

POPULAR WITH THE SOLDIERS.

The plan proposed in my bill, H. R. 5545, to provide homes for soldiers, has been exceedingly popular with the former service men. It has been received with favor in all portions of the United States. Prior to the convening of the National Convention of the American Legion at Minneapolis, November 11, 1919, ten of the State branches of the American Legion had endorsed my bill by name and number. These States are as follows: Colorado, Oklahoma, South Dakota, Rhode Island, Delaware, Iowa, Nebraska, Indiana, Washington, and Arkansas. The National Convention of the American Legion endorsed my bill in principle. The resolutions adopted declare specifically in favor of national legislation to provide former service men with credit facilities to purchase either a farm home or a home in a town or city. In effect this is an endorsement of my proposition for so far as I know my bill has been the only one introduced which provided for the purchase of both homes in the town and city and in the country. In addition to this, the members of the Committee will remember that the representative of the veterans soldiers organization known as Veterans of Foreign Wars, representing a membership of about 600,000, in a statement before the Committee stated that the organization which he represented was in favor of the Morgan Bill in addition to some compensation in money. In addition to this, the bill has been endorsed by hundreds of Local Posts of the American Legion and other local soldiers' organizations, representing forty-two States in the Union. Hundreds of individual soldiers have written me letters endorsing my bill in strongest terms possible. I have all of these resolutions and letters of endorsement in my possession, but taken together they would occupy too much space to be printed. I would be glad to submit them to the members of the Committee for examination.

ARIZONA:

The Morgan McDermott Post No. 7, Tucson, Arizona.
McClellan-Parson Post, Florence, Arizona.

ARKANSAS:

Indorsed at State Convention.

Loyd-Stout Post No. 34, Atkins, Ark.
Daniel Harder Post No. 48, Stuttgart, Ark.
The American Legion Post, Heber Springs, Ark.

CALIFORNIA:

Madera Post #11, Madera, Cal.
Amador Post No. 108, Jackson, Cal.

COLORADO:

Indorsed by State Branch of American Legion,

David Standbridge Post No. 8, Rocky Ford, Colo.
Grand Junction Post No. 37, Grand Junction, Colo.
Wallace Simpson Post No. 29, Denver, Colo.
The American Legion Post, Eckley, Colo.

DELAWARE:

Indorsed at State Convention.

DISTRICT of COLUMBIA:

Vincent B. Costello Post No. 15, Washington, D. C.

~~CONNECTICUT~~

FLORIDA:

Harrison-Hunter Post No. 32, Winter Park, Fla.
Sarasota Bay Post No. 30,

GEORGIA:

Tift County Post #21, Tifton, Ga.

IDAHO:

Rupert Post, Rupert, Idaho.
Elmer Miller Post No. 19, Fairfield, Idaho.
St. Anthony Post No. 22, St. Anthony, Idaho.
Preston Post No. 34, Preston, Idaho.

ILLINOIS:

John Joda Post No. 54, Fairbury, Ill.
Wabash Post No. 423, Mr. Carmel, Ill.
Forest Park Post No. 414, Forest Park, Ill.

Ralph M. Noble Post, Galesburg, Ill.
 Paris Post No 211, Paris, Ill.
 Logan Post No. 263, Lincoln, Ill.
 Moline Post, Moline, Ill.
 Austin Post, Austin, Ill.
 Hyde Park Post, Chicago, Ill.

INDIANA:

Indorsed by State executive Committee of the American Legion,
 State Convention of the American Legion indorsed H. R. 5545.
 Lawrence Capehart Post #35, Jeffersonville, Ind.
 Raymond A. Landon Post No. 64, Windfall, Ind.
 Raymond E. Templeton Post #126, Indianapolis, Ind.
 Kapperman Post No. 44, Newburgh, Ind.
 American Legion Post at Orleans, Ind.
 Lafayette Post No. 11, LaFayette, Ind.
 American Legion Post, Hammond, Ind.
 Jefferson County Post No. 1, Madison, Ind.

IOWA:

Indorsed at the State Convention of the American Legion.

Davenport Post No. 26, Davenport, Iowa.
 Sedan Post No. 93, Adair, Iowa.

KANSAS:

Parsons Post #1, Parsons, Kans.
 Walter Burton Post, Emporia, Kansas.
 American Legion Post, Liberal, Kansas.

