farm loan soundly made, in that case you are supposed to at least hold the productiveness of the land and perhaps increase it.

Mr. BODFISH. That is right. But, Senator, there is wisdom in orderly redemption in any form of debt whether it be municipal debt or public utility or home or farm. We feel that there is a reasonable middle ground and that the objective of all credit should be to help purchase a home or farm and then to get the owner thereof out of debt, because the real economic security is when he owns it with no obligation.

At the top of page 2 the Veterans' Administration suggested that additional language be included authorizing national banks, federally chartered savings and loan associations, of which there are some 1,500 in all States of the United States, to make any loans guaranteed by the Veterans' Administration. Then they say "or any bank, trust company, or insurance company, organized or authorized to do business in the District of Columbia."

I will call to the attention of Mr. Odom and the committee that there are some 25 very excellent building and loan associations in the District of Columbia which are not federally chartered associations but which operate under laws passed by the Congress, and who should be included along with banks, trust companies, building and loan associations, or insurance companies, organized and authorized to do business in the District of Columbia.

Senator JOHNSON. They can make these long-time loans.

Mr. BODFISH. They can only make them, Senator Johnson, in their regular and ordinary loan procedure involving a secured loan. They can't make, for example, a GI-guaranteed loan for the repair or improvement of property, where the loan is small and where the cost of title search and mortgage arrangements and all that paraphernalia is unnecessary. We desire that the language be clarified and improved so that the District of Columbia associations and the federally char-

tered associations are clearly included and also released from their statutory requirements of taking mortgages or securing first liens so that they can make the unsecured repair and property improvement loans to veterans. This will take some improvement of the language, which we will discuss with Mr. Odom.

Furthermore, these corporations are limited corporations, supposed to do only things which are specifically set forth in the statute, and while they are moving ahead under liberal interpretation and tolerance of the supervisory authority, certainly all of us who have any responsibility for those institutions and for operating them would rather have the authority clearly set forth in the statute.

Senator JOHNSON. Will you give me the description of them again, please?

Mr. BODFISH. Some 25 building and loan associations in the District of Columbia who should be included—along about in the sixth line—along with other banks, trust companies, and insurance companies, organized or authorized to do business in the District of Columbia.

In line 2 of that same page—

Senator MILLIKIN. May I ask whether your suggestion is agreeable to Mr. Odom?

Mr. BODFISH. I haven't had a chance to talk with him in person. I am sure it would be because certainly the Veterans' Administration, by this amendment and others, is anxious to have all responsible supervisory institutions participate in the program.

Senator JOHNSON. That is the object of the amendment.

Mr. BODFISH. That is correct; and also, not only to take care of the national banks, but our federally chartered savings and loan associations cannot make property repair and improvement loans which are authorized under the act at the present time because we are only allowed to make loans at the present time involving a first lien.

In the second line on that same page the Veterans' Administrator is authorized to guarantee loans on approved applications, and it says, "made to persons and firms."

I merely call that to the attention of the committee in that the discussions in the Legion group—and maybe it was because we are a supervised group—certainly tended to the conclusion that chartered and supervised institutions could be entrusted to do the right thing with this program and that probably some of the dangers of lax practice and exploitation lie in the rather broad language of letting the Veterans' Administrator guarantee loans made by an individual or a builder or any type of business concern that might be selling materials and the like, and it certainly was the consensus of opinion in the group that it might be wise, particularly if the theory of the Rankin bill were followed, and the appraisal work entrusted largely to the local institutions, that the lending be confined to chartered institutions which were supervised either by the State or Federal authorities rather than typical real-estate development firms or individuals or material firms and the like.

It is one of those difficult problems. I think there is very ample credit available from the banks, savings and loan associations, insurance companies, trust companies, and the like, and whether any constructive purpose is served by including an avenue through which real-estate firms, builders, and others can request the Veterans' Administra-

tion to guarantee loans or not is something the committee should consider.

Senator MILLIKIN. There is a monopoly angle there to be considered.

Mr. BODFISH. That is right. I think there, Senator Millikin, it couldn't quite be monopolistic, if you could reasonably say that the chartered institution is under public supervision, State or Federal, including all the people whose principal business is lending the money.

And there is a question whether a person whose principal business is selling real estate should have that.

In section 501 (3) the Veterans' Administration suggests a change in the application of the guaranty. The guaranty now is applied to the purchase price. That has been vexing, as you know. It has meant that in some areas the veteran who wanted to acquire a home promptly could not do so because the law specifically says that if Uncle Sam is to endorse the note, in order to get him a 100-percent loan, in order to protect the financial institution in advancing the amount that includes the down payment, that transaction must be a practical one and must be within his means, and that the House must be fit into an appraisal involving reasonable value.

As far as the savings and loan associations are concerned, who have been most active to date in this program, we can work under the present arrangement. We can work under the proposal of the Veterans' Administration. We can work under the proposal in the Rankin bill. I wouldn't be fair to the committee, however, if I didn't point out some things which maybe you know better than I do, but, namely, the mental habits of financial people.

You permit your guaranty to be the amount of the loan plus 10 percent and in a short time all your veteran purchases will be on a 10-percent down-payment basis.

Senator MILLIKIN. Then they will jump up another 10 percent.

Mr. BODFISH. They jump up another 10 percent as prices move up. But it is just human nature in the money-lending business that if you can require a personal stake in a transaction of this kind you do it. It suits us. It is a thing I think that the Congress ought to decide. But the tendency will be if you authorize "reasonable normal value" on the amount of the loan plus 10 percent that everybody will look for the 10-percent cash down payment. It will be the tendency in the administrative procedure in the Veterans' Administration.

Your basic question to decide is whether the Congress shall say it is better to go through the irritation of waiting until there is an ample construction of new homes so that prices settle down a bit, with some disappointment on the part of the individual, or whether it is best to take the lid off, 10 percent or 20 percent, or something of the kind.

I can't help but feel that the veteran that goes out today and buys an old place for \$500 or \$1,000 in excess of what he can get a new one for 2 years from now is not going to be very happy with the financial institution that was a part of the deal, and he is not going to be entirely happy with his Government guaranty which made the transaction possible.

It is basically a question of whether we want to allow him to pay for a small home a limited percentage in excess of what independent appraisers in his own community, using the best information and judgment they have, considered that property is worth. It is a ques-

tion in which the lenders are fully protected. It will have no bearing on the volume of the program other than it will put through and implement a few transactions.

Senator JOHNSON. The thought has been expressed that if the word "normal" is stricken out that that whole matter might be cured.

Mr. BODFISH. Mr. Chairman, every man who is engaged in mortgage lending or in appraising can always write an article on what he thinks the value is, and I don't think that there is any substantial difference between "reasonable value" and "normal value." The real distinction is the difference between market price, which is the thing that we are facing every day, and what a reasonable, thoughtful, experienced appraiser thinks a piece of real estate will be worth during all the rest of its useful life.

You might be able to sell it for a lot more today because we have an abnormal situation in which we are not building anything. It might sell at another time in the face of a banking crisis, such as we have had, for considerably less than its value.

But those are today's market prices and "reasonable normal value" and "value" in the mind of a thoughtful, responsible appraiser represents his judgment of what that place will be worth during its entire remaining useful life.

Senator MILLIKIN. It is almost a guess.

Mr. BODFISH. It is a judgment based on the best facts available. Certainly it isn't a precise thing, Senator, I will agree with that.

Now, in that same language, where they provide for—section 501 (3)—where it is provided that the reasonable normal value will apply to the loan and the veteran is to pay cash or otherwise in an amount up to 10 percent, I would call your attention to the fact that the "otherwise" is there.

It seems to me that lets everything from promissory notes, second mortgages, agreements with builders, and the like, to enter into this transaction. I don't think that is what Mr. Odom and the Veterans' Administration intended because I think they were thinking of a veteran with cash. And I see no other thing that he should appropriately put into this transaction, except possibly if he already has a building lot that might be appropriate for his down payment.

The Veterans' Administration testimony, in its conclusions, Mr. Chairman, talked about grouping the loans and pooling the risk so that a lender who made a million in loans would be able to recover 100 percent individual loan losses up to \$150,000. We think that probably is an answer as far as the shorter term of business or agricultural loans are concerned. We doubt if it is a wise thing to apply to the home loans.

I want to say in conclusion that we think that the program of interesting the returning veteran in the ownership of a home rather than just renting one or living in a Government owned and operated house, or something of the kind, is highly desirable, the object of the legislation is most appropriate in that connection, and for that reason our institutions, being specialized in this phase of the financial business, have tried our level best to cooperate in every way with the Veterans' Administration and with the veterans. We have spent a great deal of time and money in interviewing these men. Many of our larger institutions have hired one or two returning veterans to handle

the GI inquiries. We propose to cooperate right along all the way in the program and however you work it out in connection with these amendments.

The program can work as is or it can be improved. We do not want to see its fundamental character changed. We don't want to see this shunted off to some other agency. It is moving nicely now. We think we will be pleased with it.

Senator JOHNSON. We appreciate your helpfulness, Mr. Bodfish. Thank you for your testimony.

Senator Millikin and I have an appointment down at the Pentagon Building. We were supposed to leave at 11:45 and 11:45 is here now.

Mr. Ketchum, we had the whole committee here this morning to hear you, but Senator George, Senator Lucas, and Senator La Follette had to go to the Foreign Relations Committee meeting and so couldn't wait here.

Mr. KETCHUM. I am sorry, Mr. Chairman. I was scheduled to be here at 10 o'clock but I ran into some difficulty with my stenographic force in the office.

Senator JOHNSON. Would you be ready to testify at 2 o'clock this afternoon?

Mr. KETCHUM. I have a Surplus Property Board meeting at 2:30. That is why I was trying to get here this morning to clean this thing up.

Senator JOHNSON. You appreciate our difficulty. I know it isn't your fault that you weren't here this morning. We want to accommodate you and we are looking forward to hearing your testimony.

Mr. KETCHUM. I will be here at 2 o'clock, Mr. Chairman.

Senator JOHNSON. We will make it 2:30.

I would like permission of the committee to insert in the record at this point a communication that Senator George received from D. W. Bell, Acting Secretary of the Treasury, under date of October 9, 1945, in regard to title III of this bill.

(The letter above referred to is as follows:)

TREASURY DEPARTMENT,
Washington, October 9, 1945.

HON. WALTER F. GEORGE,

Chairman, Committee on Finance, United States Senate,

Washington, D. C.

MY DEAR MR. CHAIRMAN: Further reference is made to your request for the views of this Department on H. R. 3749, "To amend the Servicemen's Readjustment Act of 1944 to provide for a readjustment allowance for all veterans of World War II."

The majority of the provisions of the bill relate to matters within the jurisdiction of other agencies of the Government and the Treasury is not in a position to comment on the merits of those provisions of the bill. However, the proposed changes in title III, relating to loans for the purchase or construction of homes, farms, and business property, are of sufficient interest to the Treasury to warrant particular comment.

The present act provides that such loans may be guaranteed only if the purchase price of the property does not exceed the normal value thereof as determined by "proper appraisal." It also requires a determination by the Administrator of Veterans' Affairs that the statutory requirements, such as a reasonable likelihood of the veteran's success in the occupation for which the loan is made, are fulfilled prior to the approval of a loan. The present bill would delegate the authority with respect to both of these matters to the lending agent. The advisability of such a change is believed to be open to serious question. While it may be that lender appraisal might tend to speed up the process of obtaining loans, on the other hand this procedure could result in abuses which would

prove harmful to the veteran. As to the proposed guaranty of loans without review or approval by a Federal agency, it is believed that this provision would establish a very undesirable precedent which could result in large financial losses to the Government. Therefore, while the Treasury is entirely in sympathy with efforts to improve and speed up the machinery for making loans to veterans, it strongly recommends, in the interest of both the veterans and the Government the retention of the above-mentioned safeguarding features of the present act.

Section 501 (b) of title III of the bill contains a new provision which provides that all national banks wherever located and all other banks and trust companies located in the District of Columbia and other Territories and possessions of the United States are authorized to make any loans guaranteed under the Servicemen's Readjustment Act of 1944, as the same is now or may be amended by the bill, "without regard to the limitations and restrictions of any other statute or ruling of the Federal Reserve Board." That provision, in effect, would amend section 24 of the Federal Reserve Act, as amended (U. S. C., title 12, sec. 371), and section 5200 of the Revised Statutes, as amended (U. S. C., title 12, sec. 84), and is considered undesirable in its present form.

Section 24 of the Federal Reserve Act authorizes national banks to make loans secured by first liens upon improved real estate including improved farm land and improved business and residential properties. Under that section, such loans may not exceed 50 percent of the appraised value of the real estate offered as security and the term may not be longer than 5 years, except that any such loan may be made in an amount not to exceed 60 percent of the appraised value of the real estate and for a term not longer than 10 years if the loan is secured by an amortized mortgage, deed of trust, or other such instrument under the terms of which the installment payments are sufficient to amortize 40 percent or more of the principal of the loan within a 10-year period. The section also limits the aggregate of real-estate loans held by a national bank to a sum equal to the capital and surplus of the bank or 60 percent of the amount of the bank's time and savings deposits, whichever is the greater. Section 5200 of the Revised Statutes, with certain exceptions not pertinent here, limits the total obligations to any national banking association of any person, copartnership, association, or corporation to 10 percent of the amount of the capital and surplus.

Under the guaranty provisions of the bill, there would seem to be no limit on the amount of a loan that could be made by a lending agency to a veteran since the bill provides for loans "in any amount that may be agreed upon between the lender and the veteran." The provisions of the bill limit the amount of the loan that may be guaranteed but not the size of the loan that is granted. It is only the guaranty which is limited to the aggregate amount of \$2,000 and not in excess of 50 percent of the amount of the loan. That being the case, the bill would remove all the foregoing statutory limitations. Since the bill would authorize loans to 100 percent of the purchase price of the real estate involved, a national bank could lend 100 percent of the purchase price irrespective of the 50- and 60-percent limitations of section 24 of the Federal Reserve Act and could make 20-year loans without adequate amortization provisions and without regard to the proportion of the bank's assets already invested in real-estate loans. It would also eliminate the 10-percent limitation of section 5200 of the Revised Statutes. Hence, it would be possible for a national bank to make a loan to a person regardless of whether the loan was equal to 2 or 10 times the present limit of 10 percent of the bank's capital and surplus.

In applying the limitations of section 24 of the Federal Reserve Act to real-estate loans guaranteed under the Servicemen's Readjustment Act of 1944, the Comptroller of the Currency has ruled that the limitation of the amount of the loan to 50 or 60 percent of the appraised value of the real estate should be applied only to the unguaranteed portion of the loan. Under that ruling, on the security of real property appraised at \$10,000, a national bank could make, for example, an amortized loan for \$8,000 when \$2,000 of the loan is guaranteed. The 50- and 60-percent limitations upon the amount of a real-estate loan are essential to take care of possible depreciation in value of the property and were designed by the Congress for the protection of banks and their depositors. If it is economically unsound to raise those proportions as to real-estate loans in general, it follows that it would be economically unsound to eliminate the amount limitations upon the unguaranteed portions of real-estate loans made to veterans. It would also be economically unsound to make it possible for a national bank to freeze an unlimited portion of its assets in long-term real-estate loans.

In the circumstances, it is the view of the Department that real-estate loans by national banks to veterans should be subject to the present aggregate limit prescribed by section 24 of the Federal Reserve Act; that there should be some limit as to the amount of any one loan in relation to the value of the real estate and the capital and surplus of the lending bank; and that there should be a specific requirement for amortization with regular and frequent payments sufficient to offset any possible shrinkage in market value of the property. It is believed that those restrictions and limitations are essential to the protection of the banks, their depositors, and the public in general.

Amendments to H. R. 3749, which it is understood the Veterans' Administration will propose to your committee, have been submitted to the Treasury. These amendments include a revision of title III which would eliminate the undesirable provisions to which reference has been made in this report.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your committee.

Very truly yours,

D. W. BELL,
Acting Secretary of the Treasury.

Senator JOHNSON. We will recess then until 2:30.

(Whereupon, at 12:50 p. m., the subcommittee recessed until 2:30 p. m. of the same day.)

AFTERNOON SESSION

Senator JOHNSON. Mr. S. M. Armstrong, are you ready to proceed?
Mr. ARMSTRONG. Yes.

STATEMENT OF STUART M. ARMSTRONG, ADVERTISING MANAGER, NATIONAL RADIO INSTITUTE

Senator JOHNSON. You are representing the National Radio Institute?

Mr. ARMSTRONG. Yes, sir.

Senator JOHNSON. Will you give your name and other data to the reporter and proceed in your own way, please?

Mr. ARMSTRONG. Mr. Chairman and members of the subcommittee, the proposed amendments affecting correspondence schools submitted to you on Monday, October 8, by Mr. Stirling of the Veterans' Administration, appeal to us as being entirely fair and practical.

Therefore, my only purpose in appearing before you today is to submit data which I hope may show how much veterans want and need the type of training offered by correspondence schools.

Since the war started, 9,808 students have dropped the National Radio Institute course because of induction into the armed forces.

To date, 843 of these men have written us that they planned to resume this correspondence course under the provisions of the Servicemen's Readjustment Act.

I have brought 100 of these letters along, and will leave them for your inspection in case any of you wish to see how these men express themselves on the subject.

On Monday, Senator Lucas mentioned there was a discrepancy between the number of veterans declared eligible for training by the Veterans' Administration—about 110,000—and the number that had actually started training—about 22,000.

I can, I believe, explain a small part of that discrepancy.

Three hundred and ten of these eligible veterans have applied for enrollment with the National Radio Institute. We have been forced to tell them that a Veterans' Administration ruling prevents them from enrolling for our correspondence course.

This procedure, I might add, is a rather bitter dose for us to swallow, for the National Radio Institute has a 31-year record of fair dealings with students and a reputation in the radio industry of offering an effective, authoritative course of training.

As further evidence of the fact that veterans are interested in enrolling for correspondence courses, between the dates of August 18, 1943, and October 1, 1945, a total of 25,293 men in the armed forces stationed in the United States have written for information about our course in radio.

Two thousand seven hundred and sixty-seven of these men have enrolled for our course at their own expense.

During this time 34,200 men with Army post-office and fleet post-office addresses have inquired about the N. R. I. course.

On Monday, I believe it was Senator Butler who asked Mr. Stirling if many veterans wanted correspondence courses.

Mr. Stirling replied that "According to the correspondence schools, thousands of veterans wanted correspondence courses."

But Mr. Stirling added, as I recall, that the Veterans' Administration had received few if any letters on the subject from the veterans themselves.

I believe, gentlemen, that the facts I have submitted go to prove the correspondence schools are correct when they say "thousands of veterans want correspondence courses."

In fact, unless reputable correspondence schools can take part in the veterans' training program, many veterans will not be able to get any advantage whatsoever from the educational features of Public Law 346.

Most married veterans—veterans who return to full-time jobs—veterans who live in small towns or on farms—must take correspondence training or none at all.

Of course, there may be some objections raised to correspondence training per se.

It may be charged that some schools do not give value received—some courses are not adequate—that courses are sold by high-pressure methods.

These same charges can be made against many colleges and universities if we are to engage in a name-calling contest.

However, in the case of correspondence courses, used under regulations proposed by the Veterans' Administration, both the veteran and the Government will be reasonably protected.

The veteran will proceed with his correspondence course only if he sees that he is gaining the knowledge he wants. And the Government will pay only for the portion of the course which the veteran completes.

The correspondence courses must be efficient or the veterans who enroll will not study and the schools will not be paid. A correspondence school must deliver the goods or go out of business. I know of no such positive test to which materials, methods, and personnel of public schools are ever put.

Correspondence schools which are not anxious to give value received—schools which offer inadequate courses, schools which depend on high pressure—would quickly go broke doing business under the regulations proposed by the Veterans' Administration.

I submit, gentlemen, that if the veterans and the Government are as well protected from exploitation by other types of schools, as they are protected from inadequate, cynical, or fourflushing correspondence schools, then the situation is well in hand.

I say this because, in addition to the protection offered by the proposed law, all schools doing business through advertising and through the mails are also subject to the broad regulatory powers of the Federal Trade Commission and the United States Post Office Department.

Senator JOHNSON. Mr. Armstrong, what are your experiences with other than veteran students in your courses? How many do you graduate; how many finish their courses?

Mr. ARMSTRONG. Before the war we graduated approximately 20 percent of our total enrollment.

That is a figure that correspondence schools can control somewhat by tampering with their examination questions.

Most correspondence schools do not want to be classed as diploma mills. We try to cull out the men who are not sincere and who are not scientifically or technically minded, and graduate only the ones who will make good, able technicians.

Senator JOHNSON. What is the cost of your course?

Mr. ARMSTRONG. \$127 is the cost of our course. That gives a total of 65 study lessons, and 6 kits of experimental material with which to operate.

Senator JOHNSON. What about the record of your graduates? What about their employment?

Mr. ARMSTRONG. The record even during bad times was good.

During wartimes, our graduate service manager has probably had 25 calls to every 1 he could fill for graduates.

Those are all facts, of which I would be glad to submit proof if you want it.

Mr. JOHNSON. Do you have any questions, Senator Millikin?

Senator MILLIKIN. I didn't come in in time to hear the testimony.

I was curious to know what kind of a school it is.

Mr. ARMSTRONG. The National Radio Institute, teaching technical radio by mail.

Senator MILLIKIN. Do you know the percentage of students who do not graduate from college?

Mr. ARMSTRONG. In the booklet, Circular 193 of the Federal Security Agency, United States Office of Education, it is stated that of every 1,000 pupils who enrolled in the fifth grade in 1932, 439 remained to graduate from high school in 1940.

Out of 1,000 students entering college in 1936, 472 graduated in 1940.

We, perhaps, graduate less than half of that percentage.

Senator JOHNSON. Yours is 20 percent and theirs is 50 percent?

Mr. ARMSTRONG. That is correct.

We could cut that down more by making our examinations tougher or raise it by making them simpler, but we have found that that is just

about the ratio at which we can turn out men who are a credit to our school.

Senator MILLIKIN. How much down payment do you get?

Mr. ARMSTRONG. \$5 and \$5 a month.

Senator MILLIKIN. And 65 lessons?

Mr. ARMSTRONG. Sixty-five lessons in the course. The payments, however, have no bearing on the rate at which he completes the lessons.

Senator MILLIKIN. Does he buy books?

Mr. ARMSTRONG. No, sir; he buys nothing.

Senator MILLIKIN. The books come with the course.

Mr. ARMSTRONG. That price is all-inclusive.

Senator JOHNSON. Your experience with this educational facility must have brought to your attention many fly-by-night—no, that does not describe them—correspondence courses that don't suit or don't fill the bill. You must know a great deal about such schools, do you not?

Mr. ARMSTRONG. I am afraid I do, yes.

I am sorry to say that we have been smeared by the brush which smears them in a way.

There are schools which don't deliver the goods. Percentagewise I don't know how they compare.

Of course, I imagine that you gentlemen don't like to hear all lawyers called shysters. We don't like to hear all correspondence schools called racketeers.

We believe percentagewise we have some mighty, mighty fine schools in our field. We do have some mighty irresponsible ones also.

Senator JOHNSON. And the sincere student who graduates is really the cream of the crop, is he not, insofar as students go?

He is after something?

Mr. ARMSTRONG. He is after something and he works very hard for it.

I don't know whether I would have the integrity to complete a correspondence school course or not. You have to really want what you are going after.

Senator MILLIKIN. I wonder if during the time that I was out, Mr. Armstrong, you might have had any suggestions to make as to how a correspondence course and a correspondence school business might be regulated in any way so the veteran might be protected.

Did you have anything to say about that?

Mr. ARMSTRONG. My comment was that the safeguards provided by the Veterans' Administration seemed to be rather adequate.

After all, we are inspected by an approval agency of the State, and then the Veterans' Administration negotiates a contract with us.

Furthermore, the veteran studies as much of the course as he is interested in, and the Veterans' Administration pays only for what the man studies.

Senator MILLIKIN. Thank you very much.

Senator JOHNSON. Are there any further questions?

(No response.)

We thank you for your testimony, Mr. Armstrong.

Mr. Dilweg is now present and we will hear from him.

STATEMENT OF LaVERN R. DILWEG, AS COUNSEL FOR THE NATIONAL HOME STUDY COUNCIL, ACCOMPANIED BY DR. J. S. NOFFSINGER, ALSO OF THE NATIONAL HOME STUDY COUNCIL

Mr. DILWEG. Mr. Chairman, just for the information of the committee, may I identify myself?

My name is LaVern R. Dilweg.

I was a Member of the Seventy-eighth Congress from Green Bay District, and am now a practicing lawyer with an office in Washington.

My statement will be very brief because it pertains to but one small section in the bill passed by the House and now under consideration here, namely, H. R. 3749.

The National Home Study Council was organized through the efforts of the Carnegie Corporation of New York in 1926; that is, 19 years ago.

The primary purpose of the council is that it should be the inspecting and approving agency for the private correspondence school field, and be comparable in character within that field, to the North Central Association, the Southern Association, and so forth, within the collegiate and secondary fields of education.

Sound educational and business standards have been established. Schools have been inspected and approved on the basis of those standards, and State departments of public instruction in 42 States have recognized the work of the council by circulating to all of the vocational-guidance directors and high-school principals within their respective States, for their information and guidance, a list of all private correspondence schools and courses approved by the council.

As a matter of fact, certain State departments, after thorough investigation, have unqualifiedly certified to the Veterans' Administration those private correspondence schools which have been inspected and approved by the National Home Study Council.

We are interested in those amendments to Public Law 346 which relate to the including of correspondence schools and correspondence courses of instruction as found in H. R. 3749, not only in behalf of the high-grade approved schools within the field but also in behalf of several thousand men and women whose correspondence courses of instruction were interrupted when they were inducted into the armed forces of our country and who now desire to continue such correspondence courses for the purpose of upgrading and job improvement, without maintenance allowance, while being gainfully employed.

We are entirely in accord with everything contained in this bill relating to correspondence schools, with the exception of one paragraph only—namely, paragraph No. 12 of part VIII, chapter IV, entitled "Education of Veterans." This paragraph is very brief and reads as follows:

12. The Government shall pay for these correspondence courses quarterly as the course is completed.

We have three objections to this paragraph. They are:

1. The paragraph is ambiguous: We requested an unofficial interpretation of this paragraph from the Veterans' Administration and were advised that in their judgment the paragraph meant that the

Government would pay correspondence schools every 3 months for such lessons or units as had been delivered and serviced, and for such necessary books and supplies as had been delivered to the student during the preceding 3-month period. We are now advised that it was the intent of the authors of paragraph 12 that no tuition payment should be made on these courses, or other payment for necessary equipment or supplies therefor, until and unless full quarters of each course had been successfully completed by the student.

While both of those interpretations are reasonable from the standpoint of the language used, yet the ambiguity of the language requires that this paragraph should be changed.

Senator LUCAS. What do you suggest?

Mr. DILWEG. I suggest that it be deleted from the bill entirely.

If you will permit me, I will get to that right now.

2. The paragraph is discriminatory: If the second interpretation above is given to paragraph 12, then the paragraph is discriminatory inasmuch as while correspondence schools are included in paragraph 11 together with all other kinds of schools mentioned therein, both public and private, and also since paragraph 5 specifically provides that—

The Administrator shall pay to the educational or training institution, for each person enrolled in full time, part time, or correspondence course of education or training, the customary cost of tuition * * * and may pay for books, supplies, equipment, and other necessary expenses, exclusive of board, lodging, other living expenses, and travel—

and so forth.

Therefore, to require that correspondence schools be compensated only upon the completion of full quarters of the course of instruction when such periods in certain cases may normally cover from 10 to 18 months of time, and not have similar requirements for other schools, is both discriminatory and unreasonable.

We doubt that any reputable correspondence school would sign such an unjust contract, and as a result this paragraph would therefore in reality deny the use of such courses of instruction to discharged veterans.

3. The paragraph is unnecessary: Paragraph 5 of part VIII of this bill already provides that—

The Administrator shall pay to the educational or training institution, for each person enrolled in full time, part time, or correspondence course of education or training, the customary cost of tuition—

and so forth.

Furthermore, the Veterans' Administration now contracts with correspondence schools for courses of instruction under Public Law 16, whereby the various correspondence schools receive an enrollment fee of from \$5 to \$15—enough to cover the actual cost of setting up the enrollment on the books of the school—and then pays the school, either monthly or quarterly, a fixed sum for every lesson completed by the student and serviced by the school, plus the cost of books or equipment actually supplied. This method of payment is fair and equitable, and appears to be satisfactory, to everybody concerned.

For the above reasons we respectfully request that paragraph 12 be deleted from this bill.

That answers your question, Senator?

Senator LUCAS. Your position is that it is operating satisfactorily at the present time and does not need any clarification through an amendment?

Mr. DILWEG. Not through that particular amendment.

Senator LUCAS. Does it need any clarification?

Mr. DILWEG. Perhaps I have not made myself clear, Senator.

In the House bill and the bill that is now being considered by this committee, correspondence schools were included in the general statement of the institutions covered, which is really amendatory legislation to Public Law 346, and the need for this amendment grew out of an opinion that was rendered by the Veterans' Administration wherein they came to a decision after that law was passed, that correspondence schools were not to be included.

We had an opportunity to present our case before the House committee.

I am going to ask the chairman to permit me to insert that statement that was made before the committee in the House at an executive session, wherein we pointed out that the underlying principle of law 346 as far as education was that it was to be the veteran's choice.

In other words, if the veteran desired to enroll in a correspondence school, he should have that opportunity. If he desired to enroll in a university or any other school he should have that opportunity with the safeguards, of course, that Congress has placed around this bill in order to keep out fly-by-night schools.

And, of course, we are as much interested in that as Congress was at the time.

I also believe, Senator, that the State educational board passes upon the quality and qualifications of the school, and they should be qualified to do it and should do it on behalf of the veteran.

Senator LUCAS. Duty bound?

Mr. DILWEG. As far as I know they do.

Senator LUCAS. Do correspondence schools have to meet any State tests before they can operate?

Mr. DILWEG. In some States they do and in some they do not.

As I pointed out, the National Home Study Council, which has been in existence 19 years, is an organization that itself has placed certain standards in the correspondence-school field in order to raise the type of training that is given through the reliable correspondence schools, and, I believe, you will find today that the number of schools that are members of this organization and that live up to the standards of the organization, enrolled approximately 75 percent of all students enrolled in correspondence schools in the country.

Senator LUCAS. I apologize for being late, Mr. Chairman.

Maybe some of my questions are repetitious, but I would like to explore for the sake of my own information this question I raised a moment ago with respect to basic law.

As I understand you and the Veterans' Administration, under the present law there are veterans today who are receiving correspondence courses throughout the country. Am I correct about that?

Mr. DILWEG. That is correct.

Just a moment. I want to be sure I answer your question correct, Senator.

Bearing in mind that the Veterans' Administration rendered an opinion upon law 346 wherein they stated in substance that unless the correspondent school was a residence school, the student could not participate or enroll in the school, that has not permitted the veteran to enroll in correspondence school courses unless it was a residence school.

Senator LUCAS. What do you mean by "residence school"?

Mr. DILWEG. That the school has actually had its residence in the State and conducted classes with professors there, rather than strictly a correspondence school course.

That was the Veterans' Administration interpretation of the law.

In my own opinion, if I may express it, it is an erroneous conclusion, but the only way in which a correction can be made to permit correspondence schools to participate is through amendatory legislation.

That amendment to the original law 346 is contained in the bill before you now, H. R. 3749, which passed the House.

In other words, the House has had full details, a complete statement upon which they could come to a conclusion that this was necessary, and I ask permission to insert that in the record.

Senator LUCAS. The bill now before us satisfies your position?

Mr. DILWEG. That is correct, with the exception of the paragraph No. 12 of part VIII, chapter IV, which provides that payments are to be made quarterly.

There were two interpretations. The Veterans' Administration itself informed us that that meant that the Government would pay quarterly for lessons completed to that time.

And the interpretation by the authors of the amendment was that you would not be paid until the student has actually completed one quarter, one-half, three-quarters, or the full course.

Senator LUCAS. Which one do you prefer?

Mr. DILWEG. We ask that it be deleted as we say it is not necessary.

There is a provision in the bill that provides a correspondence school will receive the tuition like any other school.

Senator LUCAS. Were you present yesterday when the gentleman representing the American Council of Education was here?

Mr. DILWEG. I was not, but I think I have some of the information before me.

Senator LUCAS. The chairman will correct me if I am wrong, but he made the statement that there were 1,000 schools that they recommended for a correspondence course. He made a distinction between a course in a school.

Mr. DILWEG. That is erroneous. There are not over 200 correspondence schools in the country today, and, as I told you before, in the neighborhood of forty-some schools represent the old-line schools who have given correspondence courses for many years who enroll over 75 percent of the students enrolled in the 200 correspondence courses in the country.

Senator LUCAS. As I recall, he stated that there are about 1,000 schools, correspondence schools, that they would recommend that the veteran attend, and then he would eliminate all the rest of them.

What do you have to say about that?

Mr. DILWEG. When you say they would recommend, what do you mean?

Senator LUCAS. The gentleman who testified yesterday representing a group of higher educational institutions throughout the country, recommended to the committee that certain schools be designated by Congress, I take it, or instruction through the Veterans' Administration, where veterans might obtain this education, stating that there were only about 1,000 correspondence schools that they would recommend, and another 1,000 that had been examined by this same group that they could not recommend.

Am I correct in that statement?

Mr. DILWEG. I don't believe you are, Senator.

Let me find out—

Senator LUCAS. Let me find out from the committee if I am correct.

Senator JOHNSON. I don't recall that it was 1,000 both ways, but it was some such number.

But he made the distinction between schools and courses.

Mr. DILWEG. I think the distinction he tried to make—and if I am incorrect, I want to be corrected—is that under the present law you could take a correspondence-school course if it was connected with a resident school.

By that he means a correspondence course given by, let us say, the University of Wisconsin, my State, or the university of your State.

But he suggested that this committee give due consideration to taking out of the bill entirely any other correspondence school course on the ground that there were over 1,000 of those schools in the country, and it was impossible for the Veterans' Administration to find out which was a good school and which was not a good school.

Senator JOHNSON. That is the way I understood it.

Mr. DILWEG. Of course, I must repeat again that the statement is erroneous.

In the first place, there are not 1,000 correspondence schools in the country, but there are closer to 200.

Senator LUCAS. Why should there be such a discrepancy between men who are presumed to understand the educational systems of the country?

Mr. DILWEG. I can't understand that, unless the witness is biased.

You gentlemen have had enough experience to size up the witnesses.

Senator LUCAS. Where can we get that information?

Mr. DILWEG. I will be very glad to submit to this committee the names of every correspondence school in the country, add them up, and then place them against the gentleman's statement as made here yesterday.

Senator LUCAS. There ought to be some statistics some place, with all the bureaus we have here in Washington, D. C., where we can find out the number of correspondence schools around the country.

Mr. DILWEG. I haven't access to the bureaus now.

Senator LUCAS. What bureau do you recommend to the committee that we interrogate in order to ascertain the number?

Mr. DILWEG. I am sorry I can't give you that information, but I can assure you that I will place in the record, with the permission of the chairman, the names of each and every correspondence school in the country.

Senator LUCAS. I will tell you why I want it.

There is a great discrepancy here between two principal witnesses, one representing institutions established with the 9-month courses throughout the country, and the other witness representing the schools having correspondence courses.

In view of the statement made yesterday by this witness, and in view of your statement, it certainly becomes the province of this committee to determine and find out, as I see it, the true worth of the great number of these correspondence courses or schools, so that the veteran is not going to be fooled by a fly-by-night organization when he returns.

Mr. DILWEG. I agree with you, and may I again go back to my statement asking that section 12 be deleted in the present bill that you are considering?

I say that provision itself permits the fly-by-night correspondence school to misrepresent to the Veterans' Administration, whether or not the man has completed a quarter of his course, to get the fee.

A reputable correspondence school would not and could not do that because they intend to continue in business regardless of the enrollment as a result of the GI bill.

And I am glad you brought up the point which shows that section 12 is unnecessary.

After all, once a school is certified by the State department of education, the Veterans' Administration then calls the school and sits down and enters into a contract with that school.

To go over in minute detail what the enrollment fee is, the cost of the books, and very definitely agree with the school that no payment shall be made for any course until it is completed.

So, whatever the effect of section 12, and I don't know what end the author was trying to reach—I believe you have that today by the normal operation of the Veterans' Administration and the correspondence schools.

You pay for no more than the boy actually completes. If he completes but one lesson, the correspondence school receives payment for one lesson from the Government, and that is all.

Senator JOHNSON. That is the contract between the Veterans' Administration and the school?

Mr. DILWEG. That is right, Mr. Chairman, and I know that they have contracts of that kind right now under law 16.

Senator LUCAS. I hope I am not taking too much time, but this seems to be a very important phase of this bill.

On page 188 at yesterday's hearing, Mr. Brown testified as follows:

The recommendation to strike out all reference to correspondence schools does not mean that veterans are barred from taking correspondence courses. Public Law 346 has been interpreted to include correspondence courses offered by institutions which also provide residence instruction. These institutions, almost 100 in number, are approved colleges and universities, State departments of education, and a few city school systems. More than 1,000 different kinds of courses at all levels are available to the veteran.

That is where I got the 1,000 idea. That means there are 1,000 different courses of all types and kinds available to the veteran in these schools.

These institutions are approved by regional and national accrediting associations. Not one cent of payment for such courses goes for commissions, advertising or profit, as would be true if commercial correspondence schools are included in the provisions of this bill.

The difficulty of approval and supervision of the more than 1,000 correspondence schools operating for profit is virtually impossible. Again referring to the study, only 7 of the 40 State representatives believe that correspondence schools should be included and all but these same seven, state that it would be impossible to evaluate adequately such schools prior to approval or to maintain continuing supervision.

There is the point I wanted to make.

Mr. DILWEG. Senator, he mentions 1,000 courses. At this time I would chance the guess that there are 1,000 courses offered to the veteran but when he follows that up with the fact that there are 1,000 schools, that is erroneous in his statement.

Senator LUCAS. I will ask you this question: He referred to the 100 public institutions, approved colleges and universities, State departments of education, and a few city school systems; is there anything comparable to that in your group?

Do the leaders in these correspondence schools have any group which they say are the right type and kind, whatever number you may have?

Mr. DILWEG. Oh, yes; and that is the group I am here representing today, the National Home Study Council.

Senator LUCAS. Have you placed those names in the record?

Mr. DILWEG. The names of the schools?

Senator LUCAS. Yes.

Mr. DILWEG. I have not, but I will.

Senator LUCAS. How many are there?

Mr. DILWEG. There are 42 schools, with, I believe, three pending applications with the National Home Study Council today that have the stamp of approval of the Home Study Council, as far as their living up to the standards that have been worked out by the Home Study Council.

Senator LUCAS. Do know how many more schools there are in the country?

Mr. DILWEG. I would say in the neighborhood of 200. That does not mean that the school does not give value received. That means that of the group of 200, there are 42 to 45 schools that live up to very rigid standards, and it is those 42 to 45 schools that represent 75 percent of the present enrollment of all correspondence school students in the country today.

Senator MILLIKIN. Could you tell us what those standards are?

Mr. DILWEG. It would be very difficult but, again, if the committee is going to be interested, we could insert in the record the standards the school must live up to.

Senator MILLIKIN. I think we are very much interested in the general subject, and this question of standards goes to the protection of the veteran.

Mr. DILWEG. All right.

Senator MILLIKIN. Where do you get the funds for your operation?

Mr. DILWEG. It comes from the various schools who are members of the National Home Study Council.

Senator MILLIKIN. You do not accept funds from any source except the school that is a member?

Mr. DILWEG. That is correct.

In order that I do not misspeak or misinform the committee, I am going to ask Dr. Noffsinger to answer that question.

Dr. NOFFSINGER. It comes exclusively from the schools which have been approved. They pay into the operating expenses of the council fourteen one-hundredths of 1 percent of the tuitions received during the preceding year, which gives us a budget of approximately \$20,000 to \$25,000 a year with which to inspect and approve these schools.

Senator MILLIKIN. Could there be any criticism of your system; that is, that you are protecting a limited number of correspondence schools?

I am not implying such criticism.

Dr. NOFFSINGER. No, sir; there has not been.

This organization was set up by the Carnegie Corporation of New York, of which I was formerly a staff member, and the organization is set up as nearly as possible on the same type of set-up as is the North Central Association and the Southern Association.

Senator MILLIKIN. Have you any affiliation at the present time with the Carnegie Corporation?

Dr. NOFFSINGER. We do not, sir.

For the first 2 years of its existence, the Carnegie Corporation financed this council, and after that the schools were able to finance themselves.

Senator MILLIKIN. What is your system of control?

How is your organization set up? Is it a stock company or an association or what form?

Dr. NOFFSINGER. It is an association, rather comparable to a trade association.

Senator MILLIKIN. Who has the vote?

Dr. NOFFSINGER. Each school has one vote, irrespective of its size.

Senator MILLIKIN. I see.

Thank you very much.

Dr. NOFFSINGER. If I could answer another question raised here, I would be glad to do it.

Mr. DILWEG. Senator Millikin also asked a question about standards.

Could you answer that?

Dr. NOFFSINGER. We have set up a code of standards, educationally, and ethically, and from the standpoint of selling.

Senator MILLIKIN. Give us some of your ethical standards.

Dr. NOFFSINGER. The ethical standards have been set up by the Federal Trade Commission for us.

We invited the Federal Trade Commission to call a conference to set standards because we are operating in interstate commerce, and there were 26 planks set up in that code, and whenever we find a school that violates the provisions of that code, we collect the evidence and present it to the Federal Trade Commission and they will issue a cease and desist order, and if that is not sufficient, it goes to the Post Office Department for a fraud order, and if that is not sufficient, it goes to the Federal Bureau of Investigation for prosecution.

Senator MILLIKIN. Let us suppose some correspondence school would bring up, spend a lot of money for enticing advertisements and solicitation, with the object of getting a quick shake-down of the victim, getting a lot of money to start with, and selling him a lot of books, and hoping and praying that he does not complete his course.

What standard would that run afoul?

Dr. NOFFSINGER. I can't answer in generalities, very well, and that is a general question.

What we would do is to collect evidence of what they have done, and the case would be digested and completed and turned over to the Department of Justice for action.

Senator MILLIKIN. They would not meet your educational standards?

Dr. NOFFSINGER. Our educational committee goes over all material to see that they represent ethical practice in the field and are pedagogically organized and reasonably priced.

Senator MILLIKIN. I believe that kind of a case would run afoul of your pedagogical standards.

Dr. NOFFSINGER. It is quite probable it would.

Senator MILLIKIN. It is also probable it would run against your ethical standards because obviously I posed to you a case of swindle. What other standard would it run afoul?

Dr. NOFFSINGER. Misrepresentation, primarily, in the advertising, making exorbitant claims.

Senator MILLIKIN. The reason I am bringing this out is that we might want to bring out something of that kind in our legislation to protect the veterans.

So I do hope that you put in the full scope of your standards.

Dr. NOFFSINGER. Since 1926 when the National Council was organized, we have had more than 1,200 citations and cease and desist orders through our efforts, from the Federal Trade Commission, in an effort to clarify this field.

We have published in a volume of about 150 pages.

We could submit that to show the dross that we have taken out of the field.

Senator JOHNSON. Twelve hundred schools?

Dr. NOFFSINGER. Twelve hundred citations. There may be four or five citations with reference to a single institution.

Senator MILLIKIN. You have forty-odd clients at the present time. How many did you have 5 years ago?

Dr. NOFFSINGER. It was approximately the same amount. We have three applications pending at the present time, but it has been between 35 and 45 for the past decade.

Senator MILLIKIN. What does that indicate to you as to the rest of the schools that are outside of your system?

Dr. NOFFSINGER. It indicates they do not meet our standards, or they may not wish to invite inspection because we cannot inspect except upon invitation.

I would say we have inspected about two-thirds of all the schools.

Senator MILLIKIN. At their invitation?

Dr. NOFFSINGER. Yes, sir.

Senator MILLIKIN. And out of 180 or 200 of the schools, 45 have met your standards?

Dr. NOFFSINGER. Forty have, but those 40 enroll about 75 percent of all of the business in the country.

May I make an additional observation which answers a question you raised a few moments ago as to why we have the type of testimony we had yesterday?

I merely wish to give this fact: In normal times, in peacetimes, the private correspondence schools of America enroll 9 out of every 10 correspondence students that are enrolled. And naturally there are those agencies who would rather see the private school legislated out of the picture because of the competition that is there.

Senator MILLIKIN. In regard to the number of correspondence schools, the Secretary of the committee just called the Federal Bureau of Education and they said they did not have any information on that, that the best information would be gotten from the witness who is now testifying, Mr. Dilweg.

Senator JOHNSON. That is a pretty good backing. In addition to that, he is a former Congressman.

Mr. DILWEG. Gentlemen, I do want to leave this idea with you for what it is worth.

I, like every other lawyer, at some time have run across a correspondence school case in my own office, and for many years when somebody said "correspondence school," I went through the roof of my office and felt that somebody was taking advantage of somebody else.

That idea is still prevalent throughout the country and that is why I went into some detail as to what this organization has been doing to keep its own house in order over the past 19 years.

Frankly, I was amazed when I first came in contact with the group.

I do feel that the basic underlying principle of Public Law 346 should be the selection of a school of the veteran's choice. Congress should try to safeguard the individual from being taken in by fly-by-night schools.

I tried to point out that in the first place a school must get the certification of the State authorities on education.

Secondly, that school must sit down with the Veterans' Administration and actually enter into a contract, and the school is paid for not more than the student himself accomplishes.

The school is paid so much for each lesson given to the student or that the student completes, and that is all.

Again, I say that is one reason why I came in here today and say that as far as the present law passed by the House is concerned, there is no need to include provision No. 12 about paying quarterly for the work as it is completed quarterly.

Obviously, no business concern could even set up on its books and expend the money necessary to put the student on its books to start him off, if the student sometime between the first day he starts and some day short of the first quarter that is being completed, decides he does not want the course and the school receives no compensation.

It is purely a business proposition.

The enrollment fees never exceed \$15 to my knowledge, and many times are \$5.

Senator MILLIKIN. Per course?

Mr. DILWEG. That is right.

I am trying to impress the committee that they should take the blight off the name "correspondence school" and give it due consideration. That is all we ask.

Senator JOHNSON. Does that complete your statement?

Mr. DILWEG. With this exception. I would like to ask permission to insert at this point in the record the statement I made before the House committee on the same matter, which sets out many basic reasons why correspondence schools should not be included.

Senator JOHNSON. Without objection, it may be inserted.
(The statement referred to is as follows:)

SUPPLEMENTAL STATEMENT TO THE COMMITTEE ON WORLD WAR VETERANS'
LEGISLATION

The National Home Study Council, through its representative, LaVern R. Dilweg, submits the following information, requested by members of this committee at the hearings this morning, July 5, 1945:

Comparable cost of "short courses" as offered by tax-supported versus non-tax-supported correspondence schools.—It is difficult to say just what is a "short course," the term is a relative one. We are, however, listing herewith the shortest recognized courses offered by each type of institution, viz, (1) the "time unit" course offered by non-tax-supported correspondence schools, and (2) the "unit subject" course offered by tax-supported correspondence schools (State universities).

1. The International Correspondence Schools and the American School, two of the more outstanding non-tax-supported correspondence schools, have for years offered their courses to men in the armed forces of the United States on the basis of a 3-month period—the student may complete as much of any given course as he may care to complete within that period of time at a cost of \$12, or \$4 per month. When the time has elapsed he may reenroll for another period of 3 months, if he so desires, at the same rate. The above fees include all instructional costs, books, etc.

2. The various State universities, through their correspondence departments, offer courses in units of from 12 to 15 lessons each, which usually constitute 3 semester hours of credit. The tuition cost for these courses range from \$4 to \$8 per semester hour—or from \$12 to \$24, plus books, which usually cost \$6 additional, thus making the total cost for the student from \$18 to \$30.

Conclusion.—Since the above courses would each require approximately the same length of time to complete, it would be conservative to state that "short term" correspondence courses pursued from a tax-supported school would cost roughly 50 percent more than if pursued from a non-tax-supported school.

Use of correspondence schools by disabled veterans.—The question was asked "How many disabled veterans are using correspondence courses of instruction?" The answer is, the number is practically negligible. This is because correspondence courses are used only as "supplementary" instruction while the disabled veteran is pursuing his training by the "apprenticeship method."

Few or no GI trainees will pursue the apprenticeship method of training. Many of them have jobs, or will get them, and then desire to upgrade themselves through the use of correspondence courses, just as approximately 300,000 of them were doing when they were inducted into the armed forces of the United States.

The number of correspondence-school completions.—The number of students who complete their correspondence courses of study depends upon the length of the course of study being pursued. The range is from 10 to 90 percent—a fair average is about 40 to 45 percent.

United States Office of Education statistics shows that only 37 percent of those starting 4-year college courses ever complete—and only 22 percent of those pursuing resident evening courses of instruction in public schools ever complete same.

Bear in mind also that in the case of correspondence courses the Government only pays a nominal enrollment fee of from \$5 to \$7.50 for every enrollee and then pays only for each lesson actually completed by the student. If a student should not study, then the school receives no tuition fee. (See Veterans' Administration Correspondence School Contract, No. 1903-A.)

Type of contract offered by Veterans' Administration to correspondence schools makes it impossible for such school to pay large commissions to salesmen.—Under the type of contract offered by the Veterans' Administration, the school is paid a small registration fee—\$3 to \$5, plus the price for bound volumes sent to the student. Then the school is paid on the lesson-completed basis. Thus, on a course which may have a total price of, for example, \$150, the school receives probably less than \$10 on enrollment of students. The balance is then paid on

a lesson-completed basis. This makes it impossible for the school to pay large commissions to salesmen; also, the Government pays only for the part of the course completed, so the percentage of graduates is not important so far as cost is concerned. (See Veterans' Administration Contract Form 1903-A.)

Directory of approved schools and courses (requested by Chairman Rankin) is enclosed. (See pt. IV, pp. 23 through 29, inclusive, of Home Study Blue Book.)

Mr. DILWEG. I also ask permission to insert the standards that Senator Millikin inquired about.

Senator JOHNSON. We will be glad to have that also.

(The standards of the National Home Study Council appear in a letter of Dr. Noffsinger on p. 199:)

STATEMENT OF LAVERN R. DILWEG, AS COUNSEL FOR THE NATIONAL HOME STUDY COUNCIL, PRIVATE CORRESPONDENCE SCHOOLS AND OTHER PROPRIETARY SCHOOLS BEFORE THE COMMITTEE ON WORLD WAR VETERANS' LEGISLATION ON H. R. 3119

The National Home Study Council was organized through the efforts of the Carnegie Corp. of New York in 1926, that is, 19 years ago. The primary purpose of the council is that it should be an inspecting and approving agency for the private correspondence school field, and be comparable in character within that field, to the North Central Association, the Southern Association, etc., within the collegiate and secondary fields of education. Sound educational and business standards have been established. Schools have been inspected and approved on the basis of those standards, and State departments of public instruction in 42 States have recognized the work of the council by circulating to all of the vocational guidance directors and high-school principals within their respective States for their information and guidance, a test of all private correspondence schools and courses approved by the council. As a matter of fact, certain State departments, after thorough investigation, have unqualifiedly certified to the Veterans' Administration those private correspondence schools which have been inspected and approved by the National Home Study Council.

We believe that when Congress enacted Public Law 346, it intended that every type of properly approved educational institution be made available to the veteran; further, that the Administrator of the Veterans' Administration, by his narrow interpretation of the act, restricted his own powers to recognize a correspondence school.

On February 3, 1945, each member of this committee received a statement from me, as counsel for the National Home Study Council, Washington, D. C., suggesting certain amendatory legislation to title II of the GI bill. (Copy of letter inserted in record.)

On March 14, 1945, Hon. John Gibson introduced H. R. 2610 (copy of bill inserted in record), a bill to authorize correspondence schools to participate in the program for the education of veterans—said bill was referred to your committee. Subsequently, a companion bill, S. 826, was introduced in the Senate by Hon. Edwin C. Johnson, chairman of the Subcommittee on World War Veterans' Legislation. If H. R. 2610, or its companion bill, S. 826, were enacted into law, correspondence schools would receive the same treatment as any other educational institution. The veteran would be allowed to enroll with the educational institution of his choice, whether public, private, or correspondence school, provided such school was approved by the proper State authority in which the institution is located.

On May 3, 1945, the Veterans' Administration prepared its own bill, H. R. 3119, and companion bill, S. 974, which amends Public Law 346, subsection (c) (p. 7, lines 19 to 25, and p. 8, lines 1 to 9), and we believe intended to clarify the educational section of Public Law 346 and make it possible for veterans to enroll for a course with a correspondence school.

During the course of the hearings on this bill, H. R. 3119, Edward E. Odom, Solicitor for the Veterans' Administration, made the statement to the effect that correspondence schools were satisfied with subsection (c) (p. 7, lines 19 to 25, and p. 8, lines 1 to 9) if the word "for" were inserted between the words "overhead" and "advertising," on line 1, page 8, of H. R. 3119. The amended part of this subsection would then read: "exclusive of any overhead for advertising or selling expenses."

Most of the long-established and reputable correspondence schools were canvassed to ascertain their position as to alleged satisfaction with subsection (c) in H. R. 3119 in its present form, or amended by inserting the word "for." No school agrees with the statement of Mr. Odom. All urge that the words "exclusive of any overhead, advertising, or selling expenses" be stricken out. All correspondence schools, so canvassed, urged that the words "for material and instructions" in line 24, page 7 of subsection (c) in H. R. 3119, be stricken out, and the word "tuition" be substituted therefor.

With these words out, the matter of price to be paid by the Government for correspondence school course instruction for a veteran would be left to agreement between the Veterans' Administration and the school. This seems to be a reasonable and practical method for Public Law 346 makes it mandatory that the Administrator shall pay to the educational institution the customary tuition fee. In the event the institution has no established fee then the Administrator may pay a fee which is fair and reasonable compensation (subsection 5, par. 8 of ch. 4, title II).

Why single out the private correspondence school for special treatment?—Inclusion of these words most certainly discriminates against the private correspondence school.

If it is believed that the Government, in the education of veterans, should not pay for advertising and selling expenses for purely profit motives, then apply this belief to all private schools and put them all out of business.

No privately owned school could accept such enrollments in quantity and remain solvent.

We believe that Congress wants the veteran to take advantage of every possible aid in the educational field. The veteran must have access to information through advertising, consulting offices, and field representatives, who can give the individual applicant an aptitude test. How can a private correspondence school, or any other school, bring this information to the veteran without expending money in advertising in some form?

Even though the correspondence school finds a way to stand the financial loss, interpretations of just what is "overhead expense for advertising and selling" would be almost impossible. Even a catalog, postage stamp, heat or light bill, might be included under one of these heads. Such terms are highly controversial and an understanding of what they include would be very difficult.

If you amend this law, let's make it workable.

It certainly is an idle gesture to make private correspondence schools eligible and then at the same time make the act unworkable by restrictive wording.

It is recognized in the conduct of every enterprise that there are such legitimate cost factors as overhead, advertising, and sales. The primary problem here, however, is not whether 1 or 5 percent of the tuition dollar is spent for catalogs or other forms of advertising to inform the distant prospect of the various courses and services available, or whether 3 or 6 percent of the tuition dollar may be spent in counseling, giving guidance or directing a student while he is in the process of being enrolled. These figures will vary in different schools, but all schools—both public and proprietary alike, have such expenses. The important thing in this educational program is to see that the veteran receives full value for the money spent—especially since the expenditures may later be chargeable to his bonus.

We have made a number of studies so as to determine the relative cost of comparable courses as offered by representative private correspondence schools and representative State universities. Permit us to give one illustration, which could be duplicated with scores of similar examples. And if you please, we shall give you the names of specific institutions whose rates we are quoting. Example: LaSalle Extension University, a recognized high-grade private correspondence school, offers many courses of instruction. Its course in higher accountancy is favorably known throughout the entire country. The tuition fee charged for this complete course is \$165 when paid for in monthly installments. This course has been evaluated by various universities as being the equivalent of 33 semester-hours in credit. The above fee of \$165 includes tuition, books, consultation, and placement service. Usually the fee charged by the correspondence departments of State universities do not include the necessary test materials—such books cost on an average of \$2 per semester-hour of credit—or in this case the average cost of textbooks would be \$66 in addition to the tuition fee charged (plus in some institutions an additional registration fee). If 33 semester-hours of work in accountancy were taken at the University of Indiana

it would cost the student (including his books), \$231; at the Ohio University, \$280.50; at the University of Colorado, \$180; at the University of Nebraska, \$259.50; at the University of Chicago, \$300; at the University of Texas, \$231; at the University of Wisconsin, if a resident of the State, \$181.89, if a nonresident, \$247.39; at the University of Florida, if a resident of the State, \$180.50, if a nonresident, \$213.15; at the University of California, if a resident of the State, \$167.85, if a nonresident, \$285. In other words, the average total cost for taking 33 semester-hours of work in accountancy by the correspondence method in the above nine universities exceeds that of the private correspondence schools by \$82.54, or slightly more than 50 percent than it would be if it were taken from LaSalle Extension University or any other good proprietary correspondence school.

Now the only question which remains to be raised is regarding the relative merit or quality of the courses of instruction offered by proprietary and tax-supported institutions. We are sorry to be compelled to make invidious comparisons, but since we are forced to do so, we submit that any one who has taken the time to compare honestly the courses of study and the instructional services rendered by the better private correspondence schools with the public or tax-supported institutions of learning agree that the former are superior because of the textual materials which have been specially prepared for instruction by the correspondence method versus the use of ordinary commercial textual materials which presuppose the presence of an instructor to interpret, as are used by most tax-supported institutions in their correspondence departments.

In addition to the above, we need only to point out that such Government agencies as the Marine Corps, the Coast Guard, the Air Corps, etc., have made thorough studies of the offerings of both the private correspondence school field and the State universities and in the majority of cases have selected the offerings of the former rather than that of the latter for use in the Marine Corps Institute, Coast Guard Institute, Air Corps Institute, etc. The reason for making such decisions were obviously, merit.

Since reference was made to the profit motive in this statement, I wish to inform this committee that I submitted a table to 15 leading correspondence schools, which on completion by the school would show the percentage of their net income to the gross sales for correspondence courses of study during the past 5 fiscal years. Thirteen of these tables were completed and returned to my office, and the average net income as revealed from the tables themselves is less than 3 percent, in other words, 3 cents return on every dollar of sales.

While this bill is aimed specifically at private correspondence schools and private technical schools offering short intensive courses, by implication it strikes at all private schools.

The private technical, vocational, and correspondence schools have done a magnificent job in the present war effort. A number of aviation schools, for example, turned their entire expanded facilities over to the Army Air Forces, one school alone training more than 35,000 pilots and technicians. One private radio school trained 23,000 radio technicians and operators for the Signal Corps, another trained 5,000 radio technicians for the Army and Coast Guard. Another expanded its facilities to train thousands of aircraft instrument technicians. Technical military personnel trained by the private schools will run into the hundreds of thousands. One private correspondence school furnished more than 300,000 of its lesson texts and instruction keys to the Navy for an emergency training program for radio technicians in the South Pacific at the direct request, by course, of the Commander in Chief. Another private correspondence school at the direct request of the Navy sent its technical writing personnel into aircraft plants to prepare special training material for the personnel who would be required to handle maintenance on the aircraft in service. These schools have received letters and certificates of commendation from the heads of the armed services. They are prepared to extend this outstanding service to returning veterans unless the Congress or the Veterans' Administration, by discriminatory legislation or interpretation of legislation, makes it impossible for them to do so.

Senator CONNALLY. What is the normal length of a course in a correspondence school?

Mr. DELWEG. I want Dr. Noffsinger to answer that.

Dr. NOFFSINGER. Some have 10 lessons and others have 150, so the average is between 10 and 150.

Senator CONNALLY. One a week?

Dr. NOFFSINGER. There are 10 to 150 in the course.

Senator CONNALLY. How often do you have the lessons? One a week or one every 2 weeks, or what?

Dr. NOFFSINGER. As rapidly as the student completes them. As he completes one he gets another one on which he works. Usually he is given three lessons at a time, and as soon as he completes one he sends it to the school and they send one back, so he always has one or two on which to continue his studies.

Senator CONNALLY. With 150 lessons, he will be in the old soldiers' home by the time he got through with them.

Dr. NOFFSINGER. It would take the normal individual in his spare time from 4 to 6 years.

Senator CONNALLY. I think he ought to be able to complete his studies and in time do something about it before he dies.

What course is that?

Dr. NOFFSINGER. A course in civil engineering, and very few students take that.

The usual course runs from 50 to 60 lessons.

Senator CONNALLY. How much a lesson do you charge?

Dr. NOFFSINGER. It varies from \$1 to \$2 per lesson, usually.

Senator LUCAS. Doctor, you made some statement with respect to 9 out of 10 who were now taking certain correspondence courses. At least that is what I understood. Can you elaborate on that?

Dr. NOFFSINGER. What I meant to say is this: There were in 1939 and 1940 approximately 1,000,000 students taking correspondence courses in the United States, 900,000 of those being enrolled in private correspondence schools, and approximately 100,000 in our State universities.

Senator LUCAS. The 100,000 then were enrolled in 100 universities testified to yesterday by the witness?

Dr. NOFFSINGER. That is right, sir.

Senator LUCAS. When he testified they had 1,000 different courses for this type of work?

Dr. NOFFSINGER. That is right, sir, but those courses are primarily in the liberal arts and science courses, whereas in the private school they are technical, trade and vocational courses.

There is very little overlapping about that.

Senator LUCAS. I think I understand that, and Mr. Dilweg's position, too.

Now, you stated, I think, that 75 percent of all those who are now taking courses through correspondence schools, are identified with this group on behalf of which you are testifying here today.

Mr. DILWEG. That is correct, exactly.

Senator LUCAS. Do you have any figures as to the total number of people that attend and graduate from correspondence schools as compared to the 100 institutions testified to by the witness yesterday?

Dr. NOFFSINGER. I don't quite get your question.

Senator LUCAS. I want the number of students who enroll and graduate through correspondence schools as compared—

Dr. NOFFSINGER. You are comparing things that are not comparable.

In the university a law course will be divided into about 32 different subjects or courses. Each subject has 15 lessons. When you complete the 15 lessons that is a completion.

If you take it in a private school, the entire law course is a course of 150 lessons.

Senator LUCAS. Nine out of ten is the proper figure?

Dr. NOFFSINGER. That is right, sir.

Senator JOHNSON. Are there any other questions?

(No response.)

Senator JOHNSON. Thank you, Mr. Dilweg.

(The material requested is as follows:)

NATIONAL HOME STUDY COUNCIL,
Washington, D. C., October 11, 1945.

TO THE CLERK, SUBCOMMITTEE ON FINANCE CONSIDERING H. R. 3749.

DEAR SIR: As per our conference of yesterday, October 10, I am attaching the following materials for insertion into the Record of the committee hearings on the above bill, immediately following the testimony of Mr. Lavern Dilweg, who appeared before your committee on yesterday, October 10, 1945.

1. A complete list of the 176 private correspondence schools which are now operating within the territorial limits of the United States.

2. A copy of the Summary of the Standards and Requirements for Approval by and Membership in the National Home Study Council.

3. A copy of the Trade Practice Rules for Private Home Study Schools approved by the Federal Trade Commission November 2, 1936 (originally approved and promulgated in 1926).

These above exhibits have been requested by members of the Senate committee and should be included in the report of hearings in full.

Cordially yours,

J. D. NOFFSINGER, *Director*.

According to the files of the National Home Study Council, there were on September 1, 1945, a total of 176 private correspondence schools in active operation within the territorial limits of the United States. Prior to World War No. 2 the number was in excess of 200, but many ceased operation when a majority of their potential student body were inducted into the armed forces. The following is a list of those schools now in active operation. (Those 42 schools having an asterisk (*) before their names are those which have been inspected and approved by the National Home Study Council, Washington 6, D. C.)

CALIFORNIA

Aero Industries Technical Institute, 5245 West San Fernando Road, Los Angeles.
American School of Aircraft Instruments, 5245 West San Fernando Road, Los Angeles.

*Anderson Diesel School of Los Angeles, 730 West Tenth Place, Los Angeles.

Bible Institute of Los Angeles, 558 South Hope Street, Los Angeles.

Curtiss Wright Technical Institute, Glendale.

Hemphill Diesel Engine School, 3455 Eagle Rock Boulevard, Los Angeles.

Highland Technical Institute, 1141 North Highland Avenue, Los Angeles.

Hollywood Radio and Television Institute, 810 West Sixth Street, Los Angeles.

Institute of Mental Physics, Second Street at Hobart Boulevard, Los Angeles.

Lafayette Institute, 553 South Alexandria Avenue, Los Angeles.

Los Angeles College of Hydrotherapy, 4371 Beverly Boulevard, Los Angeles.

MacMaster Paine College, 1311 Sutter Street, San Francisco.

National Schools, 4000 Figueroa Street, Los Angeles.

*Palmer Institute of Authorship, 6362 Hollywood Boulevard, Hollywood.

*Plastics Industries Technical Institute, 1601 South Western Avenue, Los Angeles.

