Mr. President, I send to the desk an amendment to the Committee amendment to H.R. 4602, the Veterans Housing Bill now under consideration. This amendment is the first of a series of amendments which I intend to offer to H.R. 4602, for the purpose of extending the home loan guaranty program for World War II veterans for a period of one year from July 25, 1958--its present expiration date. The direct home loan program is extended for a like period by the amendments. In event my first amendment prevails, the other amendments to which I have referred should be enacted to
effectuate the extensions.

Mr. President, as Chairman of the Veterans Affairs Subcommittee, of the Senate Committee on Labor and Public Welfare, I desire to call attention of the Senate to a situation concerning our World War II veterans, which now exists and which is becoming more aggravated each day. I refer to the inability of our World War II veterans to obtain loans for the purchase of homes, under the liberal down payment and maturity provisions and at the 4½ per cent interest rate, now prescribed by the Servicemen's Readjustment Act of 1944. As you are aware, under Public Law 898, 84th Congress, enacted on August 1, 1956, the right of World War II veterans to use their home loan guaranty entitlements expires on

In a hearing before my Subcommittee on June 3, 1957, it was clearly indicated that there are many World War II veterans who intended to use their loan guaranty entitlements by July 25, 1958. Unfortunately, due to the tight money market, it has become quite clear that a large number of these veterans will not be able to use their entitlements by July 1958, and that the program will phase out more rapidly than was anticipated by the Congress.

One of the reasons for this situation is that lenders have been charging unconscionable discounts to builders and sellers. I understand these discounts
have been increasing during the past year, so that at present they range up to 9 and 10 points in some parts of the country. Under the law, these discounts cannot be passed along to the veteran, at least, openly. However, the builders and sellers are reluctant to absorb the discounts, and common sense tells us that it is the veteran home purchaser who ultimately suffers from this situation. Yet, without the discounts, the lenders refuse to make loans at 4½ per cent.

That this has caused serious harm to the guaranty loan program, there can be no doubt. Very little loan activity exists today, although a large number of veterans were expected to exercise their loan entitlement rights.
this year and through July 1958. In fact and in answer to a specific question propounded at the hearings of my Subcommittee, it was stated by the Veterans Administration that, as of January 1957, it expected from 850,000 to 900,000 World War II veterans to use their loan entitlements, or declare their intention to use them, by having applications filed by July 1958.

The VA's assumption was based on three premises:

1. That builders would, if construction and permanent mortgage money was available in reasonably plentiful supply, build at prices to meet the needs of the average income veteran.

2. That the demand for capital money by industry and others would
have lessened by the middle or fall of this year and free funds for mortgage investment.

3. That the funds from the amortization of principal or prepayment of loans, and the payment in full of loans on the 100 billion dollar outstanding mortgage debt as of December 1956, would represent a tidy sum of some 11½ or 12 billion dollars for investment in new mortgages.

In connection with this last point, I have been informed by reliable sources that those institutions which invest primarily in mortgages, may this fall be looking for mortgages if our present rate of "housing starts" decline and the general apathy of the buying public persists. I have heard reports that those veterans who own homes, and
have not used their entitlements and desire to purchase new homes, are either confronted with the inability to finance the sale of their old homes, particularly if the sale is to another veteran, or are unable to finance the new homes with GI loans at 4½ per cent. In the latter case, the builder or seller will refuse to pay the unconscionable discounts I previously mentioned.

There are many more facets to this mortgage financing picture which have affected our World War II veterans. However, I am informed that the hard money policy of the Administration, which has been aired by my colleagues in the several committees and on the floors of both Houses of the Congress, has proved to be one of the deterrents.
to the use of guaranty entitlements by our veterans.

A review of the testimony of witnesses, before the House Veterans Affairs and the House Banking and Currency Committees, advocating an increase in the GI interest rate to 5 per cent, shows that no assurances were given that the increase in the rate would assure plentiful money for GI loans. There was no indication that loans at 5 per cent would be made at par. Discounts would prevail at a lesser degree, maybe, but it was and now is evident that discounts would still be in the picture. This is borne out by the marketing of FHA loans, which now bear 5 per cent interest but which are nevertheless selling at substantial discounts in most areas of the country.

We are told by the authorities in this field that there are some "straws
in the wind" of an easing in the supply of mortgage funds. In addition, the provisions of this bill, H.R. 4602, which we are now considering, is bound to have some impact on the capital market. It is my view that we should observe the consequences of these actions and the trend in the supply of mortgage funds, rather than contribute to the interest rate spiral by rushing headlong into an increase in the GI loan rate. However, it would be manifestly unfair to World War II veterans to allow their loan entitlements to expire while we are awaiting the outcome of this situation.

Therefore, I am offering an amendment which will afford World War II veterans additional time within which to make use of their loan entitlements. This extension would
allow the program to run until July 25, 1959, with an added year for processing. The direct loan program would be extended for a like period, to take care of our veterans living in rural areas, when private capital is not available.

I do not want to belabor the point by discussing all of the economic problems resulting from lack of mortgage funds; but if we are to help those veterans who intended to use their GI entitlements by July 1958, and who currently and in the foreseeable future will be precluded from doing so, because of factors over which they have no control, a proposal such as this is no more than fair and equitable.

Finally, I should like to point out that the loan guaranty program
is within the jurisdiction of the Committee on Labor and Public Welfare, and that all of the other members of this Committee have joined with me in offering this amendment.