

PAYMENT OF ADJUSTED-SERVICE CERTIFICATES

JANUARY 15, 1936.—Ordered to be printed

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

REPORT

[To accompany H. R. 9870]

The Committee on Finance, to whom was referred the bill (H. R. 9870) to provide for the immediate payment of World War adjusted-service certificates, for the cancelation of unpaid interest accrued on loans secured by such certificates, and for other purposes, having considered the same, report favorably thereon with an amendment and recommend that the bill be passed.

The act of May 19, 1924, made provision for the granting to persons serving in the military or naval forces, within a delimited period, of adjusted compensation at the rate of \$1 per day for services in the United States and \$1.25 per day for services overseas. Sixty days of service were excluded for the purpose of computing the amount of adjusted compensation, as was also service in a grade above that of captain in the Army or Marine Corps, and lieutenant, senior grade, in the Navy. Entitlement was not acquired by service in certain specified organizational units nor under prescribed conditions stated in the act. For a service credit of \$50 or less payment was made in cash, but if the service credit exceeded \$50 an adjusted service certificate was issued. A restricted class of surviving dependents of eligible veterans were privileged to receive benefits. If the amount of the credit was \$50 or less a lump sum cash settlement was authorized. If the credit exceeded \$50 payments were made in 10 equal quarterly installments. The amount of the adjusted service certificate was determined by taking the net service credit and adding thereto 25 percent and the figure thus arrived at was used as a net single premium, according to the American Experience Table of Mortality, with interest at the rate of 4 percent, compounded annually, to procure for the veteran a paid-up 20-year endowment policy of insurance. The amount of insurance procurable by a fixed credit varied according to the age of the insured at the time of issuance, but

in the average case the amount stated on the face of the adjusted service certificate represents approximately two and one-half times the net credit as computed by allowing the adjustment of \$1 and \$1.25 per day, based upon the period of service.

The original act permitted certificates to be borrowed upon at the expiration of 2 years from the date of issuance to an amount equivalent to 90 percent of the reserve value of the certificate on the last day of the current certificate year, the reserve value to be based upon an annual level net premium for 20 years and computed according to the American Experience Table of Mortality with interest at the rate of 4 percent per annum, compounded annually. The maximum rate of interest was fixed at 2 percent above the rediscount rate for 90-day commercial paper in the Federal Reserve district in which the loan was made. The law as first enacted provided for loans to be made only by incorporated banks and trust companies. The law was amended on March 3, 1927, in order to permit loans to be made out of the United States Government life-insurance fund. This fund represents a trust administered by the Government but the beneficial interest therein lies with the holders of United States Government life-insurance policies, so that to all purposes, loans made from this fund are in the same category as loans made by banks. On March 4, 1929, a further enactment limited the rate of interest to 6 percent per annum on loans made by the Veterans' Bureau. Legislation which became effective February 27, 1931, granted authority for the making of loans from the adjusted-service-certificate fund. This is the fund which was created for the purpose of accumulating the necessary reserve in order to meet the maturity values on the certificates. This amendment also discarded the actuarial basis upon which loans had formerly been computed and fixed the loan value at 50 percent of the maturity values of the certificates, as well as reducing the maximum rate of interest which could be charged on loans to 4½ percent. On July 21, 1932, a further change in the rate of interest on loans was made, reducing the maximum rate to 3½ percent, and the provision requiring that a 2-year period elapse from the date of issuance of the certificate before a loan could be secured thereon was eliminated. This amendment had the effect of permitting veterans to borrow at a rate of interest the maximum of which was one-half of 1 percent less than that allowed on the adjusted-service credit in accumulating the maturity value.

The House bill provides for the immediate payment upon application of the veteran of the face value of the adjusted-service certificate and waives the collection of interest. Provision is made, however, for the payment of interest at the rate of 3 percent on the amount due to those adjusted-service-certificate holders who elect to hold their certificates. The adjusted-service-certificate fund is authorized to be made available to effectuate the purposes of the act and an appropriation is authorized to be made to provide such sums as may be necessary to carry out the provisions of the bill. Payments made to the veterans would be by the usual procedure of the issuance of checks.

The bill reported by the Committee on Finance provides for the payment of the face value of the World War adjusted-service certificates and for cancelation of interest accruing subsequent to September 30, 1931. Payments to veterans will be made by the issuance of nonnegotiable but immediately redeemable bonds to the

greatest multiple of \$50 contained in the amount due. Odd amounts to be paid by the issuance of checks.

Section 1 of the bill declares the World War adjusted-service certificates to be immediately payable notwithstanding any contrary provisions of the World War Adjusted Compensation Act, as amended. Payment in each case to be in the amount of the face value of the certificates, less any loans outstanding. No charge to be made against the veteran for any interest on such loans after September 30, 1931. Certification is to be made by the Administrator of Veterans' Affairs to the Secretary of the Treasury of the amount payable.

Section 2 provides a means whereby the Administrator of Veterans' Affairs may discharge liens against certificates held by banks and trust companies and so make the adjusted-service certificates held as collateral available to the Government for making the settlement authorized by the bill.

Section 3 states the manner in which applications may be made.