Radio Arts Academy, 3819 Wilshire Boulevard, Hollywood.

Scofield Business College, 593 Market Street, San Francisco.

Twentieth Century Health Institute, 742 South Hill Street, Los Angeles.

Pierce School of Practical Nursing, 702 West Seventeenth Street, Los Angeles.

COLORADO

Midwest Real Estate Appraisal Training Service, 1735 Stout Street, Denver.
Simplified Training Course, 1835 Champa Street, Denver.
Sprayberry Academy of Radio, Pueblo.

CONNECTICUT

Institute of Accounting, 525 Main Street, Hartford.

DELAWARE

American Theological Seminary, 12th and Market Streets, Wilmington.

DISTRICT OF COLUMBIA

*Capital Radio Engineering Institute, 3224 Sixteenth Street NW., Washington.
Columbian Correspondence College, 300 B Street SE., Washington.
*Lewis Hotel Training Schools, 2301 Pennsylvania Avenue NW., Washington.
*National Radio Institute, Sixteenth and U Streets, NW., Washington.
Washington School of Art, 1115 Fifteenth Street NW., Washington.

GEORGIA

Institute of Business and Accounting, Red Rock Building, Atlanta.
*Perry Business Schools, Brunswick.

IDAHO

Psychiana, Inc., Moscow.

ILLINOIS

Academy for Adults, 30 West Washington Street, Chicago.
American Academy of Arts, 25 East Jackson Boulevard, Chicago.
American Extension School of Law, 8 East Huron Street, Chicago.
*American School, Drexel Avenue at Fifty-eighth Street, Chicago.
*American School of Photography, 1315 South Michigan Avenue, Chicago.
*American Technical Society, Drexel Avenue at Fifty-eighth Street, Chicago.
American Television Laboratories, Inc., 433 East Erie Drive, Chicago.
Blackstone College of Law, 307 North Michigan Avenue, Chicago.
Chicago Bureau of Indexing and Filing, 25 East Jackson Boulevard, Chicago.
*Chicago School of Nursing, 100 East Ohio Street, Chicago.
Chicago School of Watchmaking, 155 North Clark Street, Chicago.
*Chicago Technical College, 2000 South Michigan Avenue, Chicago.
College of Advanced Traffic, 330 South Wells Street, Chicago.
College of Swedish Massage, 30 East Adams Street, Chicago.
College of Universal Truth, 5651 North Ashland Boulevard, Chicago.
Commercial Art School, 116 South Michigan Boulevard, Chicago.
Commercial Trades Institute, 209 West Jackson Boulevard, Chicago.
Conversation Institute, 1315 Michigan Boulevard, Chicago.
Correct English Correspondence School, Box 424, Evanston.
Croydon Institute, 624 South Michigan Avenue, Chicago.
*DeForest Training, Inc., 2533 North Ashland Avenue, Chicago.
Dobe School of Drafting, Libertyville.
Electric Institute, Hinsdale.
Hadley Correspondence School for the Blind, 584 Lincoln Avenue, Winnetka.
Hays Institute of Combustion, 430 North Michigan Avenue, Chicago.
Hotel Extension Division, 203 North Wabash Avenue, Chicago.
*Industrial Training Institute, 2150 Lawrence Avenue, Chicago.
*Institute of Applied Science, 1920 Sunnyside Avenue, Chicago.
Institute of Training in Municipal Administration, 1313 East Sixtieth Street, Chicago.
*International Accountants Society, Inc., 209 West Jackson Boulevard, Chicago.
International School of Commerce, 612 North Michigan Avenue, Chicago.
*LaSalle Extension University, 417 South Dearborn Street, Chicago.
Louie Miller School of Millinery, 225 North Wabash Avenue, Chicago.

- National Academy of Dress Design, 1315 Michigan Avenue, Chicago.
 National Academy of Music, 1525 East Fifty-third Street, Chicago.
 National Art School, 1315 Michigan Avenue, Chicago.
 National Baking Institute, 1315 Michigan Avenue, Chicago.
 *North American Institute, 1315 South Michigan Avenue, Chicago.
 *Page-Davis School of Advertising, 1315 South Michigan Avenue, Chicago.
 Pan American School, 342 Plymouth Court, Chicago.
 Perfect Voice Institute, 64 East Lake Street, Chicago.
 Siebel Institute of Technology, 958 Montana Street, Chicago.
 *Standard Business Institute, 130 North Wells Street, Chicago.
 Stenotype Co., 417 South Dearborn Street, Chicago.
 Towertown Studios, 520 North Michigan Avenue, Chicago.
 *University Extension Conservatory, 1525 East Fifty-third Street, Chicago.
 *Utilities Engineering Institute, 1314 Beldon Avenue, Chicago.
 *Walton School of Commerce, Michigan Avenue and Van Buren Street, Chicago.
 *Wayne School of Nursing, 2301 North Wayne Avenue, Chicago.
 Winnetka Extension School for Children, Horace Mann School, Winnetka.

IOWA

- *American Landscape School, 6015 Grand Avenue, Des Moines.

KANSAS

National Turkey Institute, Columbus.

MARYLAND

- Aviation Institute of America, 16 Carroll Avenue, Takoma Park.
 Hubbard Drycleaning and Redyeing School, Rock Crest, Silver Spring.
 *Calvert School, Tuscany Road, Baltimore.
 Postal Correspondence Schools, Citizens Bank Building, Takoma Park.
 Weems System of Navigation, Annapolis.

MASSACHUSETTS

Diplomatic and Consular Academy, 470 Boylston Street, Boston.
 Home Correspondence School, Springfield.

MICHIGAN

American Institute of Technology, 4709 Woodward Avenue, Detroit.
 Davidson Technical School, 7 East Grand Avenue, Detroit.
 Fireside Industries, Adrian.
 Niles Bryant School, Augusta.

MINNESOTA

- *Art Industruction, Inc. (formerly Federal Schools, Inc.) 323 Fifth Avenue, Minneapolis.
 National School of Electronics, 529 South Seventh Street, Minneapolis.
 Northwestern Radio and Television Institute, 909 West Broadway, Minneapolis.

MISSOURI

- American Foundation of Graphoanalysis, Noel.
 Aurora School of Photo Engraving, Aurora.
 Aurora School of Photography, Aurora.
 Comfort Writer's Service, 107 North Eighth Street, St. Louis.
 John Adams Extension School, 713 Ambassador Building, St. Louis.
 *Central Television and Radio Schools, Power and Light Building, Kansas City.
 St. Louis Technical Institute, 4543 Clayton Avenue, St. Louis.
 *Universal Institute, 500 West Thirty-ninth Street, Kansas City.
 Weaver School, 2322 East Forty-ninth Street, Kansas City.

NEBRASKA

- *Commercial Extension, Sixteenth and Howard Streets, Omaha.
Electronics Development Co., Omaha.
- *Lincoln Aeronautical Institute, Twenty-fourth and O Streets, Lincoln.
Lincoln Engineering School, Lincoln.
- Northwestern School of Taxidermy, Tenth and Douglas Streets, Omaha.

NEW JERSEY

- Citizens Preparatory Institute, 830 Broad Street, Newark.
- Dawson Institute of Technology, 989 McCarter Highway, Newark.
- Institute of Practical Drafting, 800 McCarter Highway, Newark.
- Eastern Aircraft Instrument School, 116 Newark Avenue, Jersey City.
- Modern Course of Syndicate Fiction Writing, Raymond Commerce Building,
Newark.
- Preparatory Training Institute, 55 North Clinton Avenue, Trenton.
- Westlawn School of Yacht Design, Montville.

NEW YORK

- Alexander Hamilton Institute, Astor Place, New York City.
- Arts and Decorations, 116 East Sixteenth Street, New York City.
- Atlas (Charles) 115 East Twenty-third Street, New York City.
- American Radio Institute, 1123 Broadway, New York City.
- George H. Cole and Associates, 404 S. A. & K. Building, Syracuse.
- Cortina Academy, 105 West Fortieth Street, New York City.
- Dental Assistant's Training Institute, 11 West Forty-second Street, New York
City.
- Fashion Academy, 30 Rockefeller Plaza, New York City.
- Franklin Institute, 550 Main Street, East, Rochester.
- Funk and Wagnalls Co. (Greenville Kleiser) 354 Fourth Avenue, New York City.
- Henry George School of Social Science, 30 East Twenty-ninth Street, New York
City.
- Insurance Institute of America, 80 John Street, New York City.
- Linguaphone Institute, Rockefeller Center, New York City.
- Magazine Institute, 50 Rockefeller Plaza, New York City.
- Moving Picture Theatre Managers Institute, 315 Washington Street, E'mira.
- Murray (Arthur) School of Dancing, 11 East Forty-third Street, New York City.
- National Bible Institute, 340 West Fifty-fifth Street, New York City.
- National Institute of Credit, 1 Park Avenue, New York City.
- *National Poultry Institute, Adams Center.
- New York City School of Finger and Foot Printing, 24 East Eighth Street,
New York City.
- *New York Institute of Photography, 10 West Thirty-third Street, New York City.
- New York School of Interior Decoration, 515 Madison Avenue, New York City.
- *Newspaper Institute of America, 1 Park Avenue, New York City.
- *Nilson Radio School, 51 East Forty-second Street, New York City.
- Nitchie School of Lip Reading, 342 Madison Avenue, New York City.
- Pelman Institute of America, 271 North Avenue, New Rochelle.
- Rochdale Institute, 167 West Twelfth Street, New York City.
- Sherwin Cody School of English, 183 St. Paul Street, Rochester.
- Standard Business Training Institute, 1421 Genesee Building, Buffalo.
- Traffic Manager Institute, 154 Nassau Street, New York City.
- United States School of Music, 225 Fifth Avenue, New York City.
- *Universal Photographers, Inc., 10 West Thirty-third Street, New York City.
- Wilson (Marjorie) Institute, Inc., 205 East Eighty-fifth Street, New York City.
- Wyckoff (Richard D.) Inc., 1 Wall Street, New York City.

OHIO

- *Air Conditioning Training Corp., 789 Wick Avenue, Youngstown.
- Cartoonists' Exchange, Pleasant Hill.
- Evans School of Cartooning, 1825 East Eighteenth Street, Cleveland.
- Landon School, 1404 East Ninth Street, Cleveland.
- *Lincoln Extension Institute, West Seventy-fifth Street, at Detroit Avenue,
Cleveland.

National School of Cartooning, Penton Building, Cleveland.
 Oahu School of Music, 2108 Payne Avenue, Cleveland.
 Ohio Institute of Technology, Greenville.
 Writers' Digest, 22 East Twelfth Street, Cincinnati.
 Zanerian College of Penmanship, 612 North Park Street, Columbus.

OKLAHOMA

*Hill's Extension School, 619 West Main Street, Oklahoma City.

OREGON

*Adcox Trade School, 237 Broadway NE, Portland.
 Western Training Service, Mead Building, Portland.

PENNSYLVANIA

*International Correspondence Schools, Scranton.
 Leslie Educational Service, 1023 Fulton Building, Pittsburgh.
 McCarrie School of Mechanical Dentistry, 207 North Broad Street, Philadelphia.
 *Methods Engineering Council, Wood and Franklin Streets, Pittsburgh.
 Shepherd Correspondence School of Contest Technique, 1015 Chestnut Street, Philadelphia.
 Talbot Institute for Self-Advancement, 99 Fern Street, Philadelphia.

TENNESSEE

Taylor School of Bio-Psychology, Chattanooga.

TEXAS

Imperial Technical Institute, 5313 Duval Street, Austin.

WASHINGTON

International Criminologist School, 5424 Fifty-seventh Street, S., Seattle.
 Universal Fingerprint Systems, Ltd., 621 Fourth Avenue, Seattle.

WISCONSIN

Wisconsin Institute of Horology, 524 East Mason Street, Milwaukee.

 SUMMARY OF REQUIREMENTS FOR MEMBERSHIP IN COUNCIL

The following is a condensed statement of standards required of home-study schools for approval by and membership in the National Home Study Council:

I. OWNERSHIP AND MANAGEMENT

Each ownership and executive member of an approved school must have a satisfactory previous record for business integrity.

II. FINANCE

Each school must present evidence that it is adequately financed to carry out its announced purpose and student agreements.

III. FACULTY

An adequate and competent instructional staff shall be maintained by each school.

A. An educational director shall have the following qualifications:

1. A degree from a recognized college or equivalent in special training or experience.
2. Not less than 5 years' teaching or training experience.

3. At least 2 years' experience in an administrative capacity.

4. Knowledge of the literature in the field of method and technique in handling the adult educational problem, and identification with professional adult educational groups.

B. Trade and industrial courses: The chief instructor or principal of each trade and industrial course or subject taught shall have had at least the following educational preparation and experience:

1. Four years' study beyond high school with a major in the subject taught and 2 years' teaching, or

2. A high-school education and 6 years' practical experience and at least 1 year teaching in the trade or vocation taught, or

3. A high-school education and a combination of at least 6 years of higher education or teaching in the trade and practical experience in the trade or vocation taught.

4. Same as 4. under "Educational director."

C. Professional engineering and business courses: The chief instructor or principal of each professional, engineering, and business course taught shall have had at least the following educational preparation and experience:

1. Four years beyond high school with a major in the subject taught or equivalent training such as a C. P. A. certificate for the business course, and

2. Two years of practical experience or teaching experience in the subject taught, or graduate training and 1 year of practical experience, and

3. Same as 4. under "Educational director."

D. All other instructors are required to have:

1. Competency in the use of written English.

2. Technical information and skills in the trade or vocational subject taught.

3. At least 1 year of teaching experience.

IV. CURRICULUM

Each course of instruction offered shall consist of:

A. A preliminary lesson or set of instructions on "how to study" by the home-study method, or adequate instruction on how to study each lesson assignment.

B. Textual or lesson materials which are:

1. Adequate in that they cover the subject as fully and as thoroughly as announced.

2. Accurate in that they are well authenticated.

3. Current in that they represent reliable modern information on the subject.

4. Presented in a simple, clear, interesting, and logical manner so that the student can grasp the important points readily.

5. Illustrated with photographs, cuts, and drawings which clarify the explanations and not simply adorn the text.

6. Printed in such a manner as to contribute to ease of study.

C. Instructional service on each lesson or unit assignment consisting of:

1. A series of examination questions or problem assignments which thoroughly stress the important phases of the subject presented and which require a demonstration of the student's ability or skill in applying the information secured.

2. A personalized correctional service pointing out the errors, directing the student to sources of correct information, as well as supplying additional explanations and supplementary instructional material when necessary.

D. A definite system of encouragement and stimulation of students so that study may begin promptly and written reviews or examinations may be returned to the school for correction with reasonable regularity.

V. PLANT AND EQUIPMENT

A. The office space and educational facilities and equipment used by each school shall be adequate to meet all needs for instruction and the keeping of academic and other records.

B. If shop or class work is offered in connection with the educational program, all teaching equipment should be up-to-date and sufficient in amount and kind to make for successful learning and instruction.

VI. SALES PROMOTION AND ENROLLMENTS

A. All advertisements, catalogs, letters, contract forms, sales literature, approved sales talks, etc., must conform to the Fair Trade Practice Rules for Private Correspondence Schools approved by the Federal Trade Commission.

B. All enrollment forms or accompanying forms are required to contain in substance the following information:

1. The fact that as soon as the enrollment application is accepted by the home office of the school it becomes a contract between the student or guarantors and the school.

2. A description of: (a) The course of study; (b) the various textual materials and experimental equipment supplied to the student; or (c) the main features of the course of study and services to be rendered with it enumerated either in a body of the agreement or in the official literature of the school and given to the student when the enrollment form is filled out.

3. The student's obligation to the school, terms, and dates of payment, etc.

4. If any special agreements are included, such as refund, etc., the conditions of same must be set forth in a clear, simple manner and with due prominence.

5. To assist the school in accepting only enrollments of logical prospects, each application form or accompanying form should contain, among other items, blank spaces for the following information: (a) Age of applicant; (b) physical defects, if any, of the applicant to insure that he has no disabilities which would interfere with his ability to pursue the trade or vocation for which training is sought; (c) the amount of previous education of applicant; (d) the amount and character of previous vocational experience of applicant; and (e) record of employment or other references to insure the applicant's ability to pay the required tuition fee.

C. Each student shall be furnished with a duplicate copy of the enrollment form which he signs, either at the time of his signing same or when such application is accepted by the school.

D. Personal selling:

1. It is required of all schools employing a field organization to secure enrollments that they supply such representatives with: (a) Definite instructions—given in printed form—regarding the school, its course or courses of instruction, services rendered, general policy, etc.; and (b) an approved demonstration or pattern of sales presentation and also some training in vocational guidance for guiding representatives in aiding prospect in selection of course.

2. To schools employing a field organization to secure enrollments it is recommended: (a) That all field representatives be bonded; (b) that all enrollments taken by a new representative be "verified" until the quality of his business shall have become established; and (c) that there be adequate supervision of all representatives and that a periodic check of their sales presentation be made.

VII. COLLECTIONS

A. General:

1. Each school should have an efficient collection department for the billing, collecting, and handling of its current and delinquent accounts.

2. Whatever collection system may be utilized by a school, it should be operated with dignity, courtesy, and tact as well as in accordance with sound business procedure.

3. The predominant characteristic of any method utilized for the collection of delinquent accounts should be "resale."

B. Adjustments and settlements:

1. Every school should recognize that there may be sound reasons why an enrolled student may not be able to pursue a course of training with benefit to himself, irrespective of the fact that he may have contracted to do so; and, on request he should receive fair and just consideration in the modification of his contract. The following cases are typical: (a) A bona fide change of job or life objective toward which the course of study could make little or no contribution; (b) a proven physical disability which was acquired after enrollment and which would handicap or disqualify the student from carrying on in the field or vocation selected; (c) a demonstrated lack of ability to assimilate the training materials furnished; (d) the drafting or enlistment in the armed forces of his country or the enrollment and attendance in any regular resident public college, university, or high school.

2. Every school should have a fixed policy for making equitable adjustments and settlements upon request and make same available to enrolled students when such request is presented. Schools which offer more than one course should have a fixed policy for transferring the student from one course to another.

C. Collection agencies:

1. When and if member schools turn over delinquent accounts to collection agencies or attorneys, the National Home Study Council shall hold such member schools responsible for the acts of their agents when such acts are not in harmony with the council's standards of policy.

TRADE PRACTICE RULES FOR PRIVATE HOME-STUDY SCHOOLS APPROVED BY FEDERAL TRADE COMMISSION, NOVEMBER 2, 1936

These rules promulgated by the Federal Trade Commission are designed to foster and promote fair competitive conditions in the interest of industry and the public. They are not to be used, directly or indirectly, as part of or in connection with any combination or agreement to fix prices, or for the suppression of competition, or otherwise to unreasonably restrain trade.

GROUP I

The unfair-trade practices which are embraced in group I rules are considered to be unfair methods of competition within the decisions of the Federal Trade Commission and the courts, and appropriate proceedings in the public interest will be taken by the Commission to prevent the use of such unlawful practices in or directly affecting interstate commerce.

Rule 1.—The making, or causing or permitting to be made or published, any false, untrue, or deceptive statement or representation, by way of advertising or otherwise, concerning home-study schools, their activities in attempting to enroll students, or concerning the character, nature, quality, value, or scope of any course of instruction or educational service offered, or in any other material respect, with the tendency or capacity to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 2.—The making of false, untrue, or deceptive statements or representations regarding actual or probable earnings or opportunities in any vocation, with the tendency or capacity to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 3.—The making of false, untrue, or deceptive statements or representations regarding the opportunities in any vocation or field of activity as a result of the completion of any given course of instruction or educational service, with the tendency or capacity to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 4.—The making of false, untrue, or deceptive statements or representations as to services to be rendered in connection with the securing or attempting to secure employment for students, or as to the influence or connection of any school or schools with any branch, department, or establishment of the United States Government with the tendency, or capacity to mislead or deceive students, prospective students, or the public, is an unfair-trade practice.

Rule 5.—The making of false, untrue, or deceptive promises or representations regarding a job or a raise in pay upon completing a certain course of instruction or portion thereof, with the tendency or capacity to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 6.—Representing an offer to be limited as to time or otherwise when such is not the fact, with the tendency or capacity to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 7.—Representing an offer as "special" when it is in fact a "regular" offer, with the tendency or capacity to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 8.—Offering courses of instruction at prices purported to be reduced from what are in fact marked-up or fictitious prices, with the tendency or capacity to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 9.—It is an unfair trade practice for any member of the industry to use, directly or indirectly, any so-called money back guaranty, refund agreement, or other similar guaranty, agreement, or contract between school and student, which (a) is conditioned upon the student taking or passing, or having the opportunity to take or pass, a future Government or civil-service examination or test, or any other form of future examination or test given by any organization not affiliated with the school; or (b) is conditioned upon the student being placed upon a Government or other eligible list; or (c) is conditioned upon the student securing or having the opportunity to secure employment within the field of training pursued; or (d) is conditioned upon any other contingency; and

which has the capacity, tendency, or effect of misleading or deceiving students or prospective students because of the text of such guaranty, agreement, or contract, or because of the representations regarding the same, or because of the circumstances or other conditions of its use, or which otherwise involves deception, misrepresentation, bad faith, or the deceptive concealment of pertinent facts.

Rule 10.—Making offers of scholarships or partial scholarships in such manner as to mislead or deceive students or prospective students into the belief that such offers are bona fide, when they are in fact not bona fide, is an unfair trade practice.

Rule 11.—Representing any commodity or service as “free” when in fact such commodity or service is regularly included as part of the course of instruction or service, with the tendency or capacity to mislead or receive students, prospective students, or the public, is an unfair trade practice.

Rule 12.—The defamation of competitors by falsely imputing to them dishonorable conduct, inability to perform contracts, questionable credit standing, or by other false representations, or the false disparagement or the character, nature, quality, value, or scope of their courses of instruction or educational services or in any other material respect, with the tendency or capacity to mislead or deceive students, prospective students, or the public, is a unfair trade practice.

Rule 13.—The use of any name, title, or other designation, by way of advertising or otherwise, having the tendency or capacity to mislead or deceive students, prospective students, or the public as to the character of the institution, its courses of instruction, or its influence in obtaining employment for students, is an unfair trade practice.

Rule 14.—For any member of the industry to issue any certificate or diploma, or to confer any degree, which misrepresents the course of study or instruction covered or completed, or the accomplishments or standing of the student receiving such certificate, diploma, or degree, with the tendency or capacity to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 15.—Falsely representing the character or scope of any course of instruction or service offered, with the tendency or capacity to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 16.—The making of false, untrue, or deceptive statements or representations, through advertising or otherwise, that a certain individual or individuals are bona fide members of the faculty of a school or are members of its advisory board or authors of its instruction material, or the making of misleading statements or representations as to the value of any former connection with the United States Government as an aid to securing employment, with the tendency or capacity to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 17.—The false representation, through advertising or otherwise, that students are given personal instruction by the head of the institution or a department head thereof, with the tendency or capacity to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 18.—The use of “help wanted” or other employment columns in newspapers or other publications to get in touch with prospective students in such manner as to mislead or deceive such prospective students into the belief that a job is offered is an unfair trade practice.

Rule 19.—The use of “blind” advertisements or sales literature to attract prospective students when such advertising or literature fail to set forth that courses of instruction or other educational services are being offered in such manner as to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 20.—The use of misleading or deceptive language in any form with the tendency or capacity to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 21.—The use of the word “guarantee” or other word or words of similar import in connection with “money back” agreements, in such manner as to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 22.—In the collection of tuition fees, the use of papers simulating or counterfeiting court documents in such manner as to mislead or deceive students is an unfair trade practice.

Rule 23.—The use of a photograph cut, engraving, or illustration in catalogs, sales literature, or otherwise in such manner as to convey a false impression as

to the size, importance, or location of the offices occupied by a private home-study school, or as to such school's equipment, with the tendency or capacity to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 24.—The use of pictures or illustrations of Uncle Sam, the National Capitol, or any pictures, illustrations, or devices of similar character or the use of the name or title of any present or former Government official activity, branch, department, or establishment of the Government in such manner as to mislead or deceive students, prospective students, or the public into the erroneous belief that the institution or its instructors have official relationship or connection with the United States Government, or into the erroneous belief that the training or services offered has the approval or endorsement of the United States Government or any branch thereof, is an unfair trade practice.

Rule 25.—Falsely representing, directly or indirectly, through advertising or otherwise, that a school is operated "not for profit," with the tendency or capacity to mislead or deceive students, prospective students, or the public, is an unfair trade practice.

Rule 26.—Willfully inducing the enrollment or retention of a student for any course of instruction or training for a job or position for which the student is manifestly unfit by reason of educational or permanent physical disqualification, or other material disqualification, is an unfair trade practice.

GROUP II

The trade practices embraced in Group II do not, per se, constitute violations of law. They are considered by the industry either to be unethical, uneconomical, or otherwise objectionable, or to be conducive to sound business methods which the industry desires to encourage and promote. Such rules, when they conform to the above specifications and are not violative of law, will be received by the Commission, but the observance of said rules must depend upon and be accomplished through the cooperation of the members of the industry concerned, exercised in accordance with existing law. Where, however, such practices are used in such manner as to become unfair methods of competition in commerce or a violation of any law over which the Commission has jurisdiction, appropriate proceedings will be instituted by the Commission as in the case of violation of group I rules.

Rule A.—"Money-back" agreements, so-called, or other similar contracts between school and student, should state plainly the conditions under which tuition or other moneys will be refunded, and such agreements or contrast should contain no conditions intended to deceive, hamper, or harass the student and prevent a refund to him of tuition to which he may be entitled under the terms of the contract.

Rule B.—It is the judgment of the industry that the sales representatives of all schools be selected primarily on a basis of ability and integrity and that each representative be given an adequate preliminary training and be bonded by an approved bonding company or by adequate personal sureties conditioned upon the faithful performance of his financial duties before being authorized to secure student enrollment.

Rule C.—It is the judgment of the industry that all schools should at or prior to the time of enrollment for any course of study or service provide each student enrolled therein with literature, by means of catalog, correspondence or other writing, clearly setting forth the nature, scope, number, and character of lesson assignments, and the terms upon which such course of study or service is sold.

Rule D.—It is the judgment of the industry that the members thereof should exercise careful supervision over their sales representatives so as to guard against any misrepresentation by such representatives regarding advantages or opportunities or other matters pertinent to enrolling students or prospective students, whether or not the same be set forth in the contract between school and student.

Enforcement of rules.—A committee on trade practices, comprising five members, is hereby created by the industry to cooperate with the Federal Trade Commission and to perform such acts as may be legal and proper to put these rules into effect.

By direction of the Commission,

OTIS B JOHNSON, *Secretary.*

Procedure in filing complaint.—The home-study industry has designated as permanent chairman of the above enforcement committee, Dr. J. S. Noffsinger, 839 Seventeenth Street NW., Washington, D. C., to whom all complaints regarding violations of this code may be sent. When it is desired to file complaint regarding a violation of any part of this code such complaint should be submitted as follows:

1. All complaints must be presented in writing and signed by the complainant.

2. The complainant must specify which rule (or rules) of this code have been violated.

3. If complaint refers to a violation of code relating to the sales literature or other printed material of any school, copies of such material must accompany complaint.

4. If complaint refers to the advertising copy used by a school, a copy of such advertisement, together with the name and date of the publication in which it appeared, must accompany complaint.

5. If complaint refers to verbal statements made by representative of a school, such alleged statements must be accompanied by the following:

(a) Name of representative making such statements and school with which he is connected;

(b) Name and address of person or persons to whom made;

(c) Place and date where made;

(d) Name and address of witnesses, if any; and

(e) Statement as to whether the complainant, if requested, would file the charges in affidavit form.

All complaints received with supporting evidence, as set forth above, will be investigated and appropriate action taken, if warranted by fact.

STATEMENT OF F. L. SPRAYBERRY, SPRAYBERRY ACADEMY OF RADIO, PUEBLO, COLO.

Senator JOHNSON. Will you state your name?

Mr. SPRAYBERRY. F. L. Sprayberry, Pueblo, Colo. I operate a radio school there and have been in that business approximately since 1928.

I have no written statement. I simply want to make a brief oral statement about the value of correspondence schools.

Many of the men who are eligible under this bill for this type of training will not have opportunity to go to the universities and to the larger centers and if they do not get correspondence-school training, probably they won't get training at all under this provision because most of the fellows have marriage plans and they want to get out from under perhaps some form of regimentation such as they necessarily had to meet in the Army, so as the original bill was drawn, you would exclude that type of man.

Of course there are other students or men who would be qualified to go to universities and would have the time and inclination, but from our correspondence with men who are eligible there must be a large segment of them who want correspondence-school training.

Senator MILLIKIN. Mr. Chairman, may I interrupt?

Would it interrupt your train of thought if I asked if your school is exclusively correspondence?

Mr. SPRAYBERRY. It is exclusively correspondence.

Senator LUCAS. What is the name of your school?

Mr. SPRAYBERRY. Sprayberry Academy of Radio, located in Pueblo, Colo.

To return to the need for this type of training, I was talking to a British Army major last evening, and he tells me that the British Government has already made available a bill similar to this for their men, and that they have hundreds of correspondence school courses available to discharged men.

I have met a large number of men who have told me that they got most of their major law training through correspondence schools, and several public officials have made that statement, so correspondence schools do have a place and value.

I don't think by any means all of the veterans will want to enroll in correspondence schools. But they have their purpose. They could not prepare men for medicine or courses of that type, but they do fill a vitally needed vocational need.

I think the recommendations of the Veterans' Administration are good and sound and can be relied upon, and I do think that they will see that the veteran is not taken advantage of. Just as in the matter of loans, it is not likely that anything of a doubtful value is going to get by them.

That is my point on this bill.

Senator GEORGE. How many schools of the type of your radio school are there?

Mr. SPRAYBERRY. I think about five exclusively in correspondence teaching radio.

Senator GEORGE. Five schools?

Mr. SPRAYBERRY. Yes, sir.

Senator GEORGE. How long is a course or does it vary?

Mr. SPRAYBERRY. It varies a good bit according to the individual.

The normal length of time that it takes a man to complete our course is from 12 to 18 months.

Senator JOHNSON. Are your graduates all working at their trade?

Mr. SPRAYBERRY. I would have no way of knowing that they were all working at that trade, but it has been proved possible in the immediate past in the radio field for a man to keep continuously engaged.

Senator LUCAS. How long has your school been in business?

Mr. SPRAYBERRY. Since 1932.

Senator LUCAS. How many students do you have enrolled at the present time?

Mr. SPRAYBERRY. There must be about 3,500 located all over the world, you might say, wherever the mail reaches.

Senator LUCAS. Are you one of the 42 that the witness testified about a few moments ago?

Mr. SPRAYBERRY. No, sir.

Senator CONNALLY. You say you have 3,500 students. How much do you get out of them per month?

Mr. SPRAYBERRY. The payments vary from \$5 a month—some pay by the month, some in quarterly installments, and some pay cash outright.

Senator CONNALLY. How much do you charge for the course?

Mr. SPRAYBERRY. \$95 on a time payment plan of \$5 a month.

Senator CONNALLY. How long does it run?

Mr. SPRAYBERRY. Well, on that basis it would be about 18 months. It could be considerably less and often is.

Senator CONNALLY. How many professors and fellows who prepare the questions and examine the answers have you on the staff?

Mr. SPRAYBERRY. We have two.

Senator CONNALLY. Well, 2 men and 3,500 students will be about \$18,000 a month.

Mr. SPRAYBERRY. There are many other expenses.

Senator JOHNSON. \$17,500 a month.

Mr. SPRAYBERRY. But you have to pay all your operating expenses, which are quite heavy.

Everyone seems to think that a correspondence school is the easiest business in the world to conduct.

I think most of the people who have been in it will tell you it is one of the hardest. It requires a large organization.

Senator CONNALLY. I thought you said you had two in your organization.

Mr. SPRAYBERRY. I thought you asked how many we had preparing the questions and working with the students.

In our organization there are 18 people.

Senator CONNALLY. Some solicitors and drum beaters to get the men?

Mr. SPRAYBERRY. We have no salesmen at all. It is all done through the United States mails.

Senator CONNALLY. Have you ever had any trouble with the Post Office Department?

Mr. SPRAYBERRY. No, sir.

Senator CONNALLY. All right.

Senator JOHNSON. Are there any other questions? (No response.)

Does that complete your statement, Mr. Sprayberry?

Mr. SPRAYBERRY. That is all I wanted to insert in the record, sir.

I wanted to say that there is a definite need for this type of training and it would be discriminatory against some of the men if it was not made available to them.

Senator JOHNSON. What is your percentage of graduates?

Mr. SPRAYBERRY. The last count we made, which was in the early part of the year, was around 30 percent.

Senator JOHNSON. We thank you, Mr. Sprayberry.

Senator CONNALLY. You say 30 percent of those who start go through?

Mr. SPRAYBERRY. Yes, sir.

Senator CONNALLY. And the others quit?

Mr. SPRAYBERRY. Those are the type of men who have what it takes to stick with a technical training course of that type and carry it through to a conclusion.

Senator MILLIKIN. Are they equipped to go right into business when they get through or is it a sort of preliminary training to their trade?

Mr. SPRAYBERRY. We provide our students with actual radio equipment which they work with and build up, and when they finish our course of training they are qualified repairmen and servicemen.

We don't go into the entertainment end at all.

Senator MILLIKIN. There seems to be a great interest evidenced by veterans in that business.

Mr. SPRAYBERRY. Yes, sir.

It is a type of business in which a man can easily start up his own little business with that type of technical training. Just a small neighborhood will bring him in a good living.

Senator JOHNSON. We thank you.

Is Mr. Warren Miller of the Army and Navy Union present? [No response.]

Some of our witnesses are not ready to testify today, and we would like to know if Mr. Robert H. Owens is present. [No response.]

Mr. Fred R. Berrifield? [No response.]

Mr. Meyer Bernstein? [No response.]

Mr. Tom Neill? [No response.]

Mr. E. J. McHale? [No response.]

Mr. W. M. Floyd? [No response.]

Mr. Theodore H. Silbert? [No response.]

Dr. Ralph McDonald? [No response.]

Their time was not set for today but some of our witnesses canceled their appearance for today.

That is all we have on the list for today.

Senator CONNALLY. Mr. Chairman, are any men from the Veterans' Bureau here on this educational matter?

Is there anybody here representing the Veterans' Bureau?

Mr. HAYDEN. I am from the Veterans' Administration, but there are no educational representatives here.

Senator CONNALLY. Why don't you have some here? That is what we are investigating.

Mr. HAYDEN. They come when they are scheduled to speak.

Senator CONNALLY. They ought to be here to be consulted when the other people are testifying.

Senator LUCAS. I think they should be interested in what the witnesses are saying.

Mr. HAYDEN. I shall be pleased to convey your message.

Senator JOHNSON. I think the Senator from Texas is right on that. I think they should be here at all times.

Mr. BIRDSALL. Mr. Chairman and members of the committee, I am Guy H. Birdsall, Associate Solicitor, Veterans' Administration.

I am here under instructions to keep in touch with the proceedings, but, of course, Mr. Stirling is representing the Veterans' Administration in connection with the educational features of the bill.

Senator CONNALLY. Where is Mr. Stirling? He is the one I want to see. I understand he has been quoting me around here.

Mr. BIRDSALL. I am sure Mr. Stirling will report at your pleasure.

Senator CONNALLY. Has he been here at all?

Mr. BIRDSALL. He was here on the first day and reported on title II. I have taken down important notes and will see—

Senator CONNALLY. I understand that under this educational program in New York State and one or two other States you are allowing them so much per student?

Do you know about that?

Mr. BIRDSALL. I would have to ask him about that.

Senator CONNALLY. \$100 to \$150, whatever the out-of-State charge is. All the veterans get it, and in other States you let them have anything.

I want to know how that happens.

Mr. BIRDSALL. I am sure an explanation can be given on that.

He did refer to a situation where some States charged the out-of-State fee, and I think in Oklahoma the attorney general ruled they could not accept the out-of-State fee.

Senator JOHNSON. With the permission of the committee, I wish to insert in the record a statement of Clinch Heyward Belser, of Fort Meyer, Va.; also a statement made on September 5 by Bernard Baruch; also a statement from the National Academy of Broadcasting.

Hearing no objection, they will be put in.

(The statements are as follows:)

QUARTERS 11-A,
Fort Myer, Va., October 10, 1945.

Hon. EDWIN C. JOHNSON,
Senate Finance Committee,
Senate Office Building, Washington, D. C.

MY DEAR SENATOR JOHNSON: I was present at the Finance Committee hearings on the amendments to the GI bill of rights on the 9th of October 1945. Mr. Odom, of the Veterans' Administration, brought to the attention of the committee the fact that, under present law, officers on terminal leave were ineligible for the educational benefits of the bill until completion of their terminal leave. The presentation of the merits of the bill and rights of the officers concerned was, in my opinion, inadequate, and it is believed that the committee was not given a complete understanding of the matter.

Terminal leave is the leave due an officer over the period of his service which he was unable to take due to war conditions. This leave is given at the end of service for the administrative convenience of the Army. He is not technically separated until the completion of the leave; however, his final papers have been completed, and he is actually no more subject to recall to active duty than any Reserve officer on an inactive status. The Army is merely protecting his rights to leave just as the Civil Service protects the leave rights of its employees.

Congress indicated its desire to make certain educational advantages available to all veterans immediately upon their discharge. Those officers who had not completed their education prior to their entry into service, and who are unfortunate enough to be separated from the service on or before the opening of school, are, therefore, penalized under present law by being unable to take immediate advantage of the educational benefits and to enjoy leave which they were previously denied through no fault of their own. These officers must either forfeit one or the other of the benefits available to them or to further delay a continuation of their education for one semester or, in some cases, a full school year.

It is believed that Congress intended to give each veteran all of the benefits which it has made available. Since there is no question that these two benefits may be enjoyed in sequence, there seems to be no good reason why they should not be enjoyed simultaneously.

To permit the continuation of education while still on terminal leave, requires only a short amendment to the GI bill of rights and would benefit a greater number of veterans than would some other amendments recommended by the Veterans' Administration. This amendment would presently benefit those who were separated in August, September, and October and would continue to benefit those separated immediately prior to the opening of any school semester.

I would appreciate it very much indeed if you would present this matter to the attention of the members of the committee.

Very truly yours,

CLINCH HEYWARD BELSER.

BARUCH REPORT ON VETERANS' MATTERS TO GEN. OMAR N. BRADLEY

WASHINGTON, D. C., August 16, 1945.

Gen. OMAR N. BRADLEY,
Director, Veterans' Administration,
Washington, D. C.

DEAR GENERAL BRADLEY: It was with gratification that I heard of your appointment as veterans' Administrator.

At the suggestion of President Roosevelt, I had been studying the problems of the veteran and related questions of human demobilization. What I learned filled me with deep concern. You have asked for the results of my findings. Herewith I submit a number of the more important recommendations for immediate action.

Your excellent appointment has been hailed as foreshadowing a thoroughgoing shake-up of the Government's handling of veterans' matters. What is not generally appreciated is the tremendous scale and difficulties of your task, how many of the veterans' keenest problems go beyond the authority of your office.

With their families, the 12,000,000 veterans of this war make up one-fourth of the entire population. Measured in numbers alone, this is three times the number of veterans of the last war. Already more than 2,250,000 have been dis-

charged from the armed services. More than 1,250,000 of these have suffered some disability. Another 545,000 are reported in Army and Navy hospitals in this country and abroad. More disabled veterans are receiving payments, thus far, than the total for the last war.

SWIFT REFORM NEEDED

With the surrender of Japan, you must prepare now for discharges in the millions. Reorganization, modernization, and expansion of the Veterans' Administration cannot be delayed. Unless there is prompt, corrective action, the disillusionment and bitterness that have spread among some veterans and their kin will steadily worsen. Aggravating your difficulties is the fact that the human side of demobilization is being neglected tragically.

Solution of the veterans' problems does not—cannot—proceed alone. During the period when our soldiers and sailors will be shredding their uniforms, six to eight million workers in strictly war industries will be shifting jobs or homes. The ultimate goal of any veterans' program must be to restore the returning soldier and sailor to the community—socially, economically, and humanly. This cannot be accomplished except as part of the larger program embracing the whole of human demobilization. One terrible danger of failure may be to set the veteran off from the rest of the Nation, cherishing the grievance of having been wronged, at odds with fellow Americans, his feelings an explosive fuel ready to be ignited by some future demagog.

END HUMAN "NO MAN'S LAND"

There now prevails a "no man's land" of neglect of the human problems of the change-over from war to peace. The very first need in the present situation is:

I. A vigorous, imaginative "work director," to vitalize the post of Administrator of retraining and reemployment to accomplish its original purpose of making certain the human side of demobilization is not forgotten.

This is beyond your own authority. I emphasize it because until this post is effectively filled, you will be hampered in the execution of your own responsibilities. So will be every other administrator of the many aspects of demobilization.

The concept of work director can be briefly summarized. Between the many agencies involved in the demobilization there exist all sorts of twilight zones or gaps of responsibility, innumerable overlappings or conflicts of authority. We wanted to avoid the human problems falling, uncared for, between the agencies. Therefore, the Report on War and Postwar Adjustment Policies, which I prepared that there be a single unforgetful mind to unify all of the forces of the executive branch dealing with the human side of demobilization and to develop a comprehensive program for meeting these problems, working with Congress. This work director, as we called him, later was given the official title of administrator of retraining and reemployment. We consider this post so important, we recommended that it be filled by a man of such outstanding caliber as to command the immediate confidence of the country.

Unfortunately, although 18 months have passed since the issuance of our report on February 15, 1944, and almost a year since Congress created the necessary office, an effective program of human demobilization still is lacking.

Among the things for which you should be able to look to the work director are:

REVIEW DEMOBILIZATION PLANS

1. To maintain a running review of the plans for demobilizing the armed forces, discharge procedures and policies of both the Army and Navy, harmonizing and integrating their programs with the whole of the change-over to peace.

RELEASE DOCTORS, HOSPITALS

2. Specifically, in this connection, to see that any faults in discharge procedures are promptly corrected, as the too loose use of the label "psychoneurotic" in medical discharges in the past; also, to make certain that doctors, nurses, and hospitals are released from military service in proportion to the discharges of wounded and reductions in troop strengths. Otherwise, how are the Veterans' Administration or the communities to carry out their responsibilities to the wounded?

ONE CENTER TO A COMMUNITY

3. To see to it that in each community there is only one place where veterans need go—in dignity, not charity—to learn all of their rights and how to get them. This was one of the more urgent recommendations in our postwar report. In too many communities, veterans still are being given the run-around from agency to agency. Where such all-in-one centers have been established, as in Bridgeport, Conn., Richmond, Va., or Los Angeles, Calif., they have eased the handling of every veteran problem, medical care, benefits, loans, employment. A network of such centers would contribute greatly to any plans of yours for decentralizing the Veterans' Administration.

JOBS AND TRAINING

4. To develop a unified, detailed employment and training program, anticipating as far as practical the needs of both veterans and displaced war workers. This would include settling the conflict in interpretation over section 8 of the Selective Service Act on seniority rights (or request Congress to clarify the law); other seniority problems; special programs for the disabled; adequate job placement machinery for all workers; personalized job guidance, particularly for veterans who have never worked before; working with both labor unions and business groups in relaxing barriers to employment, such as initiation fees, apprenticeship rules, etc. This is especially important in those fields such as construction, which can provide a greater number of jobs in peace than during the war.

COMBAT BOTTLENECKS

5. While rationing, priorities, and other restrictions remain in force, this work director should see that veterans obtaining loans to start businesses receive the materials and commodities they need. The work director must not be content simply because a regulation has been issued but should see that it works.

ARTIFICIAL LIMBS

6. To step up and coordinate the artificial limb program, unifying the work of all agencies, so that all amputees are given the best possible limbs immediately and replacements provided for those who have received inferior limbs. Many of our wounded still are being fitted with legs and arms known to be inferior because production of newer types is slow; procurement has lacked drive and organization. Not until last January were the manufacturers of artificial legs brought together to develop standardized specifications. The committee on prosthetic devices of the National Research Council, now energetically pushing the improvement of designs for artificial legs and arms, held its first meeting only last March. Root of the delay has been that no one administrator took full responsibility for organizing and driving through a completely worked out artificial limb program.

WHAT VETERANS SHOULD KNOW

7. To develop an effective program for informing veterans of what they need to know. They should be reached while still in service and after their return to civilian life when their problems are actually upon them. Many agencies must share in this program; the work director should take the leadership, coordinating the efforts of all.

Those are only a few of the tasks of the work director, whose scope covers the human problems of both veterans and war workers. His duties are more completely outlined in our postwar report and in the legislation creating the Office of Reemployment and Retraining. You may find yourself compelled to move into some of those gaps dealing directly with these matters.

CREATE NEW MEDICAL SERVICE

Turning to the Veterans' Administration, I would recommend:

II. A clean-cut division in the veterans' agency between medical and non-medical matters, creating a new veterans' medical service under the head of an outstanding medical man.

Until now veterans' medical care has been too much subordinated to the legal and fiscal matters connected with benefits of all kinds. It must be freed from

the thumb of the lawyer and benefit payer. Lifted to a level of autonomous independence, its primary emphasis should be the quickest and fullest recovery of the veteran and his or her return to society as a self-supporting, self-respecting citizen.

Various suggestions have been made as to the form this new veterans' medical service should take. None of these details of organization are as important as is the choice of the man who is to head this service. Even a good man and an autonomous service by themselves are not enough. A complete transformation of veterans' medical care is needed.

IMPARTIAL MEDICAL STUDY

III. A small, fast-working, independent committee should be named to make an impartial study of every aspect of veterans' medical care, formulating recommendations for completely transforming the veterans' medical service into one that provides a challenge to all that is progressive in medical practice.

This committee need not attempt a single, huge study, but could take up successively the many different problems, reporting its findings as it went along. Its work should be organized to supplement—not delay—any immediate reforms that the new medical director will wish to put into effect. Its immediate studies completed and made public through you, some such committee should be established on a permanent basis. It would serve as a continuing review group, reporting regularly to the public through you on the progress in improving veterans' medical care; recommending any additional measures that may become necessary; making certain the latest scientific techniques are properly instituted as soon as proven.

I urge that reports of this committee be made public because of the sharp, prolonged criticism of veterans' medical care. An independent sifting of the charges that have been made and announcement of reforms to correct whatever faults may be found is necessary to restore the confidence of the public, including the veterans and their families. Many of the measures you will wish to adopt will require public understanding and support. Fully publicizing your new medical program also will immediately raise the prestige of the new veterans' medical service. This is so necessary if sufficient numbers of new doctors of high quality—so sorely needed—are to be attracted to the service.

MERIT, NOT SENIORITY

Recruiting new, good doctors is of such importance in any program for improving veterans' medical care I would recommend:

IV. Substantial increases in salaries of doctors, nurses, technicians, and others in the new medical service; a promotion system based on professional ability and skill against waiting in the line of seniority; freeing doctors of needless paper work through more efficient hospital administration; ample opportunities for doctors to grow professionally through postgraduate and refresher studies and through effective ties with centers of medical education and skill; the establishment of ample research facilities and encouragement of research by veterans' doctors.

Among the matters which should be included in the impartial study by the medical committee are:

PSYCHIATRIC NEED GREAT

1. A psychiatric program, both immediate and long range. This is, perhaps, the field where there is the widest gap between need and established medical facilities. Already several hundred thousand so-called psychoneurotics have been discharged from the armed services. (One out of every four or five appearing before selective service was rejected for some type of mental disease or nervous defect.) Yet in the entire country there are reported to be only about 3,500 trained psychiatrists, many of them in the service. Included in any long-range, psychiatric program should be plans for training a vastly greater personnel over the years; stimulated research; and a Nation-wide network of out-patient clinics, since most psychoneurotic ills can be treated without hospitalization. As an immediate measure quick training programs can be given, following the example of what the Army has done in the war.

2. Establishment of a system of interships and residences in veterans' hospitals.

3. In place of the present medical organization so largely geared to hospitaliza-

tion, to develop a more flexible system of medical care which will include greater emphasis on out-patient clinics for veterans who do not need hospitalization; more extended use of local physicians and medical facilities; rehabilitation centers, sheltered workshops, and other modern developments.

NEW HOSPITAL CONSTRUCTION

4. Revise the program of future veterans' hospital construction to allow for this new flexibility and for the goals of the new Veterans' Medical Service, with modern research facilities and with veterans' hospitals located so that closer contact can be maintained with established medical centers. Veterans' hospital construction must be integrated with new civilian hospital construction.

5. Shatter the hopeless defeatism that now prevails in the treatment of veterans who have been paralyzed through wounds to the spinal cord or key nerves. With the best modern care, it has been demonstrated, many patients now discarded to hopeless invalidism can be enabled to move about on their own and even become self-supporting.

6. Determine how to insure that the latest scientific and medical techniques are introduced in the treatment of every ailment.

LIAISON WITH MILITARY

7. Effective liaison between the new Veterans' Medical Service and the medical branches of the armed services. At present no liaison worthy of mentioning exists. Among the benefits would be the prompt funneling into the veterans' service of the latest medical advances developed during the war; the timing and organization of all medical discharges; coordinating medical records so that unnecessary duplication in records and examination can be eliminated. While the new Veterans' Medical Service is being reformed, you may want to devise a program by which the wounded will be kept under military medical care for a longer period. Arrangement could be made to give these wounded any necessary veterans' benefits.

REDUCE "PENSIONITIS"

8. Examine the present pension system, both in administration and legislation, to eliminate or reduce deterrents to full recovery or incentives to malingering, while still retaining just compensation for disability. I am informed by many doctors that in certain cases benefits do the patient more harm than good, by encouraging so-called pensionitis. No veteran should be deprived of any pension or benefit rightfully due him. But surely a system can be developed which will give the veteran his just allowance and still not hamper his physical recovery. Perhaps no aspect of veterans' medical reform is more important. Many so-called psychoneurotics could be left mental cripples for life, as if victims of botchy surgery, by an unwise pension and benefit system. This matter profoundly affects the whole of veterans' medical care in that it tends to breed cynicism and defeatism throughout the organization.

9. Study the problems raised by distinctions in medical care between disabilities which are service connected and those which are nonservice connected.

10. The Veterans' Administration's part in the artificial-limb program. One thing I would like to see done is to have a continuous, progressive, limb-replacement program, since designs will steadily improve. A contact system should be set up now for all amputees—15,000 at present. This will speed replacements and aid in checking on the performance of various types of limbs, contributing to research and improvement.

DECENTRALIZE VETERANS' AGENCY

On the nonmedical side of the Veterans' Agency I would recommend:

V. That a similar, small, fast-working committee of impartial experts be named to review all nonmedical matters to formulate recommendations for simplifying, modernizing, and decentralizing the operations of the agency.

This committee should go into the speeding of payments of every kind while still protecting the public interest. Doubtless you have seen complaints of delays in settling death claims and disability pensions; of veterans who have protested that they were forced to leave school because their checks for living allowances did not come through. The enormous volume of veterans' laws needs codifying; the mass of regulations simplifying. I would turn this committee loose on each

and every program in your agency. One looming problem will be the peacetime conversion of the life insurance held by veterans. With its \$136,000,000,000 of face-value policies, the Veterans' Administration runs the largest insurance business in the world.

Once this committee had completed its immediate tasks, I would have it set up as a permanent group constantly reviewing and simplifying procedure. In operations of such magnitude there must be an unceasing battle against creeping red tape and needless paper work.

OVERHAUL GI RIGHTS

VI. The so-called GI bill of rights should be overhauled, particularly regarding GI loans, whose provisions should be made effective over 10 years instead of 2, the percentage of guaranty raised, and working capital provided.

Congress is quite alert to the need for such changes, and I believe swift corrective action can be had if you use your executive ability to bring together the best thoughts of the executive branch on these matters with those of the Congress. I would suggest, therefore, that you name several persons to make an extensive study of all the numerous features of veteran legislation that need amending and to work with Congress on this whole matter.

As an example of how loosely drawn some features of the GI law are, under the act each enlisted veteran is authorized to borrow for either the purchase of a home or farm or to go into business, but this must be done in 2 years. The Government will guarantee \$2,000 of such loans. Let us say, the unguaranteed portion is another \$2,000 or \$4,000 in all. If one-half the 10,000,000 eligible veterans take advantage of it, that means \$20,000,000,000 of borrowings. Think of that pressure going into the market for homes, farms, or businesses in 2 years. What a harvest high-pressure salesmen will reap unless the time is extended.

Spread over 10 years the GI loans can serve as a stabilizing force, humanly as well as economically. Many veterans may prefer attending school before buying a home, farm, or business. Others, who plan on going into business, will have a better chance to succeed if they first gain experience by taking a job in the particular line.

For veterans really to be helped into business, the present 50-percent guaranty on business loans is too low. In New Jersey, a 90-percent guaranty is provided by State law. Much of the red tape that has proven so frustrating to veterans can be reduced by devising a system by which loans are made virtually automatic on approval by the local bank.

PROTECT AGAINST INFLATION

Extending the time limit of veterans' loans to 10 years will go far to relieve restrictive effects of the requirement in the present law forbidding loans where the purchase price is above reasonable normal value. This provision was put into the bill to guard veterans against purchasing properties at inflated wartime levels, only to have to repay these debts in deflated dollars. In wartime markets it is not easy to find properties that have not become inflated above their reasonable normal value. Over a 10-year period, market values should tend to be more normal.

GI TAX INCENTIVE

It is no benefit to the veteran to give him a loan he cannot repay, chaining him to debt like a galley slave. At current tax rates few new enterprises could be made to pay for themselves in any reasonable period. I would recommend to the Congress:

VII. That an incentive tax of 25 percent less than the normal rate be given veterans opening new businesses, this difference to be applied in repayment of their loans up to \$25,000.

I feel this special tax incentive for veterans necessary because, with the pressures for inflation that now prevail, it would not be safe to embark on too drastic a general tax reduction at this time.

ONE HOME-LOAN PLAN

With home loans, veterans are finding the law confusing in that two different methods for home financing are embodied in the law, each having certain advantages. The best in both plans should be merged into a single arrangement

which comes closest to meeting the needs of the veterans, with a flat 4 percent interest rate, payments spread over equal monthly installments, sound appraisal, and mortgages fully guaranteed by the Government. The entire program should be administered by the National Housing Administration. This would relieve the veterans' agency of one of its many-enough jobs. The scale of possible veteran home borrowing may be quite large and should be unified with other housing programs.

Some of the educational provisions need tightening, as providing adequate protection against fly-by-night trade schools which may spring up to exploit the veteran. In some States so-called second-injury laws are proving an obstacle to the employment of disabled veterans. This should be corrected.

STUDY ADDITIONAL BENEFITS

The matter of additional benefits for veterans and their families could be made part of this legislative study. I know it would come as a shock to the American people to learn that we have not treated our veterans as generously as some other countries have theirs. A study comparing the GI provisions of the United States, Britain, Canada, New Zealand, South Africa, and Australia has been prepared for me and I shall send it to you.

The question of including merchant seamen under veterans' benefits could be part of this legislative study.

NO SUPERSALESMANSHIP

One final recommendation of great importance—veterans must be protected against supersalesmanship designed to sell them everything and anything. It is most necessary that in each community the veteran be able to get proper advice in making his plans, in borrowing money and its expenditure, in deciding on education and employment. It was my hope that the all-in-one centers in the communities would fill this need. If not, it should be provided in another way.

In conclusion, I extend to you my best wishes and whatever assistance I can be in the future. In many ways the success in meeting the problems of the returning veteran will be the acid test of our democracy. For we have here a matter in which there is no question of what our people would like to see done. What is at question is our competence to carry out obligations which all of us recognize and wish to see fulfilled. We must not fail the veteran—for then we fail ourselves. We fail our Nation with its heritage of greatness which is the challenge to all the world. We must show that our political and economic system which met the test of war so magnificently can be turned as effectively to the solution of human problems in the return to peace.

Sincerely yours,

B. M. BARUCH.

THE NATIONAL ACADEMY OF BROADCASTING,
Washington, D. C., September 21, 1945.

HON. W. F. GEORGE,

Chairman, Senate Committee on Finance, Washington, D. C.

MY DEAR MR. GEORGE: The National Academy of Broadcasting, a studio of which I am director, has been accepted by the District of Columbia Board of Education as a school where veterans may be trained.

Because I know the Senate Committee on Finance is anxious to learn the truth about the practical application of the original bill now in the process of being amended, I submit a concrete case for your consideration.

Here is the story of the experience I have had, showing that either the original law or its local interpretation makes training of veterans financially impossible.

The National Academy of Broadcasting, a studio school in Washington, D. C., which teaches broadcasting technique, this past year had many applications from veterans who claimed that they could choose the field of study they desired and have the tuition paid for by the United States Government. The school accordingly brought the matter up before the local board of education and secured the approval required after two delegations representing the board had investigated the training given. Letters from all over the United States of America were sent in showing the types of positions graduates had obtained. The school registered the amount of its usual fees with the Veterans' Adminis-

tration and everything seemed to be "all set" for the educational rehabilitation of these veterans who wanted to get into the field of broadcasting.

A statement of the amount of tuition to be paid was sent in for one veteran who had been advised by the local office that he could study at this particular school. To prepare himself through concentrated study for a position as announcer, he was to study: Announcing (30 hours), radio drama (20 hours), speech and diction (12 private lessons), music continuity writing (10 hours), and foreign language pronunciation (10 hours).

The school was then requested to fill out a form telling exactly how much the veteran would have had to pay if he had studied for 34 weeks and how many semester hours he was taking, also how many hours he was in attendance each week. (See sample of form enclosed.)

Although the questions were not applicable to the type of school where courses were given in 10-hour terms and much of the work done in private lessons or small groups, the questionnaire was answered on the basis of an estimate. Then the jolt came.

According to the law it seems that each student was supposed to be in actual attendance in class rooms for 25 hours each week in order to get the \$500 promise—which, was also to cover incidentals, such as books, supplies, laboratory fees, etc.

Now it happens that professional schools and colleges for adults usually require 15 or 16 hours of class-room attendance with a corresponding number of credits given. Twenty-five hours a week is not even allowed in a reputable school. Only schools on a grade-school level or schools where practice in mechanical skills is necessary or extensive laboratory work is required demand longer hours.

So you see, when tuition is prorated on the basis of the impossible figure of 25 hours a week (a total of 850 hours), the \$500 is almost cut in two.

In the case of the veteran in question who took up the various courses in broadcasting technique—under skilled teachers and in professional studios—the actual amount allowed by law for books, recording, and instruction was only \$52.94. Since books were \$12.50 and recording \$25, the school actually is to receive only \$15.44—and this, mind you, for 12 private lessons, plus 20 hours of instruction in radio drama in a professional studio, 30 hours announcing, 10 hours foreign language pronunciation, and 10 hours of music continuity writing.

To cap the climax, the studio was requested to fill out a voucher stating the exact number of months studied and the charge per month. It turns out that the veteran in question received instruction over a period of 2.4 months and that the amount allowed per month is \$6.433 for services rendered (the cost for books and recordings having been \$37.50). When we use a little higher mathematics we discover the school is being paid at the unique rate of 16 $\frac{1}{9}$ cents an hour. (As yet the school has received no compensation whatsoever from the Government.)

Most of us have seen the moving pictures in which returned veterans are seen studying violin, aviation, etc. The questions comes to mind: "What school is able to teach music or aviation or photography or any one of several specialized subjects at 16 $\frac{1}{9}$ cents an hour?"

Obviously, the Senate and the House will have to amend the law if it is to mean anything. Boys—like the veteran just described—who have given 4 years out of their lives and have been wounded and hospitalized, possibly, as he was, are going to demand that the promise of education given them is not a hoax.

Most private schools, I am told, have given up trying to operate at a loss. They see how impossible it is to accept \$15.44 for something that actually costs them nearly \$100. Several veterans who have studied at this same studio have said, "Bother the red tape. I'll pay my own tuition." Here are some questions to ponder: Should the bill have been drafted by educators instead of lawyers? Is the veteran actually supposed to say, "Oh, bother the red tape," and then pay his own tuition or else go without the training promised, or is the bill intended primarily to apply to secondary and trade schools rather than professional schools? Even then can any school accept 16 $\frac{1}{9}$ cents an hour?

The veteran under discussion has a rewarding position as announcer and newscaster on a local station and he can pay for his educational training, but what will the reaction be when other boys returning find out the real situation?

In my opinion, the proposed amendment should take care of full payment for short intensive professional courses which prepare veterans for jobs in record

time, and it should also call for a simplification of method in handling educational problems.

Frankly, secretarial work involved in this one case discussed cost well over \$20. I have had to fill out forms that do not apply to the situation—spending long hours myself.

Two forms are enclosed. The standard Form No. 1034a, which reduces the veteran to an item and asks for the cost per month at the ludicrous rate of 16 $\frac{1}{2}$ cents an hour, is more or less absurd when viewed objectively.

If my presence at a hearing would be in any way helpful, I should be glad to appear.

Most respectfully yours,

ALICE KEITH,
Director, National Academy of Broadcasting.

COPY OF STATEMENT SENT ON MARCH 22

Mr. J. M. MACCAMMON,
*Chief, Vocational Rehabilitation and Education Division,
Washington, D. C.*

DEAR MR. MACCAMMON: Mr. Cox is now studying at the National Academy of Broadcasting. Below is a statement covering his tuition, and cost of books and recordings:

Private lessons, 1 hour each (12 hours) -----	\$40. 00
General broadcasting, 4 hours per week (30-hour course) -----	45. 00
Foreign language pronunciation, 1 hour per week (10-hour course) -----	15. 00
Music Continuity, 1 hour per week (10-hour course) -----	15. 00
Drama, 2 hours per week (20 hour course) -----	25. 00
	140. 00
	140. 00
How to Speak and Write for Radio -----	3. 00
World Words -----	3. 00
What We Hear in Music -----	2. 75
How to Write for Radio -----	3. 75
	12. 50
Lab fees, records and studio time -----	25. 00
	177. 50
	177. 50

N. B.—Certainly these fees are not exorbitant and by no stretch of the imagination could \$15.44 be called adequate compensation for services rendered.

ALICE KEITH.

Senator JOHNSON. We will start in the morning at 10 o'clock.

We expect Mr. Omar B. Ketchum and Mr. Millard Rice to be here.

The committee stands adjourned.

(The committee adjourned at 4 p. m.)

AMENDMENTS¹ TO THE SERVICEMEN'S READJUSTMENT ACT OF 1944

THURSDAY, OCTOBER 11, 1945

UNITED STATES SENATE,
SUBCOMMITTEE ON VETERANS' LEGISLATION
OF THE COMMITTEE ON FINANCE,
Washington, D. C.

The subcommittee met at 10 a. m., pursuant to adjournment, in room 312, Senate Office Building, Senator Edwin C. Johnson (chairman of the subcommittee) presiding.

Present: Senators Johnson (chairman of the subcommittee), Lucas, and Millikin.

Senator JOHNSON. The subcommittee will be in order.

Mr. Ketchum representing Veterans of Foreign Wars.

You may proceed in your own way, Mr. Ketchum.

STATEMENT OF OMAR B. KETCHUM, NATIONAL LEGISLATIVE REPRESENTATIVE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. KETCHUM. Mr. Chairman, and members of the committee, the Veterans of Foreign Wars of the United States, composed of more than 1,000,000 men who have served on foreign soil or in hostile waters during America's wars, campaigns, and expeditions, including some 700,000 men of World War II, is one of the oldest veteran organizations in the United States.

It has just concluded its forty-sixth annual national convention in Chicago, Ill., where the officers and delegates adopted some very pertinent resolutions on changes believed to be necessary to the satisfactory and successful operation of Public Law 346, Seventy-eighth Congress, the Servicemen's Readjustment Act of 1944, and often referred to as the GI bill of rights. Inasmuch as the Veterans of Foreign Wars played an important part in sponsoring this act in the Seventy-eighth Congress, it believes it has the right to criticize weaknesses and recommend changes.

As the duly authorized spokesman for the Veterans of Foreign Wars, I appreciate the courtesy and opportunity to appear before this committee and offer the suggested changes which our organization has approved and which are based upon complaints received from eligible veterans by our service officers, posts, departments, and national headquarters.

¹H. R. 3749, S. 742, S. 866, S. 487, S. 781, S. 826, S. 850, S. 974, S. 1031, S. 1324, S. 738, S. 795, S. 1202, S. 291, and S. 1176.

I do not wish to impose on the valuable time of this committee by reciting the history of the so-called GI bill, or attempt to analyze the intention of the Congress at the time it was enacted. Sufficient to say, it is not perfect and will probably never be perfect and completely satisfactory, but experience has proved that some changes are desirable and should be made. We do not profess to a full solution and only hope to point out some principal objections.

With the exception of the loan provisions of title III, and some minor changes in education aid in title II, the act seems to be working fairly well. The bulk of the complaints received are in connection with the loan provisions.

Frankly, the act has been oversold, and as the Administrator of the Veterans' Affairs, General Bradley, has so ably pointed out, an impression has been created among servicemen that all they have to do is to take their discharge certificate to some place and be handed \$2,000. When they discover it is a loan which must be repaid and which requires most of the usual conditions to obtain it, naturally there is a sharp disappointment and much "bitching."

