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U.S. Congress. Banking and Currency
Committee. (H).

Loans by Reconstruction Finance
Corporation for flood relief and
other catastrophes. March 27, 1936.
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74TH CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } No. 2275

*G. S. Congress. House Committee on
Banking and Currency*

LOANS BY RECONSTRUCTION FINANCE CORPORATION
FOR FLOOD RELIEF AND OTHER CATASTROPHES

MARCH 27, 1936.—Committed to the Committee of the Whole House on the state
of the Union and ordered to be printed

Mr. GOLDSBOROUGH, from the Committee on Banking and Currency,
submitted the following

REPORT

[To accompany H. R. 11968]

The Committee on Banking and Currency, to whom was referred
the bill (H. R. 11968) relating to the authority of the Reconstruction
Finance Corporation to make rehabilitation loans for the repair of
damages caused by floods or other catastrophes, and for other pur-
poses, having considered the same, report the bill with amendments
and recommend that the bill, as so amended, do pass.

The amendments are as follows:

Page 2, line 13, after the word "property", insert a comma and the
words "real and personal" and insert a comma after the words so
inserted.

Page 2, line 14, after the word "property" insert a comma and the
words "real and personal" and insert a comma after the words so
inserted.

Page 2, lines 18 and 19; strike out the words "made upon sufficient
security" and insert in lieu thereof the following words: "so secured
as to reasonably assure repayment thereof".

PROVISIONS OF THE BILL

The Reconstruction Finance Corporation, under the existing act
and under an act previously existing, authorized over \$11,000,000 of
loans for similar purposes and disbursed nearly \$10,000,000. Under
the act, as hereby amended, relief to catastrophe sufferers can be
expedited because of the fact that the provision for nonprofit corpora-
tions is eliminated and loans can be made directly. We feel this
amendment will make it more workable. Loans heretofore made
under the present act have been for almost all purposes of recon-
struction, namely, for reconstructing all kinds of large and small

stores, business houses, private homes, apartment houses, garages, churches, lodges, schoolhouses, public and municipal buildings of all kinds, and clubhouses, as well as for flood-prevention and flood-control purposes, such as the construction of debris basins, dams, ditches, laterals, and reservoirs. These loans have been made where catastrophes occurred because of fire, flood, earthquake, and hurricane, and in various localities of the United States, such as Maine, Florida, California, Kansas, Texas, Louisiana, Tennessee, and Montana.

The first paragraph of the bill would empower the Reconstruction Finance Corporation to make direct loans to corporations, partnerships, or individuals for rehabilitation purposes. Under the original act, authorizing the Reconstruction Finance Corporation to make loans for repair or construction purposes resulting from floods or other catastrophes, approved April 13, 1934, the Corporation was permitted to make such loans only through nonprofit corporations organized for the purpose of financing such rehabilitation work. The making of loans directly instead of through nonprofit corporations will facilitate and expedite authorizations and disbursements and will allow the making of loans in those States where proper legislation has not been enacted for the formation of such nonprofit corporations as are required to be the borrowers under the existing act. The amendment would also allow such loans to be made for the repair, construction, reconstruction, or rehabilitation of structures or buildings, including such equipment, appliances, fixtures, machinery, and appurtenances as shall be deemed necessary or appropriate by the Reconstruction Finance Corporation.

Although the existing act, approved April 13, 1934, as amended by act approved July 26, 1935, allows the making of loans for damages incident to certain types of catastrophes happening in the years 1933, 1934, 1935, and 1936, this bill would extend the functions of the corporation so as to permit the making of loans for catastrophes happening in 1937 as well. While the present act allows such loans to be made only for rehabilitation as a result of earthquake, conflagration, tornado, cyclone, or flood, the draft bill also makes provision for relief in the event of damage or destruction by hurricane or other catastrophe, as, for example, dust storm.

In view of the fact that such catastrophes which are referred to in the bill often render certain land and other property unfit for any further use, this bill also makes provision for financing the acquisition of structures, buildings, and property, real and personal, in replacement of that which has been destroyed or rendered unfit for use by reason of the catastrophe. The existing act allows the acquisition of home or building sites in replacement of sites which are declared by public authority to be unsafe by reason of the catastrophe, provided such unsafe property shall be conveyed by the owner, without cost, to the municipality in which such property is situated. This provision has been found to work inequitably. The draft bill authorizes the acquisition of property to replace that which has been rendered unfit for use by a catastrophe without the aforesaid objectionable requirement.

