such purposes. A number of persons familiar with the operations of private foundations have indicated precisely that view to the Treasury Department. To curtail abuses by the minority of foundations, however, legislative adoption of the recommended rule is necessary.

(2) Foundation lending

Many private foundations put portions of their funds to use in the making of loans which are not secured by mortgages and not evidenced by government or other bonds.[34] While much of this lending represents altogether proper and legitimate investment of foundation funds, some does not.

Example 6.—The A, B, and C foundations, referred to in example 1, all controlled by a single individual, made many loans to that individual's friends and business acquaintances. On December 31, 1956, one businessman owed these foundations $6,571,448. At the end of the years 1951 through 1961 another owed the foundations amounts ranging from $1,193,000 to $2,057,000. The indebtedness of various other businessmen to the foundations was, on the dates noted, as follows:

Individual A, Dec. 31, 1954	$138,000.00
Individual B, Oct. 27, 1954	1,519,000.00
Individual C, Dec. 31, 1961	39,210.00
Individual D, Dec. 31, 1962	80,246.92
Individual E, Dec. 31, 1962	39,027.50
Individual F, Dec. 31, 1953	247,084.75
Individual G, Dec. 31, 1962	54,000.00
Individual H, Dec. 31, 1962	50,154.32

The loans to these and other businessmen ordinarily arose through transactions in which the foundations purchased and carried (often for several years) large amounts of securities for the accounts of the borrowers. Where the documents recording the arrangements specified interest rates, the rates prescribed were sometimes as low as 3, 3½, or 4 percent. In other cases, however, the rates were higher; and in many situations the foundations were entitled to share in the profits of sales of the securities.[35]

Example 7.—The G foundation had the following loans to various individuals outstanding at the end of each of the indicated years:[36]

Year ending Dec. 31	Makers	Interest rate (percent)	Amount
1952	Individual I	4	$11,600
1953	do	4	11,050
1954	do	4	10,600
1955	do	4	9,400
1956	Individuals J and K	4	1,111,500
	Individual I	4	8,800
1957	do	4	7,900
1958	do	4	6,200
1959	do	4	5,000
	Individuals L and M	0	15,900
1960	do	0	10,300
	Individual I	4	4,000
1961	Individuals L and M	0	3,700
	Individual I	4	1,000

[34] Table 11 of the Statistical Appendix to the report presents information on the total amounts of various classes of foundation loans outstanding at the end of 1962.
[35] Patman Report, 2d installment, supra, e.g., pp. iv, 24–27, 29, 31, 32.
[36] Patman Report, 2d installment, supra, p. 12.