There comes to their minds the question as to whether the somewhat doubtful privilege of going into debt is really a veteran benefit. When you add to that the inability to obtain a loan—even if they want to take a chance—because of restrictions and regulations, well, the fat is in the fire. Consequently, the act is up for reconsideration and the Congress is torn between those who want to stretch a loan into a gratuity and those who wish to so protect the veteran and tie him to apron strings that he would need the credit of a Rockefeller or Ford to obtain a loan.

As we see the picture, the Congress is confronted with the alternative of abandoning the loan provisions entirely and enacting liberal adjusted-service pay such as incorporated in H. R. 127, or reverting to an insured loan feature which permits as much latitude as possible to the veteran and the lender, with a minimum of Government control, but with due regard to the inherent meaning and integrity of a loan.

In other words, if the veteran and the lender are satisfied, and the Government does not provide too much protection for the lender which would encourage wildcat and unsafe loans, that it about all which can be done. It is either that or throw the loans out the window and enact adjusted-service pay legislation.

In the proper sequence, I will offer the VFW suggestion on changes in the loan provisions if they are to be retained. In the order of the titles of the Servicemen's Readjustment Act of 1944, the following changes are recommended:

TITLE I

Amend section 200 (a) to make clear the definition of "paid full time accredited representatives of the veterans' organizations specified in section 200 of the act of June 29, 1936 (Public Law No. 844, 74th Cong.)" shall mean persons employed full time and paid by said organizations.

TITLE II

Amend to provide—

1. A period of 5 years after discharge or termination of war, whichever is later, in which to apply for educational aid.

2. No age limitation on educational aid—which, of course, means that we recommend the elimination of the present or existing 25-year limitation on interruption or interference of the educational program.

3. Payment of maximum tuition and other fees for courses less than an ordinary school year in approved schools or institutions.

4. Privilege of enrolling for approved correspondence courses.

Senator JOHNSON. At that point, are you going to discuss these points later?

Mr. KETCHUM. Mr. Chairman, I am making these points now and will be glad to discuss them later if there is any question on them.

Senator JOHNSON. At the proper time I would like to have your arguments for your suggestion on title I.

Mr. KETCHUM. All right, sir.

Senator JOHNSON. And also your point No. 4 under title II.

Mr. KETCHUM. All right, sir. If you will make a little check mark on these that you would like to have clarified or explained, I will complete the statement and then be glad to go back and explain our position and why we are suggesting the amendments.

Senator JOHNSON. Proceed.

Mr. KETCHUM. 5. Privilege of enrolling in vocational and professional courses requiring training in excess of 4 years.

6. Increased training allowances: (a) No dependents, \$75 per month; (b) dependents, 100 per month, plus \$10 monthly for each dependent over one.

I would like to add as a comment there that we realize that it would be unfair to increase the allowances to the able-bodied who are eligible for training under 346, and at the same time make no provision for increase for those who are disabled and who come under the provisions of Public 16, and for that reason, while we understand Public 16 is not up for discussion, we are recommending that under Public 16 the same rates of training allowances apply as would apply under our recommendations here, and in addition to that they be permitted to receive or draw whatever compensation or pension they are otherwise entitled to.

That would be in addition to the flat-rate training allowance provided in this recommendation.

Senator MILLIKIN. How does your suggestion on the increased training allowance work where a serviceman marries a servicewoman? Does each get the basic amount?

Mr. KETCHUM. You have a good question there, Senator.

I would assume that where an eligible female veteran and an eligible male veteran are married, and both decide to take educational training—that is the situation you have in mind?

Senator MILLIKIN. That is right.

Mr. KETCHUM. Frankly, there is a problem there all right. Some adjustment probably would have to be made in that case, or the full payments would have to be made to each one of them.

Our legal counsel, Mr. James W. Cannon, suggests that if one should happen to be going to a school in one State, and the other one going to a school in another State, then there would be the individual problem, and each one would require subsistence, and in that case the individual amounts would apply. But if they were both living together and both attending the same school, you would have another problem.

Senator MILLIKIN. I would be inclined to believe a flat-rate pay-

ment, that where a male veteran married a female veteran, they would be both eligible and they would both have to receive this allowance. I don't know how many cases such as that would occur.

Senator JOHNSON. Probably not many.

Senator MILLIKIN. I have no set views on that. I just raised that question.

TITLE III

Mr. KETCHUM. Amend by striking out entire title III and substituting therefor the attached revised draft as a new title III.

As explained earlier in this statement, the substitute draft for title III proposes an insured-loan plan, which insures the lender in an amount not to exceed 75 percent of the net loss, but in no event shall the aggregate amount insured, with respect to one veteran, exceed \$3,000.

The customary safeguards on insured loans are incorporated, but it is believed these loan provisions will provide the widest possible latitude between veteran and lender, with a minimum of Government control, yet does not afford undue protection to the lender in encouraging wildcat loans at sole Government risk.

It is also suggested that the existing system of independent appraisals be maintained. It is further recommended that regulations be amended to provide that where a veteran has made a deposit on a loan application and said application is disapproved by the Veterans' Administration, refund of deposit shall be made either by the lender or the Veterans' Administration.

Senator LUCAS. Mr. Ketchum, what is the situation now with respect to that?

Mr. KETCHUM. Senator, we have received several complaints where veterans have put up earnest money or deposit money, or faith money in making application for the loan where the lender himself has agreed to make the loan and then when the loan goes over to the VA for approval, it is rejected and the veteran, in some instances, is unable to recover his initial deposit.

We are receiving many complaints that that has happened. We are trying wherever possible to educate the veteran seeking a loan not to put up any deposit money or earnest money or faith money, until after the loan has been approved by the Veterans' Administration.

Some of these boys are holding the sack after their loans have been rejected, they not being able to recover their money because they put it up, perhaps as an option or as earnest money, or as faith money, in making the application for a loan.

Senator MILLIKIN. I would like to ask your legal counsel a question.

Isn't there a legal question as to whether they have a right to interfere with this contract made between the lender and the serviceman?

Mr. KETCHUM. That is why I said the refund of deposit shall be made either by the lender or the Veterans' Administration.

Mr. CANNON. That is not in accord with the GI bill as it is interpreted, but we find that real-estate men, and persons who own property seeking to sell it to veterans, do take from them earnest money. They importune them to make a down payment and then, as anyone with legal experience knows, it is difficult, in real estate transactions to bring about the return of the money.

Senator MILLIKIN. If the Veterans' Bureau were to return those deposits, would that not encourage the very thing we are trying to solve?

Mr. CANNON. Well, I believe something should be in the act to the effect that no earnest money shall be demanded or paid.

Senator MILLIKIN. If the lender intends to take advantage of the guaranty.

Mr. CANNON. That is right.

Senator MILLIKIN. I think if you tie it up that way you would have a legal basis for that kind of a provision.

Mr. CANNON. I think something of that tenor should be injected in the bill, so that it would be understood that they were violating the law if they took advantage of a deal falling down.

Senator LUCAS. In the Bridgeport plan, there was never a dollar put in, as I understood it, by the veteran until the deal was completed.

Mr. CANNON. That is right. That is my understanding of the way it should be.

Senator LUCAS. But if you put this on the Veterans' Administration, then, as the Senator from Colorado aptly says, you would encourage a lot of these fellows to make these contracts with the realization that even the veteran wasn't going to lose at all.

Mr. CANNON. I think Mr. Ketchum stated the legal aspect of it wrongly. I say something should be injected into the act to the effect that no earnest money should be paid or received.

Senator LUCAS. I think you have a good point. Certainly there are a number of people hanging around the corner waiting to take advantage of the veteran.

Mr. KETCHUM. I might say that the recommendation I made on that matter was based on a resolution which was recently adopted at our national convention in Chicago.

In other words, the situation had become so acute in some States that our organization was worked up about it, and they brought in resolutions demanding that something be done. The text was to the effect that the regulations be amended either to force these lenders to return the money, or for the Veterans' Administration itself to do it.

Senator MILLIKIN. Have you prepared a draft?

Mr. CANNON. I would say that it is administratively impossible for the Veterans' Administration to take care of it. I think it should be in the act. The practice in real-estate deals is to demand this, and it is hard for the real-estate man to get away from trying to get a little money at the beginning of the transaction.

Senator LUCAS. I am wholeheartedly for the objective that is raised. It is just a question of being able to write the language to meet the situation as it exists.

Mr. KETCHUM. That is right.

Mr. Chairman, I have a few copies of the draft of a revised title III, which we are suggesting to replace the existing title III. I submit here for the record the original, and I have a few extra drafts which I will be glad to give to the individual members of the committee. It is very lengthy, and I don't think you want me to take the time to read it.

Senator JOHNSON. When we undertake to work out the amended bill, this draft will prove very helpful to us, and we will have it before us. I don't think it is necessary for you to read it now unless there is a point you want to explain.

Mr. KETCHUM. No. I have Mr. Cannon here, our legal counsel, who is familiar with the legal interpretations of it, and he will be glad to answer any questions on it.

Senator LUCAS. Can you very briefly give the committee the difference between your draft and the one submitted by the Veterans' Administration. Just briefly. I don't want to take too much time on it.

Mr. CANNON. I will endeavor to do that.

One purpose is to reduce the amount of red tape in the Veterans' Administration. I think you gentlemen know that a bank at the outset will be the one that will make the loan and do all the preliminary work.

Under our bill, we tried to bring back to the thing the loaning features of it with approval only in the Veterans' Administration, coupled with supervisory appraisals by men selected by them.

Now, the point was very well brought out here as to the difference between reasonable normal value and reasonable market value. After all, it is the opinion of an appraiser in the locality acquainted with real-estate values, in whatever locality he does business, in the municipality or village where he carries out his business. I think it is going to finally be up to the appraiser what that value is, whether you call it normal value, reasonable market value, or the like.

I have had some 25 years' experience, 5 or 6 of them in intense appropriations work, where I had to make use of appraisers. I had to make use of appraisers in many localities over a period of 4 years in a street-widening project covering probably 2,800 pieces of property.

Appraisers will testify high, and they will testify low, depending on which side they are on. If you get them to look out for the real value as they feel it to be in respect to the property, where they are hired, where they know they are hired by the VA, I think they will give what is more nearly the real value of that property in their estimate of its value.

Senator LUCAS. Would you only use one set of appraisers?

Mr. CANNON. Well, I would vary it. I would possibly choose, in a city of 150,000, maybe 10 or 15 real-estate men to act as appraisers and vary the cases among them.

Senator LUCAS. The point I am making is this, after they have made the appraisal would you follow it up with another?

Mr. CANNON. No; not unless the bank wanted to do it.

Senator LUCAS. As I understand, what they are doing and I again refer to what they are doing in Bridgeport, the bank sends out its own appraiser and the Veterans' Administration checks with their organization.

Mr. CANNON. I think that is all right. I was saying that the veteran should have an appraiser to make an appraisal, but the bank will make one anyhow.

Senator LUCAS. The thought occurred to me, as I listened to the testimony of the witness from Bridgeport as to what that bank is doing up there in the way of, more or less, philanthropic work. In other words, the witness gave an example, as I recall, about sending

out a civil engineer to make a survey of a certain property, and the engineer discovered that 6 feet of the garage on this property was over on the next man's lot.

The thought occurred to me, who is going to pay for that type of service? You can't get civil engineers to go out and do this work for nothing. It so happens that you have there a situation where the community is making the payment for services of that character, but I doubt if you are going to be able to get that type of service throughout the United States.

Mr. CANNON. I don't think you would. I think that would be added into the cost of the loan, without a doubt, in 99 cases out of a hundred. I don't think you will get municipalities to go to that length or individuals. You will in some isolated cases.

Senator LUCAS. The Federal Government might do something in the way of appropriation of some kind, perhaps to take care of that end of the detail work in order to get it done properly.

Mr. CANNON. In an extraordinary case where you find an overlapping of the structure on the property of another man and you try to clear the situation up, that is going to require more legal and engineering work than otherwise.

Senator LUCAS. I am talking about the initial cost that was assessed against the veteran. In this case they were paying it themselves.

Mr. CANNON. From a legal standpoint, that would be up to the person who was seeking to sell the property; it would be his duty to clear the title. That is what we usually do.

There is another feature. The bill as it exists, uses the word "guaranty." The Veterans' Administration in their regulations have interpreted that, after conferring with bankers and insurance companies, and also checking many cases and there is a difference of interpretation in the different jurisdictions throughout the United States, they claim that the majority of the jurisdictions use the word "guaranty" to mean that it guarantees the full loss and not the pro rata loss, the way the bill reads and the way the debate, at the time the bill was under consideration, showed Congress intended it to be.

Now, we have used the word "insuring" in our bill, as submitted. We think that "insuring" the loan on a pro rata basis has a tendency to make the loaning institution a little bit more careful and a little bit less lenient in the granting of a loan, because if the pro rata reduction of the loan by the man who received the loan is carried into the amount which the Government will be responsible for as the loan is reduced, then they necessarily are going to be more circumspect in what they do in granting a loan, and not grant it too generally, as has been mentioned here a lot of times.

I think that is a deterrent on the bank, and the proper language should be used in the bill. As it is, the Government has to stand a \$2,000 loss. If the loan has been reduced 10 percent, the guaranty of the Government, or insurance pro rata should be reduced 10 percent.

I think that is a deterrent, the use of insurance instead of "guaranty" because of this interpretation by the various jurisdictions. It is more of a deterrent on the lending agencies to be more careful, and will tend to keep them from granting loans and getting the veteran into the purchase of property where there is every reason to believe that he is going to make a failure of it.

Mr. KETCHUM. I think you might add there, Mr. Cannon, that we have increased the total amount that can be insured. That is, up to \$2,000, we say it should go up to \$3,000 on the insurance feature, which will make for some better types of loans that some of these veterans may need, and at the same time you are not granting too much protection to the lender to encourage him to make unsafe loans, but on the other hand you are eliminating, insofar as possible, complete Government control over that loan which has been the stumbling block in the past. VA approval of the loan, based on reasonable normal value has prevented many, many loans from being made. As I explained earlier in my statement, what we are attempting to do is to maintain a loan which gives the widest possible latitude to both the veteran and the lender with a minimum of governmental control, and yet does not encourage the lender to make unsafe or wildcat loans at the risk of the Government.

If you are going to preserve the loan features, you have got to go as far as reasonably safe in liberalizing these loan provisions. As a matter of fact, they will never be satisfactory as long as it is a loan that has got to be repaid. Many veterans will never be able to make a loan and they are going to feel that they have been cheated.

Mr. CANNON. Mr. Chairman, there is another suggestion, not included in our suggestions, and that is this: Those of you who are lawyers know that if a property is foreclosed, the appraisal on it is low, and in most jurisdictions the lending agencies can buy it in at two-thirds of its appraised value, and they take a deficiency judgment against the owner or successor owner.

I think that if there were injected into the bill a proviso to the effect that where property is security for the loan, that it will be the whole security, and if a foreclosure is taken, that there cannot be taken back against the veteran a deficiency judgment for the difference between what the property is sold for and what he owes.

I wouldn't say that most States have it, but a great many States have come to that, that there can be no deficiency judgment, and I think that if that were injected into these loans, it would be a further deterrent and would save the veteran from getting foolish loans granted by banking institutions.

Banks and savings and loan institutions may not like it but I think it is a very good thing, because I would say that in 95 percent of the cases where deficiency judgments are taken they never are collected.

Senator LUCAS. Let me see if I understand your proposition by this example.

Assuming a property sold for \$9,000. There is a loan of \$3,000.

Mr. KETCHUM. Insured up to \$3,000.

Senator LUCAS. Insured up to \$3,000. A foreclosure is taken, and the property is sold for \$6,000. Under your theory the Government would stand to lose \$1,000 and the fellow that made the loan would stand to lose \$2,000. Is that right?

Mr. KETCHUM. No, sir.

Mr. CANNON. No. If there was a reduction by the owner of the property before the foreclosure came, then the liability of \$3,000 that attached under the loan would be reduced pro rata. Under the insurance feature of the bill, if you had a loan for \$9,000, and presuming that it was reduced \$1,500, and there was a foreclosure, and

it sold for \$6,000, the property would be down then to \$7,500 from \$9,000; it would have been reduced \$1,500. There would be a \$1,500 loss.

Under the guaranty provisions today, the Government would have to pay that \$1,500 loss. Under the provisions of this insurance, that \$1,500 liability would be pro rata reduced by the reduction. Say a hundred dollars, or whatever the percentage is to the whole.

Mr. KETCHUM. Seventy-five percent.

Mr. CANNON. It would be applied to the \$1,500.

Senator JOHNSON. If the Government should lose \$3,000, the lender must lose \$1,000; is that right?

Mr. CANNON. Not necessarily. He doesn't necessarily lose anything. There is no change in that feature of it.

Senator JOHNSON. He would lose a thousand dollars under your proposal?

Mr. CANNON. Oh, yes; under the 75 percent, he would lose a thousand dollars; he would have to before the Government's full \$3,000 comes in.

Senator JOHNSON. You are comparing that with H. R. 3749. Under existing law, the Government could lose \$2,000; and the lender wouldn't necessarily lose anything.

Mr. CANNON. That is right.

Senator JOHNSON. And you think that because he would have the 25 percent interest in all of the loan that he would be more careful about the loan?

Mr. KETCHUM. That is right.

Senator JOHNSON. In other words, at the present time he has a first mortgage as against the Government's second mortgage?

Mr. KETCHUM. That is right.

Senator JOHNSON. And while the property may be safe over and above the amount that the Government puts in, under this new plan, he would stand to take some loss?

Mr. KETCHUM. That is right. The Government could never lose the maximum of the insurance without the lender also losing proportionately, and there would have to be a total loss, as I see it, of \$4,000 before the Government could lose its maximum of \$3,000 insurance.

Senator JOHNSON. Yes. It seems to me that that is a very sensible and realistic provision.

Mr. CANNON. We figure it is a balance, or deterrent to the lending agency to be too optimistic in these loans.

Senator JOHNSON. If the 75 percent is the right ratio, it seems to me that it is a good formula.

Senator MILLIKIN. Mr. Chairman, may I back up just a little bit and ask this question? Where does this down payment, at which point in the proceedings as they are conducted now, does the expense of title opinion and those general service charges come in?

Mr. KETCHUM. I couldn't answer that.

Senator MILLIKIN. I am talking about the way they do it now. Supposing I go out and see a house that I like and I want to buy it. I go to the bank; I talk it over with them. I assume that they send an appraiser out to take a look at it, and he comes back with his opinion. I am not clear just what expenses are incurred in getting a title examination.

Mr. CANNON. That would come after the application has been submitted to the Veterans' Administration and has been approved.

Senator MILLIKIN. It is tentatively approved, subject to title search?

Mr. CANNON. That is right.

Senator MILLIKIN. So that the down payment really has no purpose except as earnest money?

Mr. CANNON. That is right. In fact, it has no purpose at all in this character of loan but, from practice, it is usually sought by real-estate men or the owner.

Senator MILLIKIN. It occurred to me on further reflection that that might include some legitimate service charges, but under your explanation I can see there are none in there.

Mr. KETCHUM. I will move along, Mr. Chairman. I know you have other witnesses. I will now take up title IV.

TITLE IV

Amend to make certain that all veteran employment representatives shall be veterans.

Under existing language of the act it says "preferably veterans," which leaves a wide latitude, and we believe that where one is dealing entirely with veterans they should actually be veterans.

Senator JOHNSON. I don't follow the language in this text.

Mr. KETCHUM. It says "preferably veterans." We would like to see it made "shall be veterans."

TITLE V

First. Increase readjustment allowances to provide that where there is a dependent the weekly allowance shall be at the rate of \$25, and where there are two or more dependents the rate shall be \$30.

Second. Exempt veteran from being declared ineligible or from being disqualified for any reason during the first 60 days following discharge or release from veterans' hospital if discharged into same.

I might explain that there was a resolution adopted at our convention pointing out that for the first 60 days after a veteran has been discharged from the service, or discharged from a veterans' hospital, from which he may have been discharged, that he is rather uncertain and rather unstable in what he wants to do, and there have been cases of boys being a little bit unsettled in their minds as to what they want to do, and there has been some job hopping because the boys are uncertain. They are finding it difficult to reorient themselves or adjust themselves, and it seems to be the prevailing opinion among some of our service officers that for that first 60 days, instead of bringing them under the usual qualifications where they can be declared ineligible for those payments or disqualified, if they could be exempted for that period, they could adjust themselves without suffering the penalty of being declared ineligible or disqualified during that first 60-day period.

It is a moot question whether it is highly important, but at least that is one of the problems coming to us from these boys. They are uncertain in the first 60 days after they get out as to what they want to do. They have asked that we go on record as advocating that they be exempted for that first 60-day period from being declared ineligible or being disqualified.

TITLE VI

Repeal section 1505, which would make deductions from any future adjusted compensation pay for benefits derived under this act.

I know you have heard many arguments as to the merits of this, because of tuition fees that are charged veterans who actually are in-State residents, but who are being charged tuition fees by the schools and universities, and if there should be an adjusted pay act passed, those benefits would be deducted from their adjusted compensation, and they would be paying a penalty, because if they had gone to school in that State other than as a veteran, they would not have that deduction, of course, from their compensation.

The foregoing constitutes the suggested changes in the Servicemen's Readjustment Act of 1944, which we have to offer at this time.

If there are any questions concerning these recommendations, I shall be glad to answer them or refer same to our legal counsel, Mr. James Cannon, who is here with me today.

Senator JOHNSON. I want to go back to title I and briefly have you explain that suggestion, the necessity for it.

Mr. KETCHUM. Our purpose in that, Senator, is that we believe—the Veterans of Foreign Wars believe—that it was the purpose and intention of the Congress when they specified that paid, full-time accredited representatives of the veterans' organizations should be permitted to advise the servicemen in the Army and Navy installations and discharge centers; it was the intent of the Congress to mean that those accredited representatives should be employees of, and paid by, the veteran organizations. However, when the regulations were promulgated, over our protests, they did not specify that they had to be paid and employed by the veterans' organizations as long as they were paid by somebody, and engaged in full-time work. They could be accredited by a veteran organization.

Now, we feel that the veteran groups, having asked for this privilege and this right to place their accredited representatives in these Army and Navy centers, that they should be willing to take only employees who are paid by them and to be used as accredited representatives, and that is the reason we are suggesting that.

Senator JOHNSON. Now, on No. 4.

Mr. KETCHUM. Under title II?

Senator JOHNSON. Yes. Under title II, paragraph 4, "Privilege of enrolling for approved correspondence courses."

First, I want to call your attention to the fact that a distinction has been made in testimony before this committee between "correspondence courses" and "correspondence schools." That is the first thing. I would like to ask first if you have such a distinction in mind.

The second thing I want to ask is how would you designate them? In other words, I want to know more about the approved correspondence courses.

Mr. KETCHUM. All right. I shall be glad to explain that.

What we mean by that, Senator, is correspondence courses and schools.

As I understand it, under existing regulations, a veteran is permitted to take a correspondence course which is an extension course, from an established school or university, but is not permitted to take

a correspondence course from a strictly correspondence school. It is not an academic school.

We favor permitting these veterans who wish to take correspondence courses from correspondence schools that will be approved or certified by the proper agency to do so.

In other words, take, for instance, the International Correspondence School—I think that is the name of it. I think it is located in Scranton, Pa. If a veteran wants to take a correspondence course from that school, he should be permitted to do so. We believe this legislation was enacted for the benefit of the veteran and not for the schools and colleges, as was so well pointed out by another speaker.

Now, if he wishes to take a correspondence course, rather than to enroll for full attendance in a school, we think that he should have that privilege.

Of course, we are not urging that he be made the victim of some wildcat promotional scheme on correspondence courses, but we do believe that there are schools in this country who do have correspondence courses that are of value to veterans and we think that the veterans should have the privilege of taking those courses and that the courses should be so recognized and certain allowances made for the payment of those courses. That is what we mean. It means approved correspondence courses. Whether they come out as extension courses from an established college, or whether they come from a correspondence school, they can be certified and approved by the designated State agency or approved by the Administrator of Veterans' Affairs.

Senator JOHNSON. Now, in paragraph 5, title II, you say, "Privilege of enrolling in vocational and professional courses requiring training in excess of 4 years."

You don't necessarily mean that tuition or that benefits shall be paid for more than a 4-year course?

Mr. KETCHUM. Actually, Senator, we mean just that. As a matter of fact, our resolution covers that. At the present time under existing law, as I understand it, they can't even enroll in a course that exceeds 4 years. They will not approve a course that exceeds 4 years. Consequently, some of these boys that want to take certain types of apprentice training, where 5 years is required, are ineligible to take it.

Medical students, and, in some cases, legal students, even though they are otherwise eligible, are not permitted to take those courses because they are in excess of 4 years.

We believe that in vocational and professional courses, where more than 4 years is required to complete the course, that the veteran should have the privilege of enrolling, and if they have enough service, they should have the privilege of going through the entire course.

For example, a medical student, we will say, where there is a 5-year course required, if the boy has had enough service, say he has had 4 years in the service, which would entitle him to 5 years of educational aid under the terms of the bill, we believe he should be permitted to take that.

It is not only to enroll for the 5-year course, but also to have the tuition paid for the 5 years.

Senator JOHNSON. Your word "privilege" was confusing to me.

Mr. KETCHUM. I understand.

I think you understood paragraph 3, about the payment of maximum tuition, and other features, for courses less than an ordinary school year.

Senator JOHNSON. Yes.

Mr. KETCHUM. That is to take care of the boys who want to take short and intensive training courses less than the normal course of 30 weeks, and we believe that they should be permitted to do that. And if the course requires up to the maximum allowed of \$500, they should be permitted to pay it on that.

Senator MILLIKIN. You believe that the soldier and the Government would be protected by having the institutions designated?

Mr. KETCHUM. That is right. We are not asking that any control be taken away from the agencies that approve or designate these schools. We are not asking that it be thrown wide open so that anyone wanting to start a school—some wildcat school—can do so. We still want it designated by the agencies. We want the designated agencies to approve the schools regardless of the nature and character of them. We still want an approval on those.

Senator JOHNSON. Those are all the points I have.

Do you have any other question to raise, Senator?

Senator MILLIKIN. No.

Mr. KETCHUM. I want you to know that I appreciate this opportunity to be heard. I am sorry to have encroached on someone else's time. I want to apologize particularly to Mr. Rice, of the Disabled American Veterans, who I understand was to be on first.

Senator JOHNSON. You have made a very helpful presentation this morning. Thank you very much.

Mr. KETCHUM. Thank you, Senator.

(The draft of revised title III to be substituted for title III in Servicemen's Readjustment Act of 1944, as proposed by Veterans of Foreign Wars of the United States, submitted to the committee by Mr. Ketchum, is as follows:)

TITLE III

CHAPTER V.—LOANS FOR THE PURCHASE OR CONSTRUCTION OF HOMES, FARMS, AND BUSINESS PROPERTY, AND FOR FARMING AND BUSINESS PURPOSES

GENERAL PROVISIONS FOR LOANS

SEC. 500. (a) As used in this title—

(1) the term "veteran" means any person who shall have served in the active military or naval service of the United States at any time on or after September 16, 1940, and prior to the termination of the present war, and who shall have been discharged or released therefrom under conditions other than dishonorable after active service of ninety days or more, or by reason of an injury or disability incurred in-service in-line of duty; and

(2) the term "lender" means any person, bank, trust company, insurance company, personal credit company, savings and loan association, or similar institution, engaged in the business of loaning money and subject to examination and supervision by an agency of the United States or of any State, Territory, or the District of Columbia.

(b) Subject to the provisions of subsection (c), any lender making a loan to a veteran shall be insured against loss by the Administrator in an amount not to exceed 75 per centum of the net loss incurred by the lender, but in no event shall the aggregate amount insured with respect to any one veteran exceed \$3,000.

(c) Such insurance shall be issued by the Administrator on application made to him by the lender either before, or within 30 days after, the obligation is incurred if—

(1) the veteran applies to the lender within five years after separation from the military or naval forces, or five years after termination of the war, whichever is the later, but in no event more than seven years after the termination of the war; and

(2) it is established to the satisfaction of the Administrator that (A) the person applying to the lender is a veteran, and (B) that the proceeds of the loan described in the application will be used for any purpose specified in section 501, 502, or 503.

(d) Interest for the first year on that part of the loan insured by the Administrator shall be paid by the Administrator out of available appropriations. No security for insurance of a loan shall be required except the right to be subrogated to the lien rights of the holder of the obligation which is insured: *Provided*, That pursuant to regulations to be issued by the Administrator the mortgagor and mortgagee shall agree that before beginning foreclosure proceedings for default in payment of principal or interest due, the Administrator shall have at least thirty days' notice with the option of bidding in the property on foreclosure or of refinancing the loan with any other agency or by any other means available.

(e) Loans insured by the Administrator under this title shall be payable under such terms and conditions as may be approved by the Administrator: *Provided*, That the liability under the insurance, within the limitations of this title, shall decrease or increase pro rata with any decrease or increase of the amount of the unpaid portion of the obligation: *Provided further*, That loans insured by the Administrator shall bear interest at a rate not exceeding 4 per centum per annum and shall be payable in full in not more than twenty years.

(f) National banks wherever located, and other banks and trust companies located in the District of Columbia and the Territories and possessions of the United States, are authorized to make any loans which is authorized to be insured by the Administrator under this title without regard to the limitations and restrictions of any other law.

PURCHASE OR CONSTRUCTION OF HOMES

SEC. 501. (a) Any application made by a lender under this title for insurance of a loan to be used by a veteran in purchasing residential property or in constructing a dwelling on unimproved property owned by such veteran to be occupied as his home shall be approved by the Administrator if he finds—

(1) that the proceeds of such loan will be used for payment for such property to be purchased or constructed by such veteran;

(2) that the contemplated terms of payment required in any mortgage to be given in part payment of the purchase price or the construction cost bear a proper relation to such veteran's present and anticipated income and expenses; and that the nature and condition of the property is such as to be suitable for dwelling purposes; and

(3) that the purchase price paid or to be paid by such veteran for such property or the construction cost, including the value of the unimproved lot, does not exceed the reasonable normal market value thereof as determined by proper appraisal.

(b) Any application made by a lender under this title for insurance of a loan to be used by a veteran in making repairs, alterations, or improvements in, or paying delinquent indebtedness, taxes or special assessments on, residential property owned by such veteran and used by him as his home shall be approved by the Administrator if he finds that the proceeds for such loans will be used for such purpose or purposes.

(c) No first mortgage shall be ineligible for insurance under the National Housing Act, as amended, by reason of any loan insured under this title or by reason of any secondary lien upon the property involved securing such loan.

PURCHASE OF FARMS AND FARM EQUIPMENT AND ACQUISITION OF WORKING CAPITAL AND SUPPLIES

SEC. 502. (a) Any application made by a lender under this title for insurance of a loan to be used by a veteran in purchasing any land, buildings, livestock, feed, seeds, plants, etc., equipment, machinery, or implements, or in repairing, altering, or improving any buildings or equipment, to be used in farming operations conducted by such veteran shall be approved by the Administrator if he finds—

(1) that the proceeds of such loan will be used in payment for real or personal property purchased or to be purchased by such veteran, or for repairing, altering, or improving any buildings or equipment, to be used in bona fide farming operations conducted by him;

(2) that such property will be useful in and reasonably necessary for efficiently conducting such operations;

(3) that the ability and experience of such veteran, and the nature of the proposed farming operations to be conducted by him are such that there is a reasonable likelihood that such operations will be successful; and

(4) that the purchase price paid or to be paid by such veteran for such property does not exceed the reasonable normal market value thereof as determined by proper appraisal.

(b) Any application made by a lender under this title for insurance of a loan to be used by a veteran as working capital, or for the acquisition of supplies, needed and adequate to enable him to start or continue farming operations shall be approved by the Administrator if he finds—

(1) that the proceeds of such loan will be used by such veteran as working capital, or for the acquisition of supplies, in connection with bona fide farming operations conducted by him;

(2) that the use of the proceeds of such loan for either or both of such purposes is reasonably necessary for the efficient and successful conduct of such farming operations; and

(3) that the ability and experience of such veterans, and the nature of the proposed farming operations to be conducted by him are such that there is a reasonable likelihood that such operations will be successful.

PURCHASE OF BUSINESS PROPERTY AND ACQUISITION OF WORKING CAPITAL AND MERCHANDISE

SEC. 503. (a) Any application made by a lender under this title for insurance of a loan to be used by a veteran in purchasing any business, land, buildings, merchandise, supplies, equipment, machinery, or tools, to be used by such veteran in pursuing a gainful occupation (other than farming) shall be approved by the Administrator of Veterans' Affairs if he finds—

(1) that the proceeds of such loan will be used for payment for real or personal property purchased or to be purchased by such veteran and used by him in the bona fide pursuit of such occupation;

(2) that such property will be useful in and reasonably necessary for the efficient and successful pursuit of such occupation;

(3) that the ability and experience of such veteran, and the conditions under which he proposes to pursue such occupation, are such that there is a reasonable likelihood that he will be successful in the pursuit of such occupation; and

(4) that the purchase price paid or to be paid by such veteran for such property does not exceed the reasonable normal market value thereof as determined by proper appraisal.

(b) Any application made by a lender under this title for insurance of a loan to be used by a veteran as working capital, or for the acquisition of merchandise, adequate to enable him to start or continue the pursuit of a gainful occupation (other than farming) shall be approved by the Administrator if he finds—

(1) that the proceeds of such loan will be used by such veteran as working capital, or for the acquisition of merchandise, in connection with the bona fide pursuit of such occupation;

(2) that the use of the proceeds of such loan for either or both of such purposes is reasonably necessary for the efficient and successful pursuit of such occupation; and

(3) that the ability and experience of such veteran, and the conditions under which he proposes to pursue such occupation, are such that there is a reasonable likelihood that he will be successful in the pursuit of such occupation.

RULES AND REGULATIONS; DELEGATION OF AUTHORITY BY ADMINISTRATOR

SEC. 504. The Administrator is authorized to promulgate such rules and regulations as are deemed necessary and appropriate for carrying out the provisions of this title, and may delegate to a subordinate employee authority to approve loans subject to the provisions of this title and the rules promulgated thereunder.

DESIGNATION OF AGENCIES BY ADMINISTRATOR; INSURANCE OF CERTAIN
SECOND LOANS

SEC. 505. The Administrator shall designate such agency or agencies, if any, as he finds equipped to determine whether the insurance of any loan should be approved under this title. In any case wherein a principal loan, for any purpose specified in section 501, 502 or 503, is approved by a Federal agency to be made or guaranteed or insured by it pursuant to applicable law and regulations, and the veteran is in need of a second loan to cover the remainder of the purchase price or cost, or a part thereof, the Administrator, subject otherwise to the provisions of this title, including the limitation of \$3,000 on the total amount which may be insured, may insure the full amount of the second loan: *Provided*, That such second loan shall not exceed 20 per centum of the purchase price or cost and that the rate of interest thereon shall not exceed that on the principal loan by more than 1 per centum: *And provided further*, That regulations to be promulgated jointly by the Administrator and the head of such agency may provide for servicing of both loans by such agency and for refinancing of the principal loan to include any unpaid portion of the secondary loan with accrued interest, if any, after the curtailment thereon equals twice the amount of the secondary loan.

ELIGIBILITY OF VETERANS FOR BENEFITS OF BANKHEAD-JONES FARM TENANT ACT

SEC. 506. Any person who is found by the Administrator to be a veteran eligible for the benefits of this title, as provided in section 500 (c) hereof, and who is found by the Secretary of Agriculture, by reason of his ability and experience, including training as a vocational trainee, to be likely to carry out successfully undertakings required of him under a loan which may be made under the Bankhead-Jones Farm Tenant Act, shall be eligible for the benefits of such act to the same extent as if he were a farm tenant.

SEC. 2. Title III of the Servicemen's Readjustment Act of 1944, as amended by this act, shall take effect ——— days after the date of enactment of this act.

Senator JOHNSON. Mr. Millard Rice.

STATEMENT OF MILLARD W. RICE, NATIONAL SERVICE DIRECTOR,
DISABLED AMERICAN VETERANS

Mr. RICE. Mr. Chairman and gentlemen of the committee, my name is Millard W. Rice. I am the National Service Director, Disabled American Veterans. For the record let me say that the Disabled American Veterans is an organization formed in 1920, congressionally chartered, consisting exclusively of those Americans who have been either wounded, or gassed, or disabled while serving actively in the armed forces of the United States or some country allied with it during time of war.

In other words, it consists of those Americans who have sacrificed a part of their blood or of their bodies or of their health in the service of their country during time of war.

It is one of the so-called three major veteran organizations, but the smaller. Thank God for that. We don't want too many eligibles to come out of this war. It is a growing organization, and may grow several times over by reason of the eligibility that will come out of this war.

I made an estimate 3 years ago that there would be somewhere between 1,500,000 and 2,500,000 veterans of World War II who would be potentially entitled to compensation or pension by reason of service-connected disabilities.

I still think that that estimate may be complied with.

I cite these figures because of the fact that the load, the potential load, on behalf of the disabled veterans is going to be a pretty tremen-

dous load. We now have about 330,000 veterans of World War I who are still receiving compensation by reason of service-connected disabilities. The highest figure was about 350,000. There probably have been about 500,000 veterans of World War I who at one time or another were receiving compensation for service-connected disabilities.

That number gradually increased from 1917 until 1933. It went up faster during the depression years, about twice as fast during the depression years as it did during the prosperity years.

It is significant that all of the veterans of World War I who were potentially entitled to compensation did not immediately apply for it, did not immediately take the trouble to try to prove themselves entitled to it, and for the most part did so because pressed by economic necessity.

I call attention also to the fact that despite the fact that there have been many statements on the part of many Government officials and others that a lot of disabled veterans, if not most of those in soldiers' homes, were "gold brickers" and didn't want to work, that most of them did get jobs during the period of World War II, when there was a shortage of manpower, proving that most of the disabled veterans, if not all of those who are partially disabled, would prefer useful employment than to have to rely upon compensation or pension payments.

In other words, the final alternative is to either have to rely upon compensation or payment of pensions, or upon suitable jobs. If they cannot get suitable jobs, they will naturally try to prove themselves entitled to more compensation.

The average amount of the compensation paid to the disabled veterans of World War I has been frequently stated by the Veterans' Administration to be approximately \$40 per month. That statement as to the average amount, however, is somewhat deceptive, because we realize that there are about 50 percent who receive less than \$30 a month compensation, 60 percent receive less than \$40 per month, and 80 percent receive less than \$60 per month.

The amount payable for total disability is only \$115 per month. Some few, much less than 1 percent of the grand total, are entitled to statutory awards for service disabilities, amputations, combinations of amputations, loss of limbs and eyes, and other service disabilities, where it would graduate up to \$300 a month.

For example, loss of two limbs and two eyes.

It is erroneous to assume that because some few get this amount that most disabled veterans are adequately provided for. They definitely are not.

I can make that statement categorically. I make that statement rather emphatically, before the committee, because of my very strong feeling that the disabled veterans of World War II as well as the disabled veterans of World War I have been let down by their Government.

One hundred and fifteen dollars per month is not enough for a man who has become totally disabled to maintain a decent standard of American living.

It must be rather ironic for a veteran who has fought to preserve the American way of life and who has lost his health and employability, to come back to his country and to find that it doesn't make it possible for him to maintain a decent standard of American living for himself and his dependents.

I have a considerable number of letters in file from disabled veterans who have deplored the fact that because they are only getting \$115 a month, they cannot afford to get married or, if married, cannot afford to have children. That sort of situation should not exist in a civilized country such as we have here.

The statement is frequently made, erroneously, that the disabled veterans of America are better treated by America than are the veterans of any other country. That statement is not true.

True, we spend more money in dollars for our veterans, but we do not provide them with the same standard of living that is made possible by the internal purchasing power of other countries.

That was brought home to me several months ago when I had the opportunity of meeting the national commander of the Association of Amputees of New Zealand. I asked him how much they paid to the totally disabled veteran in New Zealand. He told me 12 pounds. He said that was about \$60.

"Oh," said I, "that is not very much. I thought you treated them better than that." Then it occurred to me that there is a difference between the internal purchasing power of money and its international gold exchange value. So I asked him, "How much does \$60 purchase in New Zealand?"

He said, "About as much as could be purchased by a skilled working man in this country."

In other words, around \$250 a month. It is the internal purchasing power that counts. It is what he can buy.

A veteran, totally disabled by reason of his service, and who can only get \$115 a month and no dependency allowances, feels that he has not been properly treated.

Therefore, I call to the attention of the committee one of the bills that has been introduced by the chairman of this subcommittee, Senator Edwin C. Johnson, S. 1031, a bill which I consider very important.

Since it is scheduled for consideration before this committee, I would like to talk about it.

This bill, in my opinion, meets one of the most pressing needs of the disabled veterans as it provides them with some dependency allowance. No dependency allowances are now provided for.

I would like for S. 1031 to be inserted at this point in the record.

Senator JOHNSON. Without objection it may be.

(S. 1031 appears on p. 21.)

Mr. RICE. Briefly, S. 1031 would provide, first, that those handicapped veterans of World War II who receive vocational training by reason of the provisions of Public Law 16 should be regarded in effect as being totally disabled and therefore should be compensated accordingly, the same as if they were receiving compensation or pension under the law applicable to veterans of World War II.

As the law now is, they receive a maintenance allowance which, together with their pension will be equivalent to the amount that was paid for total temporary disability of veterans of World War I, which is not otherwise applicable to the veterans of World War II, increased by 15 percent by reason of Public Law 102, therefore giving a basic amount of \$92 a month, plus \$11.50 for a wife, and \$5.75 for each minor child.

It is unreasonable to expect a man, who should be devoting all of his time to trying to get needed vocational training, also to have to try to live on \$92 a month in Washington, D. C. He can't do it.

Our organization, together with the Veterans' Administration, has undertaken the training of about 400 handicapped veterans of World War II with the objective of them becoming employees of the DAV as national service officers, to advise disabled veterans as to their rights and how to prove themselves entitled to the rights and benefits to which they are lawfully and equitably entitled to.

Senator MILLIKIN. What is your present organization?

Mr. RICE. We now have 97 in the field on our pay roll as national service officers. We maintain them entirely out of our own national funds.

The DAV feels that it must specialize in the problems of the disabled veterans because that is where we are primarily interested. There are still veterans of World War I who need these service officers, their services have been needed for the last 27 years, for the veterans of World War I, and their services will probably continue to be needed as to the veterans of World War II for many years into the future, because laws are not automatically administered and applied.

The veteran must prove himself to be properly entitled to those benefits under the provisions of the individual laws, according to the facts that exist in his individual case.

Those laws have become complicated, so complicated, in fact, that one veteran cannot, by himself, expect to know what he is entitled to. The Veterans' Administration has found the situation to be so complicated that it must divide and subdivide to the point that any one employee or any one official knows about one little segment of the laws that are administered and he isn't in a position to advise veterans as to other entitlements, that they might potentially have the right to, because he might then be treading upon the toes of the jurisdiction of some other official or employee of the Veterans' Administration.

That is why we have got a book that covers more than 750 pages of veterans' laws, laws pertaining to servicemen. No one man in the Veterans' Administration could possibly keep all those laws in his mind; nor can a veteran, certainly; nor can a service officer.

We have these service officers training at the American University in two 12-week courses. Because they couldn't possibly live decently on \$92 a month, our organization has had to supplement that, and we now pay them \$35 a month while attending the American University.

That isn't too much, but it was all we felt we could afford.

First we paid them \$25 a month, but we got so many gripes that we had to up it a little bit. Then we pay them \$65 a month when we send them out into the field, and we pay them a minimum of \$200 a month, after they have rehabilitated, plus a bonus of 10 percent, if still employed at the end of the fiscal year.

I cite that as an experience that our own organization has had as indicating the need for immediately increasing the amount of training allowance for our handicapped veterans.

Mind you, they are handicapped with service-incurred disabilities. They are not able-bodied men.

I don't want this committee to lose sight of the primary obligation that the Nation has to its war disabled veterans who have not been

adequately provided for. There are too few disabled veterans who are taking advantage of the opportunity for vocational training. There are several reasons. It is chiefly because the vocational training pay is too low to enable them to take the training. Most of all these young men want the opportunity to live according to the American way of life, and that includes a home, a wife, and children.

Incidentally, it is most remarkable that most of the trainees have that yearning so strongly, at least at American University, that practically every one of them before graduating has either gotten married, has had an increase in the family, or has gotten engaged. In the last class every single man was either married, or admittedly engaged, except one and he was secretly "on the make" as it were.

I recite that to you because I believe it indicates that these young men who have come back with service-incurred disabilities want nothing more than the opportunity to live according to the American way, and that includes a home, a wife, and children, and they certainly should be given the opportunity to live that way, and should not have to be forced to forego it until they get sufficiently gainful employment so that they can get married.

It has been my observation that many veterans of World War I failed to get married because they weren't getting a sufficient amount of compensation.

We feel that the basic amount should be increased from \$92 a month to \$115 per month, the same as he would be entitled to if rated as totally disabled, and that on top of that he should receive dependency allowances at the rate of \$25 for a wife, plus \$15 for the first child, \$12 for the second child, and \$10 for each additional child, or \$10 for each dependent parent.

How did we arrive at those figures? We took a leaf out of the experience of Canada. Canada provides precisely such dependency allowances for its totally disabled veterans.

It is true that its basic amount is not as much, that might be put forth to you by the Administrator, but I will call attention to the fact that the cost of living in Canada is less than it is here in the United States.

A dollar in Canada will purchase considerably more than it will here.

But if Canada, which is a country with one-tenth the population we have, and one-tenth of the wealth, can afford to pay its totally disabled veterans a dependency allowance of \$25 for the wife, \$15 for the first child, \$12 for the second child, \$10 for each additional child, and \$10 for each dependent parent, then the United States can certainly also afford to do so.

We think such dependency allowances for those receiving vocational training under Public 16, as well as those rated as totally disabled, should be accorded such dependency allowances.

SENATOR MILLIKIN. What is the family history of the veterans of World War I?

MR. RICE. About 80 percent of them, as I understand it from statistics of the Veterans' Administration, had dependents. I surmise 90 percent or 95 percent, I am not sure—they could give those statistics—were married at one time. About 80 percent of the veterans of World War I are married, and I understand that nearly 50 percent of the veterans of World War II are married.

Senator MILLIKIN. What is the child history?

Mr. RICE. Well, the average was about three children or two and a half children. Of course, the Veterans' Administration discourages children because if the wives become widows, they are paid death pensions for about three and a half children.

But those statistics are not so very reliable, and, of course, it differs in various parts of the country. They have more children down South than up North. It takes more heat, apparently, up North. They can't quite afford it.

I see no reason why we should have birth control, so far as disabled veterans are concerned, because of the inadequacy of our payments to the disabled veterans. What veterans, after all, have the greatest right to live according to the American way, if it is not the disabled veterans, and the American way is to have a wife and children and a home, and a decent life.

These men are entitled to that. That is probably the most pressing thing, in our opinion, that needs to be done for these disabled veterans.

Unfortunately, most of the disabled veterans are inarticulate. They have been pushed around from pillar to post for so long that they often wonder what is the use. They write letters to the Members of Congress. They figure that once they have passed a resolution at a DAV convention and it is recorded that that is the will of the organization, they think that ought to be taken into consideration by the Members of the Congress, and the right-of-way should be given to legislation affecting war-disabled veterans as compared with legislation affecting primarily the able-bodied veterans.

We think that first things ought to be done first. We think that matters of first importance are matters in behalf of the disabled veterans. They are not being adequately provided for.

The Veterans' Administration has sponsored a bill, introduced by Senator Johnson, which would increase somewhat the training allowance for the veterans under Public, 16—S. 974. That bill would increase the allowance for those in vocational training from \$92 up to \$105. We advocate \$115, the same as if they were totally disabled. It would provide an allowance of \$10 for the first child. We have advocated \$15 for the first child. It would provide an allowance of \$10 for the second child. We advocated \$12. It would provide \$7 for each additional child. We advocated \$10 for each additional child. It would provide an allowance of \$10 for the first child if there were no wife. We have advocated \$15. It provides \$7 for each additional child. We advocated \$12 for the second child, and \$10 for each additional child.

This bill would provide \$15 for each dependent parent. This is more liberal than we have advocated, but we took the figures adopted by the Canadian Government as a precedent.

May I say that our figures are almost exactly half those that the Government now provides for the dependents of those in active service. It provides \$50 for the wife of the veteran in active service. We advocate only \$25. It provides \$30 for the first child. We are advocating \$15.

Then it provides \$20 for each additional child. We would provide \$12 for the second child and \$10 for each additional child.

So we think we are being very modest.

I wouldn't be surprised that at the next national convention of the DAV held in Chicago next week, and at which Senator Johnson has very kindly consented to speak, that we will go on record as advocating that totally disabled veterans should receive the same dependency allowances as the dependents received while the veteran was in active service.

Senator Johnson was the author of that bill to provide allowances for the dependents of those in the active service. It seems ironic that when that man has sacrificed his health, those dependency allowances are discontinued, as well as the man's board and lodging.

For example, if he had a wife and five children, she would be receiving \$160 a month while he was in the service, but when he comes back, no longer fit, then the \$160 is discontinued, the allowances he was getting, together with his board and lodging, are discontinued. Then if he puts in an application and proves himself to be totally disabled by reason of disabilities incurred in military service—and that might take time, depending on how good the records are in the file—and if locateable—he could then prove himself entitled to not more than \$115 a month unless he lost a limb or an eye, with no dependency allowances. In other words, he would get \$45 less per month for himself, his wife, and five children, than the wife and five children got while he was in the military service, not counting his board and lodging and his pay of \$28 per month or more.

That seems a very unfair situation and something ought to be done about it soon. We think it is a matter of pressing importance that ought to have the first consideration of this committee.

More and more of these men are becoming disillusioned, completely disillusioned. They are wondering what they fought for. They have lost the American way of living after fighting for it.

Now, therefore, the first thing to be reported out of this committee is Senator Johnson's bill, S. 1031, and if it can't be reported out as an independent bill, and there is a conclusion that the amendments to the so-called GI bill of rights are going to be enacted into law, that ought to be attached to whatever bill is going to be reported out.

Whatever method is used, it deserves to be reported on as soon as possible.

Now, a million and a half, and possibly 2 million disabled veterans may be favorably benefited by this. They still are the first obligation of the Nation.

There might be 10 or 15 million veterans eventually affected by the so-called GI bill of rights, if they all take advantage of it.

If there is to be a GI bill of rights, the veterans ought to be entitled to participate in it on an earned basis rather than on a needs basis.

I realize that the committee has a good many other bills that it wishes to discuss. I don't know whether you propose to discuss all of those bills during one hearing—

Senator MILLIKIN. Mr. Rice, I didn't understand your remark as to the earned basis.

Mr. RICE. I mean to point out that the so-called GI bill of rights is not based on an earned-merit basis, but primarily on a needs basis. The veteran gets unemployment-compensation benefits because he needs them, not because he is entitled to it. If he is employed, he doesn't get the unemployment compensation benefits. If he shows

good faith and tries to take care of himself, he doesn't get it. As the benefits are received now, there is an inducement to idleness. There ought to be an inducement to be gainfully employed.

There is an inducement to the employer not to employ the veteran. If the veteran is entitled to so-called readjustment allowances which utterly fail to readjust him he can get higher unemployment compensation by reason of the so-called GI bill of rights than he would get under most State laws. So if there be a choice on the part of the employer either to employ or not employ the veteran on some project, the employer would be apt to say to himself, "If I discharge this non-veteran to give a job to this veteran"—and it might be the father of the veteran—"then he will be entitled to State unemployment compensation benefits," which reflect themselves in an increase in his State taxes which the employer doesn't want. He would decide that since he can't employ both the nonveteran father and the veteran son, he should employ the nonveteran. If he had the choice, he would say, "The son is entitled to higher Federal unemployment-compensation benefits through the so-called GI bill of rights than the father would be entitled to under the State law, and there will be a greater income in the family if I don't employ the son and continue to keep his non-veteran father on the job."

And the son may, therefore, be persuaded that he is doing the patriotic thing, so far as his father is concerned, in remaining unemployed, and also as far as the employer is concerned, because of the State taxes.

Of course, his taxes will be reflected in the Federal level, but then he would thereby avoid an increase in his State taxes.

A much better method would be on an earned-merit basis. I mean by that, assuming that he has earned something by reason of having served his country. He missed out on civilian opportunities. He missed out on a civilian salary. He missed out on civilian opportunities to make himself secure in his job. He ought to be paid for it.

Senator MILLIKIN. You are referring to a bonus, certainly.

Mr. RICE. I am. Call it a bonus, but I would call it adjusted compensation. He should now be compensated. Let's do it on an earned-merit basis so that he can be his own boss, without having a bureaucrat tell him what he is entitled to. Let him have what he has earned.

We advocate that it should be computed on the basis of \$3 per day of service in this country, and \$4 per day overseas, and that it should be issued to him in the form of what might be called a readjustment insurance policy which could be used as an insurance policy, payable at death, or payable at the end of 10 years without any questions asked at all, or let him keep it longer to make it the equivalent of a bond.

We have to have Government bonds, so give him an inducement to keep that bond for a rainy day. Pay him 3-percent interest compounded. But he may need it, so let him use it if he wants to on the basis of his needs by being given the privilege of redeeming it in part in monthly amounts, let's say, not exceeding \$100 a month while unemployed, or while going to school, and in larger amounts for the purpose of buying or building or improving a home, or a farm, or a business.

Let it be the choice of the man without this tremendous bureaucratic machinery we have that is overloading the Veterans' Administration.

I appeared before this committee a year and a half ago and prophesied that the policy of trying to administer all of these laws through one agency was not going to make it possible to coordinate them. It sounded as though you could go up to one desk and get all of the benefits, but that is not possible. It isn't practical. I then prophesied that the central office would probably soon divide itself into five or six offices if it got all those additional responsibilities.

We took an informal inventory at lunch the other day, and as far as our knowledge revealed—and we didn't go into the matter exhaustively—we found there were nine different buildings in which the central office of the Veterans' Administration is located in Washington, D. C., in addition to three different buildings in New York City, where they dictate the correspondence here and send it on to New York to be transcribed.

We can't solve all of the economic maladjustments of all veterans through one agency. That is not any more sensible than to try to solve all of the economic maladjustments of all civilians through one agency. It can't be divided up between veterans and nonveterans. It will have to be done on the over-all basis.

I think it can be solved on a preference basis for the disabled veterans, because they constitute only 3 to 4 percent.

We believe strongly that the disabled veterans who incurred injuries are entitled to specific preference methods, compensation, medical treatment, out-patient treatment, special preference for Government employment, subsidies, but still we do not have confidence that all of the maladjustments will be solved that way. There are too many of them.

When you take all the veterans, it cannot be expected to solve all of their problems through one agency. We are not doing it. We don't attempt to put the disposal of surplus property in the Veterans' Administration. There are various other things pertaining to veterans that have to be solved by other agencies.

It wouldn't be practical to have two employment services, one for the civilian and one for the veteran. Then the employers would have to make a choice as to which service to call up. The veteran might get the small end of that deal eventually.

And so I say that the philosophy on which the so-called GI bill of rights was enacted ought to be revised, that the administration of several of those benefits should be transferred to several other governmental agencies that have had a background of experience. The agricultural loans ought to be made the responsibility of the Farm Security Administration. The home loans should be made the responsibility of the Federal Housing Administration. The business loans should be made the responsibility of the Smaller War Plants Corporation or of the RFC.

Those agencies have had a background of experience. They can give those fellows advice and counsel.

As a matter of fact, a veteran can get a much more liberal loan, in a greater sum, frequently, of Federal money through the Farm Security Administration than he can get through the so-called guaranteed loan.

If he is going to use the guaranty of the Veterans' Administration, he gets a loan of \$4,000, but he can go to the Department of Agriculture and get a loan of \$12,000 or \$15,000 to buy a farm.

He can also get advice and counsel regularly of an agricultural county agent. I don't expect the Veterans' Administration to provide agricultural advice in addition to all of its other duties. You have the same situation with respect to the Smaller War Plants Corporation. They would be in position to follow the thing through.

The Veterans' Administration handles too many things to do that.

The Veterans' Administration has a tremendous load to carry in respect to the disabled veterans without being imposed with these additional responsibilities primarily on behalf of able-bodied veterans. What happens is that the Administrator and the general counsel and all of the top officials have to spend so much time with the complicated technicalities that they have very little time to solve the ever-increasing problems of the disabled veteran.

Now, what are we going to do about it?

Well, we can continue to liberalize and amend, so as eventually to give all of them some of such GI benefits, until the Budget won't have it, or we can provide an adjusted compensation bill that will take it out of bureaucracy and out of these technicalities and let the man have it according to the way he earned it, and then let him redeem it as he needs it or wants it.

I dare say that 90 percent of the veterans would prefer, 90 percent of the overseas veterans, I daresay, would prefer it. So would the disabled veterans.

The disabled veterans get practically nothing out of the GI bill which he wasn't entitled to before.

There has been much misconception. It has been assumed that the disabled veterans were getting something out of the GI bill of rights. They get very little. In some instances they have to make a choice as to which they will elect. Disabled veterans have earned the right to vocational training by reason of service-incurred handicaps. Then if it be said that the veterans generally have earned the right to get educational training, these disabled veterans ought to have the privilege of getting that too.

What is the situation now?

A disabled veteran can get most any kind of vocational training course, based on his background of education and experience and aptitude, but it cannot exceed 4 years. It must lead to the opportunity for suitable and gainful employment. If it doesn't lead to that at the conclusion of his period of vocational training, he may not be permitted to take that course.

Therefore, if a disabled veteran has a desire to take a course of training, such as to make him an attorney, and it is going to require 5 years, he may not be permitted to start such course at all.

The disabled veteran should have the right to switch from Public 346 to Public 16 or vice versa at any time that it is to his advantage to do so. He ought to have that privilege.

Now, under the law as interpreted, if a disabled veteran has been found to be eligible for vocational training under Public Law 16, and didn't know about it before, and was getting vocational training under Public 346, he is forced to make a choice.

Suppose he was getting a fair amount of compensation for his service-incurred disability. Under Public 346 he would be entitled to get \$50 additional, or \$75 if he had dependents, while pursuing the course of education. But if he has a handicap, he has to make a choice. He can't get Public 346 and Public 16 training. So he may be thwarted in his ambition to reach a particular objective because of the necessity of making that choice. That ought to be eliminated. He ought to be able to get one after another successively under the theory that he earned the right to Public 16 training by his disability and to Public 346 education by his service.

If it is going to be accorded to able-bodied veterans under 346, he ought to be entitled to that also.

Well, now, Mr. Chairman, I probably have dealt too long concerning some of these gripes on behalf of the disabled veterans, but I could give you a good many more. I would like to insert in the record an outline of the policies and objectives of our organization which will outline those several additional objectives which we consider to be very important.

(The matter referred to will appear at the end of Mr. Rice's statement.)

Mr. RICE. Mr. Chairman, I would like to call your attention to one more matter which is of great importance. That is the fact that under the present law, if a single veteran requires hospitalization in a Veterans' Administration hospital, he may not be permitted to receive more than \$20 per month. Therefore, if he is totally disabled and entitled to \$115 and requires hospitalization, and he goes into a Veterans' Administration hospital, his compensation is reduced from \$115 to \$20 per month.

In other words, he is, in effect, required to pay \$95 a month for his hospitalization.

If he is a single veteran who has lost two legs and therefore entitled to \$200 a month, and he requires treatment for one of the stumps in the hospital, his compensation would be reduced from \$200 a month to \$20 a month. He would in effect be required to pay \$180 a month for his hospitalization.

If he lost his two legs 25 years after his service, then he could be accorded treatment without any deduction and he would still get his \$8 per month by reason of a non-service-connected disability.

That is a discrimination which is proving to be disillusioning to an increasing number of discharged veterans of this war, who think it is a lousy deal. While in military service, they are permitted to receive their full pay, but as soon as they become civilians they begin to find they are discriminated against. Veterans without dependents will not be permitted to receive more than \$20 a month compensation while in a hospital.

Now, the \$20 a month is not enough. Many are denied hospitalization because they cannot afford to take it presently as they have financial obligations that have to be liquidated.

The chairman has indicated that his bill, S. 1203, which would in part relieve that situation, is to come up subsequently. I think it is a bill of great importance, and one that deserves consideration soon, because it pertains to benefits of disabled veterans, but I will refrain from going into all of the provisions of that bill with the under-

standing that I will have the opportunity to do so at a subsequent hearing.

(On the whole title I of Public 346, is excellent law.

Chapter II, section 200, ought to be amended, somewhat, however, as indicated by the previous witness, Mr. Ketchum, so as to provide that the privilege of being accredited representatives of veteran organizations, to go into veteran Army and Navy hospitals, should be extended only to those full-time accredited representatives who receive their salaries from the veteran organization through which they receive recognition, and to that end I would recommend that the language at the top of page 6 of H. R. 3749 be amended by striking out the word "paid" and inserting in line 2, after the word "of" the following:

and the full salaries of whom are paid by, one,
so it would read:

That upon certification to the Secretary of War, or Secretary of the Navy by the Administrator of Veterans' Affairs of the full-time accredited representatives of, and the full salaries of whom are paid by, one of the veterans' organizations specified in section 200 * * *

and so forth.

Now, in connection with the section which deals with the matter of privileges of accredited representatives, I would like to call attention to a situation that is now very, very serious.

Recently, the Administrator of Veterans' Affairs issued a service letter which provides that no space may be released by any facility manager or regional manager of the Veterans' Administration or branch manager for the purpose of providing space for any service or veteran organization for its accredited representative. That is going to mean there will be a very tough proposition very shortly because there are several of the combination facilities that are being split up into regional offices and hospitals so that the combined facilities are being moved into new buildings and under this service letter, the regional manager may not lease space that can be used for the representatives of the veteran organizations.

Justification for that service letter, I understand, is that it is felt that no legislative authority provides for such space.

Therefore, if H. R. 3749 is scheduled to go on through quickly, it ought to be further amended by providing at the end of section 200 (a) the language that now appears in H. R. 4134, which, however, needs further amendment, so as to read as follows:

That section 200, title II, of Public Law No. 84, Seventy-ninth Congress, approved June 29, 1945, as amended, is hereby amended by adding at the end thereof, the following:

"The Administrator of Veterans' Affairs is further authorized, in his discretion, and under such regulations as he may prescribe, to furnish, at the expense of the Veterans' Administration, necessary space, suitable office facilities, and stenographic assistance, for the use of the paid full-time representatives of such organizations."

May I call attention to the fact that the Veterans' Administration has cooperated on the whole very splendidly with the veterans' organizations in furnishing space in the past. That has not been universally true. In some offices there are exceptions where this situation has been very tight and very unpleasant, where the representatives of the veterans' organizations couldn't obtain any suitable space, and

couldn't obtain any space at all, except possibly in a hallway, and they will be up against the proposition of not being able to obtain this space in the future.

Thirty of our full-time national service officers are furnished with stenographic facilities by the regional offices of the Veterans' Administration, which is a very fine thing for them to do, and we think it is highly justifiable, in view of the fact that the national service officers of the veterans' organizations can save a great deal of time for the officials of the Veterans' Administration.

I would say that each national service officer saves the equipment of from 3 to 10 employees of the Veterans' Administration.

Why do I say that? Well, a disabled veteran who receives information from a governmental official isn't always quite sure that he is getting the right answer, but if a veteran organization representative tells him that he is not entitled to a certain thing, he is going to believe it, ordinarily.

So a great deal of corresponding and a great deal of time and trouble is saved to the regional office by reason of the fact that we have competent experienced national service officers of the various veterans organizations that help to act as a liaison between the veterans and the Administration.

So we feel that Congress would be highly justified in enacting this provision of law.

I grant you that there might be some resistance on the part of the Veterans' Administration to furnishing stenographic assistance. That would be pretty important to our organization, because they are now furnishing stenographic assistance to about 30 of our men. If we had to furnish that stenographic service, it would be a very material expenditure and one which has been taken care of by the Veterans' Administration in past years.

Therefore, we feel justified in that.

The degree to which stenographic assistance is furnished to the other veteran organizations and to the Red Cross, I don't know, but they all have had some in the past and some of them have office facilities.

We feel that is fully justifiable.

We would like to see the committee report out this bill as a single bill, so that it could receive immediate action and would like to have it done before the time of our national convention because that is going to be a troublesome question which the Administrator is going to be confronted with.

H. R. 4134 would so provide. I am in a position to give much more detailed information relative to those office facilities in the event the committee feels it necessary to have it, but I don't want to burden you with too many technicalities, as the principle would remain the same.

However, if it is to be incorporated in this bill, it would seem to me that it ought to be incorporated in chapter 2, title I.

Now, the Veterans' Administration has indicated that there should be amendment to section 302 (a) so as to authorize the Army and Navy Officers' Disability Retirement Board to review the findings that were made while the officers were in military service to determine whether or not they might be entitled to officers' disability retirement benefits.

Until recently, the War Department would not permit any officer to

take an appeal and have the claim considered unless he had appeared before a retirement board while in military service.

He would have gotten out by reason of a disability because he went before a disposing board in the Army or before a medical board, a board of medical survey in the Navy.

We presented that matter to the War Department, and showed where it was very unfair and they have changed the rule so as to provide where that has happened, they will still permit them to go before the boards. But the technicality still exists. If he didn't go before the board during his service, then he would have no right to a review.

