

AMENDMENTS TO SERVICEMEN'S READJUSTMENT ACT OF 1944

NOVEMBER 6 (legislative day, OCTOBER 29), 1945.—Ordered to be printed

Mr. JOHNSON of Colorado, from the Committee on Finance, submitted the following

REPORT

(To accompany H. R. 3749)

The Committee on Finance, to whom was referred the bill (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, having considered the same, report favorably thereon with amendments and recommend that the bill, as amended, do pass.

GENERAL STATEMENT

Experience under the Servicemen's Readjustment Act of 1944, since its enactment on June 22, 1944, has shown that in some respects the act requires liberalization or clarification. Various bills have been introduced both in the Senate and in the House to make changes in the act. The bill H. R. 3749, which your committee is reporting, passed the House in the form of a complete redraft of the Servicemen's Readjustment Act of 1944 but actually amending only certain sections of titles I, II, and III.

Your committee held hearings on this bill and, after considering the suggestions made at the hearings on this and other bills on this subject pending before the committee, has reported a substitute for the House bill which it recommends for immediate enactment. The substitute does not rewrite the entire Readjustment Act but proposes only to amend it in the particulars in which your committee saw need for amendment, and other sections in the act were left untouched.

It is believed that the bill as reported by the committee will go a long way toward meeting suggestions for amendment made at the hearings and elsewhere. It will facilitate administration and will, in important respects, liberalize benefits under the Servicemen's Readjustment Act of 1944 and particularly the education and loan provisions, which, in practice, have proved to be difficult in some respects.

ANALYSIS OF THE BILL BY SECTIONS

PROCEDURE

Section 1.—This section amends section 100 of the Servicemen's Readjustment Act so as to make permanent the authority of the Administrator under that section to procure necessary space for administrative, clinical, medical, and out-patient treatment purposes, by lease, purchase, or construction of buildings, or by condemnation or declaration of taking. Under existing law this authority is limited to the "present war and 6 months thereafter."

Section 2.—This section adds to section 200 of the act an authorization for the Administrator to furnish necessary space and suitable office facilities for the use of paid representatives of veterans' organizations, with reimbursement on an actual-cost basis.

Section 3.—Section 302 (a) of the act authorized the establishment of boards of review to review findings and decisions of retiring boards. The amendments made by the committee in this section extend this authority to review findings and decisions of boards of medical survey and disposition boards. A change in language broadens the class of those who may apply to include any officer released from active service.

EDUCATION AND TRAINING

Section 4.—This section amends part VIII of Veterans Regulation No. 1 (a), as added by section 400 (b) of the Servicemen's Readjustment Act, in the following respects:

(a) Paragraph 1 is amended to eliminate the requirement that veterans show that education was interrupted by service, extended the time from 2 to 4 years to initiate a course, extended the time within which education or training may be afforded from 7 to 9 years after the termination of the war, and strikes out the age limitation. The House bill also contained the extensions of time referred to.

(b) Paragraph 2 is amended to strike out the references to a refresher or retraining course so that the veteran will be provided approved education or training for a period of 1 year plus the time he was in active service, not to exceed a total of 4 years.

(c) Paragraph 3 is amended in two important respects: First, a new subparagraph (b) is added providing for short, intensive courses under contract with approved institutions, with authority to pay more than the pro rata customary charges and limiting the period of education and training accordingly; second, a new subparagraph (c) is added which provides for instruction by correspondence courses, subject to contracts as to rates and charging one-fourth of the elapsed time used in following such courses against the veteran's period of eligibility. The total amount payable for a correspondence course or courses is limited to \$500.

Both of these latter amendments were contained in the House bill, although the correspondence-school provision was stated in somewhat different form and without adequate control as to rates or as to limitations of eligibility.

(d) Paragraph 5 of the present act, insofar as it seeks to permit adjustment of fees of public institutions, has not proven satisfactory in practice. Attorneys general of several States have questioned the authority of the State to accept payments under the law of the

State, within the limitations of the present paragraph 5. The committee amendment will permit the Administrator to make an adjustment of fees in such cases if he finds that the customary charges are insufficient to permit the furnishing of education or training to eligible veterans. The Administrator will be able to do this by agreement with each institution on an over-all plan and based upon a showing of need of assistance to meet the educational demands under the Federal program.

(e) The House bill increased the subsistence allowances under paragraph 6 from \$50 to \$60 per month in the case of veterans without dependents and from \$75 to \$85 per month in the case of veterans with dependents. The committee has increased these amounts to \$65 and \$90, respectively, effective on the first day of the first calendar month after date of enactment.

(f) Under paragraph 7 of the present law a veteran eligible for the benefits of part VIII (education and training) and part VII (vocational rehabilitation) may elect which benefit he desires; but once having made the election, he is bound. The committee amendment permits the right of election, together with authorization of an approved combination of courses, with the proviso that the total period of combined courses must not exceed the maximum period of limitations under the part affording the greater period of eligibility. It also removes an inequality as to disabled veterans.