KENTUCKY:

Spencer Post #51, Taylorville, Kentucky.

LOUISIANA:

James O. Hall, Post, Jennings, La.

MAINE:

James Williams Post, Bangor, Maine.

MARYLAND:

Walter Green Post #14, Baltimore, Md.
 Jeffrey Quante Post #20, Hamilton, Md.

MASSACHUSETTS:

Barre Post No. 2, Barre, Mass.
 Herbert Akroyd Post No. 132, Marlboro, Mass.
 American Legion Post #96, South Lancaster, Mass.

MICHIGAN:

Harry F. Hovey Post #35, Imlay City, Mich.
Hannon-Colvine Post No. 180, Hudson, Mich.
Oscar Briggs Post #89, Allegan, Mich.

MINNESOTA:

Axel Buseth Post No. 18, Henning, Minn.
American Legion Post No. 208, Oakland, Minn.
American Legion Post, Willmar, Minn.
Glennville Post # 264, Glennville, Minn.
Henry Bergquist Post #201, Mora, Minn.
Askov Post, Askov, Minn.
Austin F. Hanscom Post #167, Willmar, Minn.
American Legion Post No. 227, Nevis, Minn.
American Legion Post No. 2, Shakopee, Minn.
American Legion Post No. 62, Benson, Minn.

MISSOURI:

Robert M. Graham Post #280, Columbia, Mo.
Commerce Township Post, Commerce, Mo.
Homer E. Wallace Post No. 89, La Belle, Mo.
Lee Colvin Post #75, Breckenridge, Mo.
Clem P. Dickinson, Post No. 14, Clinton, Mo.
Wilbur C. Odam Post #34, Unionville, Mo.

MONTANA:

Powell Post No. 10, Deer Lodge, Mont.
~~Martinez Post~~
Choteau Post No. 6, Choteau, Mont.
American Legion Post No. 22, Wolf Point, Mont.

NEBRASKA:

Indorsed at State Convention of the American Legion.

Lieutenant Martin F. Bowles Post, Benkelman, Nebr.
Fourth Nebraska Post, Hartington, Nebr.
Perkin County Post No. 40, Grant, Nebr.
Douglas County Post, Omaha, Nebr.

NEVADA:

American Legion Post, Virginia City, Nevada.

NEW HAMPSHIRE:

Henry J. Leclerc Post, No. 13, Greenville, N.H.
American Legion Post #54, Lincoln, N.H.
Earl B. Clark Post, #42, Burnstead, N.H.

NEW JERSEY:

Wildwood Post #184, Wildwood, N.J.

NEW MEXICO:

Chester L. Thompson Post, Fort Bayard, N.M.
Hugh A. Carlile Post No. 1, Albuquerque

NEW YORK:

Warwick Post, New York City
Warrensburg Post, Warrensburg, N.Y.
American Legion Post No. 248, Middleburg, N.Y.
Shekomeko Post, Pine Plains, N.Y.
Concord Post, East Concord, N.Y.
Seeley B. Parish Post #457, Philips, N.Y.
Lt. Jerry Dalton Post #647, Brooklyn, N.Y.
Old Glory Naval Post No. 48, Brooklyn, N.Y.
New Rochelle, Post No. 8, New Rochelle, N.Y.
Noble-Cahillahan Post #237, Troy, N.Y.
Glenn D. Wicks Post No. 231, Sauquoit, N.Y.
Adirondack Post #70, Saratoga Springs, N.Y.
Glenwood Landing Post No. 335, Glenwood Landing, N.Y.
Huntington Post No. 360, Huntington, N.Y.

NORTH CAROLINA:

Samuel C. Hart Post No. 14, Salisbury, N.C.

NORTH DAKOTA:

American Legion Post, Mahpeton, N.D.

OKLAHOMA:

State Convention of the American Legion passed resolution indorsing H. R. 5545.

Argonne Post No. 4, Enid, Okla.
James F. Smith Post, Muskogee, Okla.
Atoka County Post, Atoka, Okla.
Joe Carson Post, Tulsa, Okla.
Everett Taylor Post No. 3, Cleveland, Okla.
Verdner E. Utterbach Post No. 33, Cherokee,
Keith Lowery Post No. 5, Kingfisher,
American Legion Post, Lone Wolf, Okla.
Norman Howard Post #72, Ada, Okla.
Victory Post No. 45, Burlington, Okla.