That is because of the language that says that the Board of Review may review the findings and decisions of such retiring boards.

We suggest that we put in "or board of medical survey." It ought to cover any kind of board that has arranged for the discharge or the release from active duty of any officer so that he isn't deprived of a review by the review board.

There have been some outstanding cases of injustice because of this technical consideration by the Navy Department and the Veterans' Administration.

I emphasize the fact that the words "disposition board" ought to be incorporated in section 302 (a) together with a "Retiring Board" or "Board of Medical Survey."

That same language should also be provided—well, there should also be the same kind of language in Section 302 (b) so as to provide:

No request for review under this section shall be valid unless filed within 15 years after the date of retirement for disability, or after the effective date of this act, whichever is the later.

It was reported in the column of Lieutenant Commander Krum, that they would not consider any discharge that had been effected prior to the enactment of this act. On the following day he apologized, stating that it would be considered.

So that there might not be any possibility of misinterpretation, it would appear that that additional language should be in the section so there couldn't be any refusal of the Board to consider a discharge prior to the enactment of the act.

Now, if title II, the educational provisions, are to be retained, then we would agree with the Veterans' Administration and with the American Legion, and the Veterans of Foreign Wars that any requirement as to eligibility that a man's education must be interrupted, should be eliminated.

Therefore, the language beginning on line 22, page 11, of H. R. 3749, should be deleted "and whose education or training was impeded, delayed, interrupted, or interfered with by reason of his entrance into the service, or who desires a refresher or retraining course and," and at the end this language should be deleted:

That any such person who was not over 25 years of age at the time he entered the service shall be deemed to have had his education or training impeded, delayed, interrupted, or interfered with.

I was mistaken. I don't believe the Veterans' Administration recommended that, but I believe the American Legion and the Veterans of Foreign Wars, did, and we concur.

Also as to the extension of the period of eligibility, we concur with the recommendation of the Veterans' Administration, and the other organizations, that there should be permissible legislation to provide for intensive short courses and correspondence courses, and permission to arrange for the tuition accordingly.

That really ought to be provided for retroactively because there are some that took up short courses.

For example, I had a veteran in the office who took up a short course in aviation, flying, in order to get his license. It was subsequently found, after he had gotten more than half through that the Veterans' Administration could not reimburse him for the tuition. That is all the education he wanted.

Therefore, I think that particular provision ought to be made retroactive so that where there was a transaction in good faith, it should be possible for the Veterans' Administration to pay it, or the particular institution should sustain the loss.

And such a provision would probably have to be in title II, part 8, subparagraph 3 (b).

In subparagraph 7, we have the proposition that would arrange for the veteran who was entitled to training under either part 7 or part 8 to take an option, and we believe that should be deleted, and that it should be read:

Any such veteran eligible for the benefits of this part, who is also eligible for the benefit of part 7, may elect which benefit he desires during any particular period, but shall be eligible to receive either or both such benefits successively.

I have already advanced the reasons why we believe that to be desirable.

Now, then, if the provisions of S. 1031 are not to be separately reported out, and this bill, H. R. 3749 is destined to go through shortly, then we believe the proper place of insertion would be at the end of title II, on page 20, after line 18, as an additional section 403.

I have already stated why we believe that to be the case.

We agree with the Veterans' Administration recommendation relative to certification of eligibility and so forth on loans, although, as we pointed out, we believe that the entire responsibility should be referred to other agencies.

Relative to the matter of a normal value as to property, we suggest that that all might be much simplified if we were to use the word "reasonable marketable" wherever "normal value" appears—"reasonable normal value."

We don't know for sure whether or not we are going to have a continued increase in prices, and if we prevent the disabled veteran from getting a house or farm at the present prices, we might be doing him an injustice. He has to view his future on the basis of what the situation now is. We don't want him to pay more than a reasonable market value, but he ought to have that privilege.

I point out, however, that if he were given the privilege of getting benefits on an "earned merit" basis through a readjustment insurance policy he himself could make the decision because it would be money that he earned.

We also agree with the recommendations made by the Veterans' Administration for an additional section at the end of title III if that provision is to be retained in the law.

As to the title IV of the bill, pertaining to employment service in section 601, in line 11, where it says that the employment representative shall be a veteran of the wars of the United States, we think that there ought to be a demonstration that disabled veterans are employable. Ninety percent of the veterans are rated as less than totally disabled and therefore need employment, and if properly placed, are just as serviceable and just as productive as other employables.

I think it is appropriate to call attention to that, in view of the fact that this is "National Employment of the Physically Handicapped Week." This is the first time that "National Employment of the Physically Handicapped Week" will be observed in this country. The purpose of it is to point out to employers the desirability of employing handicapped citizens and handicapped veterans, and to point out the advantage of doing so on the ground of their relatively greater productivity, and serviceability, generally speaking.

A person already handicapped recognizes the difficulty of obtaining a job, and is fearful of obtaining additional disability and therefore, ordinarily speaking is inclined to be careful and cautious not to incur an additional disability and consequently will have less accidents, generally speaking, less absenteeism from the job, than is true of other employees.

Moreover, wanting to obtain a job, he generally is apt to be more productive and serviceable, more apt to be loyal, more resourceful than is true of other employees.

That is not always so, but is generally true if he is placed in accordance with his abilities and aptitudes.

Therefore we believe that the Federal Government should set an example of giving preference of opportunity to disabled veterans.

Since there are going to be so many of them, we believe it would be appropriate that every veteran's employment representative should himself be a disabled veteran. We urge that preceding the word "veteran" in line 11, page 28, the words "service-disabled" be incorporated, so that all of such veterans' employment representatives would be service-disabled veterans.

Then, on section 602, page 29, we would, beginning in line 20, take out the words "preferably veterans" and substitute the words "who shall be service-disabled," so that all of those who are assigned to the job of being veterans' employment representatives on the State level and on the local level shall themselves be service-disabled veterans, and therefore understand the problems of service-disabled veterans.

Section 1504, in the event the committee favorably regards the suggestion that we should not provide readjustment insurance policies, then we believe that such a provision should be attached as title VII to Public, 346, and to that end we recommend that the language now in H. R. 3537 be incorporated as an additional amendment, to the so-called Gi bill of rights, as title VII.

In the event that that is done, then section 1505 ought to be amended to read as follows, on page 45 beginning with line 22:

In the event there shall be hereafter authorized any allowance in the nature of adjusted compensation any monetary benefits received by any veteran under this act shall be charged against and deducted from such adjusted compensation—

eliminating the rest of that section, so that if he did receive monetary benefits that might be deductible from it as adjusted compensation, since that would still be on an earned merit basis, but books, or tuition, would not be deductible.

Under the present language, not only are the monetary benefits, but also the benefits paid out on his account, deductible.

The last part would deduct the amount of his indebtedness on a loan, and that doesn't seem sensible because the loan might not be due, and we think that provision should be deleted entirely, and therefore, that title VII should be added to the bill by including the language in H. R. 3537, and which I ask be inserted in the minutes at this point.

Senator JOHNSON. Without objection, it may be inserted.

(H. R. 3537 is as follows:)

[H. R. 3537, 79th Cong., 1st sess.]

A BILL To amend the Servicemen's Readjustment Act of 1944 so as to provide readjustment insurance for those persons who served in the armed forces of the United States during the present war, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That an additional title be added to the Servicemen's Readjustment Act of 1944 to read as follows:

"TITLE VII

CHAPTER XVI—VETERANS' READJUSTMENT INSURANCE

"DEFINITIONS

"SEC. 1601. As used in this title—

"(a) The term 'service in the military or naval forces' shall mean active service in the Army, Navy, Marine Corps, and Coast Guard.

"(b) The term 'person who served' shall mean a person, whether male or female, whether commissioned, enlisted, enrolled, or drafted, who served as a member of the armed forces or as a member of one of the reserve components thereof.

"(c) The term 'period of the present war' means the period beginning September 16, 1940, and ending with the termination of hostilities as proclaimed by the President, or declared by the Congress.

"(d) The term 'combat service' means active service as a member of a unit participating in combat with the enemy.

"(e) The term 'Department' means the War Department or the Navy Department, or one of the components thereof.

"(f) The term 'Administrator' means the Administrator of Veterans' Affairs.

"(g) The term 'Administration' means the Veterans' Administration.

"(h) The term 'veteran' means any person who served during the period of the war whether or not such service shall have terminated.

"(i) The term 'widow' means an unremarried widow or widower of the veteran.

"(j) The term 'wife' means a lawful wife who is living with the veteran at the time of his death, and shall include the term 'husband' as the context may require.

"(k) The term 'child' means a natural child, an adopted child, a stepchild, and, if designated by the veteran, an illegitimate child.

"(l) The terms 'parent,' 'father,' and 'mother' include stepfathers and stepmothers; fathers and mothers through adoption; persons who, for a period of not less than one year, stood in loco parentis to the veteran at any time prior to the beginning of his service: *Provided*, That the person who last exercised such parental relationship with respect to the veteran shall be recognized as father or mother, respectively, unless otherwise designated by the veteran.

"(m) The terms 'brother' and 'sister' include brothers and sisters of the half-blood, as well as those of the whole blood, stepbrothers, stepsisters, and brothers and sisters through adoption.

"SERVICE CREDIT FOR CIVIL REESTABLISHMENT PURPOSES

"SEC. 1602. The service credit shall be computed by the Secretary of the Department concerned for each veteran. The amount of such credit shall be computed in the following manner:

"(a) There shall be allowed \$3 for each day of active service within the continental limits of the United States, and \$4 for each day of active service outside of the United States, during the period of the war, provided the maximum amount allowable shall be \$4,500.

"(b) There shall be allowed in addition \$500 for any battle wound for which the issuance of a wound chevron or other decoration or medal is prescribed: *Provided*, That the total of all service credits shall not exceed \$5,000.

"SEC. 1603. In computing the service credit no allowance shall be made—

"(a) for service as a commissioned officer during such time as the base pay exceeds \$3,000 a year;

"(b) for service under a permanent commission or warrant in any of the services, or service under a temporary commission in a higher grade;

"(c) for service as a civilian officer or employee of any branch of the military or naval forces, contract surgeon, cadet or midshipman of the United States Military Academy, Naval Academy, or Coast Guard Academy, or for service while attending or stationed at a civilian educational institution and undergoing a course of academic instruction, or for service as a member of the Philippine Army, the Philippine Scouts, the insular forces of the Navy, the Samoan native guard or band of the Navy, or the Samoan reserve force of the Marine Corps;

"(d) for any period in excess of thirty days while confined under sentence of court martial or civil court, or absent without leave;

"(e) for any furlough for the purpose of engaging in civilian pursuits;

"(f) for service of any individual whose period of active military service is terminated under dishonorable conditions;

"(g) for service of any person holding a permanent appointment, commission, or warrant in any governmental agency detailed to active service with the Army or Navy, or transferred as a part of the armed forces.

"ISSUANCE OF SERVICE CERTIFICATES

"SEC. 1604. (a) Each veteran, upon discharge after the date of enactment of this title, shall be issued a service credit certificate for the amount of his total service credit. Such certificate shall be issued by the Secretary of War or Navy Department as herein prescribed: *Provided*, That if the total service credit does not exceed \$300, it shall be paid in cash.

"(b) Any person who remains in active service after termination of the war and whose service has been honorable to that date shall be issued on application a service credit certificate as provided in subsection (a) of this section.

"SEC. 1605. No service credit shall be allowed and no service credit certificate shall be issued to any person who—

"(a) is retired from active service for age or disability;

"(b) is entitled, upon discharge, to emergency officers' retirement pay.

"SEC. 1606. Upon application filed with the Department concerned, in accordance with regulations prescribed by the Secretary thereof, by any person separated from the active service prior to the date of this title, a service credit certificate shall be issued by the Administration upon certification by the Department concerned of the amount of the total service credit. Such application may be filed at any time subsequent to the enactment of this title, but no payment shall be made under the certificate issued under this section or section 5 (a) until after termination of the war, except upon a finding by the Administrator that the veteran is unemployed or unemployable, and is entitled to payment, in part or whole, of the amount of such certificate under any of the provisions of section 1609 of this title.

"PAYMENT OF SERVICE CERTIFICATES

"SEC. 1607. After one year from date of issue or termination of the war, whichever is the later date, the certificate, except as to the amounts paid under section 1609 of this title, shall bear interest at 3 per centum, until maturity by expiration of the ten-year period or by death of the veteran, compounded annually, provided the certificates may be held after maturity and, if so held,

shall earn compound interest at the same rate: *Provided*, That if the veteran to whom such certificate is issued shall die before the end of such ten-year period, the amount due on the certificate shall thereupon be payable to the person or persons designated by the veteran: *Provided further*, That there may be designated only one or more of the following classes: Parent, wife, child or children, brother or sister, if any such next of kin be living, otherwise anyone: *And provided further*, That in the absence or failure of such designation the amount remaining due on the certificate may be paid to the following-named next of kin of the veteran in the order stated: (1) Widow; (2) child or children; (3) mother; father; brother and sisters, or if no such next of kin be living, then as provided for in his will or, if no will, as provided by the laws of the State in which he died interstate. In the case of children or brothers and sisters, the amount shall be divided equally.

"SEC. 1608. If any veteran shall have died or shall die without applying for or receiving the service credit certificate, application for the amount of the service credit may be made at any time within ten years after the termination of the war period by any of the next of kin of the veteran in the order stated in section 1607. The application shall be filed with the Department concerned, which will certify to the Administration for payment the service credit: *Provided*, That the amount of a service credit payable otherwise shall be reduced by the amount of the six months' death gratuity paid by the Department concerned on account of the death of such veteran. The amount payable under this section shall be the amount of the service credit due the veteran with no wound allowance.

"SEC. 1609. A veteran, upon surrender of his certificate to the Veterans' Administration pursuant to rules and regulations issued by the Administrator and subject to the terms of this title, may be paid to the full amount thereof as follows:

"(a) If the veteran is unemployed, after having registered with the United States Employment Service, he may be paid monthly installments in any amount divisible by \$5 not exceeding \$100 per month during the continuance of such unemployment, but not to exceed the total amount of the certificate;

"(b) Upon evidence satisfactory to the Administrator showing that the veteran will use the proceeds of the certificate to purchase a farm, a home, or will use the proceeds of the certificate to purchase or lease equipment of real estate to be used in farming or business enterprise, or to pay the interest on a loan made for any one or more of such purposes or to finance a course of education or training;

"(c) For the purpose of paying an indebtedness owed by the Veteran on any insurance policy or on any other loan, note, or obligation incurred prior to the end of the war period, or to pay premiums due or in advance on a policy of national service life or Government (converted) insurance;

"(d) If the veteran shall show that he is registered at a recognized school, college, or other institution of learning or training, he may be paid monthly such amount divisible by \$5 not exceeding \$100 per month as he may deem necessary to enable him to pursue such course: *Provided*, That no payments shall be made under this subsection while the veteran is being afforded vocational training under the provisions of Public Law 16, Seventy-eighth Congress;

"(e) Upon maturity at the end of the ten-year period, or at any time thereafter.

"SEC. 1610. Subject to the limitations as to permitted classes, the veteran may, under regulations prescribed by the Administrator, name more than one beneficiary for designated amounts or portions thereof, and may from time to time change the designation of such beneficiary or beneficiaries. If the Administrator is unable to ascertain the beneficiary named by the veteran, payment may be made as though no beneficiary were named.

"SEC. 1611. Payment to beneficiaries designated or otherwise shall be in ten equal monthly installments, and if any part of the amount payable is less than \$2.00 it may be paid in a lump sum. In the event of two or more beneficiaries, the amount shall be paid in equal shares, if not otherwise designated by the veteran. If any beneficiary dies before receiving all of such payments, the remaining unpaid portion may be paid to the other beneficiaries in the order prescribed herein.

"ISSUANCE OF DUPLICATE CERTIFICATES

"SEC. 1612. Any certificate issued under the provisions of this Act shall have printed upon its face the conditions and terms upon which it is issued and to which it is subject. Upon due proof of loss, destruction, or inability to procure possession, of a certificate without bad faith on the part of the person entitled to payment, the Administrator may, under such regulations and with such restrictions as to time and retention for security or otherwise as he may prescribe, issue a duplicate thereof. A veteran who makes application for a duplicate shall file with the Administration a bond in the penal sum of the face value of such lost or destroyed certificate, or the duplicate issued, to be approved by the Administrator, with condition to indemnify and save harmless the United States from any claim upon such lost or destroyed certificate: *Provided*, That a bond will not be required if proof satisfactory to the Administrator shows that the certificate which has been lost, destroyed, wholly or in part, or so defaced as to impair its value, or has been partially destroyed or defaced so as to impair its value, is capable of identification, and is surrendered to the Administration.

"ADMINISTRATIVE AND PENAL PROVISIONS

"SEC. 1613. The decisions of the Secretary of War and the Secretary of the Navy and the Administrator hereunder shall be final and not subject to review by any court or other Government official.

"SEC. 1614. The Secretary of War, the Secretary of the Navy, and the Administrator shall make such regulations not inconsistent with this Act as may be necessary effectively to carry out the provisions thereof, and may make such joint regulations as are necessary for such purpose.

"SEC. 1615. The Secretary of War, the Secretary of the Navy, and the Administrator of Veterans' Affairs are authorized to employ such additional personnel as may be necessary to administer their respective functions under this Act subject to existing law with respect to personnel matters.

"SEC. 1616. Any person charged with the administration of any part of this Act shall make a full report to the Congress the first month of each year as to the administration thereof.

"SEC. 1617. Appropriations necessary to carry out the purposes of this Act are hereby authorized. The appropriations for the War and Navy Departments and the Veterans' Administration for personnel, travel, and other administrative purposes shall be available for the administration of this Act.

"SEC. 1618. Any amount payable or any certificate issued, or the proceeds of any such certificate, under this Act shall be subject to the provisions of Public, Numbered 262, Seventy-fourth Congress, August 12, 1935, as amended: *Provided*, That the Secretary of the Department concerned, or the Administrator, as the case may be, is hereby authorized to waive recovery of any overpayment made without fault on the part of the payee if recovery would be against equity and justice or would deprive the person of benefits under other laws pertaining to veterans. No disbursing officer and no certifying officer shall be held liable for any amount paid to any person where the recovery of such amount by the payee is waived under the provisions of this section.

"SEC. 1619. Any person who charges or collects or attempts to charge or collect either directly or indirectly any fee or other compensation for assisting in any manner the veteran, his dependents, or beneficiaries under this Act in obtaining any of the benefits hereunder shall, upon conviction thereof, be subject to a fine of not more than \$1,000 or imprisonment for not more than one year, or both.

"SEC. 1620. Whoever knowingly or falsely makes any statement of material fact in any application, certificate, or document made pursuant to the provisions of this Act or of any regulation made under authority of this Act, shall, upon conviction thereof, be fined not more than \$1,000 or imprisoned not more than five years, or both. Any person who fraudulently receives any amount on the service credit certificate to which he is not entitled shall, upon conviction thereof, be subject to a fine not less than twice the amount of such sum so received, and in addition may be subject to imprisonment for a period of not more than one year.

"SEC. 1621. Whoever falsely makes, forges, counterfeits, or alters, or causes or procures to be made, forged, counterfeited, or altered a service credit certificate issued under authority of this title, or whoever passes, utters, publishes, or sells,

or attempts to pass, utter, publish, or sell, any such false, forged, counterfeited, or altered certificate, with intent to defraud the United State or any person, or whoever has in possession any such falsely made, forged, counterfeited, or altered certificate with intent to unlawfully use the same, or who shall refuse to surrender or release, upon demand by the veteran or lawful beneficiary, any certificate, shall be punished by fine of not more than \$5,000 and imprisonment for not more than fifteen years. The Secretary of the Treasury is hereby authorized to direct and use the Secret Service Division of the Treasury Department to detect, arrest, and deliver into the custody of the United States marshal having jurisdiction any person or persons violating any of the provisions of this section."

Mr. RICE. Mr. Chairman, I see my time has expired.

I hope I will have the privilege later on of appearing in connection with several bills specifically concerning the service-disabled veterans, and their dependents, and on behalf of the dependents of our war dead who are entirely inadequately provided for, according to present law.

Thank you.

Senator JOHNSON. Thank you, Mr. Rice.

You will be given an opportunity to appear later when we go into the other legislation specifically.

(The matter inserted in the record by Mr. Rice, is as follows:)

POLICIES AND OBJECTIVES OF THE DISABLED AMERICAN VETERANS

(Extension of Remarks of Hon. Claude Pepper, of Florida, in the Senate of the United States, Saturday, July 28 (legislative day of Monday, July 9), 1945)

It is my privilege as a service-disabled veteran of World War I to be a life member of the Disabled American Veterans, and a member of its national legislative committee.

Recently, there was a meeting of the national legislative committee of the DAV, consisting of the Honorable Charles E. Pew, of Helena, Mont., an attorney at law, as chairman; Judge Robert S. Marx, of Cincinnati, Ohio, the first national commander of the DAV; the Honorable Jerry Voorhis, United States Representative from California; Dow V. Walker, of Newport, Oreg., chairman of the national finance committee of the DAV; and myself.

As a result of its deliberations, the DAV National Legislative Committee approved an outline of DAV policies and objectives, formulated by Millard W. Rice, national service director of the DAV, on the basis of the resolutions adopted at the organization's last national convention.

This outline emphasizes three principal points: (1) Preserve America and its freedoms; (2) promote welfare of dependents of service-disabled; and (3) promote welfare of America's disabled defenders.

Under each of these principal points are a considerable number of specific objectives, after each of which there is indicated within parentheses the identity of the legislative bill, if any, that has been introduced in Congress to accomplish such objectives.

A perusal of these objectives indicates the many glaring inadequacies, inequalities, and inequities which still exist in the laws pertaining to veterans, disabled veterans, and their dependents. Each of these objectives is of vast importance to those who would be affected by their fulfillment.

Too many of us in Congress have blandly assumed that the veteran laws in our statutes are already adequate to take care of their merited needs, but that apparently is not the case. May I make mention of the fact, for example, that no dependency allowances are provided for any of some 300,000 service-disabled veterans of World War I or for any of the pensioned veterans of World War II, as indicated in point III-D-1?

Enactment of all of the proposed legislation set forth in this outline of policies and objectives of the DAV should be a matter of first concern and consideration by Members of Congress.

We must not fail adequately to provide for those Americans who have sacrificed a part of their blood, or bodies, or health in the Nation's most hazardous employment in its armed forces during time of war.

The outline is here inserted, as follows:

"OUTLINE OF POLICIES AND OBJECTIVES OF DISABLED AMERICAN VETERANS*"I. Preserve America and its freedoms***"A. Protect America :****"1. Collaborate with Allies to force, preserve peace.****"2. Maintain adequate specialized armed forces.****"3. Maintain a two-ocean navy.****"4. Produce needed war matériel quickly.****"5. Mobilize America's manpower efficiently.****"6. One year training for all young men.****"B. Provide adequately for America's defenders and their dependents :****"1. Maintain adequate pay during service, supplemented by adequate postwar adjustments on an 'earned merits' basis. (H. R. 127, by Hon. John Lesinski, of Michigan, now before the Committee on Ways and Means. Also H. R. 3537, by Hon. John E. Rankin and now before his Committee on World War Veterans' Legislation.)****"2. Liberalize national service life insurance provisions. (H. R. 2359, by Hon. John E. Rankin, of Mississippi, chairman of the House Committee on World War Veterans' Legislation. Referred to his committee. Also S. 650. R. 57, 62.)****"3. Establish Army, Navy, and Marine Corps Boards of Appeals and Reviews, with authority to revise discharge certificates. (Now in operation.)****"4. Medical records to be completely assembled before discharge.****"C. Eliminate excess profits from all-out war for freedom :****"1. Control purchasing power of United States money.****"2. Impose taxes in accordance with ability to pay.****"3. Regulate men, money, matériel, machines toward war victory.****"D. Perpetuate Americanism :****"1. Protect Americanism by its promotion.****"2. Promote workable representative democracy.****"3. Protect democratic institutions against subversive forces.****"(a) Have all persons fingerprinted, registered, and identified. (H. R. 601, by Hon. Raymond S. Springer, of Indiana. Referred to Committee on the Judiciary. A. 1.)****"(b) Issue certificates to all citizens. (H. R. 415, by Hon. Harold C. Hagen, of Minnesota. Referred to Committee on Immigration and Naturalization.)****"4. Extend citizenship to those who have faithfully served in our armed forces. (A. 2.)***"II. Promote welfare of dependents of service disabled***"A. Provide pension of \$60 per month to widows of war veterans who have died by reason of service-connected disability, or have suffered permanent total combat disability. (As to combat cases, H. R. 2047, by Mr. Hagen (R. 72) ; as to service-connected cases, H. R. 328, by Hon. Edith Nourse Rogers, of Massachusetts (R. 19). Both bills now before Committee on World War Veterans' Legislation.)****"B. Provide pension of \$50 per month to widows of deceased war veterans who were suffering from service-connected disability. (H. R. 3520, by Mrs. Rogers, now before Committee on World War Veterans' Legislation. (R. 73.)****"1. Eliminate 'needs' test. (H. R. 1496, by Hon. A. Leonard Allen, of Louisiana ; now before the Committee on World War Veterans' Legislation. R. 33, 41.)****"C. Extend pensions to dependents of veterans who have suffered disabilities traceable to examinations, or hospital treatment, or vocational training. (H. R. 569, by Mr. Rankin, and now before his Committee on World War Veterans' Legislation. R. 74.)****"D. Widows otherwise eligible for pensions to be eligible if married to and living with the veteran for 2 years immediately preceding his death, or, if being married, she gave birth to a child by the veteran. (H. R. 2150, by Mr. Hagen. Referred to Committee on Invalid Pensions. R. 34, 69.)****"E. Provide pensions to dependent parents of deceased service-connected disabled war veterans. (H. R. 2047, by Mr. Hagen. Now before Committee on World War Veterans' Legislation. H. R. 3732, by Mr. Rankin, regardless of any other governmental income.)**

"III. Promote welfare of America's disabled defenders

"A. Keep Veterans' Administration primarily for disabled veterans and their dependents, and transfer other responsibilities to other agencies. (R. 4, 18.)

"B. Extend Disabled American Veterans' services to all of America's disabled veterans and their dependents (N. S. Rept.):

"Through expanded national and local service officers' set-up and by extensive educational publicity.

"C. Liberalize adjudication policies:

"1. Decentralize authority to readjudicate all claims, with right to suit after final denial. (H. R. 150 and H. J. Res. 192, by Hon. Jerry Voorhis, of California, and referred to the Committee on World War Veterans' Legislation. Also S. 1166, by Senator Butler before Senate Committee on Finance. R. 71.)

"2. Reinstate direct-service connections granted in 1933-34 by the President's Review Boards. (H. R. 559, by Mr. Rankin. Now before the Committee on World War Veterans' Legislation. R. 2.)

"3. As to aggravations. (H. R. 1935, by Mr. Rankin. Now before Committee on World War Veterans' Legislation. R. 49, 65.)

"4. As to disability retirement benefits. (H. R. 1365, by Hon. Overton Brooks, of Louisiana. Now before Committee on Military Affairs. R. 2, 67.)

"D. Increased monetary benefits for disabled defenders:

"1. Provide living-cost allowances for dependents of all compensated and pensioned disabled veterans. (H. R. 1872, by Mr. Rankin. Now before Committee on World War Veterans' Legislation. Also S. 1031, by Senator Ed Johnson. Now before Senate Committee on Finance. R. 17, 64.)

"2. Increase vocational-training pay. (H. R. 551 and H. R. 1872, by Mr. Rankin. R. 64.)

"3. Increase compensation and pension payments by 10 percent for each 10 percent increase in the cost of living over 1940 figures. (H. R. 1291, by Hon. J. Hardin Peterson, of Florida. Referred to Committee on World War Veterans' Legislation. R. 14.)

"4. Extend 15 percent increase to statutory awards. (H. R. 1944, by Mr. Rankin. Referred to Committee on World War Veterans' Legislation. R. 37.)

"5. Provide same compensation rates for World War II veterans as to World War I veterans. (H. R. 1936 and H. R. 3644, by Mr. Rankin, and referred to his Committee on World War Veterans' Legislation. R. 2.)

"6. Provide minimum 10 percent rating for wounded or gassed veterans. (H. R. 138, by Mr. Voorhis, and now before the Committee on World War Veterans' Legislation. Also S. 1164, by Senator Hugh Butler, referred to Committee on Finance. R. 1-5.)

"7. Increase basic ratings by 20 percent for each 5 years after age 40. (H. R. 1582, by Mr. Voorhis. Referred to Committee on World War Veterans' Legislation. R. 16.)

"8. Restore full compensation to the so-called presumptives. (H. R. 575, by Mr. Rankin. Now before the Committee on World War Veterans' Legislation. R. 18, 31.)

"9. Provide full compensation for single veterans while hospitalized. (H. R. 536, by Mr. Peterson, and referred to Committee on World War Veterans' Legislation. Also H. R. 3712, by Hon. John Lesinski, now before his Committee on Invalid Pensions. R. 23.)

"10. Increase pensions to war veterans with permanent total non-service-connected disabilities to \$60 per month. (H. R. 1451, by Mr. Voorhis of California. Referred to Committee on World War Veterans' Legislation. R. 9.)

"11. Authorize payment of compensation for partial service-connected disability plus the percentage of pension for permanent total disability (nonservice) equal to the difference between 100 percent and his degree of service-connected disability. (H. R. 555, by Mr. Rankin. Now before Committee on World War Veterans' Legislation. R. 13.)

"12. Increase pension to service-disabled regulars to 90 percent of wartime rates. (H. R. 279, by Mr. Lesinski. Referred to the Committee on Invalid Pensions. R. 2.)

"13. Increase attendant's allowance to \$75 per month. (H. R. 1933, by Mr. Rankin. Now before Committee on World War Veterans' Legislation. R. 28.)

"E. Liberalize Veterans' Administration determinations:

"1. Facilitate and expedite adjudications of claims of disabled veterans. (R. 5, 25.)

"2. Determine permanent and total disability on individual ability to follow any substantially gainful occupation. (H. R. 106, by Mr. Voorhis. Referred to Committee on World War Veterans' Legislation. R. 10.)

"3. Eliminate statutory limitations as to applications for benefits. (H. R. 1365 and H. R. 3762, by Mr. Brooks, as to disabled emergency officers' retirement benefits; referred to Committee on Military Affairs. H. R. 1702, by Hon. John J. Sparkman, of Alabama, as to decorations, and referred to the Committee on Military Affairs. H. R. 1124, by Hon. Frank Carlson, of Kansas, as to adjusted compensation; now before the Committee on Ways and Means. H. R. 1932, by Mr. Rankin, as to veterans' benefits, and referred to Committee on World War Veterans' Legislation. R. 67.)

"4. Limit misconduct bar to willful or felonious misconduct. (H. R. 560, by Mr. Rankin, and referred to the Committee on World War Veterans' Legislation. R. 20.)

"5. Adjudicate claims retroactively according to facts. (H. R. 564, by Mr. Rankin. Now before Committee on World War Veterans' Legislation. R. 70.)

"6. Forfeit benefits only where evidence is clearly not sufficient, but subject those guilty of fraud to fine or imprisonment. (H. R. 500, by Hon. John L. McMillan, of South Carolina. Referred to Committee on World War Veterans' Legislation. R. 22.)

"7. Extend time within which to make appeal from decisions of rating agencies. (H. R. 695, by Hon. Joseph R. Bryson, of South Carolina. Now before Committee on World War Veterans' Legislation. R. 66.)

"8. Provide minimum rating of 1 percent for veterans noted as having some disability at time of discharge. (H. R. 1495, by Mr. Allen of Louisiana; referred to Committee on World War Veterans' Legislation. R. 12.)

"9. Reduce permanent ratings only for fraud or gross error. (H. R. 1579, by Mr. Rankin, and referred to his Committee on World War Veterans' Legislation. R. 11.)

"F. Liberalize insurance benefits.

"1. Reduce interest on Government insurance policy loans to 3½ percent. (S. 447, by Senator Brooks. Rept. 364, by Senate Committee on Finance, after having passed Senate on June 21, now before House Committee on World War Veterans' Legislation. R. 2.)

"2. Permit suit on any Government life-insurance policy at any time. (H. R. 1293, by Mr. Peterson, and now before the Committee on World War Veterans' Legislation.)

"3. Insurance judgments to be binding upon Veterans' Administration until modified by court order. (H. R. 722, by Hon. John S. Gibson, of Georgia; referred to Committee on World War Veterans' Legislation. R. 58.)

"4. Make Government life-insurance policies incontestable after 1 year and return premiums on canceled policies. (H. R. 533, by Mr. Rankin. Referred to Committee on World War Veterans' Legislation. R. 2.)

"5. Continue permanent total disability insurance protection to veterans who have received 240 or more monthly installments of insurance benefits. (H. R. 554, by Mr. Rankin. Now before Committee on World War Veterans' Legislation. R. 59.)

"G. Facilitate suitable employment of service disabled:

"1. Require Veterans' Administration to reimburse all State workmen's compensation costs as to service-connected disabled veteran employees. (H. R. 1533, by Mr. Rankin; referred to Committee on World War Veterans' Legislation. E. 6.)

"2. Extend effective preference for veterans, their wives, and widows, for all Government employment for which qualified. (H. R. 3256, as to disability retirement, by Mr. Ramspeck. Passed by House on July 3; H. Rept. 757. Now before Senate Committee on Civil Service.)

"3. Extend full vocational training and suitable employment to all handicapped service veterans (H. R. 562, by Mr. Rankin. Now before Committee on World War Veterans' Legislation. E. 3, 4, 5, 7.)

"4. Exempt disabled veterans deemed to be a risk to civil-service retirement fund from the provisions of such act, and then cover them into the social security retirement provisions. (H. R. 314, by Mr. McMillan; referred to Committee on the Civil Service. E. 11.)

"5. Provide optional civil-service retirement after 25 years of Federal employment. (H. R. 74, by Hon. Thomas J. Lane, of Massachusetts. Now before Committee on the Civil Service. E. 8, 9.)

"6. Credit vocational training for civil-service retirement. (H. R. 1893, by Hon. Pat Cannon, of Florida. Now before Committee on the Civil Service. E. 10.)

"7. Extend preference and credit to war veterans as to purchase of surplus property. (L. 3.)

"8. Extend credit for time lost by reason of service-connected disability for railroad retirement purposes. (L. 4.)

"H. Eliminate existing inequalities and inequities as among various similar groups of disabled veterans and their dependents, and uniformize administrative provisions. (R. 2.)

"1. As to useless limbs. (H. R. 2254, by Mr. Brooks. Referred to the Committee on World War Veterans' Legislation.)

"2. Compensation and pension defined. (H. R. 1938, by Mr. Rankin and referred to the Committee on World War Veterans' Legislation.)

"3. As to number of dependents. (H. R. 561, by Mr. Rankin. Now before Committee on World War Veterans' Legislation.)

"4. As to children. (H. R. 582, by Mrs. Rogers. Referred to Committee on World War Veterans' Legislation.)

"5. As to parents. (H. R. 556, by Mr. Rankin, and now before World War Veterans' Committee.)

"6. As to statutory awards. (H. R. 3644, by Mr. Rankin, H. Rept. 934, by World War Veterans' Committee. Passed by House on July 20. Reported by Senate Committee on Finance, H. Rept. 549, on July 20, 1945.)

"I. Needed hospitalization, domiciliary care, and out-patient treatment to be available for all veterans with service-connected disabilities. (S. 1203, by Senator Johnson. R. 26, 27.)

"J. Additional Veterans' Administration facilities according to veteran population needs. (H. R. 1422, by Hon. Joe E. Bates, of Kentucky; now before the Committee on World War Veterans' Legislation. R. 2.)

"K. Liberalize adjunct treatments and dental treatment. (R. 30.)

"L. Provide miscellaneous benefits:

"1. Liberalize State laws and appropriations affecting veterans and their dependents and their organizations. (N. S. D. Rept.)

"2. September 8, 1939, beginning of World War II. (H. R. 1945, by Mr. Rankin, and referred to the Committee on Invalid Pensions.)

"3. WAAC to have same status as WAC. (H. R. 1405, by Hon. Clinton P. Anderson, of New Mexico. Referred to Committee on World War Veterans' Legislation. R. 3.)

"4. Extend adjusted compensation for World War I provisional officers. (H. R. 1161, by Mr. Carlson, referred to Committee on Ways and Means. R. 21.)

"5. Issue new adjusted-service certificates for those not recoverable. (H. R. 1162, by Mr. Carlson. Now before Committee on Ways and Means. R. 2.)

"6. Orthopedic appliances for all veterans who need them. (H. R. 1581, by Mr. Rankin. Referred to Committee on World War Veterans' Legislation. R. 3.)

"7. National war memorial auditorium in the Nation's Capital. (H. R. 770, by Hon. Harry R. Sheppard, of California. Referred to Committee on Public Buildings and Grounds. L. 2.)

"8. Increase burial allowance to \$200. (H. R. 1939, by Mr. Rankin. Now before Committee on World War Veterans' Legislation. R. 78.)

"9. National cemetery in every State. (H. R. 1273, by Hon. Paul J. Kilday, of Texas. Referred to Committee on Military Affairs. L. 1.)

"10. Veterans' Administration to conduct research re tuberculosis and other ailments. (R. 34.)

"11. Liberalize eligibility for mustering-out payments. (H. R. 731, by Hon. Bernard W. Kearney, of New York. Referred to Committee on Military Affairs. R. 36.)

"12. Chiropractic and osteopathic adjustments to be available for treatment of veterans. (R. 80.)

"13. Incompetents to be transferred with two attendants with all costs plus \$5 per day per attendant. (R. 79.)

"14. Exempt allotments by servicemen, as well as Veterans' Administration pensions, as income for old-age-assistance purposes. (L. 5.)"

This comprehensive, well-integrated program of policies and objectives of the Disabled American Veterans looks toward the best welfare of those who must continue for the rest of their lives to pay the price of patriotism—the Nation's war disabled veterans and their dependents, and the dependents of our war dead—and at the same time having in mind the best welfare of our country.

We help to protect, preserve, and promote America and the workability of its representative form of government, in the final analysis, by providing adequately for the welfare of America's disabled defenders.

To the end that deserving disabled veterans of all of America's wars, and their dependents, may be properly informed, advised, and assisted as to their rights, and as how technically to establish their entitlement to governmental benefits to which they may be lawfully and equitably entitled, the DAV has long been maintaining the largest staff of any of the national veteran organizations of full-time nationally paid national service officers—located in most of the regional offices of the Veterans' Administration.

Its Nation-wide set-up of trained service officers is now being speedily expanded through its sponsorship of a specialized vocational training course, whereby handicapped disabled veterans of World War II are becoming full-time employees of the DAV as national service officers. This training program, under Public Law No. 16, consists of two 12-week semesters, with 1 week's vacation between semesters, at the American University, 1901 F Street NW., Washington, D. C., followed up by one-the-job placement training—learning by doing—of up to 6 months under the supervision of each of three different experienced national DAV service officers located in three different regional offices of the Veterans' Administration.

During the course of this vocational training, the trainees receive monthly maintenance allowance from the Veterans' Administration of \$92 per month, plus \$11.50 for a wife, and plus \$5.75 for each minor child or dependent parent—which the DAV is now trying to persuade Congress should be increased up to a basic training allowance of \$115 per month, plus \$25 for a wife, \$15 for the first child, \$12 for the second child, and \$10 for each additional child or dependent parent, as per the provisions of S. 1301, introduced by Senator Ed. Johnson of Colorado and now before his subcommittee on Veterans' Affairs, of the Senate Finance Committee.

While at the American University, the DAV supplements the Veterans' Administration allowance by an additional \$25 per month, and increases that up to \$50 per month after the trainees have started their placement training, with gradual increases thereafter according to their relative merits.

Four groups of trainees have so far been enrolled at the American University. The next group will matriculate on August 20, and thereafter an additional group of up to 50 will enroll every 13 weeks, until 400 or more handicapped veterans of World War II have thus launched their career of service to the human aftermath of America's wars.

Every veteran of any of America's wars who has been either wounded, gassed, injured, or disabled, by reason of his active service in America's armed forces, or in the armed forces of one of its allies, during time of war, is eligible for membership in this exclusive congressionally chartered association, the Disabled American Veterans.

Every disabled war veteran ought to support the legislative and service activities of the DAV by becoming one of its paid-up active members, preferably as a life member. If born prior to January 1, 1902, an eligible may become a life member upon payment of \$50, or, if born thereafter, \$100, payable in cash, or by a down payment of \$5, plus such installments as will complete its full payment by the end of the next succeeding fiscal year, which would now be June 30, 1947, after which there would be a carrying charge of \$5 per year until the full amount had been paid.

About 40 percent of all of the members of the DAV, located in its some 900 chapters throughout the country, are fully paid or partially paid life members. Now, while jobs are still plentiful, is the advisable time for eligibles to become fully paid life members of the DAV so that their own organization can continue, during the lean years of the postwar peacetime reconversion period, to render all needed service to, for, and by America's disabled defenders.

Application and payment for DAV life membership should be sent to my good friend, Mr. Vivian D. Corbly, national adjutant, Disabled American Veterans, 1423 E. McMillan Street, Cincinnati 6, Ohio.

Senator JOHNSON. At this time I will insert in the record a letter under date of October 11, 1945, addressed to Senator George, from the Very Reverend Monsignor Frederick G. Hochwalt, director of the National Catholic Welfare Conference.

(The letter referred to is as follows:)

NATIONAL CATHOLIC WELFARE CONFERENCE,
DEPARTMENT OF EDUCATION,
Washington 5, D. C., October 11, 1945.

HON. WALTER F. GEORGE,
Chairman, Finance Committee, United States Senate,
Washington, D. C.

MY DEAR SENATOR GEORGE: The department of education, National Catholic Welfare Conference, welcomes the opportunity to offer comment and recommendations in reference to Public Law 346 and House Act 3749.

In the enactment of Public Law 346 the Congress of the United States has exhibited commendable foresight and prudence by anticipating the veteran's readjustment problems well in advance of the avalanche of discharges which we are now experiencing. In passing this law, Congress did not consider it to be a payment to the veteran for a service which can never be adequately compensated in a material way, but as an act of justice to assist him once more to take his place in civilian life which was interrupted by the war. The public was quick to sense this idea when it dubbed the law the GI bill of rights. It would be unfortunate, therefore, if through unwise though well-meaning amendments the veteran were to be given the impression that this law is to be a type of largesse from the Federal Government.

Recommendations are being made to the committee to liberalize the educational benefits through the modification of the existing Public Law 346. The department of education wishes to submit its opinion concerning two of these suggested changes:

1. The elimination of the 25-year age limitation.
2. A modification of section 1505 which would make deductible from any future compensation none, or only a part, of the tuition fees charged to the Veterans' Administration.

Whether or not the 25-year limitation should be eliminated depends upon the number of veterans over 25 years of age at the time of induction who have made legitimate requests for a course of study other than a refresher or retraining course. A sufficient number of reasonable requests might warrant a change in the law which would make the full educational benefits available to those who seek them. If there are only a few such requests, there does not appear to be a sufficient reason for risking an invasion of the schools by veterans whose previous contact with formal education is so remote that a return to school would be of little service in their readjustment to civilian life.

The department of education suggests that section 1505 be modified so that the differential between the amount paid in special contracts with the Veterans' Administration and the school's established tuition fee be not deductible from any future compensation. Although this change may somewhat alter the broad intent of the law, it is necessary in the interest of school systems which, without the revenue from tuition charges in excess of the established fees, cannot provide the specialized training suitable for the veteran's education. Presently such school systems would rather refrain from making any special provision for veterans than risk the accusation that they had discriminated against them by charging a fee, deductible from any possible future bonus, in excess of what was charged the nonveteran pupil.

The liberalization of the law should be accompanied by additional safeguards to protect the veteran and the Government from exploitation through irresponsible institutions of learning. Changes already incorporated into the law by Act 3749 may lead possibly to abuses which would expose the veteran to utter disillusionment when he discovers that certain very promising education courses proved to be a waste of time and effort. Any school which offers instruction valued at more than \$500 for a period of less than 30 weeks should be carefully investigated by the Veterans' Administration in cooperation with recognized accrediting agencies.

The department of education recommends that subsistence allowances be fixed at not more than the median rates reported by the colleges as needed for board and room either on or off the campus. Married veterans with one or more children should be granted a subsistence allowance for each child.

The department of education hopes that the suggested changes in the law are in keeping with its broad purpose and will work for the general welfare of all veterans.

Very sincerely yours,

FREDERICK G. HOCHWALT, *Director.*

Senator JOHNSON. I will also insert in the record at this point a telegram from Theodore H. Silbert, executive vice president, Standard Factors Corp., 270 Madison Avenue, New York, N. Y.

(The telegram referred to is as follows:)

NEW YORK, N. Y., October 10, 1945.

RALPH FREDERICK,

Senate Office Building, Washington, D. C.

Regret, because of inability to make plane connections, I am unable to be present at hearing on Thursday re GI bill of rights as suggested by you. Strongly urge for the particular benefit of veterans and banking and financing institutions nationally that the amendment to the GI bill should provide that accounts receivable and inventories be acceptable to the Government for automatic loan coverage. Such an amendment would permit additional hundreds of thousands of veterans to go into business for themselves. Suggest this telegram, if possible, be incorporated in the record.

THEODORE H. SILBERT,

Executive Vice President, Standard Factors Corp.

Senator JOHNSON. Mr. Brannan.

STATEMENT OF CHARLES F. BRANNAN, ASSISTANT SECRETARY OF AGRICULTURE, ACCOMPANIED BY J. E. WELLS, JR., DEPUTY GOVERNOR, FARM CREDIT ADMINISTRATION, AND ROBERT W. HUDGENS, ASSOCIATE ADMINISTRATOR, FARM SECURITY ADMINISTRATION

Mr. BRANNAN. I am grateful to this committee for the opportunity to present the Department's views regarding H. R. 3749.

The Department of Agriculture is primarily concerned with title III of this bill, entitled "Loans for the Purchase or Construction of Homes, Farms, and Business Property," and my comments will be confined to this title, and in particular to sections 500 and 501, which contain the general provisions for the guaranty of all types of authorized loans, and section 503, which specifically applies to agricultural loan guaranties.

Our concern stems from the fact that we are interested in any and all legislation which is designed to assist those veterans who elect to reestablish themselves on the farms of the Nation and also from the fact that this Department has, by delegation from the Administrator of Veterans' Affairs been engaged in carrying out the above-numbered sections of the act relating to this function.

Although H. R. 3749 would reenact many of the provisions of the Servicemen's Readjustment Act of 1944, it proposes the repeal of several of its provisions which we believe highly desirable and changes the application of others in such a way as to defeat the original intention.

PROTECTION OF VETERANS AGAINST EXPLOITATION

The bill before this committee does not provide the veteran with the safeguard and impartial information and advice regarding the values of farms, farm equipment, or livestock to be purchased by him that are available under the present act.

Language designed to afford protection against the purchase of land and equipment at excessively inflated prices and to guide the veteran away from incurring debt loads beyond his ability to repay are to be found in the present GI Act. For example:

The act now provides that before the Administrator of Veterans' Affairs guarantees the prescribed portion of a loan to a veteran he shall determine certain facts. These findings include:

(a) That the property he buys will be useful in and reasonably necessary to his proposed operation;

(b) That the ability and experience of the veteran are such that there is a reasonable likelihood of his success; and

(c) That the purchase price of the property does not exceed its reasonable normal value as determined by proper appraisal.

The bill also proposes that such findings, in general, shall be made, but specifies that these findings are to be made by the lender.

Only certain established lending institutions and such other lenders as may be approved by the Administrator of Veterans' Affairs may exercise this function for the Government and the veteran under this bill, and while these institutional lenders generally may be expected to deal fairly with veterans, the opportunity is present for some lenders to countenance the sale of property to veterans at unreasonable prices and allow them to be saddled with excessively heavy debts without limitation or review.

It is also to be especially noted that the bill has omitted the word "normal" as one of the elements of the present finding regarding the amount of the purchase price.

This finding would be changed to read:

The price shall not exceed the reasonable value as determined by the lender's appraisal.

There is always the possibility for wide variation in the opinions of reasonable men as to the "reasonable value" of a particular item of property. Land may have a "reasonable value" when judged by its long-term earning capacity. It may have a greatly different "reasonable value" when judged by present market conditions or immediate resale potentialities. Under the proposed amendments there would be no uniformity in any county, State, or throughout the Nation in the determinations of value.

It is clear from the legislative history of this portion of the present act that the Congress inserted the term "normal" for the purpose of indicating that the Administrator of Veterans' Affairs, or the agency he should designate to assist him in approving farm loans for guaranty, should take into consideration other factors than the current market price in determining the value of land, and that the Congress recognized that land prices were at the present time well above the averages for previous years and that there may be some adjustment downward from the peak which land prices had reached during the war or may reach in the immediate postwar period.

During the past Congress has used the term "normal" in legislation dealing with loans on farms, and its concept is generally understood for this purpose in the farm-mortgage lending field; hence, we believe some relationship of guaranteed loans to normal values should be retained in the legislation. Further, some reference of the relationship of current market prices to normal values should be helpful to the veteran who will assume the obligation.

Senator MILLIKIN. Would you say that, generally speaking, farm lands are now priced at an abnormal level?

Mr. BRANNAN. The figures of the Bureau of Agricultural Economics show they are well above, running as much as, in some cases, perhaps 100 percent or more above the prewar values of agricultural land.

We in the Department do not take the position that what the prices of lands as they prevailed before the war, let's say 1935 to 1939, are the prices to which lands are going again after the readjustment of this war takes place. But by the same token we do not say that the price of wheat will go back to the 1935 to 1939 level.

We all hope, and I am sure the Congress intends, by much of the legislation that it has before it, that we shall maintain a higher price level for farm products, and that there will be a corresponding reflection of those prices in farm land prices.

But I do think that the general concensus would be today that the prices at which farms are selling in many parts of the country are above what would be normal over a long period of time, taking into consideration the years prior to the war, the war, and subsequent to the war.

Senator MILLIKIN. That raises a point that bothers me some because I would like to think that the inflation we are in in many directions is only temporary and that we are going back to what might be called normal as to level of prices. But there is also much opinion that it is not temporary, that we are in for a continuing inflation.

The optimists hope that it will be very gradual. The pessimists think we are going into a progressive inflation. If we get to speculating about those things too much, how is the soldier going to get a farm?

Mr. BRANNAN. Well, Senator—

Senator MILLIKIN. I mean, who can say that the price of farm lands isn't going to rise gradually for a rather long period of time? Certainly, if we are in for long-term inflation, then it may be reasoned that farm lands will be in for long-term inflation and I think quite an argument could be built up for that.

I am not putting forth an argument for either side. I am trying to settle in my own mind what is the proper criteria on which a farm purchased for a serviceman may be realized, what is the proper criteria by which to judge the purchase of farm lands by servicemen.

As I say, I would like to think that we are going to get out of this inflation, but who is in position to say?

Carrying the argument a little further, if we turn down the application of a serviceman to make a farm purchase today because we think the price is going lower, suppose those who say it will continue to go higher for a long period of time are right; then we have perhaps rendered a disservice to the serviceman.

Mr. BRANNAN. Of course.

Senator MILLIKIN. We get into an enormous field of speculation, and how can we cut through that to get a solid foundation on which to proceed?

Mr. BRANNAN. It is my understanding that this, or any comparable language in the bill is designed not to state with definite certainty what the trend is going to be, and what the veteran can actually pay out of the earnings of that land for the land over the period of his repayment schedule, say, maybe 30 to 35 years, if some of the patterns of the repayment which are not prevalent and recognized by the Congress were adopted, but the Congress has provided for in the Department of Agriculture a bureau known as the Bureau of Agricultural Economics, in which we have a group of people who study these things, and do as best they can to predict—I mean, to forecast—what would be the general trends.

At least they can go back over the history and tell us what happened in previous decades following the previous wars, and leading up to those wars, but that isn't the final criterion.

Senator MILLIKIN. Can they tell us, for example, whether or not we are going to balance our Budget, and if so, when?

Mr. BRANNAN. No.

Senator MILLIKIN. If they can't predict that, how can they predict what the value of lands or anything else will be?

Mr. BRANNAN. Well, Senator, they can, perhaps, help us by saying that the price of farm commodities prior to the war were such and such; they were during the war such and such.

Now, at least, your veteran, or any individual who is about to buy a farm ought to take these factors into consideration, because your farm is your home and your business combined, and you are going to pay for your farm out of the operations of that farm, out of what you can take out of the soil with the use of your hands, and take the products of that soil to the market place.

Senator MILLIKIN. At the prices you can get.

Mr. BRANNAN. Yes.

Senator MILLIKIN. There comes the great question. What is the price going to be?

Mr. BRANNAN. If we can give the benefit of what knowledge is being developed from time to time in those fields, I think we have gone as far as we can go.

Senator MILLIKIN. I fully agree, he should be advised.

Mr. BRANNAN. Yes.

Senator MILLIKIN. I am just wondering what is the language we can put into this act that would protect the veteran. Frankly, I haven't any language that would produce that result, and I am not so sure that there is any language that can be put into the act to produce that result, because I don't think any man today can predict whether we are merely in a little temporary inflation, or whether we are going to go into more and more inflation, because that centers around the things I mentioned, when we are going to balance our budget, if we are going to balance it.

There are factors that can't possibly be calculated at this time. I am just wondering how you can soundly advise a man as to when he should buy.

MR. BRANNAN. Well, Senator, I am in perfect accord with your expression that no one can predict it, and no one that I know of now, would attempt to actually predict what is going to happen in the next few years to farm prices, the prices of farm commodities, or the prices of the land.

But there are available to us for examination, and such study as we care to make of it, and it is available to the veteran, and to anyone else interested in farms and farm prices, some analyses of what has taken place, and what might take place under certain circumstances in the future, such as full employment, and partial employment, and many of the other factors you spoke of.

I agree that it cannot be reduced to an exact science and we have to assume that by the term "normal" in here, that the Congress wanted the agencies of the Government who administered the bill to at least concern themselves with something beyond the present market value of lands, and equipment.

Now, I might say at this time, Mr. Chairman, that there is also present here, Mr. James E. Wells, Jr., Deputy Governor of the Farm Credit Administration, and also Mr. R. W. Hudgens, Associate Administrator of the Farm Security Administration.

These two agencies have been taking the part of the Department of Agriculture in assisting the Administrator of Veterans' Affairs in carrying out his work.

I am sure that Mr. Wells is much better equipped than I to talk about the matter of appraisal and what matters go into it, and if you care to, I can refer the question to him now, or at the end of the discussion.

Senator MILLIKIN. Let it come along in due course.

MR. BRANNAN. It is also important to observe that farm lands are in a peculiar category of their own from the standpoint of what the veteran can afford to pay for them.

A farm is his home and his income together and what he may be able to pay for it is not controlled by what farms are then selling for in the current market which may be based in part on prevailing prices of farm commodities or other current factors but rather on what the average income of the farm may be over the period of his purchase contract. And it is not sufficient that the income be merely enough to pay principal and interest; it should afford a sufficient sum for a decent standard of living for him and his family.

PROTECTION TO THE GOVERNMENT

We believe the committee should very carefully consider the proposal of the bill that loans would become automatically guaranteed as soon as the lender makes the prescribed determinations and has advanced funds to the veteran.

This provision would deny the Government any knowledge of the amount of any given risk or the aggregate amount of risks it was assuming until well after the obligation to assume the risks had come into force and effect.

In fact, almost the only function left in the Veterans' Administration would be that of paying the losses as and if they occur. It is difficult to perceive that the demands for the expeditious handling of the loan transaction could require the release of all supervisory or other safeguards by the Government.

DANGER OF INFLATION

We believe that the enactment of the bill in its present form would also contribute materially to the already inflationary trend in farm land, city, residential- and business-property prices. In omitting the word "normal" from the "reasonable normal value" phrase, and in providing for appraisals by the lenders rather than by appraisers selected by the Administrator of Veterans' Affairs, the bill leaves the way open for "reasonable value" to be interpreted as the current sales price of property, no matter how inflated that price may be.

In addition, section 501 (b) of the bill, by authorizing national banks to make guaranteed loans without regard to any other statute or ruling of the Federal Reserve Board, would remove the banks' transactions from the long-established safeguards designed to operate in the public's interest and which have been looked upon as protection against inflation.

OTHER COMMENTS

The bill proposes other changes in this title about which we wish to comment briefly.

It deletes the provision in the present act making veterans, with suitable training and experience, eligible for farm-purchase loans in the Bankhead-Jones Farm Tenant Act.

The Department's experience with this legislation has indicated that it can prove to be a very valuable instrument for assisting veterans. It should be restored.

The bill also deletes the amendment to the act that was contained in Public Law No. 98, approved on June 30, 1945. This was a provision to facilitate the extension of credit by the cooperative institutions of the Farm Credit Administration. The bill has also neglected to include these banks and loan associations as eligible lenders entitled to the benefits of the guaranty provisions.

These, in brief, are the reasons why the Department of Agriculture recommends against the enactment of H. R. 3749.

SUGGESTED AMENDMENTS TO THE ACT

We wish to suggest to the committee instead certain amendments to the Servicemen's Readjustment Act of 1944 which have developed from the Department's rather limited experience in working with the Veterans' Administration in processing applications for the guaranty of agricultural loans.

First, we believe that the act will be more effective if the loan guaranty limit for agricultural loans of \$2,000 is raised. A guaranty limit of \$5,000 would be more nearly in accord with the costs of farms throughout the Nation and with the sizable farm equipment costs in certain parts of the country, and would stimulate farm loans to veterans.

Second, we suggest increasing the repayment period for guaranteed loans from 20 to 35 years, especially if the amount of the loan limit is increased. This would be consistent with sound farm credit practices.

Senator MILLIKIN. May I ask, would you also raise the guaranty limit to \$5,000 on the other features of the bill?

Mr. BRANNAN. On housing and business?

Senator MILLIKIN. Yes.

Mr. BRANNAN. Senator, we do not recommend that. We simply are trying to focus our attention on farm properties and not on urban or business loans.

Senator MILLIKIN. The over-all standpoint is what I am thinking of and I am afraid you pose a discrimination which would operate on how a man chose to shape his life.

Mr. BRANNAN. Yes; but there is some rationale for that when you remember that the farm is not only his home, but his business.

Just to speak briefly on that point, we would loan \$2,000 for a home. We would loan \$2,000 for a business. The act now says, we will loan \$2,000 for each. And we will loan \$2,000 for a farm. In one sense the loan for the farm is the equivalent of the other two, because it is his home as well as his business, and it really, in essence, is something other than just simply a plain differential in dollars.

When you move into consideration of what it costs to buy a farm in our State, for example, and many of the other Western States, the \$2,000 limitation, assuming that that general application of a 50-percent guaranty limit would limit a loan to \$4,000, wouldn't allow very many men to buy farms in Colorado, or in many of the Western States.

I have here a table of what it generally costs to buy a farm out in our part of the country. As a matter of fact, in every State of the Union. All the States are covered by the list. I might include that in the record.

Senator JOHNSON. Yes; we would like to have that in the record.

Mr. BRANNAN. These are figures with respect to the family-type farm, and we have been going on the assumption that the GI Act is intended to help the veteran establish himself in a family-type farming enterprise.

Here is the document.

(The table referred to is as follows:)

TABLE 1.—Approximate range in cost of family farms in different States and Territories

State	Cost	State	Cost	State	Cost
Alabama	\$3,500- \$4,500	Maryland	\$6,000- \$9,000	Oregon	\$8,000-\$10,000
Arizona	7,500- 10,000	Massachusetts	6,000- 8,000	Pennsylvania	5,000- 8,000
Arkansas	3,500- 5,500	Michigan	6,000- 9,000	Rhode Island	4,500- 6,000
California	9,000- 12,000	Minnesota	7,000- 10,000	South Carolina	3,500- 5,000
Colorado	8,000- 12,000	Mississippi	3,500- 6,000	South Dakota	6,000- 9,000
Connecticut	7,000- 9,000	Missouri	4,500- 7,500	Tennessee	4,000- 6,500
Delaware	5,000- 8,000	Montana	8,000- 12,000	Texas	4,000- 10,000
Florida	3,500- 5,000	Nebraska	8,000- 10,000	Utah	6,500- 9,000
Georgia	3,500- 4,500	Nevada	8,000- 10,000	Vermont	5,000- 7,500
Idaho	8,000- 10,000	New Hampshire	5,000- 7,500	Virginia	4,000- 6,000
Illinois	7,500- 12,000	New Jersey	7,000- 9,000	Washington	8,000- 10,000
Indiana	7,500- 10,000	New Mexico	7,500- 10,000	West Virginia	3,500- 5,500
Iowa	7,500- 12,000	New York	5,000- 9,000	Wisconsin	6,000- 10,000
Kansas	8,000- 10,000	North Carolina	4,000- 6,000	Wyoming	8,000- 12,000
Kentucky	5,500- 8,000	North Dakota	6,000- 9,000	Hawaii	5,000- 7,500
Louisiana	3,500- 6,000	Ohio	7,500- 10,000	Puerto Rico	4,000- 5,000
Maine	4,500- 7,000	Oklahoma	4,000- 10,000		

Mr. BRANNAN. Third, we recommend that the purchase of seed, fertilizer, and other similar farm supplies be recognized in the act as an eligible purpose for guaranteed loans, and that construction of farm buildings and equipment also be so recognized.

Fourth, the act, we believe should be amended to provide that the cost of at least one appraisal of property to be purchased with guaranteed loans be paid for by the Administrator of Veterans' Affairs for each veteran.

Fifth, we suggest that the act clarify the authority of the Administrator to designate such agency or agencies as he finds equipped to make the determinations required in carrying out the provisions of title III and the rules and regulations which are promulgated under that title.

We have submitted a formal report on the bill and in it we have suggested specific language which would carry out the recommendations that have been made, but the character of the recommendations are such that no complicated language need be suggested and I don't think at this time the committee should be troubled with the specific suggestions.

For example, if it were the desire of the committee to increase the loans from \$2,000 to \$5,000, a simple sentence on the end of section 305 would be adequate, and so forth.

As I said a moment ago, Mr. Wells and Mr. Hudgens are here, and they have been the persons who have operated the programs so far as the Department of Agriculture is concerned, if you care to inquire of any of us.

Senator JOHNSON. We should like very much to have their views on farm-land values, especially with respect to that word "normal" and the prospect of lower prices in the future of farm land, in view of the point raised by Senator Millikin, with respect to governmental spending and balancing of the budget. That is a new economic factor, and it is fundamental, certainly.

I had a letter today from a friend of mine who wanted my advice about buying a farm and I told him in the first place not to take my advice and in the second place I felt that inflation was going to continue because I didn't see any inclination down here in Washington to balance the budget and so long as the budget was not balanced, that inflation must increase progressively.

That was my analysis.

But I should like very much to hear the analysis of Mr. Wells, and that of Mr. Hudgens.

Mr. BRANNAN. That is a very broad invitation.

Senator JOHNSON. Mr. Wells.

Mr. WELLS. Senator Johnson, we were before the House Committee on Agriculture this spring on Public Law 98, and they discussed with us the concept of "normal value," questions concerning appraisals, and so forth, and they inserted language in that act, which was passed by both the Senate and the House, which I should like to read:

No such loan shall exceed 65 per centum of the normal value of the farm mortgage, said value to be ascertained by appraisal, as provided in section 10 of this Act. In making said appraisal, the value of the farm for agricultural purposes shall be the basis of appraisal and the normal earning of said farm shall be the principal factor.

We do not have the answers, of course, to the specific question as to what land values will be 5, 10, 15, 20, or 34 years from now; we make farm mortgages that mature up to 34 years. The land banks make these loans. We have not had sufficient long time experience to resolve appraisal of farms to an actuarial science. We have had only 28 years of experience in this field, but we have lived through two complete business cycles. From the point of view of the land banks, we have a definite responsibility to the growers who have their own capital invested in the banks, and if there are any impairments the farmers will take the first losses, and to the Congress, and to the investing public. From the point of view of the Federal land banks they desire to continue to make loans based on "normal agricultural value" appraisals.

The banks don't like to change their methods of appraisal, because of the long-term life of their mortgages, from one plan to another until some new plan becomes stabilized, or changed economic conditions become stabilized.

Our appraisal methods are revised from time to time in order to reflect changes in production and in prices after we are confident that the new changes have become stabilized.

We make loans in areas today that we didn't make loans in 5 years ago; there are probably areas, in which we are making loans today where, perhaps, 3 years from now we won't be making loans because they have become unstable because of erosion, drought, or other factors.

We realize the problems that the veteran is faced with in trying to acquire a farm. We do believe, however, that he should have facts in regard to the normal agricultural value of a farm that he wishes to purchase, as we appraise it, before he buys the farm. Whether he should be restricted by the GI bill to that particular valuation as to the purchase price that he finally is permitted to pay raises another question.

Now the average prices of products sold from the farm is just one factor used in making an appraisal. Other factors include average crop yields, costs of farm operations, maintenance of farming productivity, and many others such as farm home and community advantages.

Price is just one factor. It is price times quantity that makes the gross income for a farm; thereafter costs are deducted the farmer arrives at his net income. Expenses of farming have increased a great deal during the past few years.