Section 5.—This section adds a proviso to section 4 of Public Law No. 16, Seventy-eighth Congress, which was added by section 402 of the Servicemen's Readjustment Act of 1944, to the effect that returned books, supplies, or equipment may be released to educational or training institutions for credit or disposed of otherwise by the Administrator, without regard to limitations on the disposition of surplus property generally.

Section 6.—Under the present law relating to vocational rehabilitation (Public Law 16, 78th Cong.) no course of training in excess of a period of 4 years may be approved. Consequently, if a course of training extends beyond 4 years the veteran cannot take advantage of the course, even though he is willing to stand the expense of the course beyond the 4-year period out of his own pocket. This section will permit the Administrator to approve such courses. The period of time within which training may be furnished is also extended from 6 to 9 years after the end of the war, to conform to the amendments made in part VIII.

This section also contains an amendment constituting a complete redraft of paragraph 3 of part VII of Veterans Regulation (1) (a), as amended (Public Law 16, 78th Cong.). The amended section would provide that the disabled veteran, while pursuing training and for 2 months after his employability is determined, will be paid the amount of subsistence allowance specified in paragraph 6 of part VIII, Veterans Regulation i (a), as amended (the education provisions). It would establish a minimum rate of \$105 for a veteran without dependents, \$115 with a dependent, and \$10 additional for a child and \$7 for each additional child and \$15 for a dependent parent. Under existing law, while a veteran may receive additional pension while pursuing a course of training, the amount payable cannot exceed the rates for total temporary disability. The effect of the committee amendment is to permit the disabled veteran to receive subsistence allowances at

the sums payable under part VIII relating to education and training plus whatever pension he is entitled to under existing law, but with a prescribed minimum, to protect the disabled veterans with low rate of pension.

LOANS

Section 7.—This section permits a veteran to apply for guaranty of a loan within 10 years after the termination of the war. The existing law limits the loan features to 2 years after termination of the war or 2 years after separation from the military or naval forces, whichever is the later date, but in no event more than 5 years after the termination of the war. The House bill extended the 2-year limitation in existing law to 6 years but in no event more than 8 years after termination of the war.

It is appropriate to point out here an important difference between the House bill and the bill reported by your committee, as relates to loans. Under the House bill, by amendments to section 500 (a) and elsewhere in the Readjustment Act, the lending agency and the veteran were in effect permitted to make their own bargain, and the loan is automatically guaranteed 50 percent by the Administrator of Veterans' Affairs. This would afford no protection either to the veterans or to the Government. Your committee did not accept this plan and has retained the basic principles of the existing law with such changes as may be necessary in section 500 (a) and in other provisions which will be noted, to liberalize and clarify the law. At the same time, there is preserved the guaranty principle of the existing act instead of the House provision, which is in effect a contract of indemnity, with the lender and the Government sharing the loss pro rata.

Section 8.—Section 500 (b) of the act now permits the Administrator to pay interest for the first year on that part of the loan guaranteed by the Administrator. Your committee believes that an authority to pay an amount equivalent to 4 percent on the amount originally guaranteed rather than payment of interest for the first year will bring about simplification of administration and has amended the law accordingly.

Section 500 (c) is amended to extend the maturity limitation from 20 to 25 years generally and in the case of loans on farm realty to 40 years; and removes present restrictions which preclude national banks, Federal savings and loan associations, and District of Columbia banks, trust companies, building and loan associations, and insurance companies from participating in loans to veterans eligible for guaranty under the act. The laws of the various States quite generally permit such loans by State institutions.

Section 9.—The purpose of the changes made in section 501 is to make clear that the veteran may purchase a lot out of the proceeds of a loan purposed to finance the construction of a home on that lot. The present text of the act, which specifies that construction is permissible "on unimproved property owned by him," raises a question as to whether that was intended. The related change, striking out the words "including the value of the unimproved lot," is necessary because it will be proper to look at the cost of a lot purchased with the proceeds of the loan rather than the value of that lot. Of course, if

does not preclude guaranty of a loan for the purpose of constructing a building on a lot owned by the veteran.

The word "normal" has also been stricken from the text of section 501 (a) (3) (and as well from the corresponding sections related to loans for farm or business purposes) for the reason that a great deal of uncertainty and confusion appears to have resulted from the meaning of the phrase "reasonable normal value." It is desired by thus eliminating the word "normal" to clarify the intent of Congress to permit lending under the act to be predicated on appraised valuations that are reasonable in the light of present-day cost factors; and, while protecting the veteran from overinflated prices, to permit evaluation upon a more realistic basis.

Section 10.—The reference to payment of delinquent indebtedness, taxes, or special assessments has been stricken out of section 501 (b) and carried forward into a new section 506, so that the provisions thus stricken out will be applicable on a broadened basis to farms and business as well as to homes.

Section 11.—The changes made by this section in section 502 are designed to broaden the present language of the act so that loans can be made for every ordinary farming purpose. For example, under the present act the farmer cannot finance the construction of a new barn. Under the changed language that would be permissible.

The changes in the subparagraphs of this section are merely formal to conform them with the changes mentioned above, except for the striking out of the word "normal" which is referred to under section 501 (a) above.