OREGON:

Carl B. Fenton Post No. 20,
Calvin Funk Post No. 32, Cottage Grove, Ore.
Clatsop Post No. 12, Astoria, Ore.
Rainier Post #31, Rainier, Ore.
Neil Best Post No. 24, Milton, Ore.

PENNSYLVANIA:

American Legion Post No. 26, Philadelphia,
American Legion Post No. 29, Allentown, Pa.
American Legion Post No. 17, Du Bois, Pa.

RHODE ISLAND:

American Legion State Convention indorsed H. R. 5545.

Newport Post, Newport, R.I.

SOUTH CAROLINA:

Thos. D. Lake, jr., Post, Laurens, S.C.
Orville K. Wilson Post No. 4, Orangeburg, S.C.
Greenville, Post, Greenville, S.C.

SOUTH DAKOTA:

State branch of the American Legion indorsed H. R. 5545.

American Legion Post #75, Murdo, S.D.

TENNESSEE:

Lonas Post, Maryville, Tenn.

TEXAS:

Austin Reed Post #84, Madisonville, Texas.

UTAH:

Randolph-Woodruff Post No. 42, Randolph, Utah.
Blackburn Post No. 34, Ferron, Utah.

VIRGINIA:

Chas. Willis Post, Winchester, Va.
Alleghany Post No. 4, Covington, Va.

WASHINGTON:

Resolution passed by State Convention favoring passage of H.R.554 .

American Legion Post, Chewelah, Wah.
American Legion Post, Prosser, Wash.
Kent Post No. 15, Kent, Wash.
Puget Sound Navy Yard Post No. 4,
Smith-Reynolds Post, Vancouver, Wash.
Maynard-Price Post No. 52, Pullman, Wash.
Walter Akeley Post, No. 29, Port Angeles, Wash.

WEST VIRGINIA:

Wayne County Post No 45, Wayne, W. Va.

WISCONSIN:

Tilleson jr. Post No. 63, Clintonville, Wis.
Oney Johnston Post No. 38, Appleton Wis.
Superior Post No.65, Superior, Wis.

6. THE ENDOWMENT CAPITAL AND THE GUARANTY FUND. 15

will be
It ~~is~~ the business of the corporation to loan money to soldiers. To enable it to make these loans, it borrows money through the sale of its bonds. It is not an institution conducted for profit. The corporation pays the same interest rate on its bonds that the soldiers pay on their loans. The interest paid on its loans, if collected in full, will liquidate the interest due on its bonds. The borrowers make an annual or semiannual payment on the principal of their loans. The corporation must make a like payment on the principal of its bonds. This it does by retiring a portion of its bonds annually, or by creating a sinking fund to provide for their payment. The annual amortization payments due from borrowers on the principal of their loans, if paid in full, will liquidate the outstanding bonds of the corporation. Under the terms of the bill, the corporation borrows money at 3-1/2 per cent and loans it at the same rate. It requires borrowers to pay one-half of 1 per cent annually on the principal of their loans, and applies the same amount annually on the principal of its bonds. But borrowers are required to pay an additional one-half of 1 per cent annually on the face of their loans. The proceeds derived therefrom constitute a guaranty fund. If every borrower paid in full the annual payments due on their loans, the corporation would have no need of the guaranty fund. But every financial institution and every business concern has its losses. The soldiers' and seamen's Federal home founding corporation will have its losses. It must accumulate a surplus. It must have its reserve. It must be able to meet emergencies. That is the object of the guaranty fund. Every

borrower having a \$4,000 loan will pay \$20 annually into the guaranty fund. In 10 years he will have paid into the guaranty fund \$200. In 20 years he will have paid \$400. In 40 years he will have paid \$800 into this fund, an amount equal to one-fifth of his original loan. When the corporation has \$2,000,000,000 of loans outstanding, the annual payment into the guaranty fund will be \$10,000,000. When the loans have increased to \$4,000,000,000, the annual payment into the guaranty fund will be \$20,000,000. When the outstanding loans are \$8,000,000,000, the annual payment into the guaranty fund will be \$40,000,000. Any portion of the guaranty fund not used in payment of losses, in effect becomes a part of the reserve capital of the institution. It is invested, and thus multiplies itself. The guaranty fund in itself will more than meet all losses that will be sustained by the corporation. So certain was I of this that I placed in the bill a provision authorizing the corporation, at the expiration of a period of five years, to reduce the amount to be paid into the guaranty fund. It has an endowment capital of \$100,000,000, the entire income from which will be available to make good any losses sustained by the corporation.