But in our estimates we use what we estimate are long-term average prices, usual costs, typical production, and regular maintenance costs; they are used as a guide. The resulting net income is used as a guide in determining the final estimated normal agricultural value of the farm; that which would be expected to prevail under normal conditions of all factors affecting the market for the land. If a different series of price figures, production figures, and costs than we are now using were recommended by proper authorities we could adapt them to GI appraisals.

But from the point of view of the Federal land banks, who have the growers' money at stake and who have the public's interest at stake, we much prefer to adhere to our present methods of valuing lands for land-bank loans.

A practice that concerns us is the assumption of some people that all lands have the same productivity. Of course, that is not true. Roughly, we classify land into five different classes—one, two, three, four, and five.

The thing we fear is that veterans are purchasing three-, four-, or five-class farms. These types of farms are, during periods, either high costs or low prices, the first ones to get into trouble. We have come to the conclusion that four and five farms, at sometime during the life of a loan on them, will have to receive grants from some place. The loans on these classes of farms usually have difficulty in being paid out in full from income from the farms.

In reviewing some of the appraisals, that are made by the land banks for applications for loans from veterans, which are separate and distinct from the appraisal work done for GI loans, we are shocked at the number of examples where veterans have paid or already agreed to pay prices for land that are greatly in excess of any reasonable value of the land from an earning point of view.

Too frequently veterans come to us for an appraisal for a loan after they have obligated themselves.

We are doing our best to bring helpful advice to veterans before they get into difficult situations.

Some veterans are now obtaining loans from the Federal Land Bank System at 65 percent of the normal agricultural value of the security. There are not very many to date because not very many veterans have been released, but during the last fiscal year we made 311 loans to World War II veterans for about \$1,325,000, and we assume we shall make a large number of loans through our normal lending operations.

I have not answered your specific question as to what the future will be, but I know that many agricultural areas and products are faced with serious reconversion problems.

Senator JOHNSON. You haven't said much about the normal value either.

Mr. WELLS. I think the easiest way to get a concept of the "normal" is to think of it as an average value after eliminating extremes of high and low periods.

Senator MILLIKIN. Normal relating to what period of time?

Mr. WELLS. Our prices are based on 1909 to 1914 averages. This is the same general base period that is used for estimating parity prices as defined in section 301 of the Agricultural Adjustment Act of 1938. We are using what we call average yields, not the high yields that many farmers have been getting in some areas during the past 3 or 4 years of excellent weather and excellent production conditions. We are using typical costs of production; not the present high cost of production.

Another example may be of interest, during the period of 1933-35 we frequently made loans in an amount greater than the then current price of the farm.

We feel that it is our duty to lend conservatively during periods of high farm income, and to lend courageously during periods of low farm income.

As I said before, however, if proper authorities desire to use some other basis for prices, of cost, or of production, we shall try to apply them to the formula that we now use for GI loans.

Senator MILLIKIN. That is what we are trying to find out, whether we should. Let us take an area, let us say in an irrigated district in Colorado. Let us assume that the price of that land during the war has increased 25 percent.

Just taking that single factor of price, is that an abnormal increase in price under all the circumstances?

Supposing on that single factor we say: "No, we won't approve that application because there is a 25-percent abnormal inflation in price." That poses the question originally posed, how do we know there won't be another 25 percent. We are dealing with the economic and social life of a man. I don't know of any formula that would stop us from making mistakes, but I am groping around to try to find one.

As Senator JOHNSON pointed out, you have a number of factors in your calculations. These cycles you are talking about involve inflation and relatively small deflation. We never had a situation before where we had a \$300,000,000,000 debt. Perhaps this year we will have a forty- or fifty-billion-dollar deficit. We can't bring those things into balance in 2 or 3 years, and there is a school of thought that it is not necessary to bring it into balance. I am not arguing that point, but you do have a difference of opinion and no man can sit here today and say what is going to be the final governmental policy, and so no man can sit here today and say what is the normal value of land 5 years from now or 10 years from now.

Senator JOHNSON. I concur in everything that Senator Millikin has said, and in addition I would like to point out that it seems to me that the approach of Mr. Brannan and his associates to this problem is just a little bit in error.

The theory of the GI bill or rights, and the advance of a certain amount of money toward the purchase of a home or toward the purchase of a farm was to take care of the veteran's own equity in that farm.

No one is going to sell a farm or home and just transfer the whole thing to indebtedness. He wants the man buying the home to have an equity in there, so he will be protected in his loan. And that is the theory of the \$2,000 equity that the Government furnishes to the veteran in lieu of his own inability to have an equity in his own right. That is the theory of it.

Now, Mr. Brannan is proceeding on the theory that the Government ought to increase the amount of the equity to \$5,000. If that be true, it seems to me that they ought to increase it to the total amount of the farm. We ought to proceed on one theory or the other. Either that we are providing the veteran's equity, or that the Government is setting him up in this farm. And if we are going to go to \$5,000, we should go higher.

I noticed the preceding witness, Mr. Rice, pointed out the inequities of our treatment of the veteran. He stated that the Farm Security, that under the Farm Security, it was possible for a person to get a Federal loan of \$12,000 for the purpose of a farm home, and here the veteran is restricted to \$2,000.

That illustrates the difference between the two approaches.

Under the Farm Security, the Government goes out and makes a total loan without the farmer himself having very much of an equity.

They own the farm. They have first mortgage. They have the whole thing.

That that isn't the sort of proposition that we have before us at all under the GI bill of rights.

Mr. BRANNAN. May I ask Mr. Hudgens to answer that more directly, but let me just say that I think that even under the Bankhead-Jones Act, some equity is required of the borrower.

Secondly, in suggesting the \$5,000, or some figure greater than \$2,000, I was only suggesting that it takes a greater equity for an individual to buy a \$10,000 or \$12,000 farm than it does for a person to buy a \$4,000 or \$5,000 farm, and that to reach a farm of, say, \$12,000, an equity of \$4,000 or \$5,000 is more in line with the average or ordinary circumstances than would be a \$2,000 sum.

I find myself completely in accord with what you say except I think the application of the equity idea—I didn't make myself clear on that in the first instance.

Senator JOHNSON. Was Mr. Rice correct when he stated that a veteran might proceed under some other plan and go out and get a farm and borrow as much as \$12,000 on it?

Mr. BRANNAN. Let me ask Mr. Hudgens to answer that.

Mr. HUDGENS. Senator, the Bankhead-Jones Act provides up to 100 percent loan at 3 percent for 40 years for veterans.

Senator JOHNSON. How many years?

Mr. HUDGENS. Forty years. We have set an administrative limit of \$12,000 because that is adequate in most parts of the country to buy a family farm. We have made loans of that kind to World War I veterans and World War II veterans. No special authorization was necessary because they were eligible as tenant farmers.

The Bankhead-Jones Act was included in the GI bill in order to provide authority for a veteran, regardless of whether he had been a tenant farmer, to get a Bankhead-Jones loan if he wished. That is in the GI Act now.

Now, the \$2,000 point has come to us more as a protest from the field than from our own desires. It is pointed out in dairying sections of the country and in the West that there is discrimination against them for they aren't able to establish a family type farm with \$2,000 as can the veterans in the South. You can set up a family-type farm in the South with the \$2,000 guaranty. They say in the West and in the dairying sections that you can't set up a family-type farm with that and thus they claim discrimination.

Many veterans say that the Bankhead-Jones loan is more desirable to a veteran than a GI loan, particularly if he needs some additional supervision.

I take it that the GI loan's adequacy is not going to be tested as to how it operates entirely by itself, but how it operates in conjunction with other available credit.

In regard to Mr. Brannan's point about basic changes in the act, I might point out that the GI program has operated only about 7 months, and I think, observing it operate, we aren't prepared to say there should be any major changes in it.

There was in the letter the Secretary sent to the Bureau of the Budget some suggestions that would allow changes in the Veterans' Administration regulations that I think would obviate a good bit of complaint about delay.

At the present time, the Veterans' Administration delegates to a committee the final approval of a loan. In our experience in handling the Farm Security, we delegate to the county supervisor and the county committee more authority than the Veterans' Administration is willing to delegate to the Secretary of Agriculture and it works pretty well.

We think that the only "red tape" that should logically be cut off is that part which is taken up after the committee makes a judgment decision on a loan.

At present the application goes to the Veterans' Administration after the committee has acted on it. They make a judgment decision on it again, and it comes back.

Senator MILLIKIN. Let's follow that through. Let's follow one of these applications to the finish under the act.

What happens? Say that I want to buy a piece of farm land.

Mr. HUDGENS. First you decide what you want to buy.

Senator MILLIKIN. Yes.

Mr. HUDGENS. Second, you find a willing lender, and if the lender should say, "How much can you pay down?" and you say, "I can't pay anything, but I can get part of it guaranteed," then the application is set up.

The lender makes up a docket and sends it to the committee. In the meantime, he will have ascertained whether you are eligible under the GI Act and so on.

At the same time, if it is a real-estate purchase, Farm Credit is asked to make an appraisal of that piece of property.

The appraisal comes back to the committee and the committee attaches it to the application.

Senator MILLIKIN. Do you have a panel of appraisers?

Mr. HUDGENS. It is regular Farm Credit appraisers. The request for appraisal goes to their chief appraiser in the particular area.

When that comes back to the committee, they review it along with the four items that are in the GI bill, namely, whether it is a bona fide operation, whether it is necessary, whether he can pay it off, whether he is getting a good buy. If it meets these requirements, they approve it and it goes to the Veterans' Administration, to their regional office, they approve or disapprove, and it goes directly back to the lender.

It comes back to your bank. From that point it is handled as any other loan operation.

Senator MILLIKIN. At what point does examination of title come in?

Mr. HUDGENS. Just as it does in an ordinary settlement of any transaction, at the closing time, and, as in ordinary business, the person who receives the loan pays the cost.

There is one point in this connection that was mentioned in the Secretary's letter that I think should be mentioned here. It has been a cause of considerable irritation among veterans. That is the fact that the veteran has to pay for the appraisal.

The Secretary of Agriculture's suggestion on that point was that the Government pay for that appraisal, and our reason is that the appraisal which is called for in the GI bill is part of the administrative function on the part of the Government, to determine whether the Government is going to get on that note or not.

It is not a substitute for the bank's appraisal, unless the bank wishes to make it so. That is a point of irritation that has been reported from the veteran in the field.

I would like also to comment further on this business of appraisal and values:

The uncertainty of the price at which a person should buy a farm grows mainly out of the fact that the farm is to be paid for out of the agricultural income, and for that reason it does come down primarily to a consideration of what agricultural prices are going to be.

On the other hand, buying a farm is something more than a guess in the dark as to what prices are going to be if advantage is taken of available information.

For example, the Bureau of Agricultural Economics that Mr. Brannan mentioned, includes in its studies something that ends up with an answer to this question of what is their estimate of agricultural prices in 1950—based on moderate employment or based on full employment or based on intermediate employment, and they take into consideration the exports, imports, per capita consumption in this country, and a lot of other factors.

As an illustration, this pamphlet that I have here indicates, in this long list of items, that prices, that is, the index of prices received by farmers, based on 1909 to 1914, which in 1935-39 was 107, and in 1943 was 193, could be expected by 1950, in the face of full employment, to drop back to 165.

Senator MILLIKIN. That, of course, involves the value of the dollar. I don't see how you can estimate that. I would assume that it would retain the value it had at the time the statistics were gathered together.

Mr. HUDGENS. Yes, Senator Millikin. I don't mean to go into all of the factors. They did consider those factors. I am simply saying that it is something more than guessing in the dark, as to what is a reasonable prospect.

We do know that when a man buys a farm, if he exceeds in the price he pays, the capitalization of the landlord's share, that sooner or later he is riding for a fall, but on the other hand there is constantly a demand to know what concessions are you going to make in your appraisal toward inflation.

Now, there are whole areas in which we aren't making any loans. We were very nearly out of the State of Kentucky because land prices had gone so high. All of which comes down to the fact that we think we can pretty nearly lick anything but inflation.

We have done a lot of thinking on this point trying to arrive at some suggestion that we might make of a take-out measure for inflation.

In studying the Canadian plan which was passed in 1941 for soldier settlement we find that they simply cut across corners, and authorized their Veterans' Administration to buy and develop farms and sell them to veterans at 66 $\frac{2}{3}$ percent of their cost. They apparently arrived at that because the loans they made after the last war finally settled out at two-thirds of their cost. That certainly has the virtue of simplicity.

Now, we think that we might follow some line that would take the place of that, and yet not be as rigid as that.

For example, this sort of thing has been suggested.

Suppose we did allow loans in Kentucky to veterans. As you stated, Senator, we don't know how much inflation there is. We are not even dead certain that there is inflation. But the veterans say—I have had some of them say this to me, "If the country is going to treat itself to an inflation, we ought not to have to bear the cost."

So to answer that, this suggestion has been made: Suppose a loan were made to a veteran—that is, a direct Government loan—and at the end of 10 years, say, the Secretary of Agriculture were authorized to adjust that to the agricultural income of that operation during the 10 years with a limit of say 30 percent or 20 percent or 25 percent on how much that debt could be adjusted downward.

That would have the advantage of allowing the veteran to get into farming, not at a 200-percent increase in land, but at some administratively determined increase above an appraisal level, but at the same time would not saddle on the veteran whatever inflation turned out at the end of 10 years to have been there.

Senator MILLIKIN. But, wouldn't you be adding fuel to the fire of inflation, because it would require an increase in the indebtedness of the Government to make the adjustment you speak of?

Mr. HUDGENS. Yes; but the alternative is that you can say now only one of three things to a veteran.

You can say to a veteran who applies for a loan, "Sorry, you can't buy at what we think you can pay, so you are out;" or you can say, "Sorry, we can't do anything. All this credit that has been provided is there, but you can't use it."

I listened to some veterans talking last night, and one said, "You certainly have gone to a lot of trouble to get us credit, but just try to use it."

To repeat, we can say, "Sorry, no farm." Or we can say, "All right, we will lend you money, and we know you will be busted, but somebody will buy it after you are washed out, and he will get some security."

Or we can say, "We will take your name and address. Come back in about 10 years, and we will look you over."

So even though what you say is correct, in terms of alternatives, I think it is going to have to be decided whether we are going to allow veterans to get farms in this period, even though we are not quite certain, as you say, whether we have inflation, and, if so, how much.

Further, if we go 2 or 3 years longer, I don't know that our vision for the then future will be much clearer than it is for this future.

Senator MILLIKIN. What should we do now? That is what I want to know.

Mr. HUDGENS. Well, sir, it seems to me that if Congress is going to allow veterans to get farms, we are going to have to decide to what extent we will make concessions in the direction of inflation and what hedges are going to be set up for veterans protection against recessions. I don't mean all that want them, because there are perhaps a half a million veterans who have expressed a desire at some time for farms, but who are not going to be able to get them, and we must recognize that, but some are going to get them, and we would like as many to get them as can possibly get them, who want them, and we would like all who do get them to keep them.

To what extent is the national debt and the debt service going to force any administration to pay a good bit of attention to prices? To

what extent has the farmer become so much more articulate than he was before the last depression that he can exert some influence in the direction of supporting the prices?

To what extent are the much lower interest rates prevailing now going to justify, somewhat higher capitalization of lands.

There seems to me to be other factors that exist now that didn't exist after the last war—but having made whatever concession that we are entitled to take in the direction of inflation there has still got to be some "take out" measure on the veterans, if we are going to allow them to get into farming now.

Senator MILLIKIN. That is right. How much concession should we make for the factors you have mentioned?

Mr. HUDGENS. Well, sir, I am sure that none of the experts who wrote this pamphlet would dare get themselves out on a limb like I am thinking of doing here, but not being an expert, I am perfectly willing to do it.

It seems to me—and that is my hedge—to say that it is reasonable to expect at least moderate employment by 1950, and if that is the situation, then we might expect the price index to be a little above halfway between the 1935–39 average and the 1943 average.

In other words, what I am saying is a broad generalization, that it seems reasonable to me to expect in the face of moderate employment by 1950, prices to settle back to about halfway between where they were in 1943–45, and where they were in 1933–37.

That is pretty risky to translate into terms of commodities because the prospect may vary widely between commodities. For example, I have no idea that tobacco will go back to 18 and 19 cents where it was prewar. Nor do I think it is likely to stay at 45–47 where it is now.

Senator MILLIKIN. What would you say the scale of wages will be in 1950?

Mr. HUDGENS. I won't get out on a limb on that one Senator.

Senator JOHNSON. We appreciate your help on this in this matter. It is a very difficult decision for the committee to make.

As you point out, we could hang the curtain up here and say veterans cannot buy farms and that is what we do when we insist on normal values.

Mr. WELLS. Some people have made the suggestion that the appraisal of normal value be given to the veteran so that he may understand all of these factors, but that he be permitted to buy the farm at a price above the appraisal value. That thought may have some merit, I believe, especially when class one and two farms are considered for purchase.

I would be unhappy to have that plan apply to four and five class farms, because the possibility of paying out in the latter type of farms is not too hopeful.

Senator MILLIKIN. An amendment has been proposed that would establish a base, let us say, of normal value, plus 10 percent. It is obvious that the moment you do that, you are up to the 10 percent and then you have to hike it up.

Mr. WELLS. Yes.

We didn't begin appraisal work under the GI bill until April of 1945; from April through September we have only had 602 applications referred to us to process. We are of the opinion that quite a few loans were made under our present appraisal methods.

We also believe, because of the high average age of farmers in the United States, that there will be a considerable turn-over in farm ownership in the near future. There will be a number of farm boys who will acquire ownership of farms from their parents. The majority of these, I believe, will be financed through present institutions in the usual manner.

Senator JOHNSON. Thank you.

Do you have anything further?

Mr. BRANNAN. Nothing further.

Senator JOHNSON. Reference has been made several times to the Secretary's letter, as I understand it, the Secretary's letter to this committee. Do you have a copy that can go into the record at this point? I don't have it and I think it ought to go into the record at this point if it is to this committee and deals with this subject.

Mr. BRANNAN. Senator, I am sorry to say the letter is a letter to the Budget Director, Harold Smith, and I don't know whether it was transmitted by him directly to the committee or not.

Senator JOHNSON. I haven't seen it, but reference has been made to the Secretary's letter in the testimony by you and the others.

Mr. BRANNAN. We will be guided by whatever you wish in that regard.

Senator JOHNSON. You might determine whether or not that has been cleared, and if it has been cleared, and if it is properly a matter that should come before this committee, will you submit a copy for the record?

Mr. BRANNAN. We will, sir.

Senator JOHNSON. Thank you, very much.

We have run overtime a little bit. I would like to resume the hearing at 2:30, if our other witnesses can be available at that time. (The letter referred to is as follows:)

SEPTEMBER 14, 1945.

HON. HAROLD D. SMITH,
Director, Bureau of the Budget.

DEAR MR. SMITH: H. R. 3749, on which you requested a report from this Department on August 1, 1945, reenacts many of the provisions of the Servicemen's Readjustment Act of 1944, but includes numerous amendments to that act, particularly in title III, loans for the purchase or construction of homes, farms, and business property. The Department's concern is principally with this title, and the comments which follow relate to it, particularly sections 500 and 501, which contain general provisions governing the guaranty of all types of authorized loans, and section 503, which applies specifically to loans for agricultural purposes. The bill proposes to repeal several provisions of the act which we think should be retained. Most of our comments appear to apply with equal pertinence to the provisions governing loans for the purchase or construction of homes and for the acquirement of business properties.

Brief comments on the proposed principal changes in title III are contained in this letter, which is supplemented with three appendixes, (A) a comparison of the principal provisions of title III in the act and in H. R. 3749, (B) a more detailed comment on this title of the bill, and (C) some suggested amendments to title III of the present act. We believe the loan guaranty provisions of the act are greatly to be preferred to those in the bill, although our rather limited experience in working with the Veterans' Administration in processing applications for the guaranty of agricultural loans indicates the desirability of some changes in this title of the act, which changes we are suggesting in appendix C.

Our principal comments on the loan guaranty provisions of the bill follow, which comments are stated more fully in appendix B, which also includes some additional points.

1. *Protection of veterans against exploitation.*—We believe that the bill affords far less protection to veterans than does the act against exploitation in the purchase of farms, farm equipment, and livestock, at inflated prices and the incurring of an excessive debt load incident thereto. The act provides that, before the Administrator of Veterans' Affairs guarantees a portion of a loan, he shall make certain findings: (a) That the veteran has used or will use the proceeds of the loan for the specified purpose; (b) that the property will be useful in and reasonably necessary to the proposed operation; (c) that the ability and experience of the veteran are such that there is a reasonable likelihood of his success; and (d) that the purchase price of the property does not exceed the reasonable normal value thereof as determined by proper appraisal. The bill provides that all these findings are to be made by the lender, and that, on an agreement being reached between the veteran and the lender in any amount and the making of the loan, the specified portion is automatically guaranteed. An especially serious change is in relation to the appraisal, the word "normal" in the act being omitted in the bill, so that finding "d" in the act quoted above reads "the price shall not exceed the reasonable value as determined by the lender's appraisal." The bill limits the guaranty of loans to those made by certain established lending institutions and such other lenders as may be approved by the Administrator of Veterans' Affairs. While these institutional lenders generally may be expected to deal fairly with veterans, the opportunity for lenders to unload property on veterans at exorbitant prices and saddle them with an excessively heavy debt burden is unlimited.

2. *Protection to the Government.*—As the bill provides for automatic guaranty of a portion of the loan on its consummation and the making of certain findings by the lender, no representative of the Government has any opportunity to determine the value of the security in relation to the amount of the loan or the risk assumed by the Government in the guaranty. Further, the bill deletes the provision of the present act directing the Administrator of Veterans' Affairs to issue regulations governing the guaranty of loans to veterans. Practically no function now vested in the Administrator of Veterans' Affairs under title III of the act is retained in the bill except payment of losses incurred resulting from the guaranty of loans. It seems certain that the payments on guaranties would be enormously increased without any corresponding benefit to veterans.

3. *Danger of inflation.*—It seems to us that enactment of the bill in its present form would contribute materially to the already dangerous inflationary trend in farm-land prices and in city residential and business properties as well. The omission of the word "normal" in the phrase "reasonable normal value" in the provision relating to appraisals and the fact that the appraisal is to be made by the lender rather than by an appraiser selected by the Administrator of Veterans' Affairs leaves the way open for determination that the "reasonable value" is the current sales price of the property, no matter how inflated it may be. Section 501 (b) of the bill, authorizing national banks to make loans guaranteed under the act without regard to any other statute or ruling of the Federal Reserve Board, excludes these transactions from the operation of safeguards long established in the public interest which have been regarded as affording protection against inflation.

4. *Other comments.*—The bill deletes the provision in the present act making veterans with suitable training and experience eligible for farm-purchase loans under the Bankhead-Jones Farm Tenant Act and the amendment to the act contained in Public Law 98, approved June 30, 1945. Further, no Government or Government-sponsored agricultural credit agency is named as an eligible lender in the bill. These items are commented on more fully in appendix B.

The Department recommends against enactment of H. R. 3749, but suggests, in appendix C, certain amendments to the Servicemen's Readjustment Act of 1944 which it believes to be desirable.

Sincerely yours,

CLINTON P. ANDERSON, *Secretary.*

APPENDIX A

COMPARISON OF PROVISIONS OF TITLE III OF SERVICEMEN'S READJUSTMENT ACT OF 1944 AND H. R. 3749, PASSED BY THE HOUSE JULY 18, 1945

Title III of the act and the bill relate to guaranty by the Administrator of Veterans' Affairs of loans made to veterans for the purchase or construction of homes, the purchase of farms and farm equipment, or the purchase of business

property. The bill proposes no change in (1) the purposes for which loans may be guaranteed, (2) the eligibility of veterans for loans, (3) the portion of the loan to be guaranteed, (4) the maximum interest rate on guaranteed loans (4 percent), (5) the maximum period for which loans may be made (20 years), or (6) the provision for payment by the Administrator of the first year's interest on the guaranteed portion of the loan.

The principal changes proposed to be made by H. R. 3749 follow:

ACT OF 1944

H. R. 3749

1. *Period in which application for guaranty may be made*

Within 2 years after separation from service or 2 years after termination of the war, whichever is later, but in no case more than 5 years after termination of the war.

Within 6 years after separation from service or 6 years after termination of the war, whichever is later, but in no case more than 8 years after termination of the war. No loan to be negotiated within 30 days after discharge.

2. *Procedure in obtaining guaranty*

Guaranty after determination by Administrator of Veterans' Affairs that conditions specified in the Act have been met. These conditions vary somewhat with the purpose of the loan. On loans for agricultural purposes the Administrator must find that (1) the loan will be used for the purchase of land, buildings, livestock, equipment, machinery, or implements, or for repairs to buildings or equipment, or purchase of stock in a cooperative association where such purchase is required by Federal statute incident to obtaining a loan on which a guaranty is sought;

(2) Such property will be useful and reasonably necessary for efficiently conducting the proposed farming operations;

(3) Ability and experience of veteran and nature of farming operations to be conducted are such that there is reasonable likelihood of success;

(4) That purchase price paid or to be paid does not exceed the *reasonable normal value* as determined by *proper* appraisal.

On completion of arrangements for a loan in any amount between any of established lending agencies named in the bill and the veteran, and the making of the loan, guaranty of the specified portion is *automatic*. Determinations to be made by the Administrator of Veterans' Affairs under the present Act are to be made by the *lender*, with following changes in determinations: (1) Purchase of stock in cooperative lending association as eligible purpose for use of proceeds of loan is stricken out. (This purpose was added to 1944 Act by amendment approved June 30, 1945.)

(2) No change.

(3) No change.

(4) "Normal" stricken out and "proper" changed to "the lender's," so that section reads "that the purchase price paid or to be paid * * * does not exceed the *reasonable value* thereof as determined by *the lender's* appraisal."

3. *Eligible lenders*

Persons, firms, associations, and corporations, and Governmental agencies or corporations, either State or Federal.

Any Federal Reserve bank, National bank, State bank, private bank, building and loan association, insurance company, or mortgage and loan company established prior to the date of this Act, or any other lending institution or any person approved by the Administrator.

4. Evidence of eligibility of veteran

Certificate issued by Administrator of Veterans' Affairs.

Certificate of honorable discharge. Certificate to be issued by Administrator of Veterans' Affairs only in those cases where discharge other than honorable or dishonorable.

5. Terms and conditions of loan repayments

Payment of loans on terms and conditions approved by the Administrator.

No such provision.

6. Authority to issue regulations governing guaranty of loans

Section 504 of the Act authorizing the Administrator of Veterans' Affairs to issue regulations governing the guaranty of loans under title III.

No such provision.

7. Full guaranty of "secondary" loan

Section 505 (a) of the Act authorizes Administrator to guarantee the full amount of a "secondary" loan, not in excess of 20 percent of the purchase price of the property or \$2,000, whichever is the smaller, if the "principal" loan for any of the purposes specified in title III is approved to be made, guaranteed, or insured by a Federal agency.

No such provision.

8. Veteran eligibility for Bankhead-Jones tenant purchase loans

Section 505 (b) of the Act provides that any veteran eligible for the guaranty of a loan, if found by the Secretary of Agriculture to be likely to carry out successfully obligations required by a Bankhead-Jones tenant purchase borrower, shall be eligible for such loan the same as if he were a tenant.

No such provision.

APPENDIX B

COMMENTS ON H. R. 3749

The Department of Agriculture is primarily concerned with title III of H. R. 3749, loans for the purchase or construction of homes, farms, and business property, especially section 500, general provisions for loans, and section 503, purchase of farms and farm equipment. We are also concerned with the omission from the bill of section 505, particularly 505 (b), of the Servicemen's Readjustment Act of 1944.

Section 500 prescribes the same service standards of eligibility as the present act, but extends the period during which the veteran may apply for guaranty of a loan from 2 years after discharge or the end of the war, whichever is later, to 6 years, and the maximum period from the end of the war from 5 to 8 years. While the present act provides for certain findings to be made by the Administrator of Veterans' Affairs before a loan is guaranteed by him, section 500 of the bill proposes to automatically guarantee the loan once the eligible veteran and the lender have agreed on the amount and conditions of the loan and the loan has been made. In both the act and the bill the amount to be guaranteed is limited to not to exceed 50 percent of the loan, provided that the guaranty shall not exceed \$2,000. In both the bill and the act the maximum interest rate on guaranteed loans is fixed at 4 percent, and the maximum duration at 20 years.

The first year's interest on the guaranteed portion of the loan is to be paid by the Administrator. The bill deletes the Administrator's authority to approve terms and conditions of payments on loans and his authority to issue regulations governing the guaranty of loans.

Section 501 of the bill, which contains two wholly unrelated provisions, has no counterpart in the act. While the act provides for the issuance of a certificate of eligibility to a veteran by the Administrator of Veterans' Affairs, section 501 (a) of the bill provides that an honorable discharge shall constitute evidence of eligibility and that the Administrator is to issue a certificate of eligibility only on request of those whose discharge was other than honorable or dishonorable. The lender endorses the date and amount of the loan on the back of the discharge certificate and also sends the Administrator a statement showing the name and serial number of the veteran, the amount and terms of the loan, and the legal description of the property. This subsection of the bill limits lending agencies for which loans are to be guaranteed to Federal Reserve banks, National, State, and private banks, building and loan associations, insurance companies, and mortgage and loan companies established prior to the date of approval of the act and "any other lending institution or person approved by the Administrator." No such limitation is contained in the present act. Section 501 (b) of the bill further authorizes national banks wherever located or other banks or trust companies in the District of Columbia or Territories or possessions to make loans guaranteed under the provisions of the act without regard to limitations by statute or Federal Reserve Board rulings governing the making of loans by these banking institutions.

Section 503 of the bill requires, with one exception, the same findings prior to the guaranty of loans for agricultural purposes as are required in section 502 of the 1944 act, but these findings are to be made by the lender rather than by the Administrator of Veterans' Affairs. The exception is that, while the present act requires a finding that the price paid or to be paid for the property does not exceed the reasonable normal value thereof as determined by proper appraisal, the bill reads "reasonable value as determined by the lender's appraisal."

The bill deletes from the present act an amendment added in Public Law 98, Seventy-Ninth Congress, approved June 30, 1945, making the purchase of stock in a cooperative association an eligible purpose for an agricultural loan where the purchase of such stock is required by Federal statute as an incident to obtaining a loan on which a guaranty is sought. It also deletes section 505 of the act, subsection (a) of which authorizes the full guaranty of a second loan not in excess of 20 percent of the purchase price of the property, but not in excess of \$2,000, where the primary loan is made or guaranteed or insured by a Federal agency, and subsection (b) of which makes a veteran with suitable training and experience eligible for Bankhead Jones farm-tenant loans the same as if he were a tenant.

1. *Protection of veterans against exploitation.*—The bill removes practically all protection against exploitation afforded veterans by the present act. Veterans not informed on land values, prices, and long-term farming prospects, and without adequate experience in farming would be dependent wholly on the judgment and fairness of sellers and lenders. No doubt a large proportion of the lenders authorized in the bill to make guaranteed loans would deal fairly with the veterans, but there probably would be numerous cases where the veteran would be loaded with a heavy debt which he could not possibly repay from the earnings of the farm. The end result would be eventual loss of the veterans' equity in the property and of years of work, leaving him much worse off than if the loan had not been made. As an example, the Department has knowledge of a case where a veteran purchased a farm for \$25,000, making a down payment of \$10,000, which farm, when appraised by the Farm Credit Administration, was given a normal market value of \$9,600. The example just cited could be duplicated many times with cases on which the Department has specific information. It is our conviction that the Government cannot do less than to protect the veteran from such unsound ventures. Guaranty of loans as proposed in H. R. 3740 would certainly, in a large number of cases, be a distinct disservice to veterans.

2. *Need for Government control of loans to be guaranteed.*—While the 1944 act provides that a portion of the loan is to be guaranteed only if the Administrator of Veterans' Affairs finds (1) that the loan will be used in payment for real or personal property or for repairs to buildings and equipment to be used in farming operations to be conducted by the veteran; (2) that the property will be useful and reasonably necessary for the conduct of such operation; (3) that

the ability and experience of the veteran and the nature of the proposed operation are such that there is a reasonable opportunity for success; and (4) that the price paid or to be paid does not exceed the reasonable normal value of the property. All these determinations are, under the bill, to be made by the lender, and, as previously pointed out, the appraisal is to be on the basis of reasonable value rather than reasonable normal value. The Government is thus loaded with the guaranty of loans on findings of the lender without any opportunity to form its own opinion of the veteran's chances for success or the relation of the purchase price or the debt load to the reasonable normal value of the security.

The procedure for passing on agricultural loans under the present act developed cooperatively by the Veterans' Administration and the Department of Agriculture provides for appraisal of real estate offered as security for guaranteed loans by a Farm Credit Administration appraiser and appraisal of personal property offered as security by a county certifying committee of farmers and veterans supervised by this Department. This county certifying committee also reports to the Veterans' Administration as to whether the four conditions set out in the act before a loan can be guaranteed have been met. Determination of the Veterans' Administration as to whether or not a loan is to be guaranteed is based primarily on the reports of the appraiser and the county certifying committee. All these safeguards of the Government's interest are removed by the bill. The omission of the word "normal" from the appraisal requirement is especially serious, as a lender might properly interpret "reasonable value" as the current inflated sale price, which might be 25 to 50 percent or more above the reasonable normal value. The probability of the Government having to make good on guaranties would seem to be enormously increased, with corresponding losses and hardships to the veteran rather than increasing his chances for success.

3. *Inflationary effect of the bill.*—The change in the appraisal standards proposed in the bill by removing the word "normal" from the term "reasonable normal value" would mean that in a large proportion of cases the lender's appraisal would represent current inflated selling prices of land. Loans made on this basis would be definitely inflationary in character and, with the strong demand for farms now existing and likely to increase with the return of veterans and war workers to the farms, would cause a material bidding up of land prices above present levels. The lender would be protected by the veteran's equity in the property and the Government guaranty, and would stand little chance of loss with a material decrease in prices of agricultural commodities and the deflation of land prices which would inevitably follow. The veteran, on the other hand, as previously stated, would lose his equity and the result of years of hard work. Section 501 (b), authorizing national banks to make loans guaranteed under the provisions of the bill without regard to present limiting statutes and Federal Reserve Board rulings, would remove from these transactions safeguards long established in the public interest which have served as deterrents on inflation. While somewhat more leeway in the making and approval of guaranty of loans to veterans than is provided in present statutes and regulations might perhaps well be given, it is neither necessary nor desirable to throw the doors wide open to inflation in property values as is done in the two amendments discussed in this paragraph.

4. *Tenant-purchase loans.*—By removal, as proposed in the bill, of the provision in the present act (sec. 503 (b)) making veterans with suitable training and experience eligible for tenant-purchase loans under the provisions of the Bankhead Jones Act the same as if they were tenants, the only opportunity for veterans to qualify for such loans would be under the general provisions of the Bankhead Jones Act, where they would be in competition with nonveteran tenants, sharecroppers, and agricultural laborers. The Congress, both in making veterans eligible for such loans under the specific provision of the 1944 act and later in earmarking \$25,000,000 of the \$50,000,000 made available for tenant-purchase loans in the 1946 Agriculture Appropriation Act specifically for loans to veterans, has indicated its conviction that veterans should be eligible for such loans, with their very favorable terms and the attendant advantage of trained supervision of the operations of the borrowers. A reversal of the previous actions of the Congress in this regard is a distinct disservice to veterans.

5. *Loans by farm credit agencies.*—Public Law 98, Seventy-ninth Congress, approved June 30, 1945, made the purchase of stock in cooperative associations where such purchase is required by Federal statute as an incident to obtaining a loan, an eligible purpose for the use of funds derived from loans on which a guaranty is sought. This provision applies particularly to farm mortgage loans made by Federal land banks and production loans made by production credit

associations. The purchase of stock to the amount of 5 percent of the loan, as required by law of Federal land bank and production credit association borrowers, is an eligible purpose for the use of proceeds of loans made by these institutions under the statutes governing their operations. Servicemen may, of course, obtain Federal land bank and production credit association loans without guaranty on the same terms as other borrowers, and many have done so. If they desire to have such a loan guaranteed, however, under the terms of the bill they could use no portion of the loan funds to pay for the required association stock. Thus, the veteran would have to forego either the benefit of the normal value appraisals used by the Federal land banks and production credit associations and the other advantages of loans made by these institutions or the guaranty of a portion of the loan under the Servicemen's Readjustment Act, unless they had other funds to make the required stock purchases.

These and other long-established federally sponsored agricultural lending agencies are not included in the list of lenders named in section 501 (b) of H. R. 3749 as eligible to make guaranteed loans to veterans, and could only become eligible lenders on approval of the Administrator of Veterans' Affairs. The significant omission of these and other Government credit agencies from section 501 (b) might be interpreted by the Administrator as indicating the intent of Congress to limit the guaranty of loans to private lending agencies, and thus militate against such approval by him.

6. *Period following discharge for application for guaranteed loan.*—We believe that extension of the period following discharge or end of the war during which application can be made for guaranty of loans might well be extended beyond that now provided in the act, and an amendment to the present act, similar to that in H. R. 3749, is included among our suggestions in appendix C.

7. *Loans for other than agricultural purposes.*—While this report deals primarily with the agricultural loan provisions of title III of H. R. 3749, most of the foregoing statements would appear to apply with equal force to the provisions of title III of H. R. 3749 with reference to the guaranty of loans for the purchase or construction of homes and for the purchase of business property.

APPENDIX C

[Omit the part enclosed in black brackets and insert the part printed in italic]

SEC. 500. (a) Any person who shall have served in the active military or naval service of the United States at any time on or after September 16, 1940, and prior to the termination of the present war and who shall have been discharged or released therefrom under conditions other than dishonorable after active service of ninety days or more, or by reason of an injury or disability incurred in service in line of duty, shall be eligible for the benefits of this title. Any such veteran may apply within [two] *six* years after separation from the military or naval forces, or [two] *six* years after termination of the war, whichever is the later date, but in no event more than [five] *eight* years after the termination of the war, to the Administrator of Veterans' Affairs for the guaranty by the Administrator of not to exceed 50 per centum of a loan or loans for any of the purposes specified in sections 501, 502, and 503: *Provided*, That the aggregate amount guaranteed shall not exceed [\$2,000] *\$5,000*. If the Administrator finds that the veteran is eligible for the benefits of this title and that the loan applied for appears practicable, the Administrator shall guarantee the payment of the part thereof as set forth in this title.

(b) Interest for the first year on that part of the loan guaranteed by the Administrator shall be paid by the Administrator out of available appropriations. No security for the guaranty of a loan shall be required except the right to be subrogated to the lien rights of the holder of the obligation which is guaranteed: *Provided*, That pursuant to regulations to be issued by the Administrator the mortgagor and mortgagee shall agree that before beginning foreclosure proceedings for default in payment of principal or interest due, the Administrator shall have at least thirty days' notice with the option of bidding in the property on foreclosure or of refinancing the loan with any other agency or by any other means available.

(c) Loans guaranteed by the Administrator under this title shall be payable under such terms and conditions as may be approved by the Administrator: *Provided*, That the liability under the guaranty, within the limitations of this

title, shall decrease or increase pro rata with any decrease or increase of the amount of the unpaid portion of the obligation: *Provided further*, That *principal* loans guaranteed by the Administrator shall bear interest at a rate not exceeding 4 per centum per annum and shall be payable in full in not more than **[twenty]** *thirty-five* years. The Administrator is authorized and directed to guarantee loans to veterans subject to the provisions of this title on approved applications made to persons, firms, associations, and corporations and to governmental agencies and corporations, either State or Federal.

PURCHASE OF FARMS AND FARM EQUIPMENT

SEC. 502. Any application made under this title for the guaranty of a loan to be used in purchasing any land, buildings, livestock, seed, *fertilizer*, or *other supplies*, equipment, machinery, or implements, or in *constructing*, repairing, altering, or improving any buildings or equipment, to be used in farming operations conducted by the applicant, or to purchase stock in a cooperative association where the purchase of such stock is required by Federal statute as an incident to obtaining a loan on which a guaranty is sought, may be approved by the Administrator of Veterans' Affairs if he finds—

(1) that the proceeds of such loan will be used in payment for real or personal property purchased or to be purchased by the veteran, or for *constructing*, repairing, altering, or improving any buildings or equipment, to be used in bona fide farming operations conducted by him;

(2) that such property will be useful in and reasonably necessary for efficiently conducting such operations;

(3) that the ability and experience of the veteran, and the nature of the proposed farming operations to be conducted by him, are such that there is a reasonable likelihood that such operations will be successful; and

(4) that the purchase price paid or to be paid by the veteran for such property does not exceed the reasonable normal value thereof as determined **[by]** *after proper appraisal, which appraisal may be paid for by the Administrator*.

SEC. 504. The Administrator of Veterans' Affairs is authorized to promulgate such rules and regulations as are deemed necessary and appropriate for carrying out the provisions of this title, **[and]** may delegate to a subordinate employee authority to approve loans, *and may designate such agency or agencies, if any, and the employees inereof as he finds equipped to determine whether the guaranty of loan should be approved*, subject to the provisions of this title and the rules promulgated thereunder.

SEC. 505. (a) **[The Administrator shall designate such agency or agencies, if any, as he finds equipped to determine whether the guaranty of loan should be approved under this title.]** In any case wherein a principal loan, for any of the purposes stated in sections 501, 502, or 503, is approved by a Federal agency to be made or guaranteed or insured by it pursuant to applicable law and regulations, and the veteran is in need of a second loan to cover the remainder of the purchase price or cost, or a part thereof, the Administrator, subject otherwise to the provisions of this title, including the limitation of **[\$2,000]** *\$5,000* on the total amount which may be guaranteed, may guarantee the full amount of the second loan: *Provided*, That such second loan shall not exceed 20 per centum of the purchase price or cost and that the rate of interest thereon shall not exceed that on the principal loan by more than 1 per centum: *And provided further*, That regulations to be promulgated jointly by the Administrator and the head of such agency may provide for servicing of both loans by such agency and for refinancing of the principal loan to include any unpaid portion of the secondary loan with accrued interest, if any, after the curtailment thereon equals twice the amount of the secondary loan.

(b) Any person who is **[found by the Administrator of Veterans' Affairs to be]** a veteran eligible for the benefits of this title, as provided in section 500 hereof, and who is found by the Secretary of Agriculture, by reason of his ability and experience, including training as a vocational trainee, to be likely to carry out successfully undertakings required of him under a loan which may be made under the Bankhead-Jones Farm Tenant Act, shall be eligible for the benefits of such Act to the same extent as if he were a farm tenant.

(Whereupon, at 1:20 p. m., the hearing was recessed until 2:30 p. m. of the same day.)

(The subcommittee reconvened at 2:30 p. m., pursuant to recess.)

Senator JOHNSON. The meeting will be in order. Mr. Fred R. Merrifield, of the Farm Credit Administration, is our first witness.

**STATEMENT OF FRED R. MERRIFIELD, FARM CREDIT
ADMINISTRATION**

Mr. MERRIFIELD. Mr. Chairman, it is a pleasure to meet with your committee and give you my views as to the GI bill of rights for Veterans of World War II.

As general agent of the Farm Credit Administration of Wichita, I am employed jointly by the Federal Land Bank, the Federal Intermediate Credit Bank, the Production Credit Corporation, and the Bank for Cooperatives, which is under the joint control of the Governor of the Farm Credit Administration in the Department of Agriculture and a Board composed of farmers in the four-State area of Kansas, Oklahoma, Colorado, and New Mexico. My testimony does not purport to be exactly official recommendation of any of these, but my own ideas as to what the majority of farmers and members of our group believe should be done to facilitate the efficient operations of the provisions of the GI bill in the field, with particular reference to title III.

In the first place, the majority of farmers in the ninth farm credit district desire to do everything possible to assist the veterans on their return to become successful private citizens. The majority of those who are returning to farms will not desire and should not purchase farms before gaining farm operation experience. Farmers and rural bankers believe that any credit extended to these veterans from the standpoint of purchase of farms and farm equipment, should be on a basis that it could be paid back from the income to such veteran from the farm or equipment purchased, in a way that the veteran, himself, would realize that he was making progress from the standpoint of definitely accumulating an equity. In other words, such loans should not be the cause of a series of heartaches and final loss and disillusionment.

There is no doubt that the present bill is not operating successfully from the standpoint of the farm-loan features. There have been to date slightly over 60 appraisals made in our district and of these very few have been completed as loans.

The main problem from the standpoint of farm loans applied for under this bill has been that too often the price has been above the appraised normal value, and even though it was above the appraised value only a very small amount under the present law even if the veteran may have had more than enough cash to pay the difference he could not buy the property. I do not intend to indicate that I believe that we should throw the bars down. We certainly should not loan 100 percent of the purchase price in the majority of cases under present prices and very seldom under even lower prices. In our four States, Kansas, Oklahoma, Colorado, and New Mexico, land prices have increased from 25 to over 100 percent since the war started.

If the veteran could pay what those in his community thought a reasonable price and yet have the size of the loan to be guaranteed, based on the normal agricultural value, many more veterans could be served on a satisfactory basis. Certainly no veteran should be loaned

more than an amount which could be paid off from the sale of farm commodities at average or normal prices.

As you, Senator Johnson, know, our organization has been quite active in Colorado, and the other three States in the ninth farm-credit district, in pointing out the dangers of land inflation particularly from the standpoint of excessive debt for land purchase. We have worked with the Extension Services of the State agricultural colleges in setting up county veterans' advisory committees, in accordance with the Department of Agriculture agreement with the Veterans' Administration, that returning veterans may be properly advised as to land values, possible return from land, and so forth. Considerable has been said about the fact that many more home loans are being made under the GI bill than farm loans. There is a great difference in determining a safe loan on a home from the standpoint of investment value and possible ability of purchaser to pay for same from other sources of income and a safe loan on a farm which must be paid from income over a period of years from that farm. We should not be alarmed that our boys are being cautious from the standpoint of indebtedness. Many boys are becoming reestablished on farms as partners of their fathers or tenants. Many veterans are returning with some savings or the parents are assisting them in a down payment. Many of the new loans of our Federal land banks are to veterans which cannot exceed 65 percent of the appraised value.

The new bill passed by the House, H. R. 3749, which is before you now, undoubtedly has for its purpose the straightening out of some of the provisions of the original bill. However, there is a feeling that it goes much too far from the standpoint of throwing the gates down in allowing lenders to pass full and final judgment as to not only the price that may be paid for a farm but the amount of the loan which must be guaranteed by the Government as indicated in new section 500 and in new section 503 (4), as follows:

(4) That the purchase price paid or to be paid by the veteran, for such property does not exceed the reasonable—

leaving out the word "normal"—

value thereof as determined by the lender's appraisal—

leaving out the word "proper."

No doubt in the original GI law the limit on the price which could be paid for the property based on normal value, was too tight in many cases, as previously indicated. It appears to me this could be taken care of by the new subparagraph 4, section 503, quoted above, with the addition of the words, "and the approval of the county certifying committee, as selected by the Administrator"—at present that is the three men on the Bankhead-Jones committee with an additional veteran from each county—and with the addition of a subparagraph 5, which would limit the amount of the loan (not the price) definitely to the normal value as in the present bill, as follows:

(5) That the amount of such loan to apply on the purchase of such property shall not exceed the appraised normal value thereof, as determined by the Administrator.

Approval of the purchase price and the loan itself by the certifying committee and limiting the amount of the loan to the normal value as determined by an appraisal—at present by Federal land bank ap-

praisers—would allow the returning veteran to pay a reasonable price for the property, but would protect him from making an exorbitant loan which would be inflationary in effect, and this would assure uniformity in lending practice through the Nation.

It appears that if a similar paragraph as subsection just mentioned, were inserted in those sections covering purchase and construction of homes and purchase of business property, limiting the loan to normal value as appraised in accordance with instructions of the Administrator, it would prevent overzealous lenders from overselling veterans and loading them with a top-heavy loan, in our cities, as well as in rural areas.

In section 500, that portion added in new bill allowing lender full determination should then be left out and approval of Administrator added in sections 501, 502, and 503, since the part they wanted in there would be taken care of already in section 4.

In section 501 all types of private agencies are named as eligible to make guaranteed loans with the exception of the agencies of the Farm Credit Administration. Though it might be that under the wording of H. R. 3749, these agencies could make GI loans, if approved by the Veterans' Administration, it appears that in naming the agencies, the "cooperative-credit agencies of the Farm Credit Administration" should be included. Lending organizations owned by the farmers themselves certainly should not be discredited.

H. R. 3749 also leaves out the amendment to the original bill which was passed as a part of the land-bank bill, H. R. 2113, a few weeks ago, permitting the purchase of stock in a cooperative association where the "purchase of such stock is required by Federal statute as an incident to obtaining a loan on which a guaranty is sought." This should undoubtedly be retained a part of new section 503 in order that the farmers cooperative credit agencies mentioned above might make loans under the provisions of the law.

It would also appear that in a number of cases veterans will desire to obtain suburban tracts which cannot classify as either city property of farms from the standpoint of the agricultural income of the tract. In the case of such loans, consideration should be given to the possible outside income of the veteran, both from the standpoint of price and normal appraisal. This could be handled by inserting in subparagraph (3) of section 503 after the words, "to be conducted by him," the words, "and outside income," or it possibly could be effected by regulations of the Veterans' Administration.

Old section 505 has been left out entirely. Since this section does not interfere with lending by private agencies, but merely allows private agencies or individuals to lend over and above certain Federal agency loans, it appears that this section should be retained, with the inclusion of the Federal land bank as one of the Federal agencies.

I am definitely in agreement with Assistant Secretary of Agriculture Brannan that it should be possible to extend payment of these loans on an amortized basis over a longer period than 20 years—say, at least 30 to 35 years—and that particularly in the Corn Belt and West the guarantees should be over \$2,000 though not to exceed 50 percent under any circumstances.

In other words, the purchase of a farm in the central west costs more than in the South and if someone in that area is entitled to a

50-percent guaranty, I see no reason why it should not go in the more expensive farming areas.

I am positive that these small but important suggestions will make the loan features of the bill workable and of real assistance to veterans as desired by the Congress and at the same time protect the veterans. I am sure the Veterans' Administration will rapidly speed up procedure and simplify forms used in obtaining GI loans. May I say that taking into consideration the newness of the program the Veterans' Bureau has done a good job to date.

Though we should make the loan features of the GI bill practical and workable all of us should encourage veterans to borrow conservatively, at least until they are very sure of their desires and training, for a particular vocation.

Speaking as a veteran of the last war and one who has a son in this war, I feel that one of the best ways to have some time to get settled and get additional training at the same time is to take advantage of the educational provisions of the bill. For this reason I am definitely in agreement with the extension of time, as included in H. R. 3749, within which a veteran may take advantage of the loan features of the bill; and also with those features of the bill having to do with education. Some thought should be given to whether the amount allowed for subsistence, while in school, is quite large enough for those veterans having families, in other words, in addition to \$60 for a single man, and \$85 for man and wife, possibly there should be from \$100 to \$110 for man and wife and a child or children.

I thank you.

Senator JOHNSON. We thank you, Mr. Merrifield.

Mr. MERRIFIELD. Do you have any questions?

Senator JOHNSON. I believe your statement is readily understood.

Now we will have Mr. Ralph McDonald, of the National Education Association.

STATEMENT OF RALPH McDONALD, EXECUTIVE SECRETARY, DEPARTMENT OF HIGHER EDUCATION, NATIONAL EDUCATION ASSOCIATION

Mr. McDONALD. Mr. Chairman and members of the committee. Colonel Owens and I are both appearing on behalf of the National Education Association. We have mimeographed our statements and we will try to see that they get into the hands of the committee.

I am appearing before you as a representative of the National Education Association, the professional organization of individuals engaged in education in the United States. The National Education Association is composed of 331,000 dues-paying members, and it is also the national organization of all of the State education associations in the United States, with a total dues-paying membership of 733,000, or more than 70 percent of all the educators in America. I am executive secretary of the department of higher education of the National Education Association, which is the department of the National Education Association consisting of members of these organizations who are engaged in college and university work—professors, deans and presidents. In discussing the matters now before your committee, I am speaking as a representative of the department of higher education and also of the National Education Association as a whole.

Since the beginning of the war the National Education Association has, through its various committees, conferences, and research activities, carried on an intensive study of the education of veterans. The various aspects of this problem have been the subject of literally hundreds of conferences and committee studies by our members in every section of the country. Many conferences, committee studies and research activities of Nation-wide scope have been completed. I shall try to present the results of the studies of our members throughout the country, and to summarize our experiences during the first year under Public Law 345.

First of all, on behalf of the educational people of the country, I should like to thank the chairman and members of this committee, and I might say particularly the chairman, and the Members of Congress for the constructive interest and tireless labor which have been and are being devoted to working out educational opportunities for men and women who have served in the armed forces during the war.

The chief argument which has been given in favor of educational provisions for veterans is that a grateful nation owes it to the veteran to help him make the best adjustment to civilian life. That is a very compelling argument, and it is one to which we subscribe wholeheartedly. We believe, however, that there is an even more compelling reason why the Government at this time should give the greatest possible encouragement to the education of veterans, and that is that the national welfare requires it.

The United States has been thrust into a position of world leadership far beyond anything we have ever experienced before. As the distinguished Senator from Texas has so ably said on many occasions, the United States must take the lead in bringing the world to a new high plane of brotherhood and decency. To fulfill this role successfully, the United States must have the best-trained leadership that it can possibly develop within our own Nation. We have long recognized the necessity of an educated leadership in a democracy. We have come in recent years to an even greater realization of this necessity, and the world leadership of the United States makes it imperative that we take heroic measures to provide within this Nation a quality of leadership which will measure up to our unprecedented power and responsibility.

Education—particularly the education of leaders—was set back almost unbelievably during the period of the war. It is estimated that if our Nation had not been engaged in war, the total number of student years of resident students in colleges and universities in this country would have amounted to approximately 8,568,115 during the 5-year period from 1940-41 to 1944-45, inclusive. That is, there would have been enrolled in the colleges and universities of America, 1,567,343 students in 1940-41, 1,640,483 in 1941-42, 1,713,623 in 1942-43, 1,786,763 in 1943-44, 1,859,903 in 1944-45 simply on the basis of the increase in enrollment which normally as established before the war; that would be a total of 8,568,115 student years in college during this 5-year period.

Actually, the available data indicate that there were not more than 5,467,000 student years completed in our colleges and universities during this time. The deficiency, therefore, in leadership training as indicated by student years of instruction in colleges and universi-

ties, amounted to more than 3,000,000 student years. This estimate of deficiency is a conservative one, and we may say with certainty that we are now at least that far behind the normal training of our Nation's leaders in colleges and universities. In addition, there has been a sharp reduction in the number of high-school graduates during these years, so that at the end of the war there are not as many students prepared to enter college from the high schools as would normally have been expected.

Simply to offset this educational deficiency it would be necessary for the colleges and universities of the Nation to enroll 750,000 extra students for full 4 years of training. These extra 750,000 students would have to be over and above the normal enrollment that would have been expected in the colleges and universities during the next few years.

Therefore, in making provision to encourage veterans to continue their education, the Congress is taking a long step to help offset the very great educational deficiency caused by the war.

Our opinion, based on our experience is that, even with the greatest possible encouragement that Congress can give to veterans, there will not be anything like enough of them renew their education to make up for this vast educational deficiency. On the basis of a survey conducted in the armed forces, General Hines last January estimated that there might be as many as 660,000 veterans in the colleges and universities of the country. These veterans cannot be expected to average four full years of college study. The Nation will be fortunate, indeed, if the total number of student-years completed by veterans in colleges and universities should total a million and a half, which is only half enough to offset the estimated deficiency at that level.

While no data are available for high schools, based on as accurate a survey, the probabilities are that our deficiency in student years based on high-school years would run toward 10,000,000.

Already into the colleges and universities of the Nation there is pouring a growing stream of veterans. On this date, October 11, I would estimate the number to be approaching 50,000 enrolled, with a great increase to be expected later in the year as the winter and spring quarters and second semesters begin. Many universities are providing for veterans to enter at more frequent intervals. The number may well go beyond 100,000 in the colleges before the end of the year.

In that connection I also point out that a survey has just been completed, indicating in the public schools there were 5,000 to 10,000 of these veterans, and that number is also increasing and is considered certain to be increased to 25,000 this year.

Everywhere the story is the same regarding these veterans. They are making their adjustment well and quickly to campus life and college study. The number is large enough and the experience sufficiently similar throughout the country to dispel any fear as to the veteran's effective adjustment to college life. To be sure, veterans are more mature, they are more serious-minded, as a whole they are more vocation-minded in selecting their courses, and many require a brief orientation period to become adjusted, but on the whole they are falling with ease and wholesomeness into the stride of university life. There are individual exceptions, of course, just as there are nonveteran students who do not make the adjustment. But the picture as a whole

is very good so far as the adjustment of the individual veteran to college life is concerned.

Some measure of the interest of veterans in education may be had from the fact that in August of this year more than 1,000,000 men in uniform were enrolled in the various educational programs of the United States Armed Forces Institute while awaiting discharge, with 175,000 enrollees in the European and Mediterranean area alone.

The colleges and universities have made many adjustments to provide opportunities for veterans. In their admission requirements, courses, guidance services, and organization nearly all higher-education institutions have arranged their programs to encourage veterans who are capable of doing college work.

Many public-school systems throughout the country are extending their programs of adult and vocational education to meet the needs of veterans.

There are several major obstacles standing in the way of these veterans, however—obstacles so serious as to defeat in large measure the effectiveness of Public Law 346. It is only natural that actual experience would indicate the need for amending such an important piece of new legislation.

The major obstacles to veterans' education now are:

- (1) Insufficient subsistence allowances to veterans.
- (2) Lack of housing facilities, particularly at colleges and universities.
- (3) Inadequate compensation to institutions, especially public colleges and universities and public-school systems.
- (4) The deduction clause under which the entire cost is charged against any future benefits to the veteran.
- (5) Inadequacy of counseling.

There are other important ways in which the provisions for education under Public Law 346 can be improved and strengthened, but the chief needs are related to the five obstacles listed. We are convinced that removal of these hindrances would result in the encouragement of veterans to secure education, whereas the situation is one of discouragement to tens of thousands—ultimately hundreds of thousands—of veterans as long as these obstacles persist.

The measures now before your committee are intended to reduce some of these obstacles and open the way for more adequate educational opportunities for veterans. I should like to discuss some of these amendments in relation to the major obstacles I have mentioned.

Now, we come to part I: Reducing the major obstacles. First, there is the need for more adequate subsistence allowances. This refers specifically to title II, part VIII, paragraph 6, Servicemen's Readjustment Act.

Public Law 346 provides \$50 per month subsistence allowance for a veteran without dependents, and \$75 per month for a veteran with one or more dependents.

One reason I have treated this so extensively in preparing my statement is that in the portion of the hearings I have been privileged to hear, not so much emphasis has been placed on this as I thought might be the case, by other organizations, and I think most of them would be of one point of view. I think the evidence for increasing allowances should be in the record in order that it may be considered.

This allowance has already proved to be entirely too small, and its inadequacy will be recognized more and more as veterans now entering school find out by experience how far it falls short of providing even minimum subsistence. Quite commonly veterans begin their education thinking that they can make out on the allowance and in 2 or 3 months many of them fall hopelessly behind financially.

Under H. R. 3749, which passed the House, the allowances would be raised to \$60 and \$85 per month for veterans without and with dependents, respectively. Under S. 1176 the allowance would remain at \$50 per month for the veteran without dependents and \$75 for the veteran with one dependent, but \$25 more per month would be allowed for each additional dependent up to a total of \$150 per month.

Subsistence, if it means anything, must include room and board, clothes, and absolutely necessary incidentals such as carfare and laundry charges. It has already been brought out at these hearings that cost of board and room alone averages \$46 per month for the single veteran who is lucky enough to get into a college dormitory. For the single veteran the average is \$66 for room and board off the campus. These figures are averages for representative universities, and the cost at half of them is above these figures. But, no veteran can subsist on board and room alone. He must wear clothes as other people do, must pay laundry charges, carfare, and pay other absolutely unavoidable expenses.

The truth is that a bare minimum for subsistence would average at least \$80 per month for the veteran without dependents and from \$10 to \$25 per month additional for each dependent. I do not mean to imply that this sum is adequate to live on satisfactorily; it is sufficient only to cover the barest necessities.

There is abundant evidence bearing on this point.

From all over the country, without excepting any region, we have authentic reports from responsible educational officials, gathered by the Research Division of the National Education Association, expressing the opinion that the actual cost of subsistence of single veterans in school this fall is averaging more than \$80 per month. The figures vary more in accordance with the size of the community than they do in relation to the size of the school or college. The following are the medians reported for different-sized communities:

	Single person	Person with dependents
Over 100,000.....	\$86.00	\$118.00
30,000 to 100,000.....	79.80	117.00
10,000 to 30,000.....	82.00	116.00
5,000 to 10,000.....	82.80	115.00
2,500 to 5,000.....	79.00	115.60

Those are the amounts they are called upon to pay for a subsistence level of living as they go to school.

The allowances for disabled veterans are much higher, possibly because it is considered that they may need more, but I suspect largely because we have had more experience with disabled veterans and have become aware of the necessity of more adequate allowances.

Fifty dollars per month would be \$600 per year while \$75 per month totals \$900 per year.

Is it possible to live on such amounts? In 1937 a group of specialists in helping to establish a minimum-wage law for the District of Columbia concluded that a woman Government worker living alone needed to have \$1,092 annually to cover necessary expenses for maintenance and protection of health. By September 1942 the Women's Bureau of the Department of Labor estimated that this minimum budget should total \$1,684; in January 1943, to cover the rising cost of living and high taxes, the minimum budget was estimated at \$1,830 annually. By June of 1945 this minimum budget of \$1,830 would have needed to be at least \$1,982 in order to have maintained a constant purchasing power.

It should be noted then that the estimated minimum budget for a woman Government worker living alone is at least three times the subsistence allowance for a single person under Public Law 346.

A subsistence allowance of \$50 a month would amount to an allowance of \$11.69 a week, which is \$5.30 less than the average weekly benefit for unemployment paid in the various States during the first half of 1945. Certainly the subsistence needs of the ex-GI and his family will be no less than that of other groups of workers.

The Bureau of Labor Statistics has issued a study of the spending and saving of the families of the Nation in the year 1941. The average money income of all of the families was shown to be \$1,481. It was generally recognized that such an income was grossly inadequate for most families. Utilizing statistics of the Bureau of Human Nutrition and Home Economics of the Department of Agriculture it was estimated that a family of four persons needed \$2,100 a year in 1941 in order to live "in modest comfort and with an adequate diet."

If we translate \$2,100 needed in 1941 to 1945, the amount would be \$2,583. In terms of an adequate food allowance for a family, the subsistence allowance to a veteran with a family is just about one-third of what it should be.

There are those who will say that the veteran should work part time or secure a scholarship or otherwise supplement his allowance. But, it should be remembered that these boys feel that they have already lost several good years from their lives, and they want to carry educational programs up to the limit of their time available. To do odd jobs about the campus or the town for 50 cents an hour takes too much precious time from the veteran's delayed education.

It could be argued that the veterans are healthy and strong, anyway, and their families can stand cheap food and inadequate diet. It might be said also that most veterans are young and that their families might live in tents or trailers while they go to school. These arguments would have no appeal to this committee, I am sure, and they certainly are not likely to appeal to the veteran.

Under the present allowances, the veteran can do one of three things—and this is what they are doing—(1) he can supplement his allowance from some other source; or (2) he can reduce his family to a level of living far below decent subsistence; or (3) he can decide to let his education go rather than impose such conditions upon his family. There is not the slightest doubt that thousands of veterans have chosen the last alternative and left off their education. Thousands of others who start training will, in my opinion, quit in despair when they see their families suffering, as they are bound to do.

The present situation is very acute for married men with families; 20 to 25 percent of the veterans in the universities this fall are married and want to live with their wives. In some colleges almost half the veterans enrolled are married, and the proportion seems to be increasing—strangely enough—as demobilization goes forward. That is, the proportion of veterans who are married, who are going to the universities, seems to be greater instead of less.

The \$60 and \$85 amounts proposed under H. R. 3749 are still entirely inadequate. We urge \$80 for the veteran, \$20 for the first dependent and \$10 for each additional dependent as the absolute minimum if you want to meet actual subsistence costs.

You need have no fear whatever that the average veteran in school will have any money left over for movies or luxuries out of allowances in the amounts suggested.

The second obstacle is housing facilities. There is an acute lack of housing facilities all over the Nation, of course. But it is much more acute at colleges and universities where married veterans want to go to school.

Many of the veterans who are married want to bring their families with them and they should be permitted to have them. The only way this bill or any of these bills would bear upon that obstacle would be in the raising of the subsistence allowance, perhaps making special provision where housing facilities are not available at low cost.

The committee might find some means of helping solve that problem.

We know the committee is sympathetic to the needs of the veterans and we want to call attention to the condition that has developed as one of the most serious obstacles they face.

A third obstacle is in relation to compensation to institutions, and we endorse very strongly the provisions of H. R. 3627 a bill not now before your committee, but it was prepared in cooperation with the Veterans' Administration to indicate some of the things they thought should be done, and S. 974 introduced in the Senate by the chairman of this subcommittee.