Section 12.—Section 503 of the act likewise has been altered to eliminate the unduly restrictive effects of the present language of the act. The amended language will permit any normal business enterprise to be financed initially under a guaranteed loan. Under the present act, for example, a store cannot be modernized or altered with the proceeds of a guaranteed loan. Stock in trade cannot be acquired, nor working capital provided. The usual business loan is a character loan rather than a strictly secured loan. The amendment will permit such loans to be granted.

The changes in the subparagraphs are merely formal, except with respect to the elimination of the word "normal" in 503 (4), explained above under 501 (a) (3).

Section 13.—This change in section 505 (b) makes clear the right of the Secretary of Agriculture to determine the basic eligibility of a veteran applying for loans under the Bankhead-Jones Act. It eliminates the necessity of referring each case to the Veterans' Administration for such determination.

Section 14.—This section adds three new sections to the existing law:

Section 506: This supplants the clause eliminated in section 501 (b) and serves to broaden the refinancing of existing indebtedness so that the Readjustment Act will thus serve to supplement fully the Soldiers' and Sailors' Civil Relief Act of 1940, so as to aid veterans to refinance indebtedness with respect to which their delinquency might be attributable to loss of income during their period of service or to the difficulty of readjusting themselves economically in their postservice life. With respect to home or farm financing, delinquent indebtedness, to be eligible, must be evidenced by a lien of record. With

respect to business indebtedness it must have been incurred in connection with a business in which the veteran will be engaged subsequent to the issuance of the guaranty.

Section 507: The powers at present vested in the Administrator of Veterans' Affairs are inadequate to enable him to perform the functions required of him under the present act. This new section is added in order to enable him efficiently to conduct those functions. The new section also recognizes the right of private lenders to resort to the courts for a determination of their rights in matters arising out of contracts of guaranty under the act.

In short, section 507 is designed to permit the Administrator to handle matters arising by reason of this title (title III); to sue and be sued; to pay, or compromise claims arising because of a loan guaranty certificate or insurance contract; to pay, compromise, waive, or release any other rights, titles, claims, etc.; to take title to property and to sell, assign, convey, or otherwise dispose of such property; to complete, administer, and maintain or repair, or otherwise deal with property which he may be required to hold pursuant to this title.

Section 508: Section 508 adds to the act a plan which will permit the Administrator to insure loans for business purposes on a plan similar to that provided for modernization and repair loans under title I of the Federal Housing Act. Such insurance is to be issued in lieu of a guaranty and is to be issued direct to the lending institutions under an arrangement which will give them not to exceed a 15-percent coverage on the aggregate of all loans made by them to veterans for the purposes specified in section 503. Such insurance may be issued only to supervised lending institutions or to financial institutions which may purchase such loans from the original lending institution.

As loans of the nature covered by this provision will be, in the main, short-time loans, which are high-cost loans to a lender, it is thought proper to authorize a higher interest rate on such loans as are non-real-estate loans than the 4 percent per annum rate prescribed for all loans which are guaranteed under this act. The proposed 3 percent discount rate, when applied to loans amortizable on a monthly basis, will be an approximate equivalent of 5.54 percent per annum on a straight interest basis.

The new section 508 (c) prescribes that on each loan included in the aggregate insured under this section the Administrator shall pay at the outset the same flat 4 percent amount that is payable on guaranteed loans under the proposed amendment to section 500 (b).

MISCELLANEOUS

Section 15.—Section 1505 of the present act provides that in the event that veterans are given any allowance in the future in the nature of adjusted compensation, any benefits received under the Readjustment Act will be charged against and deducted from such adjusted compensation. In addition to the fact that your committee believes that such a sweeping provision is unfair to the veteran, it is actually affecting educational provisions, because the effect of this section is appraised by a veteran when he is making selection of an educational institution. Your committee believes that in no event should this section be applied except in connection with loans and has, therefore, amended the act to exclude other benefits from the deduction required.

Section 16.—This section adds two new sections to title VI of the Servicemen's Readjustment Act:

(1) Section 1506 will extend to persons who served in the active military or naval service of Allied Governments, and who were citizens of the United States at the time of entrance into such service, the benefits of the Servicemen's Readjustment Act as well as the vocational rehabilitation provisions of Public Law 16, to the same extent as in the case of persons who served in our own armed forces. It is provided, however, that these benefits will be extended only to persons who are residents of the United States at the time of filing claim and who are not receiving similar benefits from the government of the Allied Nation concerned.

(2) By reason of the fact that the benefits of the existing law are limited to persons who have been "discharged or released" from active service, persons on terminal leave and persons being hospitalized pending final discharge may not take advantage of the educational and loan provisions or vocational rehabilitation training under Public Law 16. Your committee sees no reason why persons occupying this temporary status should not be afforded an opportunity to apply for and receive such benefits, and section 1507 so provides. The section is made effective from June 22, 1944, the date of enactment of the Servicemen's Readjustment Act of 1944.

Title.—The title of the House bill does not adequately express the objectives of this legislation, in that it refers to provision only for readjustment allowances, and the committee has amended the title to read simply: "An act to amend the Servicemen's Readjustment Act of 1944, and for other purposes."