To begin with, the interest on its capital will provide an annual income of \$4,500,000. As the reserve capital of the corporation grows the income therefrom will increase. It is a fund that will grow from year to year. It gives the corporation a large independent income which fortifies it against all emergencies and prepares it, if necessary, to meet extraordinary losses, without the least financial embarrassment. But with the income from these two funds - the guaranty fund and the endowment capital - combined, the corporation is twice insured against any possible losses it may sustain.

PROBABLE LOSSES.

Logically the next question is what will be the ~~probable~~ annual losses of the corporation through the failure of the borrowers to pay the amounts due annually on their loans. We can not answer this question exactly or definitely, but we can in our calculations make the allowance for losses so large that every reasonable ^{man} ~~man~~ will say it is large enough. This is what I propose to do. The amount of losses is not entirely a matter of guesswork. Experience is generally a safe guide. The operations of long-time ^{land} credit institutions in different countries and covering more than a century in time show their losses have been exceedingly light. It is reasonable to assume the soldiers' and seamen's Federal home founding corporation will have the same experience.

The ordinary real estate mortgage companies of this and other countries, on loans running on the 5 and 10 year system, seldom lose any money, and the percentage of foreclosures compared with the total number of loans made is very small. But on account of the short time on which these loans are made and the high interest rates charged it is more difficult to meet the payment on these loans than it is to meet the payments on long-time loans with the interest rates lower. The experience of the building and loan associations of this country shows their losses have been light and that remarkably few men fail to meet the payments due on the mortgages covering their homes.

The soldiers' and seamen's Federal home founding corporation can make loans on such terms, at such interest rates, and on such conditions as will be within the ability of the borrowers to meet.

The average man generally meets his financial obligations, if he is able to do so. A soldier who is able to pay rent on a suitable house in which to live will be able to meet the annual payments due on a \$4,000 loan under the terms prescribed in this bill.

The possibility of loss will grow less every year the loan runs. This is true for two reasons - the amount due on the loan grows less annually and, on the average, the real estate will grow in value every year. The increase in population, the expansion of commerce, trade and business, and the growth in our towns and cities will inevitably enhance the price of both rural and urban real estate. There will be exceptions, of course, but the rule will nevertheless obtain.

The experience of our Federal land banks throws light upon the question of losses. According to an official statement, after these banks had been operating three years, only 1.5 per cent of their borrowers were in arrears. Probably all of these will be paid within a reasonable time. ~~There is another thing to which I have already referred.~~ The losses of the soldiers' and seamen's Federal home founding corporation will be comparatively light by reason of the character of its borrowers. They will be good financial risks. Most of them are young, physically strong, intellectually alert and active, industrious, honest, and ambitious. They are the kind of men who will pay their debts and achieve success in their undertakings. All things considered, it is safe to say that the losses will not equal 2-1/2 per cent of the annual payments due the corporation. This amount would be far greater than the losses sustained on an average

LOANS EQUAL TO APPRAISED VALUE.

There is but one unusual provision in the plan proposed. That is the provision which authorizes loans to be made in an amount equal to the appraised value of the homestead purchased. This does not in any way imperil the financial soundness of the institution. The making of loans to the full appraised value of the mortgaged premises, or approximately thereto, is not without precedent. Europe has had such institutions for years. Denmark has a long-time land-credit institution which loans up to 90 per cent of the appraised value of the mortgaged property. The Norwegian Bank for Laborers' Holdings and Dwellings loans up to the appraised value of the mortgaged homestead. In 1900 France created an institution and endowed it with with \$25,000,000 of capital to enable farm laborers to purchase homes, and authorized it to make loans up to the full appraised value of the homestead purchased. Under the small-holdings and allotment act of 1900, England authorized loans to be made up to 90 per cent of the appraised value of the homestead mortgaged. Similar institutions are found in other countries. The success of these institutions prove that long-time loans equal to 100 per cent of the appraised value of the mortgaged property may be made and the institution still remain perfectly sound and solvent, able to meet every obligation, and accumulate a substantial and ever-growing surplus.