Section 4 provides the manner in which the Secretary of the Treasury shall make settlement, which is by the issuance of bonds in denominations of \$50 or multiples thereof to the greatest multiple of \$50 contained in the amount due the veteran and by paying any odd amount in excess of the bonds issued in the usual way. Bonds issued under this section shall be dated June 15, 1936, and will run for a period of 9 years but shall be redeemable at the option of the veteran at any time and at such places, including post offices, as the Secretary of the Treasury may designate. Bonds so issued shall be nontransferable, nonassignable, not subject to attachment, levy, or seizure under any legal or equitable process and shall be payable only to the veteran. Interest on the bonds will accrue at the rate of 3 percent per annum from June 15, 1936, to June 15, 1945, unless the veteran chooses to redeem them at an earlier date, in which event interest will be payable to the date of redemption. No interest will be paid on any bond redeemed prior to the expiration of 1 year from the date of issuance.

Section 5 provides for the redemption of adjusted-service certificates held by the United States Government life-insurance fund by means of exchanging such certificates for bonds in the same amount as is represented by the indebtedness to the fund on account of loans made upon the security of the adjusted-service certificates so redeemed.

Section 6 makes the adjusted-service certificate fund available for payments authorized by this act.

Section 7 exempts the certificates from any deductions except on account of liens properly made in accordance with the provisions of the World War Adjusted Compensation Act, as amended.

Section 8 authorizes an appropriation to be made in such an amount as may be necessary to carry out the provisions of the act.

Section 9 provides that should any provision of the act be held invalid it shall not affect the remainder of the act.

Section 10 cites the identification of the act as the Adjusted Compensation Payment Act, 1936.

PAYMENT OF ADJUSTED-SERVICE CERTIFICATES

Nov. 30, 1935

Total number of certificates issued.....	3, 737, 123
Maturity value of certificates issued.....	\$3, 683, 536, 660
Number of certificates matured.....	218, 932
Maturity value of certificates matured.....	\$218, 548, 330
Number of certificates outstanding.....	3, 518, 191
Maturity value of certificates outstanding.....	\$3, 464, 988, 330
Number of certificates pledged as collateral for loans.....	3, 026, 190
Total liens outstanding against certificates.....	\$1, 763, 144, 548
Value of adjusted-service-certificate fund.....	\$1, 469, 766, 987
Total net basic credit certificates outstanding.....	\$1, 377, 950, 134
Present value of certificates outstanding (allowing earned portion of additional credit).....	\$2, 187, 998, 155
Present value of certificates outstanding (allowing full additional credit).....	\$2, 420, 821, 127

H. R. 9870, SEVENTY-FOURTH CONGRESS, SECOND SESSION

(By Fred M. Vinson, M. C.)

Estimates as of Jan. 1, 1936

Maturity value of outstanding certificates.....	\$3, 463, 000, 000
Add—interest to be forgiven.....	297, 350, 000
Total.....	3, 760, 350, 000
Value adjusted-service-certificate fund.....	1, 471, 000, 000
Additional amount required.....	2, 289, 350, 000
Amount to be paid veterans.....	1, 992, 350, 000
Amount due U. S. Government life-insurance fund.....	490, 000, 000
Amount due banks.....	60, 000, 000
Total.....	2, 542, 350, 000

S. 3653, SEVENTY-FOURTH CONGRESS, SECOND SESSION

(By Senators Harrison, Byrnes, Clark, and Steiwer)

Estimates as of June 15, 1936

Maturity value of outstanding certificates.....	\$3, 456, 000, 000
Add—interest to be forgiven.....	263, 000, 000
Total.....	3, 719, 000, 000
Value adjusted-service-certificate fund.....	1, 482, 000, 000
Additional amount required.....	2, 237, 000, 000
Amount due veterans in bonds.....	1, 836, 213, 950
Amount due veterans in cash.....	87, 786, 050
Amount due U. S. Government life-insurance fund.....	507, 000, 000
Amount due banks.....	60, 000, 000
Total.....	2, 491, 000, 000

PAYMENT OF ADJUSTED-SERVICE CERTIFICATES

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Estimates as of June 15, 1936

SETTLEMENT

Maturity value of outstanding certificates.....	\$3, 456, 000, 000
Interest to be forgiven.....	263, 000, 000
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Gross value of settlement.....	3, 719, 000, 000

SOURCES OF FUNDS

*Adjusted service certificate fund.....	1, 482, 000, 000
Appropriation.....	2, 237, 000, 000
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Total.....	3, 719, 000, 000

DISPOSITION OF FUNDS

To veterans in bonds.....	1, 836, 213, 950
To veterans in cash.....	87, 786, 050
To United States Government Life Insurance Fund in bonds..	507, 000, 000
To banks in cash.....	60, 000, 000
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**Total.....	2, 491, 000, 000
Amount of set-off on account of liens on adjusted-service certificates held in adjusted-service certificate fund.....	1, 228, 000, 000
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Grand total.....	3, 719, 000, 000

*Bonds convertible into cash, etc.....	\$254, 000, 000
Liens against adjusted-service certificates.....	1, 228, 000, 000
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	1, 482, 000, 000
**Bonds convertible into cash, etc. in adjusted service certificate fund.....	254, 000, 000
Appropriation.....	2, 237, 000, 000
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Total.....	2, 491, 000, 000

