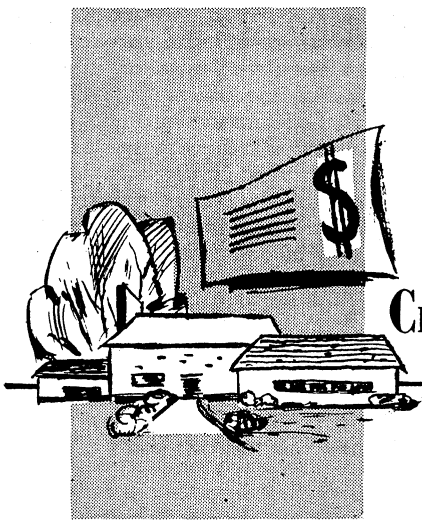

CHAPTER IV

Housing and Other Credit Assistance

RECOMMENDATION NO. 32

The Commission recommends that the VA be allowed to expand its direct loan program throughout the United States.

Background to Recommendation:

The Veterans Administration is authorized to make direct loans only in rural areas, small cities and towns where private credit is not generally available.

Veterans and servicemen residing elsewhere and needing to buy a home must find private lenders who are willing to make them a VA guaranteed loan. All too often, such veterans are unable to obtain guaranteed loans. This usually occurs when there is a heavy demand for capital on the part of business and industry, so that the flow of money into mortgages is sharply curtailed. Loans can still be obtained, but the interest rates needed to compete for capital funds tend to rise above the allowable rate for guaranteed loans. Thus, thousands of veterans who need homes cannot obtain loans to finance their purchases, and must forego, or at least defer, their purchases until some later date.

Only 21 percent of the veteran population currently resides in areas eligible for direct loans, and the balance are subject to the disadvantages described above. This inequity is coupled with another problem for Vietnam Era