~~Any long-time land-credit institution may be made absolutely safe and sound financially even though it loans up to 100 per cent of the appraised value of the land mortgaged. There are three ways this may be done. These are: First, through the income from endowment capital; second, through annual contributions;~~

LOANS TO 100 PER CENT OF APPRAISED VALUE

The one unusual feature presented in H. R. 5545 is the provision which authorizes the loans to be made in an amount equal to the appraised value of the homestead. At first glance this seems to be revolutionary and wholly ~~at variance~~ ^{at variance} with the safe and sound business methods, but the losses from such loans would not be as large as might be expected. There are several reasons for this, among which may be mentioned the following:

(1) A large percentage probably a majority of the loans would be less in amount than the appraised value of the mortgaged homestead.

(2) The principal debt would grow less every year through the annual payments required.

(3) The value of the homestead mortgaged, as a rule, will increase from year to year.

The census of 1910 showed 54.2% of the people in the United States were living in rented homes; that 37.2 per cent of our farm homes were rented and of homes other than farm homes, 61.6 per cent were rented.

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COMPARED WITH OTHER PROPOSITIONS.

There are other propositions before Congress designed to give recognition to the soldiers. Among these is the one proposing to give every service man a cash bonus. This plan has strong points in its favor; it is preferred by some of the soldiers, and some Members of Congress are favorably inclined thereto. But this would be by far the most expensive proposition the Nation could undertake. Suppose we gave each service man a bonus of \$250. To provide for 4,000,000 men would require \$1,000,000,000. The Government must either raise this amount by issuing bonds or deliver to each man a bond of \$250. The bonds will bear at least 4 per cent interest and will run at least 30 years. The Government will pay \$40,000,000 annual interest on these bonds. In 30 years it will have paid in interest alone \$1,200,000,000. Therefore to give each service man a bonus of \$250 would require an expenditure in interest and principal of \$2,200,000,000. To give each man a bonus of \$500 would require an annual expenditure in interest of \$80,000,000, and a total expenditure in interest in 30 years of \$2,400,000,000. This added to the principal sum of \$2,000,000,000 would make a total cost to the taxpayers of \$4,400,000,000. Looking at it from the viewpoint of the national credit, the financial operations of the Government, and the interest of the taxpayers everyone must admit that the plan which I present is far preferable to the bonus plan.

THE MONDELL-LANE PLAN.

Some way I have been impressed with the idea that the authors and advocates of the Mondell-Lane plan have taken some pride in claiming that their proposition is sound financially and could be safely undertaken by the Government. But I must say in all candor that I have failed to discover any real financial plan to it. All that it does is to authorize the appropriation of \$500,000,000 and give the Secretary of the Interior practically unlimited and certainly unparalleled power to spend this money. Vast areas of land are to be purchased. Millions of acres are to be cleared, improved, and laid out in farms. Vast irrigation projects are to be conceived, planned, and constructed. An army of men of all classes are to be employed. It is a simple process. Congress appropriates the money; the Secretary of the Interior spends it. No one can foretell what mistakes will be made. No one can predict what losses will be incurred. After the lands have been acquired, reclaimed, and improved, the Secretary of the Interior is required to sell these lands at cost, including the purchase price and the expense of reclamation and improvement. Who can say now that the Government will be able to sell each tract, farm, or allotment at the estimated cost thereof? Who can say now that the Government will not have left on its hands millions of acres of land which it will be unable to sell at cost prices? Everywhere, at all times, all along the line, from beginning to end there will be great uncertainty about what the Government may lose in carrying out this proposition or how great an amount must in the end come out of the pockets of the taxpayers.

So far as I can see, there is no attempt in the provisions of the bill to safeguard the Government against losses.

The comparatively few men who may take advantage of the provisions of the act are not required to cooperate with each other in making the undertaking a sound financial proposition. There is to be no contribution among the beneficiaries of the act to aid and assist each other in meeting their financial obligations. Each borrower or each man who purchases a farm from the Government under the Mondell-Lane plan is responsible only for his own debt. If one of them fails to pay his obligations fully, the Government alone stands the loss. If 10 per cent of them fail to pay their loans, the Government will stand the whole loss. I am not saying that the Government losses may be heavy; that there is no provision made to meet these losses, and that in the end the taxpayers of the country must make good whatever losses may be sustained.