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SENATE

REPORT
No. 1486

AUTHORIZING LOANS TO VETERANS BY THE UNITED STATES VETERANS' BUREAU ON ADJUSTED-SERVICE CERTIFICATES

FEBRUARY 15, 1927.—Ordered to be printed

Mr. SMOOT, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 16886]

The Committee on Finance, to whom was referred the bill (H. R. 16886) to authorize the Director of the United States Veterans' Bureau to make loans to veterans upon the security of adjusted-service certificates, having considered the same, report it back without amendment, and recommend that the bill do pass.

The facts are set forth in House Report No. 1987, Sixty-ninth Congress, second session, which is appended hereto and made a part of this report.

[House Report No. 1987, Sixty-ninth Congress, second session]

The Committee on Ways and Means, to whom was referred the bill (H. R. 16886) to authorize the Director of the United States Veterans' Bureau to make loans to veterans upon the security of adjusted-service certificates, having had the same under consideration, report it back to the House without amendment and recommend that the bill do pass.

The legislation herein recommended authorizes the Director of the United States Veterans' Bureau to make loans out of the United States Government life insurance fund to veterans upon their adjusted-service certificates in the same manner and upon the same terms and conditions as are applicable to loans made by banks under the World War adjusted compensation act as amended. These loans are to be made through such officers and at such regional offices, sub-offices, and hospitals of the United States Veterans' Bureau as the director may designate, at a rate of interest that shall be 2 per cent per annum more than the rate charged at the date of the loan for the discount of 90-day commercial paper under section 13 of the Federal reserve act by the Federal reserve bank for the district in which the agency of the Veterans' Bureau making the loan is located. The present rate for discount by the Federal reserve banks is 4 per cent for all districts. Therefore, the rate charged the veteran will be 6 per cent. It will be observed that the provisions of the bill makes it unnecessary for the veteran to deal with the central office at Washington, and it is understood that the Director of the Veterans' Bureau will designate a sufficient number of offices where loans can be made in each State so as to make it as convenient for the veteran as practicable in obtaining loans.

For the purpose of enabling the director to make such loans out of the United States Government life insurance fund the Secretary of the Treasury is authorized to loan not exceeding \$25,000,000 to such fund with interest at the rate of 4 per cent per annum, compounded annually, on the security of bonds held in such fund. The Secretary of the Treasury recommended that the loans be made out of the Government life insurance fund rather than out of the certificate fund, and the committee followed his recommendation. It is obvious that the veterans' notes are the best kind of security for such fund.

Under the provisions of the soldiers' adjusted compensation act, the veteran is given the privilege of securing a loan from a bank after the expiration of two years from the date he was issued an adjusted-service certificate. The first certificates issued became eligible on January 1, 1927. On that date the estimated number of certificates in force entitled to the loan privilege was 2,349,676, the loan value of which is estimated at \$215,668,616. A large number of the veterans immediately applied for loans.

The difficulty with reference to the veterans obtaining loans has been very much exaggerated. In some States there has been no difficulty whatever, except a little at the outset, which was principally due to the necessity for identification of the veteran. The banks at first were unfamiliar with the procedure, uncertain about the security, and without the forms required by the Veterans' Bureau, but the greater portion of the banks have been falling into line as the situation came to be understood. Nevertheless, there are still a few communities in which it is difficult, or perhaps impossible, for a veteran to obtain a loan upon his certificate. While it has not been the intention of the committee to encourage borrowing upon the certificates, the committee believes that all veterans should be put on an equality with respect to obtaining loans.

There are approximately 28,000 banks eligible to make these loans under the provisions of the adjusted compensation act. Of this number, the Veterans' Bureau, on January 25, estimated that about 2,800 banks had made 118,032 loans aggregating \$11,238,646.12. This, it will be observed, is only a small part of the loans which may be made on the certificates outstanding. It is to be hoped that the veterans will realize the value of their certificates and not obtain loans except where there is a real necessity for it.

The bill meets with the approval of the Treasury Department, and the Director of the Veterans' Bureau has stated to the committee that there will be no administrative difficulties involved in putting its provisions into effect.