We heartily endorse the provisions of H. R. 3627 and of S. 974, amending paragraph 5 so that—

no amount in excess of the customary fees shall be charged to the veteran under the provisions of section 1505, Public Law 346.

Publicly supported institutions and school systems charge no tuition or only a nominal tuition. By establishing minimum payments—\$15 per month, \$45 per quarter, \$60 per semester—by permitting the charging of nonresident tuition for the education of veterans from within the State, and by providing under contract the payment of cost of instruction, the Veterans' Administrator has made it possible for public institutions to receive some compensation, though small, from the Federal Government to help defray the expense of educating veterans.

Some institutions by law cannot accept the money the Veterans' Administration is ready to give them. Those which charge nonresident fees for in-State veterans would be discriminating against their own veterans if the money is to be deducted from a future bonus.

That question has been a subject of a great deal of agitation in the States of Ohio, North Carolina, and Washington, and other places, but it has been particularly a problem in those States.

Even the small minimum payment established by the Veterans' Administration is more than civilian students would have to pay at many public institutions.

The adoption of the amendment proposed by the Veterans' Administration will still leave public institutions receiving much less on the average than private institutions.

It will have the advantage that the governing boards of the institutions will know they are not charging veterans extra for something that will be deducted from a future bonus.

The present impossibility of receiving any Federal financial aid in their provisions for educating veterans has meant that thousands of public-school systems in every section of the country have no real educational programs of an adult or vocational or part-time nature for veterans. The people, generally, have been given the impression that the Federal Government is paying for the education of veterans, thus preventing many public schools from getting the necessary funds from State and local governments to provide educational facilities for veterans. Then, too, many communities do not have resources with which to finance additional educational programs of the type needed by veterans. Also we believe the adoption of this particular amendment, as indicated in S. 974, is not only advantageous and desirable to the veteran but it will mean much more adequate compensation to training institutions that are publicly supported.

The fourth obstacle is the clause requiring deduction from future benefits of payments made for veterans' education.

A work conference group representing more than 70 national organizations and agencies meeting at the National Education Association offices in February 1945, recommended the repeal of section 1505 insofar as payments for education are concerned. The legislative commission of the NEA has likewise recommended that the payments made for veterans' education be not deductible from any future benefits which might be voted by Congress. And I was happy to note that the American Legion recommended that action.

I have not seen a single person lately who thinks that Congress will pass a later benefits bill for veterans without at that time clearing the books of any charges which might be outstanding against veterans for education.

In the meantime, however, the present provision serves to discourage many veterans from taking advantage of the educational benefits of the GI bill.

The deduction clause could be repealed either wholly or in part, as the judgment of the committee might indicate.

- (a) You could repeal the deduction requirement for all payments in connection with the education of a veteran.
- (b) You could leave the subsistence payments made directly to the veteran as a charge against his future benefits, but wipe the slate clean so far as payments of tuition and educational fees are concerned.
- (c) You could adopt the amendment proposed in H. R. 3627 and in S. 974, providing that the Government absorb the difference between customary rates and the payments actually made to institutions.

Any one of these actions would go a long way toward providing more adequate educational opportunities for veterans.

The fifth major obstacle is in reference to guidance services for veterans, which refers to title II, part VIII, paragraph 10, Public Law 346.

S. 1176 contains amendments which go to the heart of this matter, and we strongly recommend the changes set forth in that measure. Especially important are the change from "may" to "shall" in the matter of arranging guidance, the change from "may" to "shall" in the matter of publishing and distributing information respecting the need for general education and for trained personnel in the various crafts, trades, and professions. The provisions of S. 1176 would also require the utilization to the fullest practicable extent of the existing services and facilities of State agencies qualified to furnish educational and vocational guidance. This particular provision would bring about much more extensive and effective guidance to veterans seeking education.

Mr. Chairman, I have treated these major obstacles and the provisions that have been suggested to remove these major obstacles which we find now, from our experience, are actually deterring a great many veterans from getting an education.

We have also prepared for consideration of the committee an analysis of the other amendments which are pending, which, with your permission, I will give to the individual members of the committee and simply hit two or three high spots because I know the committee has been very much concerned with some of these points.

There appears to be general agreement that the age limit should be abandoned and we heartily endorse that. If the committee did not feel pretty much that that should be done we might present a lot of data—

Senator JOHNSON. I am sure it won't be necessary. I think the committee is pretty well convinced, that is, in and out of Congress, that that will be done.

Mr. McDONALD. We will save your time on that point then.

We do favor the provision of S. 1176 which would extend the training period for preprofessional and professional students, extend the time for completing the course not exceeding 7 years.

We believe Congress would be justified in extending that training period for any veteran who will go all the way through such a course. We think it would be highly advantageous for the country if that could be done.

Several changes are proposed in paragraph 3, some of which we consider unsound unless more careful safeguards are provided in relation to them.

(1) S. 974 would amend paragraph 3 to remove from State authorities the approval of schools giving short, intensive postgraduate or vocational training course except those supported by public funds or exempt from taxation under section 101 (6) of the Revenue Act, leaving the approval of proprietary schools solely to the Veterans' Administrator.

Since that has not appeared in the testimony so much, I don't know if the Veterans' Administration is still recommending that. We feel, however, that this provision would strike down a very fundamental principle of American education, namely, State control. This change would leave private agencies offering high-priced courses to veterans

for profit entirely outside the jurisdiction of State education authorities.

I understand that is not being proposed by the Veterans' Administration, so I think I will save your time on that.

There is a suggestion which was made—I do not know now whether it is continued—that for foreign universities the initial approval be lodged in the Veterans' Administration.

We would like to suggest both for the consideration of the Veterans' Administration and for the consideration of this subcommittee, that the initial approval of foreign universities be lodged within the United States Office of Education and the Department of State. Our reason is that many of the boys are definitely desiring to enroll in foreign universities and as there is already a trained staff with knowledge of that field in the Office of Education and a Division of Cultural Relations in the Department of State, that to make use of those agencies, to submit an original list to the Veterans' Administration in somewhat the same way the States now do for other colleges and universities, would lodge that responsibility where it belongs.

We know the Veterans' Administration has indicated by their cooperation with the schools and colleges that they do not desire to be a controlling agency in education, and we feel this would be to their advantage as well as the advantage of the veterans.

Senator JOHNSON. It covers a field in which they have no facilities whatever?

Mr. McDONALD. That is correct. They would want to do this job thoroughly, and it would be easier for them to work through the United States Office of Education and the Division of Cultural Relations.

And if they got the initial approval from those agencies, they would still have the general authority to add institutions not covered.

I should like simply to present some of our thinking on two of the most controversial items in the amendments.

One is the \$500 maximum and the other is the matter of correspondence instruction.

I think I will try to present this as directly and simply as possible.

We feel the major concern of this committee, and certainly from our point of view our greatest interest, is in the encouragement of veterans to obtain education and thereby not only help themselves but to strengthen the life of the country.

Our accent is very definitely on the positive features rather than the negative features of these measures. The educators have had a great deal of experience both with correspondence instruction and proprietary schools which are organized for profit, and we recognize very definitely that there are excellent schools, private and proprietary, making profit and entitled to make a profit in those areas.

We have learned also that there are a great many schools of that type, both correspondence schools and institutions which have resident students, which are not subject to any kind of control, and a great many of the institutions within those fields we would condemn.

How Congress or the Veterans' Administration can set up a type of administration which would distinguish between the bad and the worse, and the worse, and the worst, is almost beyond our imagination.

There are in most of the States no effective means whatever of supervising or controlling the schools of this type.

For example, with respect to correspondence schools, nobody knows exactly how many correspondence schools there are in this country. Certainly we have not been able to obtain complete data on that, because a correspondence school may come into existence tomorrow in some States and go out of existence a week later.

There are perhaps not over 100 regular educational institutions in the country offering correspondence instruction, although we do not have the exact number. We estimate there would be 250 to 300 going correspondence schools of a private nature. Only 42 of those are accredited and approved even by the organization of private correspondence schools, and in the field of private proprietary institutions, noncorrespondence, they have not reached the degree of standards for approval purposes—

Senator JOHNSON. Why have the regular educational institutions neglected that field the way they have?

Mr. McDONALD. Senator JOHNSON, I think the implication that a good many of them have neglected it is a correct one for several reasons.

One reason is that the possibilities of abuse and of low-quality education by correspondence are clearly recognized by these institutions.

Perhaps the greatest of all is that there has been an honest effort made by the school systems to extend their own facilities to meet the needs directly of their people.

Now, that has not been completely successful and I think there are areas right now in which correspondence instruction could be taken by an individual and be very valuable. Your difficulty and the difficulty of the Veterans' Administration would be to find out how and where to draw lines.

May I just indicate what the status of correspondence instruction is legally in various States, to give you an idea of how completely beyond the pale of any supervision and control private correspondence instruction is in most States?

I have here a survey of the practices in 29 States made quite recently—last month, in fact. In 1929 States replying through the State Department of Education, 14 had no authority whatsoever over private correspondence schools, and only 10 indicate they have a small amount of authority, and 18 of the 29 State departments have no basic criteria at all for judging them, and only 11 of the 29 States have included correspondence schools on their lists of approved institutions presented to the Veterans' Administration.

That is the most important fact of all as relating to the possibility of supervising.

In only 6 of these 28 States does the State educational authority have any authority over either public or private agencies conducting correspondence schools. In Colorado, Iowa, Michigan, New Jersey, Texas, and Wisconsin there is a limited authority in the State educational authority over correspondence instruction. And in these there is none: Arizona, Connecticut, Delaware, District of Columbia, Florida, Indiana, Nebraska, Nevada, Ohio, Washington, and Wyoming, according to the survey which has just been completed, a questionnaire being sent to State departments of public instruction.

There is a difficult problem here, and in general the educational people have been so convinced of the possibilities of abuse in correspondence instruction that they have feared greatly that education may become, in the hands of some enterprising people, a sort of racket, and you have a most difficult program because of the ease of abuse.

If the committee can find a way to open up legitimate correspondence opportunities and at the same time safeguard the public and the veteran against enterprises of a profiteering nature, we will heartily endorse that.

Senator JOHNSON. Certainly there is a tremendous demand for correspondence courses.

Mr. McDONALD. Yes.

Senator JOHNSON. Yesterday we had a witness, Mr. Sprayberry, from Colorado, before this committee, and he indicated that his school had an average of 3,500 students a month who paid an average of \$5 apiece, which amounts to \$17,500, and 18 people took care of that whole program.

It seems to me that if the universities and colleges, instead of fighting this thing the way they are doing, would compete with them, that they would be rendering a service and they would be helping themselves at the same time.

Mr. McDONALD. Senator Johnson, I had not intended, and I do not intend, to put the organized education people of the country on record as being flatly opposed to correspondence instruction, or even the extension of this.

We realize definitely that there are types of courses very valuable to individuals which they cannot obtain other than through these proprietary institutions organized for profit.

Senator JOHNSON. The committee has to recognize that, too, and, working in the interest of the veteran, we cannot do as you recommend, close that door to the veteran.

Mr. McDONALD. Someone else may have recommended that the door be closed. Mr. Johnson, but the National Education Association has not so recommended.

We would like to point out to the committee some of the dangers involved, and express the hope that you can find a means by which these legitimate opportunities might be opened up.

Senator JOHNSON. I am glad to have that additional explanation because I thought you were closing the door pretty tight, as I followed your testimony.

Mr. McDONALD. I don't believe I would be justified in saying that the door should be closed tight against those. I would say this: That to include correspondence instruction as it is given by the regularly organized educational institutions that are publicly supported or exempt from taxation under 101 (6) would certainly not involve a major abuse, or any abuse at all; that there are private proprietary correspondence schools that give a high quality instruction and it might be that some such instruction available to a veteran would be such that it could not be duplicated in an institution organized on a different basis. And I don't believe I could honestly say that the door ought to be closed completely against such schools.

How you are going to open the door to that opportunity and at the same time safeguard the veteran and the public against what you rec-

ognize as a very inferior type of instruction, which is sold to the veteran as a result of high pressure salesmanship, alluring advertising, I don't know.

Some of the correspondence schools in the United States are almost ludicrous in what they pretend to do. I might quote a recent study made public by a professor at New York University, and he gave names of some of the correspondence schools in the country which are making high-sounding but unbelievable propositions to people if they will enroll, using high pressure salesmanship and expensive advertising by means of which to get customers.

Now, what I would call the legitimate educational institutions are so organized they cannot use alluring advertising. Their standing would be jeopardized if they resorted to it.

Senator JOHNSON. But the average prospective student would much rather take a course from a legitimate well-known institution of learning than from some institution he never heard of before simply because they put out some very attractive advertising, and it seems to me that as we go on in this country and shorten the work hours, that the demand is going to increase and increase and increase for correspondence courses where people can live in their own homes—

Mr. McDONALD. Even by radio.

Senator JOHNSON. With this shortened week, they can go on and improve themselves in the different arts and sciences.

I would like to urge—while it is not part of this legislation at all—the educators to give serious consideration to the fact that they are neglecting this very splendid field of instruction.

Mr. McDONALD. Senator Johnson, there is one way in which this legislation does relate or could be made to relate to the point you are making.

I believe it is section 13 of H. R. 3749 which specifies that a correspondence school, in order to be eligible for payments, must have been in existence at the time of the act.

I think you would be entirely safe in saying “except for institutions that are publicly supported or tax-exempt under 101 (6),” which would mean that these institutions would be free to organize good, solid courses in that field.

I think there would be some encouragement at least.

Senator JOHNSON. I would like to go beyond encouraging them. I would like to build a little fire under them and get them to do the work they are equipped to do and which they should do.

Mr. McDONALD. I think you would find a great many educational people who would agree with that as a part of the total program of education, to extend opportunities to the people of this country. There is a very real place which is not yet fully occupied, for correspondence instruction.

But there are other places where we have not been able to extend opportunities as we should. One weakness in our educational system is in the field of adult education. Very few of the cities of this country—that is, with less than half a million population—have adult educational programs in which these veterans can get training. It is sad, but nevertheless true.

Of course, one reason that they cannot establish them now is that they cannot get any money from the Federal Government through this bill to help them do that to any great extent.

First of all, they don't have the right to establish tuition rates, and thereby get money, or they face charges of discrimination against veterans by charging them and not others.

I greatly appreciate the courtesy of the chairman of the committee in allowing me to appear here today, and we are anxious to be of as much help as we can because it is very evident that the committee is trying to extend opportunities for veterans' education and we want to see the opportunities extended. While we see certain dangers in certain of the amendments, we are more interested in the positive features by which opportunities can be extended, than in the negative arguments by which they can be reduced.

Senator JOHNSON. Do you have any question, Senator Millikin? [No response.]

Mr. McDONALD. Colonel Owens has had a very long and intimate experience, not only with veterans but with education. He was for more than 5 years with selective service and now he is directing veterans' education for the city of Cleveland.

Senator JOHNSON. We will be glad to call on Colonel Owens in just a moment.

At this point I would like to ask if there is any objection to placing in the record a telegram received by Senator Moore, of Oklahoma, with respect to the matter under consideration. [No response.]

Hearing no objection, it may be inserted in the record.

(The telegram referred to is as follows:)

NORMAN, OKLA., October 11, 1945.

Hon. E. H. MOORE,

Senate Office Building, Washington, D. C.:

At Senate Finance Committee hearings on H. R. 3749 now being held the National Education Association, the American Vocational Association, the Association of American Colleges, the Association of Land Grant Colleges, and the National Association of State Universities are supporting certain changes in the bill before the Senate.

The University of Oklahoma believes that the changes supported by these groups should be made, and particularly the university is interested in seeing section 1505 of the bill amended so that sums paid to the university by the Veterans' Administration in excess of established fees will not be deductible from any future adjusted compensation which the Congress may vote.

Your support in the Senate for the amendments proposed by the above-named organizations and particularly for the amendment of section 1505 will be greatly appreciated by the university.

It is also suggested that the bill be amended by striking the last provision of subsection 5 of section 420 (lines 1 to 7, p. 16) reading as follows:

"And provided further. That if any such institution has no established tuition fee or if its established tuition fee shall be found by the Administrator to be inadequate compensation to such institution for furnishing such education or training he is authorized to provide for the payment with respect to any such person of such fair and reasonable compensation as will not exceed \$500 for an ordinary school year."

and to substitute therefor—

"And provided further. That if any publicly supported institution or private institution exempt from tax under section 101 (6) of the Internal Revenue Code has no established tuition fee or if the tuition of any such institution is less than the actual cost to such institution of furnishing the education or training the Administrator is authorized to provide for the payment to such institution, with respect to any such person, of the actual average cost of furnishing similar education and training to all students in such institution, but not to exceed \$500 for an ordinary school year."

UNIVERSITY OF OKLAHOMA BOARD OF REGENTS.
By E. C. HOPPER, *President of the Board.*

Senator JOHNSON. Colonel Owens, you may proceed in your own way.

STATEMENT OF COL. ROBERT H. OWENS, SUPERVISOR, VETERANS' EDUCATION DIVISION, CLEVELAND, OHIO, PUBLIC SCHOOL SYSTEM, REPRESENTING THE NATIONAL EDUCATION ASSOCIATION

Colonel OWENS. Mr. Chairman and members of the committee, the National Education Association felt that it might be of interest to this committee if someone who was actually meeting veterans face to face while operating a veterans' educational program would appear before you.

The Cleveland Board of Education requested my release from duty after 5 years and 5 days, to go to Cleveland and operate a veterans' education program and, since midsummer I have been meeting veterans who are seeking veterans' educational opportunities and information.

Senator JOHNSON. Are many States and cities doing that sort of thing?

Colonel OWENS. No; not very many as yet, sir. A few of the larger ones are.

This veterans' education division in Cleveland was established by the board of education resolution. There are some other cities who are doing things, but, by and large, there are not enough as yet.

These men that I have seen range all the way from men with so-called 2 years of formal education to men who lack a few semester hours of their Ph. D. degrees. Between those extremes men are at all levels of educational attainments, mental competency, occupational experience, and military experience. They include men discharged for medical reasons before the general demobilization program became effective, and men now being discharged on the point system. They include men still in service who are in town on furlough, some residents and some not.

They come with all kinds of questions, not necessarily about going to school immediately, but eventually, after they reestablish themselves in civilian life.

Servicemen come and want to know what they can do while still in service, and after they get out and get a job what they might be able to do in adult schools.

In addition, we sometimes seem to be a listening post for a lot of problems relating to the armed forces.

These men invariably realize, as I did in the First World War, that if they had had more education before they went into the service they might have gotten more desirable assignments or been promoted more rapidly. They also realize as they return to competitive civilian life they must have more preparation and they are seeking to get it in one way or another.

We give each of these veterans our undivided attention from early morning to late at night. They present many problems. Some of these problems have to do with the law, and I hope to be permitted to tell what I have picked up and gathered since midsummer so that some of these things you are considering might be favorably considered.

I don't know all the answers, but I will try to give you my impression.

From what I have gained I would say the first thing, the most important thing, has to do with H. R. 3749, section 10. As in the original law, that says that the Administrator may arrange for educational and vocational guidance. I refer now to S. 1176, section 10, which makes a very important change:

The Administrator shall arrange for educational and vocational guidance.

If nothing else happened to this bill, that would save millions of dollars to the Government and thousands of frustrated veterans who are at present entering upon courses of educational training in which they have little chance of success, in which they will attain skills that are not employable because of changes in industry resulting in surplus manpower and, third, entering upon programs in which their highest abilities and capacities may not be developed.

Every day I see veterans who have been sold "bills of goods."

Perhaps you have seen things like this. It is very interesting, I think, an advertisement which reads:

Do you know what is happening in radio and electronics for men—men, age 17-50? It will pay you to take a few minutes and inquire about the many opportunities made possible for you by the remarkable new developments in radio, electronics, television. Electronics is taking top billing as a brand new major industrial field for postwar jobs. There will be tens of thousands of jobs in the installation, service, and maintenance end of electronics.

And continuing:

All the training given in our school on modern radio equipment under the supervision of radio engineers holding first-class Government licenses. You learn by doing. Will not interfere with your work. Day and night classes.

Special attention servicemen. You can receive this training at Government expense. We are officially approved by the Government for GI training.

Men come in and ask me about such things. I tell them that if an institution is approved for GI training plus approval of the Veterans' Administration for vocational rehabilitation under Public Law 16, it is likely to have a pretty good program.

But is that particular program what you are equipped for, I ask?

Now, changing this word from "may" to "shall" is important. Men are attracted by such advertisements.

Suppose though that that school—and it may be—has a fine program. Is that the place that a veteran who may be appealed to by such ads should go? If you change the word from "may" to "shall" the veteran has a chance to be advised and consulted and tested so that he will know his best abilities and his weaknesses.

Too many boys are coming in who were fascinated by the Air Corps, even though in some other branch of the service, and they want to be electrical engineers or some kind of engineers, or to work on jet-propelled airplanes. They have no mathematical ability and very little experience in mathematics, but they want to be engineers.

We try to bring before them all the things that bear on their particular educational problem. We tell no one what to do, but we try to get them to analyze themselves.

We also often send them to the Veterans' Administration which has contacts, to test and advise under Public Law 16, which is also open by request of the veteran to those eligible under 346.

But if it is required by changing "may" to "shall," it will be a great step forward.

The veteran should have before him, before he chooses a course of education or training, all that he can learn about himself, future possibilities in jobs or professions, and where he may best succeed and obtain such jobs.

And that is comparable to what this committee is doing. You are seeking information on which to form opinions. And that is what we want the veterans to do.

I have even seen veterans who have been approached by institutions of higher learning, trying to enroll them in colleges, and in no case, with these particular veterans, had any of the boys gone beyond the first year of high school and they were not college football material either.

Of course, it is just as bad for a veteran to enter a publicly supported institution in the wrong program—

Senator MILLIKIN. Were those State-supported schools or proprietary schools?

Colonel OWENS. They happened to be proprietary schools, sir. It is as bad for the veteran to enter a publicly supported institution in the wrong program as a privately supported institution that operates for profit, of course. And this change in this law as suggested will often save the veteran.

Now, in the second part of S. 1176 it states that the Administrator of Veterans' Affairs shall secure from the appropriate agency of each State a list of the agencies, organizations, and institutions within such State which are qualified to furnish such educational and vocational guidance. I would add something to that, saying that such contracts should not be exclusively with institutions of higher learning. That is where they are now, and they are doing a good job, but it seems a strange thing to me when cities like Denver, Atlanta, Chicago, Detroit, San Francisco, Los Angeles, and Dallas, where the public-school systems in those cities have alert and excellent departments of educational research and psychological clinics, with experience in testing and guidance, with scores of thousands of cases, particularly with those who need their education below the collegiate level, have not or cannot obtain such contracts.

I would add a provision which would help insure that such cities could get such contracts. If they do that they may round out the service that they are trying to perform for veterans.

The last part of paragraph 10, section 3, has to do with the Administrator publishing information respecting the need for general education and for trained personnel in the various crafts, trades, and professions, making "shall" again in place of "may" as it is in H. R. 3749 and in Public Law 346.

In fact, I cannot help but be in favor of everything in section 3, paragraph 10, because it is the recommendation I made last spring to the American Legion.

This matter of requiring guidance I would regard as No. 1 point in importance from my experience.

The second point in importance has to do with section 1505. You have heard something about that.

I would like to add further argument. If Congress wanted to do something for the veteran, why do you only lend him money which may be taken from any future adjusted compensation? Too many veterans are coming in to me and asking if section 1505 means what it says, and when I tell them it does, they say "The war is over, I guess. I won't go to school; I will save that money because we are going to get a bonus."

I recommend that at least part of that be amended to include some phrase reading like this—"except for educational and training purposes."

I notice that some representatives and people testifying wish to go further. You see, I approach this thing with the idea that veterans should be encouraged to enter upon a program of education and training. Not only would the individual veteran benefit but each community would be benefited if that is done.

There will be in each community from 8 to 10 percent of the whole population who are veterans and eligible for these rights.

If an appreciable percentage of those veterans undertake to upgrade themselves in some way, it will be a wonderful thing for the community.

The third point in importance, I believe, is the matter of dissemination of information to veterans and making it easy for them to obtain their rights. It is surprising the number of veterans who come in and know nothing about their rights except that there is a GI bill of rights and some educational time coming to them.

Many of them think all they have to do is to go to school and the Government pays the tuition and they begin to get subsistence. Well, it is not quite that simple, as you know.

I have even had veterans tell me, "If I have to go through all that, forget it." Not many do that, of course, because we try to help them, and we enroll them while they are waiting for their certificates of eligibility.

I would like to make a couple of other suggestions, and one is that for all veterans already discharged, the Veterans' Administration send each one a certificate of eligibility which he must have when he enrolls in a school. And to go with that there should be a short statement of what he can do with that certificate of eligibility and what his rights are.

Then to round the picture out a little more, I would recommend that for men separated from the armed forces 60 days after these amendments are enacted, every one who is eligible, that means all men not dishonorably discharged, should be given a certificate of eligibility. That would save time and encourage many to go ahead and enter eventually upon a program of educational training.

Those three things, plus some details of the law itself, are the order in which I would emphasize them.

SENATOR MILLIKIN. Mr. Chairman, it has been my understanding that at the separation centers the veterans are educated as to their rights.

COLONEL OWENS. I have talked about that with veterans and there is a peculiar demobilization psychology surrounding these demobilization centers. They are not there for over 48 hours, a lot of papers are to be checked and they are anxious to get out and they don't hear.

Senator MILLIKIN. We understand it is required that they go through a regular process and they have regular hours for it and they receive lectures.

Colonel OWENS. Surely, they receive lectures but nevertheless they do not hear. All they want is to get home.

Their minds are not geared to that type of thing.

Here is what is actually happening. The separation centers are geared to advise and they do advise with those who want individual advisement and consulting service. And they have to attend the talks but still they don't hear.

And, in addition, they give them a little pamphlet on return to civilian life, prepared in terms that are hard to interpret, and they can't understand that.

In Cleveland we tried to simplify that and put out a little folder that put it in language that we could all understand, and we try to get that to all veterans who are returning to the community, announcing the services of the Cleveland public-school system.

Senator MILLIKIN. What method do you suggest for catching those who won't listen?

Colonel OWENS. If you put in their hands a certificate of eligibility that shows how much educational time they have coming to them; that would be one thing.

Eventually the number of veterans who enter upon a course of educational training will depend upon the law itself, and the removal of the present restrictions, and secondly, it would depend upon the dissemination of correct information in each community. Further, how much agencies which are in contact with the veterans in a community encourage them to do something about their educational rights, and finally, how well the school system serves them as they attempt to enroll in an educational program.

A suggestion from Congress will do much toward helping communities become aware of the problem. And I think the matter of veterans' education is important enough for Congress to do such a thing.

Senator MILLIKIN. Haven't we done that when we put these benefit provisions in the law, making it a part of the law of the land?

Colonel OWENS. I don't know, sir. Law 346 was passed with the idea that there was a lot of free choice in it. There is too much free choice. That is the reason I mentioned paragraph 10.

A man who is discharged is a free agent, I hope. We don't want regimentation. We have had a good deal of that.

What has happened under Public Law 16 is that when a man has been declared pensionable, he is sent a notice as to how much his pension will be, and with that is an application for him to apply for vocational rehabilitation, and many of the veterans overlook that.

I suppose the Veterans' Administration could continue periodically to remind veterans by mail of their rights and opportunities. I don't know how you could go any further, sir.

Senator MILLIKIN. You have all the service organizations that are hammering away at those things, you have the education for the veteran at the time he is separated from the service and the publicity that flows from the GI bill, and the GI bill as it may be amended, and general community interest as reflected in your own activities.

Colonel OWENS. Even in the suburbs around Cleveland they are not equipped to do some of the things that we can offer in a larger city.

What educational and training opportunities are possible for veterans in the section of Mississippi known as the Delta? They will have 8 to 10 percent of their population back as veterans. What can they do to offer opportunities for veterans? Not much.

Senator JOHNSON. I notice the daily newspapers are carrying columns every day on the privileges of discharged veterans and many of the country papers that I read also carry columns.

Colonel OWENS. Now, you take the Opportunity School of Denver. They are equipped to meet the needs of the veterans.

Suppose a community is small. Most of the men are from small communities, and over 60 percent of the men in the Army are not high-school graduates. What can a small community do to meet their needs?

Senator MILLIKIN. I think you are suggesting that the community be made over, as well as the soldier.

Colonel OWENS. Of course, I have for some time thought that civilians needed readjustment as well as the veteran.

Senator JOHNSON. That would be a pretty good job for Congress, wouldn't it?

Colonel OWENS. An expression from Congress carries more weight than an expression from anyone else in the country, I believe.

Shall I go on with some other points, sir?

Senator JOHNSON. Go right ahead.

Colonel OWENS. I have mentioned three things that I thought were outstanding in importance, and, coming back to title II of H. R. 3749 itself, beginning with part VIII, paragraph 1, which extends from 2 to 4 years the time in which the veteran may apply for his educational right. That is all to the good, of course.

A man must get established first, and afterward if he may by evening schools or some other method continue to upgrade himself in a new skill or the cultural fields, that is all to the good.

I believe you have already seen the illogical statement in the original bill and in this one, about 25 years old or under, and there is no reason to do more than to support what evidently has been decided upon. I had intended to say that men over 25 years of age resent that very much. They didn't determine their age when they went in.

A man 25 years of age when he went in had the chance of risking as much as a man under 25.

Paragraph 4, page 15, having to do with the approval of institutions. In many States the institutions are approved if they have a license to do business. Many States do not have sufficient funds to survey institutions which wish to become approved to offer GI education, and still more States are among those who do not have funds to continue to periodically survey those that they do approve.

I think as a matter of precaution to the veteran it might be a direct financial saving to the Government if it provided relatively small funds to State departments of education to investigate the institutions which have been approved to give GI education.

In relation to paragraph 6, on page 16, having to do with subsistence, that part of S. 1176, section 2, with the increased subsistence, much more meets the needs as I have seen them. That has been presented to you before.

And paragraph 7, having to do with the man who is eligible for both education under 346 and for vocational rehabilitation. It says he may choose either one he wishes. At present there seems to be some confusion.

If a man chooses education under Public Law 346, he may not be eligible for vocational rehabilitation even if he gets a pension, or, if he gets a pension, whether it is later decided that constitutes a vocational handicap which needs vocational rehabilitation to overcome.

I would add to that after "any person eligible for the benefits of this part, who is also eligible for the benefits of part 7, may elect which benefit he desires," or "may be provided on approved combination of such courses."

I find many bright and alert veterans who are capable of profiting by college education, and they are eligible for vocational rehabilitation but they have to go back and at their own expense go to a high school and bring themselves up with a diploma and take subjects necessary to get into the college which they are qualified to enter and which they wish to enter.

The Veterans' Administration will take them then and if it decides the man is college material will send him to college under Public 16 as vocational rehabilitation, but a combination of the two laws, permitting a man to get ready for the development of his best ability would certainly be justifiable, I think, limiting the time, of course, as it does in here.

Senator MILLIKIN. Would you mind making that a little more specific? Give me an assumed case.

Colonel OWENS. I have some actual cases. A veteran has received notice from the Veterans' Administration that he is eligible for vocational rehabilitation and under Public 16 he is required to go through a testing and advisement service.

He goes to the institution which has the contract to do that advisement. They find that that boy only went to the eighth grade, but his I. Q. is 130 and he has science aptitudes, mathematical aptitudes, English aptitudes, and comprehension ability, and they say "You should go to college, son."

But he is not ready to go to college. No college will take him until he has more of a foundation and a high-school diploma.

If he had that, the Veterans' Administration would send him to college under Public 16, but he has to go at his own expense and get the subject fields he needs to enter college.

I have even had some bright boys coming in to me who never went past the third or fourth grade, but they are smart enough to realize that if they upgrade themselves their vocational rehabilitation program will be a more desirable one and, in those cases, we try to work out a program so it will be the least expensive for the individual.

Now, if he was permitted a combination so he could start under Public Law 346 and get what he needs on which to enter the program toward a vocational objective, it would help that veteran, but that man, who might be a very effective citizen, might be lost.

Senator JOHNSON. Why can't he do that now?

Colonel OWENS. Because he has to choose one or the other. If he takes one, he can't switch to the other one.

Senator MILLIKIN. Let's assume a man went through three elementary grades. He has come back from the war and been subjected to the tests you mention, which show he is a bright fellow with the ability to do something with an education after he has absorbed it. He has five more elementary grades to make and 4 years of high school to make to get himself ready to go to college, and then he has 3 or 4 years of college.

There you would be taking on a load of 12 years of education.

And then when he got through with that we would find he had an aptitude for a profession, and he probably would have. That would be another 4 years. And if he takes medicine, he would still have 2 years of internship afterward.

Don't you think there is some limit?

Colonel OWENS. At present the total amount of training that a veteran who receives a pension and has a vocational handicap which training will overcome is limited to his 4 years. If that type of chap needs all this preparation to get ready to go to college, there must be a limitation on it, of course.

We could attempt to get him into a program where it would not point toward a high-school diploma. Get him along as far as he can go, and he must go on and get his beginning some place.

We have some of those fellows coming to us. We give them a series of tests and move them up toward their high-school diploma as rapidly as we can.

We give the Armed Forces Institute general educational development tests and then we give two other tests, placement tests, and we give the man credit for every ability shown on the tests, and we also evaluate his military experience and give credit for that.

The case that Senator Millikin illustrated is an extreme, of course, but if a man can after all these tests complete high school in 1 year, he still has thirty-six calendar months under Public Law 16, because under Public Law 16 he has 48 months, and if he can get ready to enter college in twelve calendar months, he still does not lose anything.

Senator JOHNSON. That is what I meant. He can still take advantage of both programs now.

Colonel OWENS. No. If he enters on one of them he cannot switch.

There have been different interpretations apparently from the Veterans' Administration on that, but that is what we have been told to tell the veterans now. But if you write a permission combination of Public 346 and 16 in the law, he will be protected.

Senator JOHNSON. It seems to me that we ought to clarify that point in the law if it is not clarified, so that the veteran could take the course that is most generous.

Colonel OWENS. And a combination if necessary. If you say "combination," the Veterans' Administration will work out a desirable way of administering it, I know. I believe they would like to have it clarified, too.

Senator JOHNSON. Of course, Public Law 16 only pertains to handicapped persons and certainly we ought to give them the benefit of the doubt all the way.

Colonel OWENS. I hope that the number eligible for that is always kept small. If it is large, it means a lot of people have been hurt. But there are 12 to 14 million other people, and if an appreciable percentage out of that group, take advantage of this law, and certainly Congress wanted them to be encouraged to do something to make up for the opportunities they lost in service, we will have an educational program which will be of real benefit.

Senator JOHNSON. Thank you, Colonel Owens.

The hearing is closed for the day, and we will start in tomorrow morning at 10 o'clock.

(Whereupon, at 4:15 p. m., the subcommittee adjourned until 10 a. m., Friday, October 12, 1945.)

AMENDMENTS¹ TO THE SERVICEMEN'S READJUSTMENT ACT OF 1944

FRIDAY, OCTOBER 12, 1945

UNITED STATES SENATE,
SUBCOMMITTEE ON VETERANS' LEGISLATION
OF THE COMMITTEE ON FINANCE,
Washington, D. C.

The subcommittee met at 10 a. m., pursuant to adjournment, in room 312, Senate Office Building, Senator Edwin C. Johnson (chairman of the subcommittee) presiding.

Present: Senators Johnson (chairman of the subcommittee), Connally, George, Lucas, and Millikin.

Senator JOHNSON. The subcommittee will be in order.

Mr. Dave E. Satterfield, Jr., is present. He represents the Life Insurance Association of America.

You may proceed in your own way, Mr. Satterfield. Give your name to the reporter.

STATEMENT OF DAVE E. SATTERFIELD, JR., LIFE INSURANCE ASSOCIATION OF AMERICA

Mr. SATTERFIELD. I should like to present to the committee Mr. L. Douglas Meredith, of Montpelier, Vt., vice president of the National Life Insurance Co. and chairman of the committee on finance for that company. I should like also to remind you that Mr. Meredith is a former commissioner of insurance and banking for the State of Vermont. I am Dave Satterfield, appearing for the Life Insurance Association of America, which represents 89 United States and Canadian companies, and approximately 86 percent of the total life insurance outstanding in all United States legal reserve companies. Our 81 United States companies, as of December 31, 1944, had total assets of \$36,000,000,000, of which \$5,750,000,000 consisted of mortgage loans. These companies had available for long-term investment in 1944 five and one-quarter billion dollars. It should be borne in mind that, while the membership of the Life Insurance Association of America consists of some eighty-odd companies, there are also 180 life companies in the United States which are not members of the association.

These insurance companies, as lending institutions, eligible under the Servicemen's Readjustment Act of 1944 to make loans to veterans, are anxious to be of service to the returning veterans, and to take an

¹H. R. 3749, S. 742, S. 866, S. 487, S. 781, S. 826, S. 850, S. 974, S. 1031, S. 1324, S. 738, S. 795, S. 1202, S. 291, and S. 1176.

active part in this socially desirable program. They possess a tremendous accumulated lending experience, and their points of view should be of real value in refining the GI loan program in order to make it function more speedily and more advantageously for the veteran. The life-insurance companies recognize that the volume of so-called GI loans made to date, by all lenders, has been surprisingly small. Lack of appropriate legislation in some States practically excludes large companies from the GI loan field at the present time. The lack of standardized appraisals has impaired the confidence of some lenders and has greatly restricted the development of a secondary market for the loans. Despite the efforts of the Veterans' Administration swiftly to process the applications for guaranty, the many steps involved consume a considerable period of time. It is our desire in appearing here to contribute as much as possible to further development of the GI loan plan in order to provide for loans which will afford as much protection as possible for the veterans and, at the same time, expedite the making of these loans.

H. R. 3749, as we understand it, provides in substance for three essential changes in the Servicemen's Readjustment Act of 1944, as follows: (1) Extends the time in which a veteran may enjoy the benefits of the loan provisions of the act; (2) permits a lender to bind the Veterans' Administration to a guaranty, without giving the Veterans' Administration any opportunity to examine or appraise the property securing the loan; (3) repeals section 505 of the act, which section permits use of Federal Housing Administration loans under certain circumstances.

I shall comment briefly on each of these proposed changes.

We are in accord with the principle of extending the period of time within which a veteran shall exercise his loan privileges. Manifestly, unless there is some reasonable time within which a veteran may apply for a home loan, the result might be an injudicious purchase now on the part of the veteran wanting to take advantage of the act, or discrimination against those younger veterans who may not now be in need of a home. Certainly there would seem to be many objections to crowding the purchases into a short period. It does not appear to us that there is any objection to the periods stipulated in the bill. The question of what the time limit should be is a matter of Government policy. Where the Government becomes directly or contingently liable for some future payment, it would appear that it should have the right and responsibility to exercise its judgment as to the appraisal which directly or indirectly determines the amount of its liability. An inexperienced or reckless lender, or one willing to take a chance in order to obtain business or seemingly to aid a veteran, might easily engage a veteran in a transaction harmful to him as well as costly to the Government. Any recognition of current market prices as the basis of loans might well aggravate any inflationary tendencies at work in the real-estate market.

It is our judgment the Veterans' Administration should certify the eligibility of the veteran for a GI loan, and that after certification, it would be advantageous if the home loan program for the veterans were transferred to the Federal Housing Administration. If this is done, Congress should clearly define the standards to be observed by the Federal Housing Administration in the administering of this program

unless it intends that the FHA shall apply the same rules which it now does in administering its own loans. It should be remembered that there is a responsibility for the protection of veterans, as well as the Government, because the veterans undertake to repay the full amount of the loan, and we presume it is anticipated that the full amount will be repaid in most cases. They will, therefore, be in need of sound advice, for it must be recognized that most of them will be uninformed as to real-estate values. The Federal Housing Administration has had experience in the making of home loans. It has an organization of trained and dependable appraisers, and is in a position soundly to direct the financial phases of this program in the interest of the veteran primarily. It would appear that the plan will operate on a more efficient basis, and more promptly, if this course is followed. Furthermore, so far as life insurance companies are concerned, this will require no State legislation in order to put these companies in a position to serve the veteran, provided any new Federal legislation is drafted so as to qualify under the existing State statutory authority.

Obviously, my comments to this point indicate our belief that instead of abruptly repealing section 505, and thus eliminating the FHA from the veterans' lending field, consideration might well be given to directing all of the GI home loans through FHA channels.

In any event, we believe protection to the lender for the full amount of the GI loan should be provided. We advocate protection for the entire amount of the loan in order to avoid a large number of complications likely to arise. If there is not full protection on the loan, then the lender must determine for itself many of the same questions which arise in connection with loans of which no portion is guaranteed. If the Government is to protect only a portion of the loan, then the lender, if a life-insurance company, must, under the law, and in protection of its policy-holders' interests, exercise due discretion with respect to appraisal of the property, and must depend upon its own appraisal. The Government on the other hand, in order to help the veteran, may be willing to base its action upon an appraisal more liberal than that which a private institutional lender properly could use. Thus, to obtain uniformity of treatment of all GI borrowers, full protection would seem to be in order. Furthermore, State laws, as they apply to life-insurance companies, differ between States with respect to the percentage of value which such companies may lend, and full protection, if provided within the scope of existing FHA legislation, would also obviate this difficulty.

Many of the country's life-insurance companies conduct their lending activities on a Nation-wide basis. Their loans are made, in some instances, through salaried representatives operating branch offices, and in other cases the loans are originated through local institutions and are assigned to the insurance companies. When the latter occurs, a secondary market is said to exist, and the greatest secondary market for loans in history has developed in connection with FHA loans, because a lender in one corner of the country could buy a loan from another corner of the country, with full confidence in the attributes and characteristics of the loan. It is highly desirable that GI loans be of such nature that they encourage the development of an efficient secondary market in order to facilitate the transfer of capital funds from one section of the country to another. This can be most readily accomplished through full protection of GI loans.

Member companies of the Life Insurance Association of America desire to see a GI loan program which will protect veterans, function smoothly, and render available for veteran loans the funds entrusted to life-insurance companies by 67,000,000 policyholders throughout the country.

We subscribe to the philosophy of Mr. Baruch, who recently in a letter to General Bradley (printed in the Congressional Record) wrote as follows:

"With home loans, veterans are finding the law confusing in that two different methods for home financing are embodied in the law, each having certain advantages. The best in both plans should be merged into a single arrangement which comes closest to meeting the needs of the veterans, with a flat 4-percent interest rate, payments spread over equal monthly installments, sound appraisal, and mortgages fully guaranteed by the Government. The entire program should be administered by the National Housing Administration. This would relieve the veterans' agency of one of its many-enough jobs.

The scale of possible veteran home borrowing may be quite large and should be unified with other housing programs."

Mr. Baruch, in using the term "National Housing Administration" no doubt had in mind the Federal Housing Administration for the reason that the FHA is the only division of that agency insuring loans.

I am not informed as to whether the committee plans to conclude its consideration of the pending measure today. I know that its disposition will be to hear any and all responsible parties who desire to be heard. Mr. Baruch's statement bears every earmark of his usual careful and wise counsel. I hope the committee will conclude that its hearings are not complete until he has appeared before it.

Senator JOHNSON. We have invited Mr. Baruch to appear before this committee. He said that he stood on his letter to which you have made reference already, and that he could neither add nor detract from it.

Mr. SATTERFIELD. I see.

Senator JOHNSON. That letter has been put in the record as an expression of his views. I talked with him yesterday on the telephone and he said that he still wishes to stand on his original letter.

Mr. SATTERFIELD. I see.

Senator JOHNSON. So he may not appear. However, we have been anxious to have him appear.

Mr. SATTERFIELD. I am sure that is true.

Senator JOHNSON. We have afforded him every opportunity of appearing before the committee.

Mr. SATTERFIELD. I am sure of that, sir.

Some phases of the bill are enticing. It is pleasing to contemplate swiftness, and avoidance of inconvenience for the veteran in making a loan. H. R. 3749 is a gallant attempt by the House to accomplish all of this, but that is not enough.

This is a time of trial for the Congress. I feel it keenly, perhaps for the reason I served in the House until February of this year. The people of the country and their representatives at Washington must not fail the veteran. We serve him poorly, if by ill-conceived plans, we set before him benefits easily acquired, but later revealed as a delusion. There are some who will sell him anything, and par-

ticularly is this true in the field of real estate, if appraisal is not safeguarded when he enters the market as a borrower of money.

Senator JOHNSON. We thank you, Mr. Satterfield. Does Mr. Meridith have anything to add to what you have said?

Senator MILLIKIN. I should like to ask Mr. Meridith a question.

STATEMENT OF L. DOUGLAS MERIDITH, VICE PRESIDENT OF THE NATIONAL LIFE INSURANCE CO. OF VERMONT

Senator MILLIKIN. Do you have any estimate as to the difference in cost to the Government under a full guaranty of loans as distinguished from the present arrangement?

Mr. MERIDITH. No, sir; I do not have that information. I have not made such an estimate. I think it would be exceedingly difficult to do so because it would depend entirely on how the program is administered. In other words, if a very extremely liberal policy is adopted, the losses might run very high. If, on the other hand, a policy of prudence were adopted, the losses would be kept at a minimum and at the same time the veterans would be helped.

Senator MILLIKIN. Of course, contingent liabilities would expand enormously under such an arrangement.

Mr. MERIDITH. That is true. On the other hand, the experience of the FHA demonstrates abundantly that if a man buys a house, and his monthly payments are gaged so that his monthly payment on the loan is about equal to the rent which he would have to pay in order to take care of his family, the experience to date with regard to an arrangement of that nature is excellent. The company with which I am associated has made about 30,000 FHA loans to date, and it has been obliged to complete foreclosure on only 52 or 53.

Senator MILLIKIN. That is all I desire to ask.

Senator JOHNSON. Are there any other questions?

Thank you very much, Mr. Meridith.

STATEMENT OF MEYER BERNSTEIN, ASSISTANT TO CLAYTON S. GOLSTEIN, CHAIRMAN OF THE CIO VETERANS' COMMITTEE

Senator JOHNSON. You may state your name to the reporter, and whom you represent.

Mr. BERNSTEIN. I am Meyer Bernstein, assistant to Mr. Clayton S. Goldstein, chairman of the CIO Veterans' Committee.

We represent about a million and a half members discharged from the armed services.

Senator LUCAS. Allow me to ask you a question. You say that you represent 1½ million members recently discharged from the armed forces?

Mr. BERNSTEIN. Or about to be discharged.

Senator LUCAS. I should like to know how you represent them.

Mr. BERNSTEIN. Each of our affiliated CIO unions have rosters of their members who have gone into the service. When a man leaves his plant to join the service, he gets what we call an exoneration. That is, he remains a member of the union. He pays no dues while he is in the service, and he is listed at the local union and his name is sent to national headquarters.

Senator LUCAS. I understand all that, but the point I am making is this: How can you represent a million and a half members and represent their viewpoints in the treatise you are now about to give?

Mr. BERNSTEIN. I will explain the extent to which we represent them and their ideas as I proceed with my statement.

Senator LUCAS. I merely wish to say that we receive telegrams from this organization and that organization stating that it represents a million and a half people, or 30,000 people, and so forth. It just seems to me—and I am not saying this out of any unkindness—that you just cannot represent the viewpoints of a million and a half men in any statement which you may be prepared to make. However, that would not influence me at all with regard to your position. When you state that you represent a million and a half men who have been discharged, including men who have not been discharged, many of them may disagree with your point of view. Go ahead.

Mr. BERNSTEIN. My point in raising the question is that we are concerned with the welfare of those one and one-half million men, and I believe I will be able to explain it more fully as I proceed.

Senator LUCAS. Well, you cannot testify with regard to each individual viewpoint that may be entertained by those men.

Mr. BERNSTEIN. No, sir; that is correct.

In representing the CIO, and in testifying on behalf of our 11½ million members in or recently released from the armed forces, I should like to offer for the consideration of the subcommittee the following comments and suggestions on portions of H. R. 3749, the Servicemen's Readjustment Act of 1945.

First let me say that these gallant young men who left their jobs to defend their country have retained their membership in their labor unions. CIO affiliates have waived dues and reinstatement fees for servicemen card holders. We have been in constant touch with them, and have insisted that our collective-bargaining contracts include provisions for their benefit in addition to those guaranties established by law. The succeeding paragraphs are a synthesis of their ideas on the original GI bill of rights and the proposed amendments, as expressed in letters, conversations, and meetings with various of our veteran groups.

Section 104. Prosthetic appliances. First full paragraph on page 5 should be amended to include the following sentence to begin on line 10:

Such prosthetic appliances shall be the best generally available, without reference to price; and repairs, refittings, and replacements shall be made as necessary on the same basis as the original issue.

The present price-limitation policy on artificial limbs has made it impossible for the Veterans' Administration to provide the best or even a good prosthetic. If the average price of the most useful and desirable device is twice that now allowed by the Veterans' Administration, the total additional cost to furnish one and a spare to each disabled veteran will be less than the money cost of fighting the war for 1 or 2 hours. Surely these, next to our dead, have made the greatest sacrifices, and they are entitled to the unlimited gratitude of the Nation.

Section 301. Disqualification from rights by reason of discharge by general court martial. The present bill makes no provision for an

appeal of a discharge ordered by a general court martial. A serviceman so discharged loses all benefits of the act, without recourse. In many instances this may be unfair. Military justice at any time has many deficiencies, but during hostilities there is often insufficient leisure for full and impartial consideration of the evidence. Because of the exigencies of battle conditions much may not be available. Then, too, tempers are hotter and impatience greater. Petty faults may be magnified into crimes; and offenses which under happier circumstances might be expiated by extra duty, under the strain of combat frequently result in a general court martial. I have seen the very same misdeed punished in one instance by a demotion or "bust," and in another by a sentence of several years in the stockade on Guadalcanal and a dishonorable discharge.

Senator MILLIKIN. We have the same situation in connection with the administration of civilian law. A man will be sentenced for 1 year for a crime which is precisely the same as one which another man committed but who has received a sentence for 10 years.

Mr. BERNSTEIN. The contrast in the military law, however, is much greater.

Senator MILLIKIN. Perhaps so.

Mr. BERNSTEIN. However, as I was saying, I have seen the same misdeeds punished by sentences of varying degree, as, for example, by a demotion or "bust" in one instance, and in another by a sentence of several years in the stockade on Guadalcanal and a dishonorable discharge.

The first has since earned back his rank; the second I never heard of again. Presumably he is still on the islands. The one was no more or less guilty than the other. We who have served throughout the war have come to accept this sort of thing; we even have an inelegant name for it. We couldn't and didn't protest because the important thing was to win the fight quickly. Now we think an erroneous judgment ought not to dog an unfortunate GI the rest of his life. We propose, therefore, that this section be amended to provide for five-man Army and Navy boards to review cases of discharge by general court martial, with power to set aside the conviction if the facts so warrant; and further that such boards of review shall each include two civilian members of the bar, preferably judges of our circuit courts of appeal. The War Department has announced the creation of special clemency boards to review all cases of prisoners who have not yet completed their sentence. This is an excellent move, but it should be strengthened in the manner suggested above. Now that the war is over, commutation of sentences is certainly in order. We are here concerned with miscarried justice. And those who have already been discharged dishonorably deserve the same review.

Senator LUCAS. Perhaps you are familiar with what the President has done in setting up a Board of Review, headed by Judge Minton, the object and purpose of which I believe is to accomplish what you have in mind.

Mr. BERNSTEIN. As I understand it, sir, that is only for persons who are now serving their sentences, and the object is one of commutation.

Senator LUCAS. Yes; but that will probably take care of men in at least one of the situations to which you have been referring.

Mr. BERNSTEIN. That is only one example of which I know. There are many other men who deserve the same consideration.

Senator LUCAS. Go ahead.

Mr. BERNSTEIN. Section 400. Education of Veterans: The real weakness in the educational legislation comes in the below-college level. I am informed that only about three or four American cities have adequate programs for the returning veteran who wishes to go back to the grades or high school. The reason for this deplorable condition are present legislation does not provide appropriations which make possible the calling together with the States those responsible for working out a program. This condition particularly affects the poorer States. On the other hand, there are wealthy States, such as Illinois, New York, Pennsylvania, which actually have educational surpluses.

It seems to me that this whole problem of educating the returning veteran, particularly on the grade- and high-school level, will not be met until we develop an educational program like the one in the Denver Continuation School. There the facilities of the school are made available practically day and night, with teachers who work for the educational adult program and help those who wish to begin with fundamentals. In other words, the school is the community center. There are constant technological developments and so the problem of the returning veteran who gets a job in industry today is not only one of relearning the job to which he returns, but of keeping up with changes. That is why I think there should be created immediately within the States and the cities educational commissions representing the professional educators, labor, and the public, to make plans for the utilization of the vocational schools the clock around, if necessary. We did it as we needed technically trained men when the war began. We allocated funds for the Office of Education, we kept our technical and vocational schools open, and we trained the men to produce for war. Now why can't we do the same thing in peacetime? Why can't big schools like the South Shore Vocational School in Chicago and the Dayton Technical Vocational School and the Timkin School in Canton, Ohio, be kept open? One answer is aid from the Federal Government in the interest of veterans' vocational rehabilitation.

Section 4 of Veterans Regulation No. 1, part VIII, page 14, in H. R. 3749, should be amended to provide that in addition to being approved and certified by an appropriate State agency, an apprenticeship plan to qualify under the act must meet the standards set by the Federal Committee on Apprenticeship. This will guarantee national recognition for training received in any State. Also it will prevent veterans from being hoodwinked by unscrupulous employers, whose objective it will be not to train the veteran but rather to exploit him to his loss of time and at Federal expense. If nationally approved minimum standards of training are established for veterans, then each GI can have an assurance that his time shall not have been wasted. He will really learn a trade, and will really be able to use it. And, on the contrary, if there are no such standards, the ex-serviceman may spend several years at work which offers no training for advancement. And when his subsistence allowance expires he will find himself expert on a low-paying job and qualified for nothing better, as was the experience of so many veterans after the last war.

The 25-year-age limit for automatic eligibility should be eliminated. All servicemen should be deemed to have had their education or training impeded, delayed, interrupted, or interfered with. We all have to unlearn much and relearn a great deal more. It is astonishing how much one can forget in 4 years. Some of us, because of the nature of our employment, can pick up where we left off, and gather together the loose ends as we go along. Others will need more formal training. Many will desire to change their occupations. They are now dissatisfied with what they did before the war. The Army or Navy has taught them that they had new and hidden capabilities. But they need more training to direct it into civilian lines. Shall the man who enlisted at 26, or even 36, be denied the benefits of this act, while his younger buddy enjoys them? I was 27 when I joined the Army; I am in my thirty-second year now. If I did not have a job and considerate employers to return to, I should like few things better than to go back to school. And scores of my Army friends feel the same way.

You know the older soldier has taken more than his share of the gaff in this war. He was drafted while he was just getting out of the initial stages of self-support. He grew up in a period of economic reverses, and perhaps had to cut his training short though he intended to make it up some day. Once in uniform he found the going tough, and in many instances had to remain behind in the States doing menial jobs, while the remainder of his outfit went overseas, or he was put in a noncombat branch of the service. He was not employed to his full capacity while he was in, and he couldn't get out, even though the Selective Service had long since stopped drafting men of his age. Those over 35 are only now beginning to receive their discharges. Many of these were called up in the early days of the war, and their tours of duty probably have been longer than most GI's. The least we can do for them is to give them the same opportunities as their younger comrades.

The subsistence allowance should be increased; \$60 a month for a veteran without and \$85 for one with dependents are not enough. Most veterans will have to start from scratch. Their mustering-out pay will scarcely last beyond new clothes and a short vacation. Except for what part-time job they may be able to find, they will have to live on the money allowed. The sums proposed are considerably less than most boys received as soldiers or sailors, and they will now have to meet expenses they never had to pay as servicemen. The Government ought to provide for its favorite sons and daughters at least the standard budgeting maintenance suggested by our institutions of learning. A more reasonable allowance would be \$90 for the veteran, and \$25 for each dependent, up to a maximum of three. In the case of disabled veterans, the minimum should be \$115.

Sections 500-502 should be amended to conform with the recommendations made by Mr. Bernard Baruch in his report to Veterans' Administrator Gen. Omar Bradley. I will not quote from his letter because it has already been referred to this morning.

The question of the quality of the housing that the veteran would get for his money is definitely involved also. No standards are prescribed in the GI bill either by the law or regulation, and the

prevailing opinion seems to be that Congress, in failing to lay them down, intended that any type of house would do. This may mean to the veteran, of course, high upkeep costs, speedy obsolescence, and speedier foreclosure. This in turn will mean that we are letting ourselves in for the possibility of a pretty shabby-looking America, and the tragedy is that this time it is to be at the veterans' expense. The postwar period presents us with the greatest opportunity for the redevelopment of our cities. With no planing, however, and no standards for the houses to be built, we are simply holding the housing clock back.

If the homes are well built and part of a soundly planned neighborhood, they will be a safer investment in the long run. If interest rates are cut, amortization period extended, and building geared to the availability of material, buildings costs, and civilian demand, annual charges will be considerably lower. Amortization for a good house could then be extended to 32 years instead of 20.

Senator MILLIKIN. If an ex-serviceman wanted to live in a neighborhood which was not soundly balanced, would you deny him the opportunity of doing so?

Mr. BERNSTEIN. No, sir; I would not. I would suggest, however, that the Federal Housing Administration point out to the man the deficiencies of the neighborhood.

Senator MILLIKIN. I believe that you recognize there should be no control of the veteran.

Mr. BERNSTEIN. No; not complete control. There should be some supervision, however, which I will discuss later.

Another necessary safeguard is a Government-operated appraisal system. GIs do not like supervision, but sometimes it serves a well-recognized purpose. For example, when a restaurant or bar is placed "off limits" to all military personnel, there is generally a good reason for this infringement of our liberties. It may be unsanitary, or the prices too high, or it may be a "clip joint." At any event we steer clear. We'd have the same confidence in a Housing Administration independent appraisal of property. After all, most of us have been out of touch with things too long. I lived for 2 years in tents or thatched huts in the jungle. I am certainly not qualified now to judge whether I am getting my money's worth out of a home. I want some help I can trust.

The need for adequate housing is something every GI understands. All of us do not desire to go back to school or to open a small business. But we all must have a place to live. And, frankly, gentlemen, we are, for the most part, not satisfied with the prospects. Those of us who were fortunate enough to see some of the housing developments abroad are at a loss to explain our own inadequacies in America. My own outfit—the Seventieth Bombardment Squadron—was billeted in private homes in Australia in early 1942. And my buddies still talk with amazement at how, with so low an income level, the Australians could afford so excellent a home. The same is reported by my lucky comrades who visited New Zealand. We can and should do better here, and the veteran should be the first to benefit from a comprehensive American housing program.

We believe that loans for business should also be made directly by the Government to the veteran. If the Federal Government can ad-

vance money for the construction of plants for big business, it can surely do the same for its fighting men. Loans for small business are difficult to obtain. Many, if not most, of the veterans who desire to open their own businesses will be putting to use the new skills and aptitudes they developed or discovered in the service. The armed forces have spent vast sums for this training; it will require only a small portion of this amount to protect, as it were, the original investment. In peace we do not demobilize all our weapons for war. Nor should we permit all our skills to deteriorate.

Finally, the dead-line date for application should be extended to 10 years after discharge for all servicemen; and some such arrangement as the variable payment plan under the Bankhead-Jones farm-tenancy law ought to be employed to decrease foreclosures.

Section 601. Veterans' Employment Representative: In the list of his duties the bill now provides that he shall—

maintain contact with employers and veterans' organizations with a view to keeping employers advised of veterans available for employment and veterans advised of opportunities for employment.

This should be amended to include labor organizations. Most unions have veterans' bureaus or departments, and they will be in a position to offer considerable assistance to the veterans' employment representative. Some sort of informal cooperation will necessarily develop anyway, and it will be better for all concerned to strengthen it by law. The veterans' employment representative ought also to maintain contact with the community veterans' centers, when such exist.

Section 900. Unemployment Compensation: The weekly allowance should be raised from \$20 to \$25, with \$5 additional for each dependent to a maximum of three. I have already discussed the argument for increased educational subsistence benefits, and the same reasoning applies here. Furthermore, the ex-GI ought to be entitled to at least the highest rate permitted by any State to civilian employees. Otherwise we might find carried over to the postwar period a form of seeming discrimination, or should I say unfortunate contrast? What I have in mind is something like this: Civilian skilled workers are frequently employed side by side with soldiers at air bases and other military installations in the United States. In many instances the civilian receives a good deal more pay than his partner in uniform, even if such benefits as free clothing and shelter are considered. Suppose in demobilization the soldier and the civilian are discharged at the same time and, suppose further, that neither can find a job. It would be unfair for the veteran to draw less unemployment compensation than the civilian. The former servicemen's allowance ought to be increased.

Mr. Chairman, it is less than 5 weeks since I got out of uniform, and I find myself still acting and thinking more like a GI than a civilian. And I should like to close by pointing out that though this legislation is desirable, it is by no means a bill of rights. Certainly many of us need to be rehabilitated, some require training or education, others hospital care or a loan. But what we all want is a fair share in a prosperous America. We have come back from the wars with a pretty high confidence in these United States. We feel there is practically nothing this country cannot do if it puts its mind

and brawn to it. Don't let us get disillusioned as our fathers were after the last war. Yes; pass special legislation to repay the veteran for his special sacrifice; but do not forget his greatest self-respect comes from self-support. The best thing the Congress can do for the veteran in the aggregate is to formulate a comprehensive program for the country as a whole. And if this is done most of the problems of the veteran will disappear.

Senator JOHNSON. Are there any questions? Senator George, do you wish to ask any questions?

Senator GEORGE. No; I have no questions.

Senator JOHNSON. Senator Connally?

Senator CONNALLY. No.

Senator JOHNSON. Senator Millikin?

Senator MILLIKIN. No.

Senator JOHNSON. If there are no further questions to be asked, that will be all, Mr. Bernstein. We thank you very much.

Is Mr. Tom Neill in the room?

Mr. NEILL. I am Tom Neill, and I am present.

STATEMENT OF TOM NEILL, DIRECTOR OF VETERANS' ACTIVITIES FOR THE UNITED ELECTRICAL, RADIO, AND MACHINE WORKERS OF AMERICA, CIO

Senator JOHNSON. You may state your name and state with whom you are associated, or whom you represent.

Mr. NEILL. My name is Tom Neill. I am director of veterans' activities for the United Electrical, Radio and Machine Workers of America, CIO.

Senator JOHNSON. You may proceed and make your statement, Mr. Neill.

Mr. NEILL. It is not only because the United Electrical, Radio and Machine Workers of America, CIO, has 200 000 of its members in service and has lost on the battlefield some 3,500 more than our union has a most keen interest in the welfare of servicemen and veterans.

The UE-CIO understands that the welfare of our Nation will be safeguarded to the degree to which we guarantee jobs and security for veterans, workers, and farmers alike.

Our union contributed to the campaign for the passage of the GI bill of rights. We believe that this legislation is an important step toward recognizing the need for aiding the veteran in his special problems and in helping him to establish himself again as a civilian.

However, the fact that only a small percentage of veterans have to date taken advantage of the provisions of the GI bill shows that the bill is greatly in need of strengthening. Our union, in common with the CIO as a whole, has certain suggestions to make for the strengthening of the bill which will make it more meaningful for the average veteran.

It is important to note that, in the opinion of our union, improving the GI bill of rights, while an urgent necessity, is not considered the solution of all problems of the servicemen and veterans. We know that the solution of jobs for all people lies in the passage of such legislation as the full employment bill. We know that making decent

wages available for the veterans hinges largely upon passage of such legislation as the Pepper bill to provide 65 cents per hour minimum wage. We know that the defeat of all legislation to weaken the labor movement now engaged in fighting to raise standards of living for veteran and civilian workers alike is essential.

The added benefits under the GI bill of rights which we propose are necessary to give the veteran the assistance he richly deserves in establishing himself in his rightful place in his community and in the Nation.

The changes will, to a great extent, help maintain our standard of living; they will help maintain our level of education; they will help restore the veteran to full health and protect the health of all veterans.

It is for these reasons that the UE-CIO urges the adoption of the following changes in the GI bill of rights.

Let us first consider title II. The educational provisions of the bill should be amended to provide for—

(a) Allowances of \$90 per month for single veterans, with \$25 additional for each dependent.

(b) Removal of the 25-year age limit for automatic qualification for educational benefits. The veteran of any age should be entitled to education, whether or not his education was interrupted by service.

(c) Provisions for full tuition payment for short-term courses should be made.

(d) Veterans qualified to take professional or pre-professional training should be entitled to the full 7 years of study needed for most professions.

(e) Funds should be appropriated to provide adult education, since the veterans who have not finished elementary or high school cannot be properly served by the public schools. The States would be able to provide special adult courses with these funds.

Under title II we feel that a veterans' fair practices committee should be established to safeguard the veteran against discrimination by any schools which discriminate against citizens because of race, color, or creed. Measures should be taken to deny to these schools funds from the Federal Government because of their practice of discrimination.

The time limit for application for all benefits under the GI bill of rights should be extended to 10 years after the discharge of the serviceman.

Under title III, the loan section, we feel that to remove all safeguards will be to make the veteran a victim of inflated values and sharp practices. We feel that the main problem with regard to the question of obtaining loans for homes is not that of securing the loans, but finding a properly evaluated property, and for that reason funds should be appropriated under the bill for emergency housing for veterans. It should be housing which would be purchased by the veteran under the terms of the bill.

