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THE CONGRESSIONAL FRONT
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16th (Ill) District

FOR GI JOES WHO WANT TO GO INTO BUSINESS

In the last three issues of the CONGRESSIONAL FRONT we have sought to set forth the various benefits which are available to returning soldiers under the "Servicemen's Readjustment Act of 1944." It includes opportunities to go to school, guaranteed loans for the purchase of homes and guaranteed loans for the purchase of farms. It is to be assumed that many veterans will want to venture into business after their release from military or naval service and we set forth herein the data and requirements with respect to guaranteed loans for the purchase of business property.

WHO MAY APPLY

A veteran who has had (1) active service between Sept. 16, 1940 and the end of the war, (2) has been discharged other than dishonorably, (3) served 90 days or more, (4) or who has been discharged because of a service-connected disability if his service is less than 90 days.

WHEN MUST HE APPLY.

The veteran must apply for a loan (1) within two years of his release from service or (2) within two years after the end of the war, whichever of the two is the latter date. In any case, he must apply not later than 5 years after the war is ended. (This last provision would cover the cases of those who re-enlist and remain in service after the war is over.)

WHO CAN MAKE LOANS

The veteran can make application, for a business loan to any local bank, building and loan association, individual money lender, or finance institution or to a state or Federal agency.

HOW MUCH CAN HE BORROW.

There is no dollars and cents limit on the size of the loan. It will be determined by the nature of the business, the ability of the applicant and other factors. The important point is that the Federal Government is the guarantor of the loan up to 50% of the loan with a limit of \$2000. Suppose a veteran wished to buy a barber shop costing \$1000. The Veterans Administration would guarantee 50% or \$500 of the loan but the entire amount must be repaid by the applicant. Suppose he sought to buy a hardware store costing \$8000. If the loan was approved, the Veterans Administrator would guarantee not to exceed \$2000 of the total amount borrowed.

TERMS OF THE LOAN.

(1) It must be paid back in not more than 20 years. (2) Interest on a guaranteed loan shall not exceed 4%. (3) No security is required other than that whatever rights the veteran may have under a loan would have to be transferred to the Federal government in case of foreclosure, including a 30 day notice to the Veterans Administrator so that he might bid in the property or re-finance it. (To the person, firm or agency that loans the money, the veteran would make the same kind of mortgage that is made in any ordinary transaction of this kind.) For the first year, the Veterans Administrator will pay the interest on the guaranteed portion of the loan.

USE OF FUNDS.

Funds loaned under the Act for business purposes may be used to buy a business, land, buildings, supplies, equipment, machinery, tools etc. It covers any kind of business except farming which is treated separately.

CONDITIONS.

When an application is filed for a business loan, the Veterans Administrator must find that: (1) The money will be used to buy property TO BE USED BY THE VETERAN HIMSELF in pursuit of a gainful occupation. (2) The property, whether it be real or personal property must be useful and necessary to the efficient conduct or pursuit of such an occupation. (3) The ability and experience of the veteran in that line of business and the conditions surrounding the business venture must be such as to make it reasonably likely that the venture will be successful. (4) The price paid for the business or supplies or equipment must be in line with the appraised value. (It will be noted that the safeguards in the Act are designed to prevent failure in business because of lack of experience or ability in a given line or because conditions would not warrant such a venture.)

EXAMPLE

(1) GI Joe wishes to buy a hardware store and makes application on forms provided by the Veterans Administrator or one of the regional offices or by any local bank or financing institution. (2) Application is filed with such local institution. (3) It is examined and verified and information obtained concerning GI Joe's experience, background, etc. (4) Amount applied for is \$5000. (5) If application is approved the loan is made thro the local bank or agency and the Veterans Administrator guarantees 50% or \$2000 since that is the top limit. (6) Loan is consummated and necessary mortgages and documents are drawn and executed. (7) The first year, GI Joe pays no interest on the guaranteed amount, namely \$2000 but does pay interest on the remaining \$3000. (8) Second year and thereafter GI Joe pays interest on entire amount and also pays on the principal. (9) Loan must be paid off in 20 years.