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THE CONGRESSIONAL FRONT.
By Congressman Everett M. Dirksen
16th District.

HOME OWNERS LOAN. The HOLC is a big business. It is a thriving business. Its initial authorization of three billion dollars will soon be exhausted and in a bill, now pending in committee, it requests an additional $1\frac{1}{2}$ billion to clear pending applications. Thus far, about 800,000 loans, averaging \$3000 each have been made. In large centers like New York, Chicago, and Detroit, the average loan is \$5000. Of the 800,000 loans, 30% are delinquent in the sense that they failed to make first payment on the due date. Sixteen and one half per cent, or about 132,000 loans are delinquent 90 days or more. Only 60 foreclosures have been instituted and only 1 piece of property has actually been taken over under an HOLC loan. There remain on file, 700,000 applications some of which have been passed on eligibility and on which appraisals have been made. By the law of averages, it is expected that 200,000 of these will be rejected, leaving 500,000 to be completed. At an average of \$3000 per loan this will consume the one and one half billions of additional funds. It will be the policy of the HOLC as stated by Mr. John Fahey, Chairman of the Board before the Banking & Currency Committee of the House, to foreclose on those who can meet but who evade payment, and to grant extensions to those who are willing to pay but unable to do so and who have prospects of ability to pay at a later date. Each delinquent loan will be considered individually on a case basis.

FORECLOSURES. of urban property for a period of 30 years averaged about 78,000 per year. In 1933, it went to 271,000. In 1934 it dropped to 225,000.

FEDERAL RESERVE SYSTEM. A bill is pending to overhaul the Federal Reserve System which has stirred alarm in the minds of financial commentators as an indirect or back-door approach to a Central Bank. This means little unless one knows what the Federal Reserve System is. It was created by act of Congress on Dec. 23, 1913. A sort of Christmas present as it were. At the present time it consists of a Federal Reserve Board in Washington made up of 7 members, namely the Secretary of the Treasury and the Comptroller of the Currency, together with 5 men appointed by the President and confirmed by the Senate. There are 12 Federal Reserve Banks located in Boston, N. Y., Chicago, Phila., Cleveland, Richmond, Atlanta, St. Louis, Minneapolis, Dallas, Kansas City, and San Francisco. In addition there are 16 branch Reserve Banks in different cities. About 8000 banks are members of this Federal Reserve System and are designated as member banks. This system was created to stabilize our monetary situation and prevent panics and depressions. At least, it was so intended. Here is how it operates. John Jones living in Aurora, deposits \$1000 in the bank. If he deposits it in savings, the bank must send 3% or \$30 to the Federal Reserve Bank in Chicago as a "reserve balance." If Mr. Jones puts the money in a checking account, subject to demand withdrawal, the bank must send \$70 or 7% for a "reserve balance." If Mr. Jones lived in one of the reserve cities, the bank would have to send \$100 or 10%. If he lived in Chicago or New York, the bank would have to send \$130 or 13%. All this of course, if the bank is a member of the Federal Reserve System. Banks become members of the Federal Reserve System by subscribing to the stock of the Federal Reserve on a basis of 6% of its capital and surplus. If a bank has \$500,000 capital and \$100,000 surplus, it would have to subscribe to \$36,000 worth of stock. By abiding by the regulations and subscribing to the stock, it thereby becomes a member. Membership confers privileges of sending notes, bills, of exchange, and acceptances to the Federal Reserve Bank for rediscount. In other words, the bank loans you money, takes your note and then, sends the note to the Federal Reserve and rediscounts it, and gets more money. This discount rate has varied. In 1921 it was as high as 7%, in 1930 as low as 2%. Obviously to make loans at 6% which cannot be re-discounted by the Federal Reserve except at 7% would have a tendency to slow up loans. To re-discount at 2% means that banks can afford to encourage loans and thereby stimulate business. By law, the subscription of member banks to the Federal Reserve must be paid in gold coin or gold certificates. The Federal Reserve Banks can then take this gold coin or gold certificates, plus government bonds and obligations which they may acquire, plus certain kinds of bills, notes, and acceptance, commonly called "eligible paper" as collateral and obtain from Uncle Sam's Treasury, Federal Reserve notes (long green money) which is a part of our circulating medium. Actually in the strict fiscal sense, Federal Reserve notes are not legal tender but by law they are "obligations of the United States, receivable by all national and member banks and Federal Reserve Banks and for taxes, customs and

public dues." Moreover, they were redeemable in gold on demand at the Treasury. The average amount of these notes in circulation since 1914 is about \$1,640,000,000. The only cost to the Federal Reserve Banks is about 37¢ per \$1000. (There will be more on this subject later.

GEORGE HOLDEN TINKHAM is a heavily bearded Member of Congress from Massachusetts who looks like an old patriarch. He has served for 20 years. His particular forte is foreign affairs. As a man of large means, he has travelled to the remote corners of the earth, shooting big game and making inquiries that would be useful as a member of the House Foreign Affairs Committee. He is a Harvard man, a lawyer, and by nature and inclination a Crusader. Sometimes his crusading zeal overwhelms him as it did the other day when in the course of a speech, he made some observation which were taken to be reflections on the Speaker of the House. Loyal Democrats jumped up immediately to take exception, invoke the privilege rule, and have the allegedly disrespectful remarks taken down and read. Under House Rules, the author of such words must take a seat in the well of the House and wait the House action. The words were finally expunged from the Record but Mr. Tinkham, had an unpleasant two hours, sitting on a solitary chair while the storm clouds of angry debate rolled over his head.

LITTLE KNOWN BUREAUS. There is the United States-German Mixed Claims Commission which arbitrates claims arising out of the world war. More than 20,000 claims were filed, of which, all but 154 have been disposed. We also have a United States-Mexico General Claims Arbitration Board which handles claims of our citizens against Mexico. Such claims must have arisen since July 4, 1868. We have one member at the International Office of Public Health at Paris, whose duty it is to obtain the best international information on yellow fever, sanitation, cholera, typhus, small pox and other matter pertinent to the public health. Katherine F. Lenroot, the very able and distinguished daughter of former U. S. Senator Lenroot of Wisconsin, is the U. S. Member of the American International Institute for the Protection of Childhood. This institute investigates all phases of child welfare.

BRIEF BITS. Why go exploring in Africa or the Arctic Circle. Of the 3 million square miles in the Continental United States, only 810,000 square miles or 26% of it has ever been properly mapped and more than $1\frac{1}{2}$ million square miles has never been mapped. Coal still furnishes 53% of the total power and heat of this country as against 36% by oil and gas.