Senator MILLIKIN. By the term "emergency housing" do you mean a house of an emergent nature?

Mr. NEILL. No; I mean that it is an emergency in that properly constructed houses should be built as soon as possible by the Federal Government.

Under title V of the bill, the readjustment allowances provided should be increased to \$25 per week, with \$5 per week additional for each dependent.

Section 1505 should be deleted from the bill. This section acts as a deterrent upon veteran's taking advantage of other provisions of the bill. Readjustment allowances in particular should not be deducted from any future compensation.

Mr. Chairman, we feel that one of the most important problems facing the veteran is the maintenance of his health for a period immediately following his discharge. At the present time out-patient treatment for non-service-connected disabilities is not provided for by the Veterans' Administration. If a veteran has a disability not incurred in service, the only way by which he can secure treatment for his disability is to enter a Veterans' administration facility. Because of this, we feel that free medical care should be provided for all veterans for a period of 5 years after discharge. At the present time there are a limited number of presumptive disabilities, that is, disabilities which may appear within a period of 1 year after discharge, and for such disability a veteran may receive credit for a service-incurred disability. Such disabilities as decaying teeth, and many other minor ailments which could be considered as a direct result of many months of dietary deficiency occurring in the Army, as well as many months of living at the front on K rations or C rations, result after discharge in many disabilities for which the veteran may not receive treatment from the Veterans' Administration unless he enters the hospital as a pauper patient.

Senator LUCAS. What would you have the veteran do? Would you have him merely go to any doctor than he happened to want to go to?

Mr. NEILL. We advocate that free medical care be provided by city hospitals and clinics in city hospitals, so that there will be control over the medical treatment which the veteran receives.

Senator LUCAS. Suppose there is no city hospital. I live in a small town of approximately 4,000 people, and we do not have any hospital. The nearest hospital is perhaps 25 miles away. What would you do for a man with the aches and pains about which you talk if he were in such a community as the one to which I have referred?

Mr. NEILL. In cases of that nature the Veterans' Administration should make contracts with local physicians.

Let me cite my own experience. I was discharged for a disability. Since then I have incurred expenses exceeding \$100 for medical care in connection with disabilities that were not service-incurred. In many cases involving out-patient treatment for service-incurred disabilities, a greater loss of time on the job would be incurred in order to go to the facilities provided by the Veterans' Administration than to go to a physician of the veteran's own selection. This, fortunately, is being corrected by the Veterans' Administration by constructing facilities in the former congested areas close to the large cities.

Senator CONNALLY. Did you leave the service on a physical discharge?

Mr. NEILL. Yes.

Senator CONNALLY. Was the disability service-connected or non-service-connected?

Mr. NEILL. It was service-connected, but I may receive only outpatient treatment for the service-incurred disability, and no other disability. Because of those facts, we feel that the veterans should receive 5 years of medical care after being discharged. We feel that this change would result in a saving to the Government of a great deal of money by making it possible for veterans to avoid becoming patients in the Veterans' Administration facilities immediately after discharge, and it would reduce the load of the Veterans' Administration facilities in years to come by enabling the veteran completely to restore his health immediately after discharge.

Senator CONNALLY. You would be eligible for compensation, would you not, if you were discharged because of a physical disability, service-connected?

Mr. NEILL. Yes; I receive compensation.

Senator CONNALLY. How much?

Mr. NEILL. I receive 80 percent.

Senator CONNALLY. You receive 30 percent of what?

Mr. NEILL. I receive 30 percent of the total of \$115.

Senator CONNALLY. How much do you draw each month?

Mr. NEILL. I was an officer, and because of having a 30 percent disability I receive retirement pay.

Senator CONNALLY. And that is how much?

Mr. NEILL. It is \$125 a month.

Mr. Chairman, and members of the committee, the UE-CIO feels that the passage of these amendments would fulfill the promises that were made in the bill, and would make it an instrument of tremendous value to the veterans and to the country.

Senator JOHNSON. Are there any questions?

No one seems to want to ask any questions, Mr. Neill. We thank you very much.

Is Mr. Floyd, of the Veterans' Administration, here?

Is Mr. E. J. McHale present?

STATEMENT OF EDWARD J. McHALE, EXECUTIVE SECRETARY OF THE AMERICAN VETERANS COMMITTEE

Senator JOHNSON. You may proceed, Mr. McHale.

Mr. McHALE. My name is Edward J. McHale. I am executive secretary of the American Veterans Committee, which is a group of veterans of the second war.

I do not have a prepared statement in its entirety, and I hope to make up for it by being brief.

First of all, I may say that the educational provisions of the bill have been discussed quite fully during the course of the hearings.

Senator CONNALLY. When was your organization formed?

Mr. McHALE. Approximately a year and a half ago, sir.

Senator CONNALLY. How many members do you have?

Mr. McHALE. As of 3:30 o'clock Tuesday afternoon we had 6,587 members.

Senator LUCAS. Where are your headquarters?

Mr. McHALE. New York, sir. We have 30 chapters throughout the country, and several service chapters. The Army has relaxed its regulations and has permitted the formation of service groups. We

have chapters organized in Tinian, Guam, Manila, Oahu, and one is presently forming in Tokyo.

Senator LUCAS. Are you incorporated?

Mr. McHALE. Yes; in the State of New York.

Senator LUCAS. What are the objects and purposes of the organization?

Mr. McHALE. I have a statement which has been prepared by the committee, which sets forth its objects and purposes.

Senator LUCAS. Will you make it a part of the record?

Mr. McHALE. I will be glad to do so. Shall I read it into the record?

Senator LUCAS. No; you may just put it in the record.

Mr. McHALE. Thank you, sir.

(The statement of the American Veterans Committee is as follows:)

AMERICAN VETERANS COMMITTEE—A NEW ORGANIZATION FOR THE MEN AND WOMEN OF THIS WAR

Executive offices, 554 Madison Ave., New York 22, N. Y.

If you are in the Army, the Navy, the Marine Corps, the Coast Guard, the merchant marine * * * man or woman in any of these services * * * private or admiral * * * or veteran * * *.

*This message and invitation are for you * * * now*

What kind of world are you going to find after this war is won? Last time, it wasn't long before veterans were—

selling apples on the streets * * *

standing in line to get fed in soup kitchens * * *

begging for any kind of underpaid, dirty job * * *

And last time, the world waited only 13 years (the Jap invasion of Manchuria) before starting this business of war all over again.

We can see to it that the same thing doesn't happen again

GI's, sailors, chiefs, tec. 5's, colonels, and commanders too, are getting together now in a new democratic veterans organization, for veterans of this war. They're working together for—

1. Real peace—through international cooperation with teeth in it.

2. Jobs—decent, well-paid, for every American.

3. Security—for all, against the need for soup kitchens and apple-selling.

4. A strong voice in the future of our country.

There is no person, group, or interest behind the American Veterans Committee except servicemen and veterans themselves. AVC is nonpartisan, working both for the veterans and the general good * * * because what's good for the country and a majority of its citizens is good for the veteran.

GI'S BEGAN AVC, BACK AVC, RUN AVC

Began it: In January 1943 a corporal in the AAF and a group of his friends in service began exchanging ideas on how to provide the peace, jobs, and freedom their comrades were earning on the battlefields. Before the corporal and his friends were shipped, they decided that to get this peace, these jobs, and this freedom, veterans would have to organize and work together after the war was won. So the American Veterans Committee was born, and the job of running it fell to some fighting men who were home for good, after leaving pieces of themselves in north Africa or the South Pacific.

Back it: AVC grew fast. Each time there was a news story about it in civilian or military papers, inquiries poured in. A temporary headquarters was set up in New York, the staff was expanded, and a planning committee of veterans was formed. Local chapters of veterans were formed at key spots across the country. A news letter was written and sent out twice a month to the full membership—now well up in the thousands.

Run it: Through its news letter, the Bulletin, the planning committee keeps in constant touch with AVC members in service overseas, as well as with veterans and servicemen at home. Their letters, articles, and opinions are published fully. It is they who govern and control AVC's policies. The comparative handful of veterans at home have set the machinery in motion, represent the members now, but AVC is primarily the serviceman's, to take over and use when he comes back.

This is what we want:

The American Veterans' Committee to achieve a more democratic and prosperous America and a more stable world.

STATEMENT OF INTENTIONS

We look forward to becoming civilians, making a decent living, raising a family, and living in freedom from the threat of another war. But that was what most Americans wanted from the last war. They found that military victory does not automatically bring peace, jobs, or freedom. To guarantee our interests, which are those of our country, we must work for what we want.

Therefore we are associating ourselves with American men and women, regardless of race, creed, or color, who are serving with or have been honorably discharged from our armed forces, merchant marine, or allied forces. When we are demobilized it will be up to all of us to decide what action can best further our aims.

These will include:

Adequate financial, medical, vocational, and educational assistance for every veteran.

A job for every veteran, under a system of private enterprise in which business, labor, agriculture, and Government work together to provide full employment and full production for the Nation.

Thorough social and economic security.

Free speech, press, worship, assembly, and ballot.

Disarmament of Germany and Japan and the elimination of the power of their militarist classes.

Active participation of the United States in the United Nations Organization to stop any threat of aggression and to promote social and economic measures which will remove the causes of war.

Establishment of an international veterans' council for the furtherance of world peace and justice among the peoples of all nations.

This is what we are doing:

The AVC publishes a bulletin which is issued twice a month and sent free to all members.

The Bulletin's purpose is to keep AVC members, especially those overseas, properly informed on those events which will affect them personally in the postwar world. The Bulletin also carries a progress report on AVC; and a letters section which serves as a forum for the members.

Local chapters of AVC have been formed in New York, Jersey City, Washington, Cleveland, Chicago, and Los Angeles; others are being formed now. For the duration AVC's planning committee is issuing public statements and taking political or social action relating to matters of national concern, after referral to all the members through the Bulletin; the chapters have complete autonomy with respect to city, county, or State matters. All such activities must follow the general principles laid down in the statement of intentions.

AVC is getting increasingly wider recognition as a spokesman for the fighting men of this war—men who until now have had no such spokesman. Members of the planning committee are speaking at public meetings and on the air, cooperating with other agencies and organizations concerned about the future of America and its veterans, telling Congressmen what AVC's members need and what they want. AVC is now setting up a legislative research office in Washington and an information center to advise returning members on jobs, education, and claims.

At AVC's post-demobilization convention, the present planning committee will pass out of existence and the members will decide democratically on officers and on specific means of achieving our aims.

Is a new organization for the veterans of this war a good and needed thing?

Read what our members say:

* * * We need a new organization because we have new problems. If we go into the old organization there'd be continual quarreling between our generation and our fathers' generation, and we'd always remember that the old organizations, despite their success with the bonus, didn't do much about peace, jobs, and freedom—which are a hell of a lot more important.—Sgt. BILL CALDWELL, AAF.

* * * I am, of course, interested in any movement which is democratic and progressive. I have thought a good deal about a veterans organization that would be truly democratic and progressive. * * * I am glad that you and others there have taken the bull by the horns and started things moving in the right direction.—Col. EVANS F. CARLSON, USMC.

* * * We are not fighting simply for the "old order of things," as some national manufacturers would have us believe. It was the "old order of things" which insured us unemployment in the millions, slum areas in large cities, tattered cotton-picking sharecroppers, people hungering for food while land was being plowed under at the request of the Government. If we can produce plenty for a mammoth military machine in wartime then we can certainly produce plenty for an economy of peace. 'The latter is what we want, what we can do,' and we must notify our legislators, now, that that is what we want, not a return to the "old order of things."—Sgt. BERNIE BELLUSH, Ord. Am. Co.

* * * Nearly all of us have agreed that rather than having others speak for us we would like to get our own say-in. After all, all of this planning is for us, so who has a better right to speak about it?—RM2-C ELMER R. HUBBARD, Beach Bn.

* * * We all know by this time that if anyone is going to preserve the peace it will have to be the veterans of this war who have been through the mill. Perhaps we can learn from the mistakes which our predecessors made. When a man has served overseas for a year or more he knows that it is going to be up to him and his buddies to keep the peace, no one else will, that has been proven.—Corps. DONALD CATTANACH and CLIFFORD NORRIS.

* * * The statement of intentions represents a declaration to America and to the world that we are tired of going to war like our fathers, we are tired of hatred and persecution, and we want to live in peace and build a worth-while civilization.—Pfc SIDNEY BERNSTEIN, ATC.

* * * As civilians in uniform who, out of this grim experience of being at war, have learned how great a sacrifice it is sometimes necessary to make in the name of democracy, we must pool our knowledge and experience to fight those forces which brought about this terrible mess.—Sgt. WALTER PICK, Signal Corps.

YOUR APPLICATION FOR MEMBERSHIP

AMERICAN VETERANS COMMITTEE,

554 Madison Avenue, New York 22, N. Y.

I hereby subscribe to the American Veterans Committee's statement of intentions and apply for active membership in the American Veterans Committee.

(Signed) _____

Name _____ Number _____

(Please print)

Branch of service _____ Rank _____

Service address _____

Home address _____

I enclose \$2 for service membership \$3 for veteran membership

and understand that you will start mailing me the Bulletin at once.

The American Veterans Committee, a nonprofit membership association, with executive offices at 554 Madison Avenue, New York 22, N. Y. National planning committee: Charles G. Bolté, chairman; Lincoln W. Lauterstein, vice chairman; Max Roller, secretary; William J. Caldwell, treasurer; Lester Meyers, assistant treasurer; William Best, Jr.; Arthur W. Coats, Jr.; Vernon A. Eagle; Lewis C. Frank, Jr.; Grant Reynolds; Kermit Walker; Harry H. Zucker; Frances Borden; Arthur P. McNulty; Merle Miller; and William W. Goodman. Armed forces advisory committee: Col. Evans F. Carlson, USMC; Lt. C. C. Dancer, AAF; Capt. Alice B. Davey, WAC; Cpl. G. A. Harrison, AAF; Cpl. Edward T. Ladd, AUS; Sgt. Wadsworth Likely, AAF; Lt. Comdr. Oren Root, USNR; Capt. S. R. Spencer, Jr., AUS; Lt. Michael Straight, AAF; A/T Harris Wofford, AAF; Sgf. Alan Manson, AUS; Sgt. John MacCauley, AAF; and Sgt. Walter Pick, AUS.

Mr. McHALE. As I have already said, the educational features of the bill have been covered quite fully. It is suffice to say that we should like to have removed from the bill any reference to an interruption of education, and make the benefits available regardless of whether the individual's education was impeded or interfered with by reason of having been inducted into service. We should like to see removed from the bill the distinction which has been made between veterans over 25 years of age at time of induction, and those under that age.

We believe that special provisions should be made in order that the maximum benefit be increased to 7 years regardless of length of service.

At this point I should like to concentrate more on the loan features of the bill, taking up first of all the housing and business loans. I have had two reports prepared for me by subcommittees of our major committee, and I should like to read one of them in its entirety, as well as extracts from the second report, and then submit the entire report for the record.

Senator LUCAS. Who is the head of your organization?

Mr. McHALE. Charles Bolte is chairman of the committee.

Senator LUCAS. How was he elected?

Mr. McHALE. He was not elected. He was selected. We have not yet had our initial national convention, and until that time all officers and positions on the committee are temporary. We feel that any convention which might be held now would be premature and would deprive many of our members who are still in service of a democratic means of voicing their opinions as to who should be made members of the permanent committee.

Senator LUCAS. Are your officers compensated?

Mr. McHALE. I am the only paid member of the committee. The provisions of the GI bill of rights with respect to home loans are, we believe, basically sound. We desire to make several suggestions for amendments which, if adopted, we believe will strengthen the act, simplify its administration, and aid the veteran in financing the building or purchase of his or her home.

These recommendations have not been drafted in the form of amendments, but are stated in the terms of suggestions which have been made to us by various members of the American Veterans' Committee. They have been carefully thought out, and we respectfully urge their adoption.

First, we believe that the home loan provisions of the GI bill should be administered by one of the Government agencies that has been created to deal with homes, rather than by the Veterans' Administration. We suggest that one of the offices of the National Housing Agency would have the skills and know how essential proper administration is to a fair and equitable handling of the problems involved. The Federal Home Loan Bank System, which supervises a great number of the institutions that will actually make the loans, and which had the experience of operating the Home Owners' Loan Corporation, we believe could much more successfully administer the act than the Veterans' Administration, which is a neophyte in this business. Or the Federal Housing Administration could be more effective than the Veterans' Administration, to which home loans are a new and unfamiliar business.

Second, we recommend the elimination of the loans under section 505 and the incorporation of all home-lending provisions under section 501. We feel that loans under section 505, made mostly under the FHA plan, with the interest rate of $4\frac{1}{2}$ percent plus the insurance premium of $\frac{1}{2}$ percent, are not necessary when the veteran can procure a loan under section 501 at 4 percent. We believe that this confuses the veteran and leads to many misunderstandings, to say nothing of the possibility of providing the veteran with a more expensive loan unless he is familiar with the section 501 loans. Substantially all the loans to date, we have been informed, have been made under section 501, and we recommend that this be the only provision for home loans in the act. Amend the act, if necessary, in order to permit those few who want FHA loans to procure them under this section.

Third, the present provision that the property not exceed the "reasonable normal value thereof" was placed in the act in order to protect the veteran against real-estate speculators in the current tight housing market, from forcing up prices to the disadvantage of the veteran. This is a laudable purpose and we recommend this provision be maintained. Although we realize that this provision is cumbersome in administration, our minds are still too full of the losses which have been suffered by thousands of property owners in the early 1930's, because they had invested their hard-earned life savings in homes at prices well beyond the "reasonable normal value." We have only to call up the experiences of the HOLC to refresh our minds on the dangers of an unfettered real-estate market at a time when the demand for homes far exceeds the supply.

We estimate that approximately 10,000,000 veterans will want to take advantage of the home-loan provisions of the GI bill. If they each spend \$5,000 for a home, that will amount to \$50,000,000,000 in the life savings of veterans. In addition, if all the loans are made at 4 percent for 20 years, as they would be under section 501 of the bill, they will spend 22.7 billion dollars for interest and twenty-four to thirty billion dollars for real-estate taxes during the life of those loans. The expenditure of such tremendous sums probably averages 25 percent of the total income for 20 years, and it should be guarded as closely as the system of American free private enterprise will permit from the whims and fancies of rising and falling real-estate prices. For this reason we think that one of the safest protections which can be afforded the veteran is the retainment of the "reasonable normal value" concept, even though it temporarily slows down the process of the veteran's securing the necessary financing for a home. We believe that the expediency gained by eliminating this provision under current pressures is nowhere near the values which will ultimately be lost to the veteran by such a step.

Fourth, in view of the foregoing recommendation, and realizing that a temporary handicap will thus be placed in the path of the veteran, we recommend an extension of the period of time during which the veteran may apply for assistance under the GI bill to a period not exceeding 10 years from the date of separation from the service.

SENATOR MILLIKIN. Other witnesses who preceded you have had difficulty in finding normal values. I think the thing which is bothering many members of the committee is that, if we are off on a long

period of rising prices, by adhering strictly to tests which turn on cash values, we might, as Senator Johnson has said, draw down an iron curtain against putting veterans into homes. I should like to have your reaction on that point.

Mr. McHALE. I, too, have been seeking a definition of what is reasonable value, and I have not received a definition as yet from anyone, even from any of the supposed experts on the subject. We feel that the present housing situation can be solved possibly by other means than by this bill. We believe that the mere taking of the normal-value clause from the bill will not solve the housing situation as it exists today. I think that it will be accepted as true that this is a temporary handicap which can possibly be alleviated by taking steps to remove the present housing crisis. If that were done, the whole situation would revert back to its normal place.

Senator MILLIKIN. Your judgment may be wrong on that point. There is some opinion that we are off on a long period of rising prices.

Mr. McHALE. Yes.

Senator MILLIKIN. If that be true, and if we establish conventional methods for appraising real property, then the result will be that we will keep the veteran out of houses which he could have bought at cheaper prices under different standards. I don't think there is any answer to the question.

Mr. McHALE. No, sir.

Senator MILLIKIN. Therefore I will withdraw the question.

Mr. McHALE. Thank you very much, sir.

Senator JOHNSON. On that point the Farm Security representatives yesterday made an interesting point. They seemed to draw a distinction between normal pricing and normal loans. They wanted the pricing, as I understood their testimony, to be based on going prices. But they want the loan to be based on normal loaning prices. In other words, as I understood their testimony, they saw nothing wrong with a veteran putting some of his own money into a venture and holding the loan itself—the part which the Government would put in, and the part which some private agency would put in—to a normal basis. I thought that was a rather interesting approach to the subject, and it seems to me that it might be somewhat of a solution. Certainly prices must be based on what the property is selling for. We cannot merely turn back the pages of history and find out the correct price, or establish a normal price. Otherwise, there would be no real-estate deals made at all.

Senator LUCAS. You will not see any real-estate deals if they cannot be made on the basis of the going market price.

Senator JOHNSON. No.

Senator CONNALLY. What is the proper test to be applied in arriving at the reasonable market value or market price?

Senator JOHNSON. The point which the Farm Security people made, which I thought was a good one, was that the loan part of the deal ought to be based on normal loan practices.

Go ahead, Mr. McHale. Pardon me for the interruption.

Mr. McHALE. That is all right, sir.

The purpose of financial assistance to veterans wishing to become farm owner-operators should be to make loans so that they can go

into the farming business. Loans should be of sufficient size and should be made on terms which enable the veteran to make a success of farming and to repay the loan in full.

Before analyzing the provisions of the Servicemen's Readjustment Act of 1944 for aiding veterans to settle on farms, this report presents an analysis of the factors affecting the return of veterans to farming as farm owner-operators. The last section contains specific suggestions for legislation which will broaden the scope of the veterans' farm loan program.

It has been estimated that about 1,000,000 veterans of World War II will be interested in returning to farms. Most of those men hope to become farm operators, and about 500,000 of them will have to rent or buy farms in order to carry out their intentions.

The number of farms which will be available for new operators—veteran or nonveteran—within 5 years after the end of the war has been estimated to be somewhere between 800,000 and 900,000. This number includes many farms which are not of sufficient size or of sufficient fertility to support a family of five. In 1943-44, about 300,000 farms changed hands. Many of these farms were bought by tenants and other farmers and did not become available to new farmers. The number of adequate family-size farms suitable for new farmers is likely to be somewhere between 300,000 and 400,000. It seems probable, therefore, that there will not be enough farms to supply all veterans wishing to become farm operators.

Mr. Chairman, I have some charts which I should like to have put into the record as exhibits.

Senator JOHNSON. We shall be glad to have them, and they may be incorporated in the record as exhibits.

(The matter referred to is as follows:)

TABLE I.—*Capital investment needed for equipment and for stocking and operating a farm*⁶

Kind of farming	Investment in work stock, tools, and equipment	Investment in chickens, cows, hogs, sheep, etc.	Money required each year for feed, seed, fertilizer, labor, etc.
Poultry farming (2,000 hens).....	\$1, 000-\$1, 500	\$2, 500-\$3, 000	\$1, 000-\$1, 500
Dairy farming (15 cows):			
Northeastern and Lake States.....	1, 500- 2, 000	1, 800- 2, 500	500- 1, 000
Southern States.....	800- 1, 200	1, 500- 2, 000	400- 600
Corn-hog-beef farm.....	2, 500- 3, 000	2, 000- 2, 500	1, 000- 1, 200
Cotton.....	600- 800	200- 250	400- 500
Wheat.....	2, 000- 3, 000	1, 000- 2, 000	800- 1, 200
Diversified farming:			
Northwest and Midwest.....	2, 500- 3, 000	2, 000- 2, 500	1, 000- 1, 200
South.....	800- 1, 000	700- 1, 000	400- 600
Rocky Mountain States.....	1, 000- 1, 500	2, 000- 3, 000	1, 000- 1, 500
Cattle ranching (75-100 cows).....	1, 000- 1, 500	5, 000- 6, 500	1, 000- 1, 500
Sheep ranching (800-1,000 ewes).....	1, 500- 2, 000	6, 000- 9, 000	1, 500- 2, 000

⁶ Postwar Soldier Settlement, by John D. Black and Charles D. Hyson, reprinted from the Quarterly Journal of Economics, November 1944, p. 23.

The same article gives the following estimates of the cost of land for a family-size farm as taken from a booklet published by the United States Department of Agriculture entitled "Shall I Become a Farmer?":¹

¹ Same as ⁶.

TABLE II.—*Cost of land for family-size farms in selected States*

Alabama.....	\$3, 500-\$4, 500	Wisconsin.....	\$6, 000-\$10, 000
North Carolina.....	4, 000- 6, 000	Iowa.....	7, 500- 12, 000
Texas.....	4, 000-10, 000	Kansas.....	8, 000- 10, 000
Missouri.....	4, 500- 7, 500	Montana.....	8, 000- 12, 000
Vermont.....	5, 000- 7, 500	Washington.....	8, 000- 10, 000
Pennsylvania.....	5, 000- 8, 000	California.....	9, 000- 12, 000

The total capital needed varies between \$1,700 and \$25,000. Of these amounts \$1,200 to \$13,000 may be used for operating and semipermanent capital and \$3,500 to \$12,000 may be used as permanent capital, i. e., investment in land. The variation in these estimates is due to differences in location and in type of farming. Land is more expensive in some parts of the country than in others and different types of farming require varying amounts of land, equipment, stock, and current expenditure. Sheep and cattle ranching require the largest investments in operating and semipermanent capital, maximums of about \$13,000 and \$9,500 respectively. However, the geographical distribution of veterans returning to farms² is likely to be such that relatively few of them will become sheep and cattle ranchers. It should be noted that the larger capital investments will ordinarily provide for better incomes and living standards than the lower investments.

V. THE GI BILL OF RIGHTS

The Servicemen's Readjustment Act of 1944, otherwise known as the GI bill of rights, makes certain provisions for Government assistance to veterans desiring to borrow money in order to start farming. These provisions are explained below under two headings: "Institutional lenders" and "Bankhead-Jones and rehabilitation loans."

A. Institutional lenders

The Federal Government will guarantee one-half of a loan for the purpose of purchasing a farm provided the aggregate amount of the guaranty does not exceed \$2,000. The interest rate is not to exceed 4 percent and the Government will pay the first year's interest. The loans are to be made by established lending institutions and are to be paid back over a maximum period of 20 years in fixed payments. However, under some State laws banks are not permitted to make loans that are repayable over more than a 10-year period. Thus, the period over which the loan is repayable is further restricted and repayment installments are enlarged.

The assistance provided to veterans securing loans from institutional lenders is inadequate. A loan of \$4,000 is about as much as the veteran can reasonably expect to secure if a guaranty of half of the loan is desired by the lender. This is not enough capital for even the cheapest of family-size farms when the necessary operating and semipermanent capital is taken into consideration. The terms of repayment do not allow for decreasing the amount of repayment in poor years and increasing the amount in good years. The period for which the loan lasts is too short and the repayment installments will be too large. Many established lending institutions are reluctant to lend money for two practical reasons: (1) Only half of the loan is guaranteed and, since it is partially a character loan, they have no assurance that they will not lose at least part of the unguaranteed portion of the loan, particularly when the inadequate capital is taken into consideration; (2) in some areas an interest rate of 4 percent is below the current interest rate and, therefore, the lending institutions are prone to make loans to individuals who will meet the current rate rather than to veterans below the current rate.

Even if the provisions to help the veteran secure money from private lending institutions were adequate, the veteran would need assistance in selecting his farm and in planning his farm activities during the first few years of his new occupation—a highly competitive and specialized one. Such assistance is not provided nor is there a minimum requirement of experience as one of the qualifying elements for securing aid in obtaining a loan.

² Same as ², table E.

B. Bankhead-Jones and rehabilitation loans

Section 505, paragraph (b) of the Servicemen's Readjustment Act of 1944 reads as follows: "Any person who is found by the Administrator of Veterans' Affairs to be a veteran eligible for the benefits of this title, as provided in section 500 hereof, and who is found by the Secretary of Agriculture, by reason of his ability and experience, including training as a vocational trainee, to be likely to carry out successfully undertakings required of him under a loan which may be made under the Bankhead-Jones Farm Tenant Act, shall be eligible for the benefits of such act to the same extent as if he were a farm tenant."³

In accordance with this provision an appropriation of \$25,000,000 for the fiscal year of 1945-46 has been made available for the exclusive use of veterans. This money can be used to purchase farm land costing not more than \$12,000 per farm. Such loans are repayable over a 40-year period and they bear 3 percent interest. In addition, the payments may be varied from year to year according to the income during the year in question. In other words, the farmer makes higher payments in good years than he does in bad years. The farm is evaluated on the basis of its earning capacity and not according to the real-estate values that happen to be prevalent at the time of the purchase.

In addition to counsel and assistance in the selection of a farm by three experienced local farmers, a farm planning service which helps the farmer plan his activities is offered. These services will greatly help the veteran to make a success of farming as an occupation.

Funds for the purchase of livestock, equipment, and operating capital may be secured from Federal lending institutions and are repayable over a 5-year period and bear 5 percent interest. However, none of these funds have been earmarked for the exclusive use of veterans.

VI. SUGGESTED ACTION

As explained above, the present provisions in the Servicemen's Readjustment Act of 1944 for encouraging private lending institutions to assist veterans in becoming farm owner-operators are inadequate. It is the American Veterans Committee's belief that the Bankhead-Jones Tenant Act more realistically approaches the problem of supplying veterans with needed funds for becoming farm owners.

In view of the peculiar aspects of the veteran farm loan program, it is suggested that the following provisions be incorporated in the Bankhead-Jones Farm Tenant Act:

1. The maximum amount of the loan for the purchase of land should be limited by a formula as set forth in House Joint Resolution 216 of June 12, 1945. The pertinent section of this resolution reads as follows:⁴ "Provided, That no loan shall be made under this title with respect to any farm, the value of which, as acquired, repaired, or improved, is in excess of the average value of efficient family-type farm-management units, as determined by the Secretary, in the county, parish, or locality where the farm is located."

The loan should be repayable over a maximum of 40 years and the size of the annual repayments of principal should be varied according to the income realized from the farm during the year in question. The loan should bear 3 percent interest.

2. The land should be evaluated on the basis of the prospective earning power of the farm.

On March 1, 1945, the average price of farm land in the United States was estimated to have been 43 percent above the average price of 1930 to 1937, inclusive.⁵

The average price of farm real estate in the United States in 1944 was 15 percent above the average for 1943.⁶ Since this inflation is likely to last for a few years after VJ-day, it is unlikely that many farms will be immediately available

³ Public Law 346, 78th Cong., ch. 268, 2d sess., S. 1767, p. 11.

⁴ 79th Cong., 1st sess., H. J. Res. 216, in the House of Representatives, June 12, 1945. "Mr. Flannagan introduced the following joint resolution; which was referred to the Committee on Agriculture."

⁵ Estimated from information available in the Farm Real Estate Situation, 1943-44, by M. M. Regan and A. R. Johnson and Fred A. Clarenbach, Agricultural Economists, Bureau of Agricultural Economics, Circular No. 721, U. S. Department of Agriculture, January 1945, Washington, D. C., p. 4, table I.

⁶ Estimated from information available in Current Developments in the Farm Real Estate Market, July 1945, U. S. Department of Agriculture, Bureau of Agricultural Economics, Washington, D. C., p. 3, table I.

for purchase by veterans through a lending program based on the earning power of the land. The administrating agency should, therefore, have the authority to increase the amount of the loan to a reasonable amount above the evaluation. If the veteran-farmer finds himself unable to meet the terms of repayment and foreclosure is threatened, he should have the recourse of applying for a reevaluation of the loan. Upon receipt of such application, the administrating agency should be directed to reevaluate the land on the basis of the average earnings of farms in the vicinity of the veteran's farm during the period for which the veteran's farm has been operated under the terms of the loan. If the reevaluation is found to be less than the face value of the loan, the administrating agency should reduce the amount of the loan and the accrued interest so that they are in line with the reevaluation of the land. The veteran-farmer should then have the option of accepting the reduced obligations or of accepting foreclosure. However, only one such adjustment should be allowed and it should only be allowed within 10 years following the initial loan. The reduction in the face value of the loan should be limited to 20 percent.

It is realized that such a program of increased evaluation because of inflation will in itself promote inflation. However, it is believed that unless some concession is made to the temporary increase in land prices, it will be impossible for the Government to carry out an effective program for assisting veterans to purchase farm land. It is also believed that within a few years after VJ-day, the tendency toward abnormally high land prices will have diminished and that it will be unnecessary to apply the provision for buying land at inflated prices. The administrating agency should be directed to make the provisions for increased land evaluation inoperative as soon as it is practical to do so.

3. On appropriation which is operative over the life of the program will permit a continuity of operation and also permit the administrating agency to meet applications for loans whether the applications are received at an even rate over the life of the program or are bunched during any particular period. Because of the prospective discharge of the great majority of the armed forces within a year following VJ-day, such flexibility is highly desirable.

B. Other needed action

1. Loans should be provided for the purchase of equipment, livestock, and for use as operating capital. Such loans should bear 5 percent interest and should be payable over a 5-year period.

2. Veterans should be given a preference in the acquisition of new agricultural land which may be opened up under Government auspices. This would include new irrigation projects, homesteads in Alaska, and other Government-owned land that might be made available for farming purposes. However, land owned by the Government which is returned to farming after being used for war purposes must, under law, be offered to the prior owners before anyone else can buy it. In this case, if such land is not purchased by the original owner, it is suggested that veterans then be given preference for its purchase.

3. The provisions of this program should run for 5 years following the end of the emergency as proclaimed by the President or by a joint resolution of Congress. It is the purpose of the above proposals to enable veterans to have an opportunity for rapid readjustment to civilian life. It is not the purpose to provide a permanent subsidy to veterans who wish to return to farming as a vocation. Therefore, the provisions should not be extended indefinitely and it is felt that veterans should know if they wish to settle on a farm within 5 years from the end of the emergency.

Senator MILLIKIN. Mr. McHale, let us assume for a minute some irrigated sections of the country where prospects for production are good. I believe that in the section of the country from where I come, a suitable acreage of land, together with the necessary machinery and stock to equip it, would entail an investment of approximately \$20,000. On the basis of an investment of that kind, a \$2,000 guaranty would seem to me to be quite inadequate. What is your reaction to that situation? Allow me to add, that if a man is not put onto that kind of a piece of land, we are probably putting him on a piece of land that will not sustain his family.

Mr. McHALE. I am not a farm expert, gentlemen, and I should like merely to read the report which has been prepared by people who have studied the subject. I am afraid that I cannot go into the ramifications of the subject.

Senator MILLIKIN. Very well.

Senator LUCAS. You will agree, will you not, that it is impossible to support a family of five unless the kind of farm to which Senator Millikin referred is provided?

Mr. McHALE. That may be true in the section of the country to which the Senator has referred.

Senator JOHNSON. And if that be the case—and it is the case—Congress is either fooling itself or practicing deception on the veteran who undertakes to handle the project.

Mr. McHALE. While I do not wish to burden the record, I will read a section of the report which may answer the Senator's question. The section to which I refer reads as follows:

The Federal Government will guarantee one-half of a loan for the purpose of purchasing a farm provided the aggregate amount of the guaranty does not exceed \$2,000. The interest rate is not to exceed 4 percent and the Government will pay the first year's interest. The loans are to be made by established lending institutions and are to be paid back over a maximum period of 20 years in fixed payments. However, under some State laws banks are not permitted to make loans that are repayable over more than a 10-year period. Thus, the period over which the loan is repayable is further restricted and repayment installments are enlarged.

The assistance provided to veterans securing loans from institutional lenders is adequate. A loan of \$4,000 is about as much as the veteran can reasonably expect to secure if a guaranty of half of the loan is desired by the lender. This is not enough capital for even the cheapest of family-size farms when the necessary operating and semipermanent capital is taken into consideration. The terms of repayment do not allow for decreasing the amount of repayment in poor years and increasing the amount in good years. The period for which the loan lasts is too short and the repayment installments will be too large. Many established lending institutions are reluctant to lend money for two practical reasons: (1) Only half of the loan is guaranteed and, since it is partially a character loan, they have no assurance that they will not lose at least part of the unguaranteed portion of the loan, particularly when the inadequate capital is taken into consideration. (2) In some areas an interest rate of 4 percent is below the current interest rate and, therefore, the lending institutions are prone to make loans to individuals who will meet the current rate rather than to veterans below the current rate.

Even if the provisions to help the veteran secure money from private lending institutions were adequate, the veteran would need assistance in selecting his farm and in planning his farm activities during the first few years of his new occupation—a highly competitive and specialized one. Such assistance is not provided, nor is there a minimum requirement of experience as one of the qualifying elements for securing aid in obtaining a loan.

Section 505, paragraph (b), of the Servicemen's Readjustment Act of 1944 reads as follows: "Any person who is found by the Administrator of Veterans' Affairs to be a veteran eligible for the benefits of this title, as provided in section 500 hereof, and who is found by the Secretary of Agriculture, by reason of his ability and experience, including training as a vocational trainee, to be likely to carry out successfully undertakings required of him under a loan which may be made under the Bankhead-Jones Farm Tenant Act, shall be eligible for the benefits of such Act to the same extent as if he were a farm tenant."

In accordance with this provision, an appropriation of \$25,000,000 for the fiscal year of 1945-46 has been made available for the exclusive use of veterans. This money can be used to purchase farm land costing not more than \$12,000 per farm. Such loans are repayable over a 40-year period, and they bear 3-percent interest. In addition, the payments may be varied from year to year according to the income during the year in question. In other words, the farmer makes higher payments in good years than he does in bad years. The farm is evaluated on the

basis of its earning capacity and not according to the real estate values that happen to be prevalent at the time of the purchase.

In addition to counsel and assistance in the selection of a farm by three experienced local farmers, a farm planning service which helps the farmer plan his activities is offered. These services will greatly help the veteran to make a success of farming as an occupation.

Funds for the purchase of livestock, equipment, and operating capital may be secured from Federal lending institutions and are repayable over a 5-year period and bear 5-percent interest. However, none of these funds have been earmarked for the exclusive use of veterans.

You see there is a provision that would enable a man to purchase a farm costing up to \$12,000, and stock it. We go further and make suggested amendments to the Bankhead-Jones Farm Tenant Act which would take care of the veteran.

Senator MILLIKIN. When we expand the act in order to take care of the number of men who you say will want to go into farming, we run into astronomical figures. Also, we would make available a large benefit to the man who wants to make his livelihood on the farm. Now, are we discriminating against the man who wants to go into business? Yesterday a witness answered that question by saying that if a man desires to go into farming he accomplishes not only the acquisition of a home but a business. Therefore, it would not be discrimination to increase the benefit to a fellow who wants to go on the farm. I do not want to take your time by going into a long discussion of those matters, but they are not simple.

Mr. McHALE. No, sir. We realize that this subject is a very involved one and that it contains both the home loan features and business loan features, all in one package. The farmer is not only a home owner, but he is also a business operator.

I should like to read further from this report.

Senator JOHNSON. Go ahead, Mr. McHale.

Mr. McHALE. The sections to which I wish to call special attention are as follows:

As explained above, the present provisions in the Servicemen's Readjustment Act of 1944 for encouraging private lending institutions to assist veterans in becoming farm owner-operators are inadequate. It is the American Veterans' Committee's belief that the Bankhead-Jones Farm Tenant Act more realistically approaches the problem of supplying veterans with needed funds for becoming farm owners.

In view of the peculiar aspect of the veteran farm loan program, it is suggested that the following provisions be incorporated in the Bankhead-Jones Farm Tenant Act:

The maximum amount of the loan for the purchase of land should be limited by a formula as set forth in House Joint Resolution 216 of June 12, 1945. The pertinent section of this resolution reads as follows: "Provided, That no loan shall be made under this title with respect to any farm, the value of which, as acquired, repaired, or improved, is in excess of the average value of efficient family-type farm-management units, as determined by the Secretary, in the county, parish, or locality where the farm is located."

The loan should be repayable over a maximum of 40 years, and the size of the annual repayments of principal should be varied according to the income realized from the farm during the year in question. The loan should bear 3-percent interest.

2. The land should be evaluated on the basis of the prospective earning power of the farm.

On March 1, 1945, the average price of farm land in the United States was estimated to have been 43 percent above the average price of 1930-37, inclusive.

The average price of farm real estate in the United States in 1944 was 15 percent above the average for 1943. Since this inflation is likely to last for

a few years after VJ-day, it is unlikely that many farms will be immediately available for purchase by veterans through a lending program based on the earning power of the land. The administrating agency should, therefore, have the authority to increase the amount of the loan to a reasonable amount above the evaluation. If the veteran-farmer finds himself unable to meet the terms of repayment and foreclosure is threatened, he should have the recourse of applying for a reevaluation of the loan. Upon receipt of such application, the administrating agency should be directed to reevaluate the land on the basis of the average earnings of farms in the vicinity of the veteran's farm during the period for which the veteran's farm has been operated under the terms of the loan. If the reevaluation is found to be less than the face value of the loan, the administrating agency should reduce the amount of the loan and the accrued interest so that they are in line with the reevaluation of the land. The veteran-farmer should then have the option of accepting the reduced obligations or of accepting foreclosure. However, only one such adjustment should be allowed, and it should only be allowed within 10 years following the initial loan. The reduction in the face value of the loan should be limited to 20 percent.

It is realized that such a program of increased evaluation because of inflation will in itself promote inflation. However, it is believed that unless some concession is made to the temporary increase in land prices, it will be impossible for the Government to carry out an effective program for assisting veterans to purchase farm land. It is also believed that within a few years after VJ-day, the tendency toward abnormally high land prices will have diminished and that it will be unnecessary to apply the provision for buying land at inflated prices. The administrating agency should be directed to make the provisions for increased land evaluation inoperative as soon as it is practical to do so.

3. One appropriation which is operative over the life of the program will permit a continuity of operation and also permit the administrating agency to make applications for loans whether the applications are received at an even rate over the life of the program or are bunched during any particular period. Because of the prospective discharge of the great majority of the armed forces within a year following VJ-day, such flexibility is highly desirable.

B. OTHER NEEDED ACTION

1. Loans should be provided for the purchase of equipment, livestock, and for use as operating capital. Such loans should bear 5-percent interest and should be payable over a 5-year period.

2. Veterans should be given a preference in the acquisition of new agricultural land which may be opened up under Government auspices. This would include new irrigation projects, homesteads in Alaska, and other Government-owned land that might be made available for farming purposes. However, land owned by the Government which is returned to farming after being used for war purposes must, under law, be offered to the prior owners before anyone else can buy it. In this case, if such land is not purchased by the original owner, it is suggested that veterans then be given preference for its purchase.

3. The provisions of this program should run for 5 years following the end of the emergency as proclaimed by the President or by a joint resolution of Congress. It is the purpose of the above proposals to enable veterans to have an opportunity for rapid readjustment to civil life. It is not the purpose to provide a permanent subsidy to veterans who wish to return to farming as a vocation. Therefore, the provisions should not be extended indefinitely, and it is felt that veterans should know if they wish to settle on a farm within 5 years from the end of the emergency.

That concludes the report, and I should like to add further that in the event that a law is enacted to be known as the Servicemen's Readjustment Act of 1945, it will be given adequate and proper publicity in order to avoid some of the hysterical interpretations which have been placed on the present act.

That is all of my testimony, Mr. Chairman.

Senator JOHNSON. We thank you very much, Mr. McHale.

STATEMENT OF GEORGE L. WILLIAMS, MANAGER OF THE STATE-WIDE HOUSING LOAN SERVICE OF COLUMBIA, S. C.

Senator JOHNSON. Go ahead and state your name, Mr. Williams, and your official capacity.

Mr. WILLIAMS. My name is George L. Williams. I am manager of the State-wide Housing Loan Service of Columbia, S. C.

Mr. Chairman, what little I know about this subject comes from long experience in handling FHA loans and loans for veterans and in dealing with investors. I do not profess to know anything about the proposed amendments other than with respect to title III.

I have had quite considerable experience in handling such loans. I assisted in organizing the Federal Housing Administration, and I am familiar with the functions of Government agencies. Further than that, I am in probably no position to give much valuable information.

I may say, however, that it is my feeling that if you do not get necessary information from the veterans' standpoint, and from the standpoint of investors, as well as the Government, you will not be able to make the changes which are necessary to make in the present act. We certainly have no desire to impede any legislation which will make the bill known as the GI bill of rights more practical. There are some things in the proposed amendments which we believe to be good. There are some good points in the original act. What we would like to see you gentlemen do is to take all of the good points and incorporate them in amendments and leave out the bad points. If I can help point out some of the good points, I shall be very glad to do so.

If the members of the committee will refer to the printed manuscript which I have furnished them, they will see that I have tried to reduce the statements in condensed form in order not to take up any more time than necessary.

You will notice a reference to title III, section 500 (a). It is in the proposed amendment. You gentlemen have read the amendment. It seems that the sections in the original act are different from the sections referred to in the proposed amendments, inasmuch as section 501 is 500 in the amendment, and evidently there are included two sections in the original act. The reference which I have before me has to do with section 500 (a) of the proposed amendment. Let me quote the language:

When such a loan is made by the lender, the lender is automatically guaranteed 50 per centum of the loan by the Administrator of Veterans' Affairs of this Act is the guaranty: *Provided*, That the aggregate amount guaranteed does not exceed \$2,000: *Provided, further*, That no loan shall be negotiated until thirty days after the end of the veteran's discharge.

Section 501 (a) provides that—

No approval of the loan shall be required from the Administrator.

Section 502 (c) provides that—

No first mortgage shall be ineligible for insurance under the National Housing Act, as amended, by reason of any loan guaranteed under this title, or by reason of any secondary lien upon the property involved securing such loan.

The original act, under section 500 (a), provides that—

If the Administrator finds that the veteran is eligible for the benefits of this title and that the loan applied for appears practicable, the Administrator shall guarantee the payment of the part thereof as set forth in this title.

The original act, under section 505 (a), provides that—

In any case wherein a principal loan for any of the purposes stated in sections 501, 502, or 503, is approved by a Federal agency to be made or guaranteed or insured by it pursuant to applicable laws and regulations, and the veteran is in need of a second loan to cover the remainder of the purchase price or cost, or a part thereof, the Administrator, subject otherwise to the provisions of this title, including the limitation of \$2,000 on the total amount which may be guaranteed, may guarantee the full amount of the second loan: *Provided*, That such second loan does not exceed 20 per centum of the purchase price or cost and that the rate of interest thereon does not exceed that on the principal loan by more than 1 per centum.

With reference to the proposed amendment providing that no approval of the loan shall be required from the Administrator, obviously this was intended to aid the veterans in getting more liberal loans and to make loans more accessible to veterans under the provisions of the act. However, in actual practice such would not be the case, and the reason is that it is a fact that a great many veterans are coming back to their homes in small towns and villages and on the farms all over the country, and in most of these places the lending institutions are not equipped or do not exist to handle veterans' loans, and such veterans will have to make application and the loans will have to be approved by some distant lending institution in a great many cases, and such banks or lending institutions are not equipped or inclined to assume the responsibility of making inspections for these loans. They are, however, willing to make the loans upon the appraisal of the Federal Housing Administration appraisers, or independent appraisers appointed by the Veterans' Administration, and the investors in these loans would not be willing to accept the appraisal of local lending institutions, but would prefer that appraisals be made on homes by appraisers experienced and trained in appraising and determining the reasonable normal value of homes; in the case of farms, appraisals to be made by qualified farm appraisers.

All appraisals should be based upon comparable values, taking into consideration the increase in the cost of material and labor. It is impossible for any appraiser to draw a line and say just what a normal value is. However, it is impracticable, from the standpoint of investment, to sell one house for \$6,000 and sell another similar house, just only a block or two away, for \$8,000. However, that is being done all over the country. A reasonable normal value must be established by taking into consideration increased costs of material and labor.

Senator LUCAS. How are you going to keep the fellow from buying one home at \$6,000, and another one buying another home three or four blocks away for \$8,000?

Mr. WILLIAMS. First, there should be proper appraisals, and secondly, the investors will control the situation. I do not think that investors and banks throughout the country would be willing to take losses promiscuously all over the country where properties are appraised by inexperienced appraisers and values are established on the basis of questionable values, even if all or a part of the loan were to be insured by the Government.

Senator LUCAS. You have made the point that if the Federal Government has absolutely qualified appraisers in communities where lending institutions are located, who are ready to make immediate appraisals at the expense of the Federal Government, that loans to investors would thereby be speeded up. I have been somewhat worried about a certain phase of that situation. How fast will loans be made, provided the banks themselves, or the lending agencies, must incur or stand the expense of making appraisals, and meet other expenses in connection with those matters?

Mr. WILLIAMS. We have had a great deal of trouble in our section of the country in making preliminary inspections. We contact the veteran directly, and naturally he does not want to pay out \$15 or \$25 for something which he may not care about, and we do not take the money from him to go out and appraise a house or a piece of property, and reject it. I believe the Administrator of Veterans' Affairs or some institution should provide that service for the veterans so that preliminary appraisals may be made without expense to the veterans. If a loan is made, it would probably be wise to allow the expense of the appraisal to be deducted from the loan. That might apply to other expenses as well. But we do not have a sufficient number of independent appraisers in our State. There are only three licensed real-estate appraisers in South Carolina.

Senator LUCAS. The Federal Government is obligating itself to quite a program here so far as loans are concerned. It seems to me that the Federal Government should assume the responsibility of getting the proper appraisals in those communities instead of leaving it up to the veterans to do such initial work. In some communities, as the testimony shows, the lending agencies themselves are taking that matter into consideration. They are taking the initiative.

Mr. WILLIAMS. We have done so in connection with our own business, but it runs into quite a volume and you cannot keep it up. I presume that I have personally made as many as 200 appraisals for veterans free of charge. It naturally costs money, and entails expense.

Senator LUCAS. Sooner or later that procedure will play out. If that service is provided, it will be a great help.

Mr. WILLIAMS. Yes. We try to give the veteran complete service in order that he may get what he is after without having to go around to three or four different places. There have been complaints made about the necessity of veterans going to the Veterans' Administration, for example, to obtain certain information, and then be sent to some other place for other information, and following that to some other place to get further information. I have had many veterans who have come to my office and stated that they were out of patience with the service which the original act was supposed to provide. They stated that they had been going around from one place to another. The whole problem should be worked out on a more practical basis.

Senator CONNALLY. What business are you in?

Mr. WILLIAMS. I am handling these loans.

Senator CONNALLY. Are you?

Mr. WILLIAMS. Yes; we are handling these loans.

Senator CONNALLY. You say "We." Who is "We"?

Mr. WILLIAMS. The State-wide Housing Loan Service of Columbia, S. C. That is a private service institution for anyone who wishes to obtain a loan through the Federal Housing Administration, or obtain a GI loan.

We have done business with the South Carolina banks running into several million dollars, and I have been handling this business in South Carolina for several years.

Senator CONNALLY. Do you restrict your business to Federal Housing Administration matters?

Mr. WILLIAMS. Yes.

Senator CONNALLY. You do not serve all people who want to get loans?

Mr. WILLIAMS. I am a specialist in this business, and that is all the business I want.

Senator CONNALLY. How do you obtain your compensation?

Mr. WILLIAMS. These loans all carry a premium. We do not charge veterans anything. We render that service free of charge, but the Federal Housing loans have always sold at a premium and we are paid by the investors who produce the loans.

Senator CONNALLY. You mean the bank or someone else?

Mr. WILLIAMS. The one who actually gets the loan.

Senator CONNALLY. Do you work on a percentage basis?

Mr. WILLIAMS. Well, all these loans are just like other investments. They sell at a premium, depending on the market.

Senator CONNALLY. I understand that, but do you charge so much percentage, depending on the loan?

Mr. WILLIAMS. We would sell the loan. They are selling now at 102½.

Senator CONNALLY. Where do you come in? What do you get?

Mr. WILLIAMS. We get the premium.

Senator CONNALLY. You get 2½ percent?

Mr. WILLIAMS. Whatever the market may be.

Senator CONNALLY. Well, you say that at the present time it is 2½ percent. So you would get 2½ percent.

Mr. WILLIAMS. That is right.

Testimony has been presented on behalf of the National Life Insurance Co., which I happened to hear. I helped that company set up its original arrangements to handle these loans, and it has handled a large volume of loans for our office, all of which has been very satisfactory.

Senator CONNALLY. Where do you come in on the veterans' business?

Mr. WILLIAMS. We give such service to the veterans without any charge at all.

Senator CONNALLY. What is your service that you do give?

Mr. WILLIAMS. Well, we do all the work. The biggest trouble with this thing all over the country is that somebody must do the work for the veterans. They must have forms filled out, and so forth.

Senator CONNALLY. Well, a veteran comes into your office. You help him get started. Now, what happens to him?

Mr. WILLIAMS. Well, he must make out an application for eligibility. He goes to the Veterans' Administration and gets a certificate to the effect that he is eligible for a loan. He does not know how

to do that. He has to produce a certificate—well, not a certificate, but a copy, certified copies of his discharge, and we get a copy certified for him and fill out all the forms and handle the whole thing for him.

Senator CONNALLY. When he gets his loan, what then happens? You do not get anything?

Mr. WILLIAMS. Not out of that portion of it. The loans which we handle come under section 505 of the—

Senator CONNALLY. I do not care what the section is. I want to know how much you get out of the loans when you make them. How much do you get out of each loan?

Mr. WILLIAMS. We have to make two loans. First, one is insured by the Federal Housing Administration. We get pay on the Federal Housing loan. That is customary all over the country.

Senator CONNALLY. All right.

Mr. WILLIAMS. We do not charge anything for the veteran's loan at all. We get enough out of the other to take care of us, and we are glad to give free service to the veteran.

Senator CONNALLY. Well, this whole thing is made up out of the veteran's loan, is it not?

Mr. WILLIAMS. If you get a loan for, say, \$5,000, that is, if the veteran gets \$5,000, \$4,000 of it, or about that amount, would go through the Federal Housing Administration.

Senator CONNALLY. You receive pay on the \$4,000?

Mr. WILLIAMS. Absolutely.

Senator CONNALLY. Your statement that you do all of those things for the veterans free does not seem to hold water so far as I am concerned.

Mr. WILLIAMS. I was referring to the portion of the loan which applied to the veterans guaranty.

Senator CONNALLY. All of the loan is for the veteran. He is the one who owes that \$5,000.

Mr. WILLIAMS. The Veterans' Administration takes care of the secondary loan. We would handle the FHA loan for the veteran, or anyone else, on the same basis.

Senator LUCAS. Some individual or some organization has to do some of the work before the veteran can get a loan.

Mr. WILLIAMS. Yes; or the veteran does not get the loan. Banks say that they want the full insurance. They have to have someone on the ground. Naturally, someone has to be compensated.

Senator CONNALLY. Certainly; I know that. There is always a nigger in the wood pile. Just be frank with us, that is all. I do not care if you get paid for what you do.

Mr. WILLIAMS. I would have brought that out further on in my statement, anyway.

Senator CONNALLY. Just be frank with the committee; that is all.

Mr. WILLIAMS. A veteran may obtain a loan without going to the FHA.

Senator CONNALLY. Oh, certainly; I can borrow money without getting a veteran's loan.

Senator JOHNSON. Do you have anything further, Mr. Williams?

Mr. WILLIAMS. Yes.

Section 504 has reference to business loans. Where banks or lending institutions are willing to carry 50 percent, or more, of the loan,

which portion would be uninsured, the lending institution in such cases having more than 50 percent of the risk could very well make its own appraisals, without encroaching upon the soundness of our economic system. Furthermore, banks and lending institutions are prepared and qualified to make appraisals of property for business purposes, whereas many of them are not prepared to make appraisals for loans on homes or farm property.

Under section 500 (a) provision is made for guaranteeing 50 percent of the loan, not to exceed \$2,000, and although section 502 (e) provides that no first mortgage shall be ineligible for insurance under the National Housing Act, as amended, by reason of any loan guaranteed under this title, or by reason of any secondary lien upon the property involved securing such loan, the proposed amendment makes no provision for fully insuring a secondary loan as provided in the original act under section 505 (a).

That is what we were discussing a while ago. Section 505 in the original act provided for the Veterans' Administration to insure secondary loans. It is not included in the proposed amendment. We would like to have it included.

Judging from my experience in handling veterans' loans and in contacting and interviewing a number of veterans, I find that the provisions of section 505 of the original act are the most valuable provisions of title III of the act for the reason that, in the first place, a veteran can obtain a 100-percent loan to buy or build a home by securing an FHA loan for 80 to 90 percent of the purchase price, and using his veteran's guaranty loan for 10 to 20 percent, thus leaving a portion of his guaranty loan available for other purposes should it be needed. For instance a veteran desires to borrow \$5,000 to build a new home. As a matter of fact, the veteran is not so vitally interested in whether 50 percent of the loan is insured, 20 percent, or any other percent. What he wants is a home at a reasonable price, financed on terms which he can comfortably pay, and on a low-interest basis.

Now, should the veteran use the 80 percent FHA loan, he would obtain a loan of \$4,000 from the lending institution to be insured by FHA, and a \$1,000 loan to be guaranteed by the Veterans' Administration. By this method he would still have a credit of \$1,000 with the Veterans' Administration available for future use. On the other hand, should the veteran take a 50 percent Veterans' Administration guaranteed loan, he would have no further credit on his Veterans' Administration loan account for educational purposes, business, or otherwise, and furthermore, the payments on the FHA portion of the loan are smaller because the FHA loan may run for a term of 25 years, whereas the Veterans' Administration loan is limited to 20 years, and veterans in most instances desire the smaller payments with the option to pay off at an earlier date if desired.

Senator LUCAS. Do you know of any veteran who has built a home on the basis of the example which you have cited here?

Mr. WILLIAMS. I have had something to do with a number of them myself.

Senator LUCAS. On the basis of \$5,000?

Mr. WILLIAMS. It runs between \$4,500 and \$6,000.

Senator LUCAS. As I recall it, there was some testimony to the effect that some believed a home could not be built for the lesser amount.

The person giving the testimony said he did not believe a comfortable and decent home could be built for less than \$8,000.

Mr. WILLIAMS. I now have under construction 23 houses, and most of them are six-room brick-veneer construction, including heater, hot water system, landscaping, lot, and everything included. They run in price from \$6 000 to \$7,000.

Senator CONNALLY. Are you in the real estate business as well as in the loan business?

Mr. WILLIAMS. No, sir.

Senator CONNALLY. You said you had under construction 23 houses. What are you going to do with them? You cannot live in all of them.

Mr. WILLIAMS. I meant that they had been contracted for through our office. I am not in the real-estate business, but the veteran buys a lot and we get the house built on it for him.

Senator CONNALLY. Does that \$6,000 or \$7,000 include the lot?

Mr. WILLIAMS. It includes the lot.

Senator LUCAS. Where were those homes built?

Mr. WILLIAMS. In Columbia, S. C.

Senator JOHNSON. Are they located in a good section?

Mr. WILLIAMS. They are located in the very best section in town for that type of building. It is not in the society part of the town, but all city conveniences are available and furnished.

Senator MILLIKIN. With sewerage?

Mr. WILLIAMS. We have some homes constructed with septic tanks which were put in under the supervision of the State Board of Health.

Senator MILLIKIN. Are the streets paved?

Mr. WILLIAMS. No. They are graded but not paved.

Senator MILLIKIN. They will have to be paved later on, will they not?

Mr. WILLIAMS. Many of the sections down in that part of the country never do have paving. Some of the best residential sections in the city of Columbia are not paved. The surface is a good hard sand surface. The houses to which I have referred are available for a great deal less money than they would be if they had already been built.

In the event that the proposed amendment is adopted, the provisions in section 500 (a), title III, of the original act should by all means be included as well as the provisions of section 505 (a), the inclusion of which would be beneficial to the veteran, the lender, and the Administration.

Contrary to apparent erroneous ideas of the number of veterans who may seek loans for homes or business, it is found by actual experience that a very small percentage of the veterans desire loans at this time, and if anyone has the idea that these young men and young women who have been in the service are not wide awake to the fact that values are inflated, they are mistaken, for the most of them are well posted and they know that a home that sold for \$5,000 before the war is not worth \$8,000, or a farm that sold for \$50 an acre is not worth \$100 an acre, and they also know that it is the part of wisdom for them to have a careful appraisal by a competent appraiser other than the lender or the seller. Of course, out of the large number of veterans there would be many who, in their desperation for homes or farms, would jump to conclusions and invest unwisely and in the course of 5 years, more or less, they might find that they had been injured rather

than helped by the GI bill of rights, and every intelligent person knows that to saddle a debt on veterans on the basis of inflated values will result in grief, disappointment, and, in many cases, bankruptcy.

Senator MILLIKIN. Let us take for example one of the houses which you have described, that you are building or having built. Could that same house, on the same lot, have been completed for more or less money prior to the war than at the present time? What could it have been completed for prior to the war?

Mr. WILLIAMS. As near as we can estimate it, the difference is between 30 and 40 percent, which is represented in greater cost of the materials at the present time. An existing house of the same type is now selling for some \$2,000 to \$3,000 more than the new houses which we are building. Any veteran could turn around and sell his house and make a profit of \$1,500 or \$2,000 in cash. There have been very few sales of existing houses because the prices for them have been so high. A five- or six-room house in Columbia which was built before the war, say in the years 1935 to 1940, is now selling at anywhere from \$7,000 to \$8,000 and as high as \$10,000 cash price. So our problem seems to be in getting more houses constructed. One of the biggest problems in connection with building is getting material and labor.

Senator MILLIKIN. During the course of your remarks will you give us your viewpoint with respect to protecting the veteran against inflation?

Mr. WILLIAMS. You mean with reference to these appraisals?

Senator MILLIKIN. Let us assume that the price of houses continues to rise over a long period of time. If we do not get the veteran in on the situation now, we will never be able to get him in unless we increase the guaranty.

Mr. WILLIAMS. Protecting the veteran against future inflation is, of course, a rather difficult task if the market continues as it is. It will be a difficult problem for the investors in the present market. The remedy for the whole situation is to have more houses. Houses are not available at any price. A person who has a home and is living in it does not want to sell it. If someone comes along and offers him a very high price, probably he would sell.

Senator LUCAS. How many people do you have in Columbia, S. C.?

Mr. WILLIAMS. You mean what is the population?

Senator LUCAS. Yes.

Mr. WILLIAMS. Taking into consideration the inflated population, it is at present about 200,000.

Senator LUCAS. Let us take the inflated portion of the population out; then how much do you have left?

Mr. WILLIAMS. The normal population is around 100,000.

Senator LUCAS. What will happen to the remaining 100,000?

Mr. WILLIAMS. Naturally prices will come down.

Senator LUCAS. No; I mean what is going to happen to the 100,000 who came in during the war? What will happen to them, in your judgment?

Mr. WILLIAMS. A great many of them will go to places where there are large manufacturing industries. Outside of the cotton mills, we do not have very many manufacturing industries in our section, and many of the persons who are living there now will move away eventually. According to the statements which have been made by repre-

representatives of the chamber of commerce, the population will be considerable even after the reduction which it is expected will take place.

Senator LUCAS. How many homes, normally, would you say it would require in Columbia, S. C., to bring the present inflated price of the old homes down to what it ought to be?

Mr. WILLIAMS. Under normal conditions before the war it required 500 homes a year in order to take care of the increase in population. Since 1940, very few homes have been constructed. The population has increased, and therefore the demand has increased. It has been estimated that it will require 2,000 homes a year for 5 years in order to catch up with the demand.

Senator LUCAS. That is contemplated on the basis of new houses.

Mr. WILLIAMS. Yes. There is no way around paying more for a house, whether already built or newly constructed, under present conditions.

Senator MILLIKIN. If you were to pay \$7,000 today for a new house, in 5 years it would be worth \$4,000, would it not? At least, it would be worth less.

Mr. WILLIAMS. I do not think it would fall back that far, because our whole structure of financing is on a different basis than it was following the First World War. Practically all home loans are issued on an amortization basis over a long period of time, consisting of very small payments. If the owner should get into difficulty he could always rent the house for enough to meet the payments.

Senator MILLIKIN. If he wanted to sell, he would have to sell according to the market?

Mr. WILLIAMS. Yes.

Senator MILLIKIN. That situation would reflect the squeeze-out in the inflation to which you have referred.

Mr. WILLIAMS. Yes. In regard to the possible number of veterans who might apply, if every veteran in South Carolina should apply, it would take \$700,000,000 to loan the veterans of South Carolina the nominal sum of \$4,000 each, with the Government guaranteeing one-half. The total number of enlisted men from South Carolina, not including women, is 185,000, and of this number approximately 35,000 have been discharged and are now classified as veterans; and eventually there will be approximately 185,000 veterans in South Carolina. If we were to assume, as some seem to believe we should, that all veterans will apply for loans and each veteran in South Carolina will apply for a nominal sum of \$4,000, it would take the staggering sum of \$700,000,000 to make these loans in South Carolina alone, which is several times the resources of all the banks in the State. Assuming that 10 percent of the total number should apply, it would require \$70,000,000 in South Carolina alone. This would mean 1 out of every 10, and this number is probably within the neighborhood of the number of veterans who will apply for loans before the termination of the provisions of the act.

Insofar as some complaints are concerned, regarding inability to obtain loans, I wish to say that we have had no difficulty in negotiating these loans where the veteran is employed and has a sufficient income above his living expenses to make the payments. Should a veteran obtain a loan, who is not sufficiently employed to take care of the payments, such a loan would result in trouble for the borrower

as well as the lender, and would be economically unsound and impracticable. Such a system, if practiced, would not meet the approval of investors, although the loan or a portion of it might be guaranteed or insured by the Government.

The major reason that more veterans have not applied for loans under the act is beyond the concept of the act, and should be given attention by the proper authorities, and for the record I might cite the following facts.

Building material is not available in sufficient quantities to build homes for even a very small percentage of the veterans, and this situation, together with the shortage of manpower, is making it impossible to build homes in any considerable volume. Therefore, the demand for loans is not as much as it would be if arrangements could be made to release building material and the labor which is necessary to build the houses.

Insofar as the loans are concerned, I am in a position to state that our investors are ready and willing to handle every loan that is properly approved in South Carolina for veterans. The trouble is not a scarcity of funds but, as I have stated, the veteran must have something that he desires to invest his money in before there is a demand for the loan.

I have consulted Mr. B. M. Edwards, president of the South Carolina National Bank, the largest bank in the State, who is an authority on financial and Government matters, his bank having handled more FHA and GI loans than any other bank in the State, and Mr. Edwards said:

By all means, let the Federal Housing Administration appraise the home loans to be handled by banks, and let the banks handle the business loans without further inspection, the banks making their own appraisal and investigation as to business loans.

Senator JOHNSON. Does that complete your statement, Mr. Williams?

Mr. WILLIAMS. Yes.

Senator JOHNSON. Are there any further questions? There seem to be none. We thank you, Mr. Williams. You have given us some very valuable information.

Mr. WILLIAMS. Thank you, sir.

Senator JOHNSON. Mr. Chester R. Davis, of the American Bankers Association.

STATEMENT OF CHESTER R. DAVIS, CHAIRMAN, AMERICAN BANKERS ASSOCIATION COMMITTEE ON SERVICE FOR VETERANS

Senator JOHNSON. Proceed in your own way, Mr. Davis. State your name for the record.

Mr. DAVIS. My name is Chester R. Davis. I am vice president of the Chicago Title & Trust Co., Chicago, Ill., and chairman of the American Bankers Association Committee on Service for Veterans.

In order that the members of the Committee may understand something about the scope of the work we are doing, and in view of some of the questions which were propounded to previous persons appearing before the committee, I believe it would be well to say something about the association and organization of the work of our committee.

The association has a membership of approximately 15,000 banks representing about 98 percent of the total banking resources of the country which, as of December 31, 1944, amounted to \$152,947,000,000. The association created the afore-mentioned committee a little over a year ago to keep the member banks of the association fully informed regarding the guaranteed loan provisions of the Servicemen's Readjustment Act of 1944 and the regulation of the Veterans' Administration pertaining thereto, and to otherwise coordinate and stimulate the activities of the banks in serving the financial needs of the veterans. Under the leadership of our committee most of the State bankers' associations have set up similar veterans' service committees.

Most of the banks have set up special departments or have designated specific officers for handling the guaranteed loans to veterans, the heads of such departments and such officers wherever possible being veterans of World War I or World War II. In a number of communities the banks have organized central offices to assist veterans in making applications for guaranteed loans. The committee has been in close touch with the banks and has considered many suggestions regarding the guaranteed loan operations.

The banks of the Nation both individually and collectively are making every effort to serve the financial needs of returning veterans. However, banks have been handicapped in making the guaranteed loans under the Servicemen's Readjustment Act of 1944 because of the limitations and restrictions in the banking laws under which they operate. Also, experience has shown that amendments to the Servicemen's Readjustment Act and regulations are needed to make the guaranteed loan operations more practicable and workable.

Because of specific limitations on the ratio of the amount of loan to the appraised value of the real estate and limitations to shorter maturities than 20 years, national banks and many State banks have not been able to make many loans to veterans under the Servicemen's Readjustment Act.

National banks, for example, may make a real-estate loan for a term in excess of 5 years only on condition that installment payments are sufficient to amortize 40 percent of the principal of the loan within a period of not more than 10 years. On the other hand, real-estate loans guaranteed by the Administrator may be amortized over a period of 20 years but must be amortized even with shorter maturities at a rate sufficient to pay the entire amount of the loan within the life of the loan. Real-estate loans made by national banks which are guaranteed by the Administrator would thus have to be fully paid within 10 years. Furthermore, under section 24 of the Federal Reserve Act, the amount of such loans cannot exceed 60 percent of the appraised value of the property. Because of these limitations and restrictions veterans are denied access to a large reservoir of credit for the financing of home purchases, and national banks are denied the privilege of fully serving the veterans' needs. I should like Mr. Addison to comment on this.

S. 795, introduced by Senator Johnson on March 27 of this year, would remedy this situation by providing that national banks may make any loan guaranteed by the Administrator without regard to the limitations or restrictions of any other statute with respect to the ratio of amount of loan to appraised value or to the maturity of the

loan. The bill would also apply to the District of Columbia banking institutions. Mr. Collins in his statement before the committee on Tuesday also recommended on behalf of the Veterans' Administration substantially the same amendment to the act as contained in Senator Johnson's bill. We strongly urge the committee to give favorable consideration to this amendment.

Senator LUCAS. Mr. Chairman, may I ask one question?

Senator JOHNSON. Yes, certainly.

Senator LUCAS. Do I understand that your bill, Senator Johnson, applies only to veterans in connection with national banks?

Senator JOHNSON. Yes.

Mr. DAVIS. It merely includes national banks with other lending agencies.

Senator LUCAS. I see.

Mr. DAVIS. One of the major problems which has been experienced by lenders in making the loans guaranteed by the Administrator has arisen from the complexity of the regulations, the voluminous paper work involved in the preparation of the required forms, and the length of time required to process the loan. In August of this year our committee conducted a survey designed to furnish factual information regarding the veteran-loan situation as it applies to banks.

Answers to our questionnaire from 3,797 banks located in 3,029 towns and cities show that the biggest single criticism offered by practically all of the banks was that too much time was required to secure the certificate of eligibility and the loan guaranty certificate. The information furnished by these banks indicates that it takes 11 days, on the average, to obtain a certificate of eligibility and that in addition it takes an average of 17 days to obtain a loan guaranty certificate making the total processing time an average of 28 days. The reporting banks stressed the fact that a large number of veterans' business and real estate deals fall through before 4 weeks of processing time have elapsed.

I should point out in this connection, however, that in many cases banks have made loans direct to the veterans without the Veterans' Administration guaranty to enable them to complete their transactions. Our survey showed that at that time the reporting banks had applied for the Veterans' Administration guaranty on 4,411 loans amounting to \$14,500,000, but that, in addition, these banks had made loans direct to 4,256 veterans without the guaranty for a total of more than \$17,000,000.

There appear to be two approaches to the solution of this time problem—one, legislative; and the other, administrative. One possible legislative solution is contained in H. R. 3749, which would provide an automatic guaranty. This procedure would eliminate the lengthy processing now required, substantially reduce the paper work, and enable the lender to close the loans promptly.

But if such automatic guaranty is interpreted to mean that the lender must share the loss proportionately with the Government, loans to veterans under the act would be seriously retarded. Most lenders would be unwilling to assume the risk of proportionate loss on what is in effect the traditional down payment in the transaction.

If, on the other hand, the automatic guaranty is provided, but the Government, to the extent of the guaranty, absorbs the loss instead

of sharing it with the lender, then a grave question of Government fiscal policy arises. We therefore believe that it is for the Congress and the governmental agencies to determine whether this would be the appropriate solution to the problem.

This time problem, in our opinion, can be corrected without resort to such a drastic change as is embodied in the Rankin bill. It would seem that the Veterans' Administration could materially shorten the time consumed at present in the processing of the loan by modification of the present processing procedure, expansion of the administrative machinery, and a simplification of the regulations and forms. General Bradley gave assurance that this problem can and will be solved when he appeared before the committee on Monday and stated that—

It is believed that the present act will operate satisfactorily with some changes in procedure—now being perfected—and minor modifications in the act.

Senator LUCAS. May I ask whether your group has conferred with the Veterans' Administration?

Mr. DAVIS. We have conferred with them, and I have an appointment to meet with them at 1:30 o'clock this afternoon and talk with General Bradley and Mr. Odom, the Solicitor for the Administration.

We are in substantial accord with the suggestions and recommendations of the Veterans' Administration for changes in the guaranteed loan provisions under title III of the Servicemen's Readjustment Act as presented to the committee by General Bradley and Mr. Collins. Specifically, we favor the following changes:

(1) The lengthening of the term within which guaranties can be extended to eligible veterans to 10 years after the termination of the war.

(2) A change in the present requirement that the Administrator pay the interest for the first year on the guaranteed portion of the loan to permit the payment of a flat sum representing the interest for 1 year on the amount originally guaranteed to be paid to the lender for credit upon the loan at the time the loan is closed.

(3) Enable national banks and District of Columbia banks to make real estate loans guaranteed by the Administrator without regard to the limitations or restrictions of any other statute with respect to the ratio of such loan to appraised value of the property or with respect to the maturity of such loan. I have heretofore discussed more fully the urgent need for this provision.

Senator LUCAS. I take it that there is nothing that can be done with respect to State banks.

Mr. DAVIS. No; and their problem is not acute. The national banks are the ones that are having the problem. The State banks are not faced with the problem that the national banks are faced with.

Mr. Chairman, we suggest other changes.

(4) Change the requirement that the purchase price of the property being acquired by the veteran shall not exceed the reasonable normal value thereof to require that the amount of loan shall not exceed the reasonable value of the property. In this connection we believe that independent appraisers should be used in appraising home, farm, or business real estate. We favor the present procedure of having a list of appraisers approved by the Veterans' Administration and are

opposed to permitting the lender to make the appraisals of such loans as is proposed in H. R. 3749.

Senator LUCAS. Before you continue, with respect to appraisers and the expenses of appraisers, I want to ask a question. The expenses that are necessarily involved in connection with a veteran's obtaining a loan have to be met, of course, by someone. Do the banks ever stand that expense?

Mr. DAVIS. A number of them do, and some of them do not.

Senator LUCAS. In cases where the banks do not stand the expenses, what occurs?

Mr. DAVIS. The veteran must stand the expense, as any ordinary borrower would stand it. The same thing is true with regard to title expenses, Senator.

Senator LUCAS. Yes; I understand that. What is your opinion about that, in view of the fact that the Federal Government is now undertaking obligations in connection with veterans in the large field of loaning money? What is your opinion as to whether or not the Federal Government itself should not, as a matter of right and as a matter of expedition, stand those initial costs?

Mr. DAVIS. I think you will run into a practical problem if that is done, because the veteran may apply for more than one loan, and he may do so from time to time. On one loan it would be all right, but if he is turned down on the loan for which he applies, there is nothing to prevent him from applying again the next week, and applying again the following week. As I understand the purposes of the act, in most cases they are twofold. You want to furnish him with an equity which he does not have otherwise. That is No. 1. No. 2 is that you are giving the man, through the Government, a guaranty of that stability which he lacks because of having been in the service for a period of time.

Senator LUCAS. There is a fellow, for example, who in some instances will perhaps go to a tremendous amount of expense. He is going to bring the title to your concern, for example, to have it examined, and he will go through a lot of things necessary in order finally to obtain the necessary papers, or get them in such shape that he may obtain a loan. Now, that entails considerable expense.

Mr. DAVIS. It entails quite a number of expenses.

Senator LUCAS. Assuming that the fellow does not have anything except character—and these are character loans—the thought has occurred to me all the way along that it might be proper for the Federal Government, if it is going into the lending field, to supervise the loan.

Mr. DAVIS. That is certainly something to be considered.

Senator LUCAS. I was anxious to have your reaction because you have made considerable study of the subject.

Senator MILLIKIN. I should like to ask the witness if he has any views on the subject of reasonable values.

Mr. DAVIS. Senator, I thought I heard you withdraw that question this morning. I think there is a difference between reasonable value and reasonable loan value. As Senator Lucas knows, the institution with which I am associated is in a business which has to do extensively with real estate. We hesitate to recommend to anyone that he either purchase or do not purchase real estate on the present market. I

do not know whether we are in an inflationary market or not. I think that is something which the veteran himself should decide. If he has sufficient funds he must decide whether he will pay more than the reasonable normal value which here we call the loan value. In our committee we spent a great deal of time on this verbiage.

Senator MILLIKIN. Someone must decide that question. There must be some criteria which can be used.

Mr. DAVIS. There is an organization of real-estate appraisers. They have set standards of ethics which they follow, and they revise them from time to time. I do not think that their present real-estate-loan-value appraisals are as high as some appraisals that might be obtained on the present market.

Senator MILLIKIN. Is it correct to state that we cannot legislate full protection for anyone against inflation or deflation?

Mr. DAVIS. I think that that is correct.

Senator MILLIKIN. We are almost against a day-to-day judgment in regard to the problem.

Mr. DAVIS. Yes; and I think that it is an individual problem of the man who is committing himself to the borrowing of money.

Senator MILLIKIN. We do not want a veteran to be confronted with the situation which was developed by the previous witness, in which the witness buys a home today for \$6,000, and several years from now the house may be worth only \$4,000. On the other hand, we do not want to prevent a veteran from buying a home—that is, deferring his purchase of a home for several years—and then finding that the trend has been in the opposite direction and he has lost his opportunity to buy.

Mr. DAVIS. I think that is right, and I also believe that buying a home is worth more to a man who is going to live in it and occupy it as a home than it is to the man who does not live in it but buys it as an investment. What I may invest in the way of roads and shrubs may not interest someone else, but to me it means a lot. To me it is home. It is not merely four walls and a roof. It is a place in which I may live.

Senator LUCAS. The reason that the veteran will borrow money is to build a home for the purpose of living in it.

Mr. DAVIS. I think that is correct.

Senator LUCAS. From the standpoint of a home, it would not make much difference 5 years from now whether the price had deflated or inflated.

Mr. DAVIS. I think that is correct, and I think that he must be protected with reference to certain things which he may not think of, such as location of schools, transportation, churches, and many factors which people do not think of when buying a home. The purchaser must be advised of those things.

Senator LUCAS. That is certainly correct.

Mr. DAVIS. I continue now with the fifth change which we recommend.

(5) Expand the purposes for which farm loans may be made to include farm supplies—that is, seed, feed, fertilizer, and other items essential to the production of crops—and also include poultry in addition to livestock. Authorize loans for construction of farm buildings. Either make provision for payment of delinquent indebted-

ness, taxes, and assessments similar to the provisions for loans for such purposes under the home loan section, or provide a new section as recommended by Mr. Collins, covering indebtedness on homes, farms, and business properties becoming delinquent during the period of the veteran's service in the armed forces or becoming delinquent within a limited period after his discharge.

Senator LUCAS. As I recall, Mr. Collins said that his language was not exactly the same as that of the Home Loan on that point.

Mr. DAVIS. I think that is correct.

(6) Expand the purposes for which business loans may be made to include inventory, working capital, and modernization and repair loans for buildings and equipment.

(7) Provide for the cumulative guaranty of business loans on a plan similar to the FHA title I insurance plan as an alternative to the 50 percent or \$2,000 guaranty of the individual loan. This change appears similar to the group plan suggested by Mr. Collins, except that Mr. Collins' proposal would extend the group plan to all loans which may be guaranteed under the act including real-estate and non-real-estate home and farm loans.

We do not believe it wise to increase the amount of the guaranty on the individual loan as referred to in Mr. Collins' statement. It is believed that the \$2,000 limitation on the aggregate guaranty was intended by Congress to have a direct relationship to the aggregate educational and unemployment benefits which a veteran may receive under the other titles of the act. Any increase in the aggregate guaranty available to the veteran also carries with it a greater potential cost to the Government and involves the broader question of governmental fiscal policy.

Our committee is conducting an extensive study of the general economic, financial, and credit needs of veterans. We plan to continue this study; and for that purpose I, at the request of Mr. Frank Rathje, president of the American Bankers Association, have recently appointed a subcommittee to go into this subject more intensively.

Since this study deals with a broader field than is contemplated in the Servicemen's Readjustment Act, we are not prepared to make recommendations at this time, but we hope that, when our study is completed, we may have the opportunity of presenting our conclusions to you.

Senator JOHNSON. Thank you very much, Mr. Davis.

Senator LUCAS. I should like to ask Mr. Davis one question.

Has your institution made any loans to veterans for farms?

Mr. DAVIS. No, Senator, it has not. Our institution does not make loans. We are engaged in the trust business and in real-estate titles. We are not in general banking. We make no loans. We have no securities for sale. My interest in connection with this present matter is that I am a member of the American Bankers Association, trust company division, as I explained in the first instance, but I am chairman of their general committee. Mr. Addison is present. Mr. Brown is agricultural expert for the American Bankers Association. Both of those gentlemen are present, and will be glad to answer any specific questions which you may wish to ask them.

Senator LUCAS. I should like to ask Mr. Brown what his experience has been under this act, so far as farm loans are concerned, in which \$2,000 is the extent to which the veteran may obtain.

Mr. BROWN: I have listened to the testimony recently given, and I may say there is a question about the ability of the veteran to buy in, for example, Central Illinois or in irrigated sections, a farm for say \$16,000, whereas in the South he can get one for \$8,000. There have been very few loans made by banks for the purchase of farms in various sections.

Senator LUCAS. What is your opinion as to the beneficial use of that section of the act as it now stands?

Mr. BROWN. You mean as to whether it is sufficient?

Senator LUCAS. Whether it will be operative in the future in any way which will result in benefit to the veteran:

Mr. BROWN. If the veteran has some cash and some experience, it will benefit him. However, to a veteran who must have a full amount of loan, it is likely that with the availability of the FSA 40-year 100 percent loan, there is a question of whether the banks can meet that type of competition.

Senator LUCAS. If the veteran has the necessary cash on hand with which to buy a home, he will not fool around with this matter of \$2,000 but will go directly to his bank.

Mr. BROWN. That is right.

Mr. DAVIS. I know that there have been a number of farm loans made under this provision in the State of Illinois, but the Illinois Bankers Association has referred to the situation. I was present at a WLS broadcast and I know that loans have been made under this provision. However, if a man wishes to buy \$250-an-acre land I do not see how he can do it under this section.

Senator MILLIKIN. He will have to come in with other chips.

Mr. DAVIS. Yes.

Senator LUCAS. He will have to have a lot more chips.

Mr. DAVIS. Yes.

Senator JOHNSON. Do you have anything more to say, Mr. Davis?

Mr. DAVIS. No.

Senator JOHNSON. Thank you very much.

We will now hear from Mr. Addison.

STATEMENT OF F. G. ADDISON, JR., PRESIDENT, SECURITY SAVINGS AND COMMERCIAL BANK, WASHINGTON, D. C.

Mr. ADDISON. My name is F. G. Addison, Jr. I am president of the Security Savings and Commercial Bank of Washington, D. C. I am also chairman of the Federal legislative committee of the American Bankers Association.

While the bank of which I am president is not a national bank, we, in the District of Columbia, must operate under the National Banking Act insofar as the loaning of money on real estate is concerned, because of a ruling of the Comptroller of the Currency who has the examining jurisdiction of our institutions. I am, therefore, familiar with the restrictions of section 24. I am also experienced as an officer who has passed upon more than 2,000 loans for home use in the District of Columbia under the Federal Housing Act. I have also financed and am now in the process of closing 32 loans being purchased by veterans under section 505 of the act as to 30 of those loans, and under section 501 as to 2 of those loans.

The information which I should like to submit for the consideration of the subcommittee is the following:

Figures taken from data submitted by the Comptroller of the Currency as of December 30, 1944, as to national banks show that there were then 5,031 national banks. Total resources were \$76,949,000,000.

The total of deposits in the savings and time accounts within those national banks was \$12,650,000,000.

Under section 24 national banks may loan not to exceed 60 percent of those total time deposits in real-estate securities. So, if my arithmetic is correct, it would be in excess of \$7,000,000,000 which would be available for mortgage lending.

Of these 5,031 banks to which I have referred, I invite attention to the fact that they are located in all portions of the United States and in many instances they are the only financial institution available to veterans. Under section 24, as explained to the committee by General Davis, there is a restriction that except only if they buy under a FHA loan they cannot make a loan for a greater amount than 60 percent of the appraised value. That is so far as the law is concerned. The loan must be repaid by monthly payment, so that at the expiration of 10 years the loan will be curtailed 40 percent, and by that time the balance of the obligation falls due. It is then, of course, subject to demands for payment, for curtailing, or for a different interest rate.

That pattern is not attractive to a veteran when compared to financing his home under section 501 of the present act, because under that section there is but one loan. It is for as long as 20 years, and it can be for as much as 100 percent, because the lending institution sees fit to lend his portion, and the \$2,000 equity represented by the guaranty of the Government makes it much more attractive and decidedly less expensive to the veteran than if he went through the FHA route.

These banks, scattered as they are throughout the country, should be available to the veteran. We find this restriction in the law such that it is just not in the interest of the veteran to make application to a national bank. A national banker, in advising a veteran, must tell him that there is a more attractive method by which he can buy his home, keeping in mind the difference in expense between the one and the other type of loan.

The Comptroller of the Currency, when confronted with the limitations of section 24 in real-estate lending with reference to veterans, has attempted to make available to veterans seeking loans from national banks a more liberal opportunity. I have letters in regard to that matter which I should like to submit for the record.

There was one letter which was dated January 24, 1945, directed to the national-bank examiners dealing with farms and business loans under the GI act. One is a news release of September 12, 1944, giving instructions to national-bank examiners. One is a news release of October 26, 1944, giving instructions to national-bank examiners. One letter stated that the junior lien under section 505, following an FHA loan, should be treated by the bank examiner as a Government instrumentality and not a real-estate loan, and therefore not in violation of section 24.

In direct lending under section 501, the Comptroller has said that a loan may be passed when that portion of it which is guaranteed by the Veterans' Administration can exceed the other limitations within

section 24. However, all other conditions of section 24 must be complied with.

As to the latter regulation, in complying with it, as well as the Veterans' Administration regulations, it seems that the veteran must contract to pay the entire loan within 10 years. For practical purposes, the veteran would prefer to pay it over a period of 20 years, and would not be interested in this other plan.

It is not desirable for banks to make loans on instructions to bank examiners. They may be changed. We would prefer the suggestion of the remedy which was made by Mr. Collins in his recommendations as follows:

The following be included in section 500, paragraph (c) of Servicemen's Readjustment Act of 1940: "Any loan at least 20 per centum of which is guaranteed by the Administrator under this title, may be made by any national bank, Federal savings and loan association, or by any bank, trust company, or insurance company, organized or authorized to do business in the District of Columbia without regard to the limitations and restrictions of any other statute or regulation with respect to the readjustment of such loan to the appraised value of the property, or with respect to the maturity of the loan!"

We feel that that would be constructive.

Senator JOHNSON. Do you feel that that confines the whole matter to veterans' loans?

Mr. ADDISON. Oh, yes. It applies entirely to veterans' loans.

Senator GEORGE. Is there any relation between the aggregate amount of loans you may make to veterans and your reserves?

Mr. ADDISON. Yes. The statute would not allow us to make a greater loan than 10 percent of our surplus.

As I have already said, we feel that the suggestion of Mr. Collins is a constructive one. However, we suggest that there be inserted the words "real estate" so that instead of having the language read "any loan" it will read "any real-estate loan." The suggested language would clarify the intent and would not enlarge on the present power of lenders, banks, or otherwise.

I am very glad to have had an opportunity to join with General Davis in making his statement.

Senator JOHNSON. Are there any questions?

Senator LUCAS. You stated that you did not believe the Comptroller of the Currency would give relief at all.

Mr. ADDISON. He does not let us make a loan which would be as advantageous as loans made by other lenders.

Senator LUCAS. Personally, I do not see why you should not have that right.

Mr. ADDISON. We feel that we should have that right for the benefit of the veterans.

Senator JOHNSON. Thank you, Mr. Addison and Mr. Davis.

Mr. DAVIS. Thank you, Mr. Chairman. We are continuing our studies for the benefit of veterans, and if we have anything further to offer you will hear from us again.

STATEMENT OF GEORGE M. EASON, PRESIDENT, NATIONAL SAVINGS AND LOAN LEAGUE

Senator JOHNSON. You may proceed, Mr. Eason.

Mr. EASON. My name is George M. Eason. I am president of the National Savings and Loan League. I am also president of the

Standard Federal Savings and Loan Association of Los Angeles. Inasmuch as the members of the National Savings and Loan League from the outset have taken an active interest in the veterans' home-loan program, we appreciate very much this opportunity of presenting their views on the operation of title III, in particular, of the Servicemen's Readjustment Act of 1944, and on proposals to amend the existing act.

The National Savings and Loan League represents a substantial segment of the savings and loan business throughout the United States. Although our league is quite young, having been in full operation only a year and a half, we have a membership whose assets have already exceeded a billion dollars. Since the average size of our member institution is fairly high, being approximately \$2,500,000, they represent a very active type of association. They have been particularly successful in furthering the veterans' home-loan program.

The outstanding support which savings and loan associations have given to this program, having made some 80 percent of total loans closed to date, entitles their views, we believe, to your most careful consideration. Many of our institutions have individually closed veterans' loans approximately a million dollars in the aggregate. In my own association we have closed 81 loans, aggregating \$550,000, and have 77 pending.

In anticipation of our having the privilege of expressing our views and making our recommendations to your committee, we took special pains to obtain reports from our member institutions on their experience with the veterans' home-loan financing program. We asked our people to give special thought to the effect of the existing act and of new proposals upon the needs of the veterans themselves, and upon prospects for the long-range success of the program as such.

Veterans' home-loan needs can best be met if the program is administered by the Veterans' Administration, in the opinion of most of our institutions. They report that in general the program is working smoothly, that with some small changes in the act and some further streamlining of procedures, the program should work out to the satisfaction of most veterans and lending institutions alike.

The difficulty encountered by many veterans who have been willing to pay somewhat higher prices for homes than the so-called reasonable normal value as determined by the Veterans' Administration appraisers is cited as evidence of need for greater flexibility on this point. It is suggested, therefore, by most of our members that some leeway be allowed between the purchase price and the Veterans' Administration appraisal. This can be accomplished satisfactorily by establishing the appraisal as the ceiling on the loan rather than on the purchase price. The existing requirement that the Administrator finds that the loan applied for appears practicable and, therefore, that it be in keeping with the means and income of the veteran should provide an adequate safeguard against unsound purchases.

A longer period in which veterans may avail themselves of the assistance afforded under title III of the act is recommended by most of our institutions. They feel that veterans should have more time in which to determine their home purchases than is provided under the existing act. Their recommendations run from 5 to 10 years in this regard as contrasted to the present 2-year period after separation from the service.

While some favor and some oppose a 100-percent insurance plan, it is felt by most that the present loan-guarantee plan is adequate from the standpoint of the lender and that ample funds can be made available to veterans under this plan. Regardless of the plan used, however, the majority of our people would like to see the program handled by the Veterans' Administration.

In a program of this kind, it is to be expected that some "bugs" would show up as the result of actual experience. Many of these have been eliminated by administrative action of the Veterans' Administration. It now appears that others will be eliminated in the same manner. Our recommendations on such matters have received—and we are sure will continue to receive—sympathetic consideration at the Veterans' Administration. With respect to difficulties presently encountered in the administration of the home-loan program which require legislative action, we concur in the definite recommendations which have already been made to your committee by General Bradley and Mr. Collins of the Veterans' Administration.

Although we have not canvassed the views of all of our members on a 15 percent group insurance pool plan, the limited reaction we have had to the principle of such a plan is not favorable. It is felt that while this might work for business loans, it would not work satisfactorily for home loans because of the larger average loan necessary to finance the purchase of a home and the long term of the loan.

Now, Mr. Chairman, in consideration of the time of this committee and the testimony which has already been submitted, we have purposely made our statement as brief as possible. However, we would be glad to try to answer any questions you may still have about the veterans' home-loan program. We have lived and worked very close to it since its inception. Thank you very much.

Senator MILLIKIN. What are the total assets available for veterans' loans of all the institutions of the type you have been talking about?

Mr. EASON. Of all, I would say \$6,000,000,000.

Senator MILLIKIN. Do the savings and loan associations, of the type to which you have referred, have any objection to the modifications proposed by the bankers?

Mr. EASON. I should like to have Mr. Kreutz cover that point. He is the executive manager of the National Savings and Loan League.

Senator JOHNSON. Are there any questions of Mr. Eason?

Thank you, Mr. Eason.

We will hear from Mr. Kreutz.

STATEMENT OF OSCAR R. KREUTZ, EXECUTIVE MANAGER, NATIONAL SAVINGS AND LOAN LEAGUE

Senator JOHNSON. You may proceed, Mr. Kreutz. State your name and your occupation.

Mr. KREUTZ. I am Oscar R. Kreutz. I am the executive manager of the National Savings and Loan League. I am not certain that I correctly understood the statement which was made by Mr. Addison with reference to an amendment proposed by Mr. Collins, director of finance of the Veterans' Administration, to subsection 500 (c). My recollection is that he recommended the insertion of the words "real estate" before the word "loan" in the amendment suggested by Mr. Collins.

Senator MILLIKIN. I so understood it.

Mr. KREUTZ. I don't know that he intended by that recommendation to prevent Federal savings and loan associations from making certain types of guaranty loans to veterans for home improvements and home equipment, but that would be the effect of the insertion of the words "real estate." In the circumstances, we would protest the insertion of the words, because we think these associations which are doing such a substantial amount of this business should be estopped from engaging in that part of the business as well.

That is all.

Senator JOHNSON. Is Mr. W. M. Floyd, of the Veterans' Administration, present, or his representative?

Does Mr. Floyd have someone here to testify for him?

There seems to be no one present.

Mr. ABNER H. FERGUSON. Senator, may I have just 2 minutes of your time?

Senator JOHNSON. Yes, sir.

STATEMENT OF ABNER H. FERGUSON, WASHINGTON MANAGER OF UNITED STATES SAVINGS AND LOAN LEAGUE

Senator JOHNSON. You may proceed, Mr. Ferguson.

Mr. FERGUSON. I am not scheduled to be here, because a gentleman spoke yesterday for the United States Savings and Loan League. I am the Washington attorney for the league. However, I wish to make a statement in view of the statement which was made by Mr. Addison in connection with the provision here which permits national banks, Federal savings and loan associations, and insurance companies to make any loan which is guaranteed under this act.

Mr. Addison suggested an amendment which would limit operation to real-estate loans. Of course, we all know that real-estate loans mean loans which are secured by real estate. The insertion of the words "real estate" would prevent those 1,500 Federal savings and loan associations throughout the country from making loans for the repair and improvement of real estate, because they are not often secured by a mortgage. The inclusion of the words which Mr. Addison suggested would require those loans which were made to be secured by mortgage, which, in turn, would involve title search, recording fees, and so forth, whereas they are all character loans. Those associations which belong to the United States League, as well as the associations which belong to the National League, are associations which make about half of the real-estate loans on homes in this country. We do not feel that the committee wants to take away from these associations that field of operation which is directly in connection with loans which they make. As a matter of fact, we all thought that we had reached an agreement on that matter in some conferences which we had in connection with the American Legion prior to these hearings. We thought that this provision of the bill was agreed to.

I merely want to show on the record that the United States Savings and Loan League does not feel that Mr. Addison's suggestion should be inserted in the language and thus restrict the loans solely to banks.

Senator MILLIKIN. Do I understand that you are making loans of the nature which you are discussing?

Mr. FERGUSON. We make loans for repairs, modernizations, and so forth.

Senator MILLIKIN. Would that activity involve chattels or personal property of any kind?

Mr. FERGUSON. No; just improvement loans.

Senator JOHNSON. Is there anyone present representing Mr. Floyd? No one seems to answer.

Does anyone else wish to make a statement?

STATEMENT OF OLIVER WALKER, PRESIDENT, WALKER & DUNLOP, INC.

Senator JOHNSON. You may proceed, Mr. Walker.

Mr. WALKER. My name is Oliver Walker, Washington, D. C. I am president of Walker & Dunlop, Inc., mortgage bankers.

We originate and underwrite mortgage and real-estate loans. In other words, our business consists of negotiating and consummating loans to home owners and veterans who desire to finance their property. In turn, we sell these loans to insurance companies, banks, trust funds, and building-and-loan associations.

I have had over 15 years of experience in the practical negotiating and handling of this type of loan and in creating a permanent market for the sale of these loans. Therefore, I feel that I can speak with respect to what we term, in the mortgage business, the secondary market.

Prior to the creation of the Federal Housing Administration and its system of unified appraisal throughout the whole country, there was no secondary market for mortgage loans. Since the creation of the FHA and The RFC Mortgage Company, there has been an active market for the sale of mortgage loans which were originated by local institutions. Before this time, the local institution required a commitment upon each loan from an institutional investor who held the note for permanent investment.

Under the FHA unified appraisal system, it has become current practice for the originators and underwriters of mortgage loans to commit and consummate these loans before a commitment is secured from the permanent investor. These mortgage firms warehouse such loans with commercial banks and then resell them in the secondary market. Therefore, I am in favor of a unified appraisal system for GI loans, whereby an insurance company or bank in California, Massachusetts, or Michigan would be satisfied with the appraisal of a GI loan in South Carolina, Texas, or Minnesota and have confidence that the appraisal meets their standard requirements for mortgage loans.

I am in favor of the transfer of the Home Loan Section to the FHA. This recommendation is based entirely upon their experience and record over the period of years which this Government agency has operated. I suggest the creation of a new title to the FHA Act for the exclusive handling of GI loans. For instance, we will call this section title VII, and it should be modeled along the same lines as title VI which was created for war housing. The standards, regulations, and administrative rules could be drawn to apply and fit the needs of the veterans in financing their homes and farms. The FHA have an organization with branch offices which covers the entire country, and I believe that they have facilities to operate in every county

of the United States. This is a much broader and more comprehensive organization than any other Government department, and they have personnel already trained and equipped to handle these loans.

The statement which has been made many times before Congress and in meetings to the effect that the FHA only covers one-third of the country needs clarification. When this statement was made, it was intended to state that the FHA could only make loans on one-third of the homes in the United States. This condition exists due to the high standards which the FHA has required under title II. For the reason of high standards and subdivision requirements, it is true that only one-third of the existing homes are eligible for insurance under FHA title II. In creating a new title VII, the Congress could specify and fit the standards for veterans which would apply to all homes, and since the FHA covers the entire country geographically, the veterans would then have a unified appraisal system and facilities in every community and county.

The investment of funds of most financial institutions are either regulated by National or State laws, and most institutions are permitted by law to invest their funds in FHA loans. Therefore, the transfer to this agency would make these loans eligible for investment by most banks, insurance companies, building and loan associations, and trust funds. The American Bankers Association have testified that their institutions have \$170,000,000,000 in assets, the insurance companies have approximately \$41,530,419,000 in assets, the mutual savings banks have approximately \$17,000,000,000 in assets. It is only fair and equitable to the veterans for Congress to legislate so that all of the above institutions will be eligible to purchase and invest their funds in GI loans.

If the above companies have authority and if the provisions of the act are drawn making these loans eligible for investment by all financial institutions, then an automatic demand will be created for these loans, and the originators and underwriters of these loans will compete with each other and, thereby, the veteran will be able to secure better terms and better advice at a lower cost.

If the Congress does not decide to transfer the Home Loan Section of this bill to the FHA, then we recommend the creation of a home loan section within the Veterans' Administration similar to the FHA system which is a 100 percent guaranty. I believe that the experience of the Home Owners' Loan Corporation and the FHA in handling 100 percent guaranties has resulted and will result in the future in less loss to the Government than a partial guaranty which becomes a secondary lien. The Government is then in a position to liquidate any property resulting from default and foreclosure at a favorable time and market and at a loss considerably less than the payments which will be made under a partial and secondary guaranty.

I thank you.

Senator JOHNSON. We thank you, sir.

Does anyone else desire to make a statement?

If not, I declare the hearing closed.

Before doing so, however, I wish to ask permission of the other members of the committee to insert in the record any statements which may belatedly come in after the hearing is closed.

(Whereupon, the subcommittee adjourned.)

(The following communications were later received for the record:)

WASHINGTON, D. C., October 12, 1945.

Senator EDWIN C. JOHNSON,
Senate Office Building:

I am president of Capitol Radio Engineering Institute, Washington, D. C., president of National Council of Technical Schools, vice president of National Home Study Council, and member of the technical institute committee of Engineers Council for Professional Development. In all of these capacities I wish to protest the type of testimony submitted by certain representatives of the college groups against the use of correspondence courses in the training of veterans under Public Law 346. My own school has offered advanced home-study courses in practical radio engineering since 1927. Its instruction material is used officially by the United States Navy, the United States Coast Guard, the United States Maritime Service, the Veterans' Administration under Public Law 16, and the Canadian Broadcasting Corporation. These Government agencies use our courses in the training of thousands of men because comparable specialized courses are not available through the extension divisions of the colleges and universities. In the action recently taken by Engineers Council for Professional Development, which is the accrediting agency for the engineering colleges, in the formation of a technical institute division to accredit the technical institutes, correspondence courses are eligible for accrediting on the same basis as residence courses and no distinction is made between private schools and those operating from public funds.

The correspondence schools of this country have made sound practical vocational upgrading training available to millions of men and women over a period in excess of 50 years. Private technical schools did a magnificent job during the war for the military services. My own institute offers both correspondence and residence training and is now training veterans in its residence school. It is receiving many demands for home-study training under Public Law 346. I respectfully request that this telegram be placed in the record of the hearing on amendments to the GI bill and that you use your influence against discrimination against the private correspondence schools and in favor of the thousands of veterans who wish to take this type of vocational training.

E. H. RIETZKE,
President, Capitol Radio Engineering Institute.

REGULAR VETERANS ASSOCIATION,
Washington 5, D. C., October 12, 1945.

The SENATE COMMITTEE ON FINANCE,
Senate Office Building, Washington, D. C.
(Attention Mr. Ralph Frederick, Secretary.)

GENTLEMEN: It was not possible for Commander William M. Flood to attend the hearings of your committee regarding amendments to that portion of the so-called GI bill of rights which has to do with loans to veterans. He will be out of town until Monday, October 15.

Inasmuch as he could not attend the hearing personally, Commander Floyd asked me to write this letter to the committee, stating the stand of the Regular Veterans Association and requesting that it be made a part of the record of the hearing for the consideration of the committee.

It is our opinion, based upon the many hundreds of letters we have received, that the loan provisions of the GI bill cannot be made effective to a great many veterans who are in need of the funds but who cannot qualify for loan under the present laws and regulations. It was not the intent of the law to deny veterans the benefits of the loan privilege, but the manner in which this privilege has to be worked out under the law denies benefits to many veterans who are deserving but who do not have the security demanded by those to whom they apply for loans.

We strongly recommend that H. R. 127, or its companion bill, H. R. 1176, be substituted for the loan privileges of the GI bill. I am enclosing a copy of H. R. 1176 for your consideration. The adjusted-service pay, properly administered, would provide all veterans of this war with the security that they deserve. By a simple method of showing their need for the funds provided by H. R. 1176, they could secure proportionate amounts necessary to carry them over or to

establish a business without the difficulty of applying through regular business channels and through business methods.

It is requested that legislation be enacted to this effect and that this letter be made a part of the record of the hearing of your committee.

We believe that, under any conditions, the veterans of the present war should be given the greatest consideration in rehabilitation, regardless of the demands of labor or any other considerations, in their return to civilian life with a security guaranteed by the National Government.

Your courtesy in entering this opinion into the record will be highly appreciated.

Very sincerely yours,

VICTOR E. DEVEREAUX,
National Service Officer.

ST. LOUIS UNIVERSITY SCHOOL OF MEDICINE,
St. Louis, Mo., October 13, 1945.

HON. EDWARD JOHNSON,
Washington, D. C.

DEAR SENATOR JOHNSON: It pleased me greatly to have heard from Mr. Ralph Frederick, clerk of the Senate Finance Committee, that you are willing to accept for inclusion in the record of hearings on the GI bill a statement on behalf of the committee on postwar medical service of the American Medical Association.

The committee on postwar medical service represents important organizations, both voluntary and official, engaged in health work, and all through the war has maintained active contacts with governmental and nongovernmental agencies in the furtherance of the war aims. One of the subcommittees has been interested for several years in veteran affairs and has cooperated actively with the Veterans' Administration in the diffusion of pertinent information and suggestions to the physicians and dentists of the country, to the hospital associations, to nursing organizations, to legislative bodies, to the governors of our States, and to many other agencies. The transactions of all the subcommittees of the committee are published in the Journal of the American Medical Association, though the committee is, strictly speaking, not a committee of the association.

The subcommittee, which has been voted power to speak for the committee, will meet on October 19. After getting information about the hearings, our subcommittee attempted to call a meeting at an earlier date. It is unnecessary to tell you that physicians are not always able to shift important appointments on short notice and it was for this reason that I requested you to permit the inclusion of our report as an appendix to your hearings even though your hearings may be discontinued by the time our report is ready.

I thank you very sincerely for the courtesy which you have shown us by expressing your readiness to receive our report. It may well be that our report will arrive on October 20 since it cannot leave Chicago before the evening of the 19th. I hope, however, that this slight delay over the period granted us may not prove too great an inconvenience to you.

Assuring you on behalf of the groups interested in medical education that your efforts to better and to improve the benefits to our veterans, inclusive of our physician veterans, under the GI bill of rights are deeply appreciated by the medical profession, and with my personal thanks and regards,

Very sincerely yours,

ALPHONSE M. SCHWITALLA, S. J.

UNITED STATES SENATE,
October 20, 1945.

HON. WALTER F. GEORGE,
United States Senator, Chairman, Senate Committee on Finance,
Washington, D. C.

MY DEAR SENATOR GEORGE: This is in reference to S. 866 which I sponsored in the hope that the provisions in the Servicemen's Readjustment Act that are proper to the subject would be extended on behalf of the widows of those who gave their lives in the war.

The bill would amend title 1 of the act of 1944 by adding a section which provides that where one in service has died or dies as a result of personal injury sustained, or of disease contracted, or of injury or disease aggravated in line of

duty during the period between September 16, 1940, and the end of the war, the widow shall be eligible for benefits under the act to the same extent as would inure to the veteran if he were living and qualified for those benefits. Widows who remarry would not so benefit, except that loans guaranteed under the act and made prior to the remarriage would not be disaffected.

It would be greatly appreciated if you would transmit my sentiments in this regard to the committee which is working on amendments, and I would be gratified to have this letter become a part of the record.

In my opinion these widows, whose number is relatively small, deserve the utmost in aid, particularly if they have dependents. In this regard, the act needs amending.

One of the most important features of S. 866 is that it would make available to widows the same chances for education and retraining their young husbands would have had, had they lived and returned to avail themselves of the opportunities for getting a home or farm, or of entering into business.

True, some 90 percent of the servicemen had applied for the maximum \$10,000 in national service life insurance. But 5 percent took out insurance only of from \$1,000 to \$3,000 in such insurance, disregarding advice to take more; and another 5 percent made no application whatsoever for such insurance.

If a widow had two children and happened to be without insurance, the case would be grave. But supposing a widow were under 30, and had three children, protected by the maximum insurance.

She gets a pension, and insurance payments. She cannot get the \$10,000 in a lump sum, of course. Her monthly income on that insurance is \$5.51 for each \$1,000. Since in this case she is the beneficiary of a \$10,000 policy, she gets a maximum \$55.10 each month. She also gets a pension of \$65 a month for herself and the first child, plus \$13 for each additional child; or \$91 in the case of our young widow with three children. Her income is \$146.10 for herself and her family. She has a reserve of \$35.50 for each member of that family, little enough, but only that high because she was fortunate in having the maximum in insurance.

Had her husband been alive, he would be entitled to the year's refresher course in education regardless of his age. If he was under 25 when he entered service, he could get another 3 years of education or an approved college term; \$500 per school year, and \$75 in monthly subsistence for himself and his family. His widow has no such chance.

The need exists today. A Seattle woman who wrote to me had heard that the GI bill provided for the refinancing of homes. Her husband was lost when a German torpedo struck the destroyer to which he was assigned. Her pension is \$65 a month. She is buying a home, paying \$48 on it, and is making an effort to support their 2-year-old child on the balance. I had to tell her that present legislation provides no such security for her. The attached letter is another case in point.

The inequity for widows and children whose disallowance results solely from the circumstance that a husband and father was lost in service to his country is self-evident. Those in the War and Navy Departments with whom I have talked believe there is justice in such an amendment.

I would appreciate your consideration and that of the committee. In the event there is further information which should be a part of your deliberation, I will be glad to do what I can in obtaining it.

Very truly yours,

WARREN G. MAGNUSON, U. S. S.

VETERANS PLACEMENT SERVICE BOARD,
VETERANS EMPLOYMENT SERVICE,
Phoenix, Ariz., September 26, 1945.

Hon. CARL HAYDEN,
United States Senate, Washington, D. C.

MY DEAR SENATOR HAYDEN: My attention has been called to the fact that in H. R. 3749, having for its purpose the amendment of the Servicemen's Readjustment Act, section 505 (b) has been eliminated. Section 505 (b) of that act was that section which made a veteran eligible under the Bankhead-Jones Farm Tenant Act to borrow from the FSA on the same basis as a farm tenant.

Whether this omission was intentional or not, I am not aware, but I do know that it will eliminate an opportunity for veterans in Arizona which will not be

provided at all under the regular farm provisions of the GI bill, because under a farm-ownership loan (FSA) a veteran might borrow up to \$12,000, and certainly on \$12,000, or even any major proportion of that amount, could start a supporting farm operation here in Arizona, whereas it is highly unlikely that many veterans can float a loan under the normal provisions of the GI bill adequate to start a successful farm operation.

I hope that the Senate will see fit to return this provision of the original Servicemen's Readjustment Act to the body of H. R. 3749 before its final passage.

Sincerely,

W. C. SAWYER.

Veterans Employment Representative for Arizona.

KANSAS CITY, Mo., October 17, 1945.

Senator EDWARD C. JOHNSON,

Senate Office Building, Washington, D. C..

DEAR SIR: Regarding the Servicemen's Readjustment Act of 1944, as same concerns the officer-veteran, said act should be amended so that real-estate loans, obligations could be made prior to obtaining discharge while on terminal-leave period subject to honorable discharge. These officers are deprived of contracting for homes during said terminal-leave period. We are making a large volume of veterans' loans, and many men have been handicapped in this way. Thanks for the cooperation that has been given.

Very truly yours,

R. L. WILLIS & Co.

A STATEMENT OF THE SUBCOMMITTEE ON EDUCATION OF PHYSICIAN VETERANS OF THE COMMITTEE ON POSTWAR MEDICAL SERVICE

I. THE COMMITTEE ON POSTWAR MEDICAL SERVICE

The Subcommittee on Education of Physician Veterans of the Committee on Postwar Medical Service has given study to the provisions of H. R. 3749, an act amending Public Law 346, Seventy-eighth Congress, and respectfully requests that a number of amendments be presented which will insure the application of the provisions of the new law to the education of physician veterans.

The Committee on Postwar Medical Service was organized approximately in the middle of the war to prepare for the postwar solution of the Nation's health problems. The committee is formed of representatives of the American Medical Association, the American College of Physicians, the American College of Surgeons, the three national hospital associations (the American Hospital Association, the American Protestant Hospital Association, and the Catholic Hospital Association), and eight of the national agencies in the health field, together with representatives of the Army, the Navy, the Public Health Service, and a number of other Government agencies interested in the national health. The subcommittee on education of physician veterans of the committee just described reports to the general committee. At the present time the subcommittee is made up of Dr. Frederick A. Collier, professor of surgery at the University of Michigan, Dr. Victor A. Johnson, secretary, Council on Medical Education and Hospitals of the American Medical Association, and Alphonse M. Schwitalla, S. J., dean, St. Louis University School of Medicine and president of the Catholic Hospital Association.

The Committee on Postwar Medical Service lays claim to complete competence in representing the views of the various agencies whose representatives participate in the committee's activities. It may well be said, therefore, that this committee expresses the viewpoints of by far the larger percentage of the agencies and organizations interested in the Nation's health care. The Committee on Postwar Medical Service desires to restrict its comments on H. R. 3749, the Servicemen's Readjustment Act of 1945 to title II, chapter 4, Education of veterans of the act (p. 11 of the bill as printed). With reference to this section the committee finds that the legislation proposed in the act needs clarification, further definition, or amendment with reference to (a) the recognition of the hospital as an educational institution for the education of residents; (b) the recognition of the resident as a student of medicine, rather than only as a professional person giving service to the hospital or to the patients in the hospital.

II. THE HOSPITAL AS AN EDUCATIONAL INSTITUTION

The Committee on Postwar Medical Service assumes that it is the intention of Public Law 346 or its future substitute to facilitate the education of returning veterans inclusive of professional persons to whatever extent may be reasonable and conducive to the best interests not only of the veterans but also of the Nation. It is further assumed that it is the intention of this legislation to extend the facilities to the largest possible degree, again within the intent of Congress and within the limits of available finances. Hence, within the intent of the law, the physician veteran deserves the same consideration as any other veteran.

Congress has provided that the veteran who is eligible for and entitled to education or training may obtain it "at any approved educational or training institution" (par. 3, p. 13, line 24). In defining the term "educational or training institutions," paragraph 11 extends the meaning to a large number of vastly diverse kinds of institutions inclusive of public or private, elementary, secondary, and other schools furnishing education for adults, business colleges and schools, correspondence schools, scientific and technical institutions, colleges, junior colleges, teachers' colleges, normal schools, professional schools, universities, and other educational institutions which provide apprenticeship or other types of training on the job. In other words, it seems that the intent of the law is to permit the greatest possible flexibility in its application so that each veteran may be able readily to utilize the kind of educational opportunity which best fits his needs or his choice.

It should be noted that physician veterans must seek their education, if they choose to supplement their studies after having obtained the M. D. degree, by entering an institution which is not mentioned in this list, comprehensive as this list seems to be. The physician veteran must seek his further education in a hospital, and it is to be regretted that the term "hospital," modified, if thought necessary, by such words as "approved" or "recognized," should have been omitted from paragraph 11 of the act.

With reference to this part of the act, "hospitals" may be distinguished into two classes: (a) Those which are under university control and (b) those which are not under university control. Of the first kind, there are many diverse classes, but they all have this in common: That, to a greater or less degree, a university or school of medicine participates in their administration, and makes itself responsible for the quality of the service given, for the appointments and the professional activities of the members of the staff, and for the excellence of the educational activities which are pursued by various classes of students in such hospitals. The second class of hospitals are those which have no immediate relationship to an educational institution, and which conduct such activities as are characteristic of a hospital under the authority of a board of trustees. It should be emphasized here that in this particular statement there is no question of a group of institutions designated as proprietary hospitals, but only of hospitals "organized not for profit," or, as they are more briefly called, "nonprofit hospitals."

In its effort to provide adequate educational opportunities for physician veterans, the Council on Medical Education and Hospitals has, for the last 2 years conducted an intensive educational campaign, requesting that those hospitals which can possibly assume the responsibility, should offer what are called "residencies," so that the greatest possible number of such positions might be made available to the returning physician veteran. Prior to this campaign, there were listed as approved residencies in the hospitals approximately 5,400 such positions. After the appeal for the opening of more of these residencies became effective, no fewer than 7,666 of these positions are at present available.

A residency is a position in an approved hospital, occupied by a physician who, after his graduation from a school of medicine and after the completion of a 1 or 2 years' ¹ internship, desires to pursue his medical studies for an additional period of from 1 to 3 years or even longer, either because he wishes to prepare himself better for general practice or because he wishes to prepare himself for specialization. During the residency the physician receives a moderate stipend or rather an "honorarium," and generally there is little relationship between the amount he receives and the duties he assumes. His chief care is

¹ During the war period internships for deferred medical officers of the Army and Navy have been restricted to periods of 9 months.

his education, which he obtains by studying and giving his expert attention to his patients.

It must be emphasized that the opening of such residencies is a serious responsibility for the hospital. The hospital must provide a teaching staff; it must, in most instances, provide housing facilities; it must make itself responsible for the development of a curriculum, and for providing continuing and expert supervision of the resident. It must also give evidence that it can supply the requisite laboratory and library facilities, and, in default of such facilities, that it is able and willing to develop the required kinds of library and laboratory facilities. It must give evidence that it has a patient census sufficiently large to afford to the resident a diversified and sufficiently voluminous experience to enable the resident to profit professionally by his contact with these patients. It must at the same time develop contacts with related professions such as those of nursing, laboratory, technology, etc., to insure medical care of sufficient excellence to be recognized as a real educational opportunity. All of this is important, because the resident presents the experience in the hospital as evidence of his own competence, which he offers to examining bodies, in the various medical specialties, and on the basis of which his eligibility for taking the final examinations of these boards is determined.

All of this definitely indicates that any hospital which has developed residencies and is willing to accept residents must necessarily be an educational institution. It seems unnecessary to amplify this thought further, but, if further amplification is needed, it should be recalled that the modern hospital of today educates and prepares for professional qualification such persons as nurses, laboratory technicians, medical record librarians, hospital administrators, radiologic technologists, physical-therapy technologists, occupational therapists, dietitians, medical social workers, besides physicians, both general practitioners and specialists.

Another line of evidence to show that the hospital is an educational institution is afforded by the function which the hospital serves in preparing the physician who has graduated for the practice of medicine. As is well known, a physician who graduates from a school of medicine, even if it is an approved school of medicine, is not by that very fact alone entitled to practice medicine. He must be licensed by the State to practice. Before such licensure is given, or in connection with it, several of our States require that the graduate in medicine should have served a year's internship in an approved hospital. Even in those States in which this is not legally defined, the graduate in medicine does serve the internship because it is recognized that the education of a doctor can be rounded out and completed only by such educational experiences as he obtains in the hospital under professional tutorship and supervision. These facts are here stated to show that a hospital, as understood by the medical profession, is an educational agency even when it is not connected with a university, and, therefore, should have been appropriately listed with the numerous kinds of educational agencies mentioned in No. 11 of section 400, chapter 4, title II of H. R. 3749 (p. 18).

One other point must be mentioned as confirmatory of the position here taken. The residencies are subject to review by an appropriate educational approving and evaluating agency. The Council of Medical Education and Hospitals of the American Medical Association maintains a list of approved residencies. It has requirements for residencies. Only those residencies in various hospitals concerning which evidence is regarded as satisfactory that they represent sound educational opportunities, are approved. The approval is given on the basis of the hospital's compliance with published requirements for approval. The appropriate paragraph among the requirements reads as follows:

"The effectiveness of a residency or fellowship program depends largely on the quality of medical supervision and teaching. It is important, therefore, that methods of instruction be employed which are best suited to the special field. Emphasis should be placed on bedside instruction, teaching rounds, departmental meetings or seminars, clinical pathologic conferences, demonstrations, and lectures. The review of medical literature is an essential feature of residency training. Likewise the study of basic sciences as required by specialty boards should be integrated with the clinical experience. In the operative divisions it is desirable that facilities be available for anatomic dissection and experimental surgery on animals or on the cadaver. Additional requirements apply to graduate courses leading to advanced degrees."

III. THE VETERAN PHYSICIAN AS A GRADUATE STUDENT OF MEDICINE

The returning physician who has served in the armed forces, and who now prepares to return to civil life, regards himself as entitled to all the benefits which the Government is offering to other veterans. The physician, therefore, requests opportunities for his further education. Various classes of veterans must here be considered: (a) The physician who has been called to the armed forces immediately subsequent to his graduation and (b) the physician who has been called out of his private practice into the armed services, after the lapse of various numbers of years subsequent to the completion of his internship.

Both of these classes of physicians have already manifested their desire to request for themselves, after their discharge from the service, further educational opportunities for their professional development: The young man just finishing his internship, because he knows that his education as a physician is not sufficiently far advanced to enable him to go into medical practice, or because he has the ambition to become a specialist in any one of the numerous branches of medical specializations; the physician veteran who was called to the colors from his practice, because he knows that during the period of his stay in the Army medicine has progressed literally enormously and he himself has not been able to participate, while in the military service, through study, in applying the new discoveries and the new methods to the patients of whom he will take charge. In other words, practically all physicians leaving the services of the armed forces will desire additional educational opportunities. In a recent study of physicians in the various theaters of operation, only 20 percent indicated that they would not seek additional educational opportunities after discharge. Some of the physicians, approximately 20 percent, will content themselves with refresher courses of varying periods of length, ranging from 3 weeks to 1 year. A larger percentage, however, probably as many as 60 percent, will desire a longer educational experience, many of them seeking such opportunities as a residency in a recognized hospital alone can afford.

With reference to the younger physician veterans, that is, the physician veteran who has never had an opportunity to serve as a resident, these men are, or will be, between 24 and 35 years of age at the time of separation from the armed services. There will be no question about their eligibility on the basis of age for GI benefits, nor will there be any question about establishing the fact that their service in the armed forces has interrupted their educational development. With reference to the other group, however, that is, the men who have been in private practice prior to their experience in the armed forces, these men are for the most part above 30 years of age. They have already experienced the earning of a livelihood by their practice, and the question might arise as to whether or not they are eligible for GI benefits. It has been said that they exceed the age limit set for GI benefits and that their education cannot be said to have been interrupted. With reference to these opinions it must be emphatically stated that there should be eliminated from the Servicemen's Readjustment Act in favor of the physician veteran all limitations of eligibility arising from the non-interruption of his education. It must be recognized that among the professions or even, more broadly, among the occupations, physicians are in a unique position. A physician's education is never complete. None of the other learned professions make the same demand for continuous education upon their members as does the medical profession. Constant attendance at medical society meetings and at hospital staff meetings and at clinical pathological conferences and at State and national association meetings and at meetings of the various specialists is urged upon the doctor. Many of the physicians in the armed services have insisted that they have felt themselves "slipping" in their medical practice by reason of their services in the Army. It must be remembered that only a relatively small percentage of the physicians have been employed in actual medical services, at least in the services comparable to those performed by them as civilians. A large percentage of the physicians in the armed service were necessarily performing administrative duties, and these especially consider themselves not fit to return to their civilian practice, whether as private physicians or as teachers, without periods of additional study.

In view of the foregoing, it is strongly urged that specific mention should be made in the amended bill to insure educational opportunities to the physician veterans. It is the desire of a large number of the medical profession that these provisions should not be prescribed only in rules and regulations, but that they should be definitely embodied in the law, so that the group of veterans from whom the country desires to derive one of the greatest benefits, after their demobiliza-

tion, the benefit of national health, should not be slighted in enjoying liberal and even generous opportunities in fitting themselves for the postwar needs of our Nation.

The foregoing shows that the veteran physician who is appointed to a residency in a hospital, whether it be under university auspices or not, is expecting to live the life of a student and, hence, is entitled to receive not only payments for his board and lodging but also payments for his tuition. It now remains to point out to what extent the resident is a student. It is true he takes care of patients. It is also true that the hospital that employs the resident cannot get along without him, or can get along without him only with the utmost difficulty, as it did during the war; but primarily and by far most importantly the resident safeguards his own education. This is not merely an apprenticeship training and on-the-job experience, but is in reality an educational opportunity as already mentioned several times in the course of this discussion. The resident participates in all of the hospital staff activities and not merely in the care of patients: In the staff meetings, in the history meetings, in the clinical pathological conferences, in the research activities of the staff members, in bedside instruction, and in other similar scheduled and formal educational activities. Most important, however, from the viewpoint of the development of the physician, the resident derives benefit from the discussion of the patient's condition, when he accompanies the physician to the bedside and talks over with his superior medical officer the condition of the patient. This is the accepted form of medical teaching on the graduate level, and despite its similarity in method, cannot be considered comparable, for example, to the development of skills by the apprentice under the tutelage of the master mechanic. Classroom activities are and must be reducible to a minimum in the postgraduate instruction of the physician. His experience is in no sense a mere apprenticeship experience since, while both the residency and on-the-job training may be defined as "learning by doing," there are enormous differences, each one of which might take considerable time to describe and discuss. On-the-job training requires a minimum of theory. The development of success in such training is proportionate to the time spent in it, the attention given to it, and to the aptitude which the apprentice brings to the training. The production pace in industry has a definite relationship to on-the-job training, since the production pace of the apprentice varies up to a peak limited only by the physical capacity. Similarly, the value to the employer of the apprentice's services increases with the duration of his training, and, hence, too, the income to the apprentice increases proportionately to the time that he devotes to his preparation.

If, by way of contrast, we turn to the residency in a hospital, we find that the resident brings to his residency not minimal theory but theory in the basic biological and chemical sciences, gained through not less than from 7 to 9 years of schooling subsequent to his graduation from the high school. The mere increase in skill is not a requirement for the success as a resident but increase in aptitude, in judgment, in all of those intangible characteristics which make the difference between a valuable and a useless physician. Productivity of the resident or his efficiency is not measured in terms of the number of patients he has or sees, or even the number of patients whom he makes well or in whose improvement he assists, but the success is measured chiefly in terms of insight, human understanding, the psychological approach to the patient, his technical and professional knowledge, his research ability, and ever so many other traits that can scarcely be described in a brief statement. Moreover, there is no relationship between the financial income of the resident and his growth in competence, or even his growth in professional skills. To state the matter briefly, income to the physician and growth in competence have no relationship one with the other, and, hence, preparation for the physician's practice cannot be comparable to the on-the-job training of an apprentice for a trade or for a position in industry. The preparation of the physician for his practice, either as a general practitioner or as a specialist, is essentially study for his own development rather than mechanical and routine activity benefiting his employer.

Many of the hospitals of the country, not only the university hospitals but others, as has already been intimated, have already created new positions as residents to assist in the education of the returning veteran physician. Many have doubled the number of their residences at considerable expense to themselves and at the cost of great sacrifices by the members of their staffs. It would seem, therefore, that these institutions should be entitled to the designation of educational institutions within the meaning of the Servicemen's Readjustment Act. Authorities are not wanting through whose assistance a truly educational program for the veteran physician can be guaranteed. The program followed does not directly

benefit the hospital, but rather the physician student. It would seem, therefore, that all the elements are present in this situation to justify the payment of a tuition fee by the Veterans' Administration for the education of the physician veteran. Moreover, it would seem that, since the hospitals have undertaken additional responsibilities in this education, a tuition fee should be allowed for the education of the physician veteran, even though, previous to the war, the hospital has not charged a tuition fee. And, finally, a tuition fee is justified for the education of the physician veteran, even if the hospital does not charge a comparable tuition fee from nonveteran civilian residents. If it is kept in mind that the hospital has always regarded it as its responsibility to provide for the education of the physician and that at the present time the Veterans' Administration immediately makes the claim that it desires to finance the progressive education of the veteran, there can be no doubt but that a different policy for defraying the expenses of the physician veteran and the physician nonveteran is entirely justified.

IV. REQUESTED AMENDMENTS

In view of the preceding considerations, the Committee on the Postwar Medical Service considers itself justified in requesting a number of amendments to H. R. 3749:

1. That there be introduced into the act, in whatever places it seems necessary, the provision that hospitals, approved for residencies by the Council on Medical Education and Hospitals, be declared eligible to receive tuition payments for their education of assistant residents and residents, and, where necessary, interns, when such hospitals can demonstrate that such education involves the expenditure of hospital funds; that this payment should be made, even if the hospital is at the same time employing nonveteran civilian physicians without charging them tuition, and even if the hospital has never in the past made a tuition charge for such education.

2. That physician veterans, otherwise eligible to receive the benefits provided by the Servicemen's Readjustment Act of 1945, should be considered and declared to be "students" for the purposes of the act, while they are acting as house officers or assistant residents or residents in a properly approved hospital which has submitted evidence of the soundness of its educational program, and which has been approved by due processes by the Council on Medical Education and Hospitals; this status as "student" in no way contravening this student's right to an honorarium paid to him by the hospital in which he receives his education nor his right to full maintenance benefits as provided in the act, even though the hospital, under certain conditions and in certain situations, requires him in the fulfillment of his educational program to live within the hospital and to receive from the hospital his entire or his partial board; provided that the total value of the benefits under the Servicemen's Readjustment Act, together with the hospital stipend, inclusive of room and/or board, do not exceed the usual salary or income from practice for a physician beginning the practice of medicine.

3. That all physician veterans be declared eligible for the educational benefits conferred by the act, whatever may be their age, and even though they have been holders of the M. D. degree for years, since many holding such a degree are, by reason of their service with the armed forces, less qualified for the civilian practice of medicine, and many others have been deprived, by their service with the armed forces, of opportunities for securing that degree of education which would qualify the physician as a specialist, particularly since specialists in medicine have been prepared in vanishingly small numbers during the last 4 years, to the highly probable detriment of the Nation's health.

4. That when a physician veteran chooses to follow a short-term general refresher course or a short-term course in some special phase of medical practice, general or specialist, the Veterans' Administration be required to pay tuition for such a course to the institution in which it is taken, not on a prorated time basis, but on the basis of the equal and usual charge which the educational institution customarily assesses or assesses for this particular course, against nonveteran civilian students.

5. That a special declaration be included in the act permitting discharged medical officers during their terminal leave to begin their medical studies even before the expiration of their leave, provided that they be considered eligible for veterans' benefits immediately upon expiration of their terminal leave or their discharge.