The draft bill also contains a change which would make it possible to finance the acquisition or replacement of personal property destroyed or rendered unfit for use by reason of the catastrophe.

The following language has been inserted at the end of the first paragraph of the bill to generally describe the security requirements: "Said loans to be so secured as to reasonably secure repayment thereof." The existing act contains an exception as to taxes and special assessments. The draft bill limits the exception to taxes and special assessments not delinquent.

The existing act, approved April 13, 1934, refers to repair or construction in the first paragraph and to repair or reconstruction in its subparagraphs. The draft bill includes repair, construction, reconstruction, rehabilitation, and acquisition.

The draft bill eliminates the provision of the existing act that the Reconstruction Finance Corporation shall not deny otherwise acceptable applications because of constitutional or other legal inhibitions affecting the collateral.

The draft bill authorizes disbursement at any time prior to January 23, 1939.

The draft bill also increases the aggregate of loans which may be made to not exceeding \$25,000,000. In the light of the fact that under the existing and prior acts authorizing rehabilitation loans, the Reconstruction Finance Corporation has authorized loans for rehabilitation totaling more than \$11,000,000, the provision for loans in an amount not to exceed \$25,000,000 is considered conservative.

This bill will not require the appropriation of additional public moneys, but simply provides that the Reconstruction Finance Corporation may use \$25,000,000 of its assets in providing for loans made necessary by catastrophe.

The bill, as reported, continues the Reconstruction Finance Corporation as a lending agency.

AMENDMENTS OF EXISTING LAW MADE BY THE BILL

In conformity with 2a of rule XIII of the House Rules there is herewith printed the several provisions of existing law expressly amended by the bill. (Existing law proposed to be omitted is enclosed in black brackets; new matter is printed in italics; existing law in which no change is proposed is shown in roman, as follows:)

[PUBLIC—No. 160—73D CONGRESS]

[H. R. 7599]

AN ACT Authorizing the Reconstruction Finance Corporation to make loans [to nonprofit corporations] for the repair of damages caused by floods or other catastrophes, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, [That the Reconstruction Finance Corporation is authorized and empowered, through such existing agency or agencies as it may designate, to make loans to nonprofit corporations, with or without capital stock, organized for the purpose of financing the acquisition of home or building sites in replacement of sites formerly occupied by buildings where such sites are declared by public authority to be unsafe by reason of flood, danger of flood, or earthquake, and for the purpose of financing the repair or construction of buildings or structures, or water, irrigation, gas, electric, sewer, drainage, flood-control, communication, or transportation systems, damaged or destroyed by earthquake, conflagration, tornado, cyclone, or flood in the years 1933, 1934, 1935, and 1936, and deemed by the Reconstruction Finance Corporation to be economically useful or necessary.]

That the Reconstruction Finance Corporation is authorized and empowered, through such existing agency or agencies as it may designate, to make loans to corporations, partnerships, or individuals for the purpose of financing the repair, construc-

tion, reconstruction, or rehabilitation of structures or buildings, including such equipment, appliances, fixtures, machinery, and appurtenances as shall be deemed necessary or appropriate by the Reconstruction Finance Corporation, and for the purpose of financing the repair, construction, reconstruction, or rehabilitation of water, irrigation, gas, electric, sewer, drainage, flood-control, communication, or transportation systems damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the years 1933, 1934, 1935, 1936, and 1937, and for the purpose of financing the acquisition of structures, buildings, or property, real and personal, in replacement of structures, buildings, or property, real and personal, destroyed or rendered unfit for use by reason of the catastrophe, when such repair, construction, reconstruction, rehabilitation, or acquisition is deemed by the Reconstruction Finance Corporation to be economically useful or necessary, said loans to be so secured as to reasonably assure repayment thereof.

Obligations accepted hereunder shall be collateralized—

(a) In the case of loans for the acquisition, repair [or reconstruction] construction, reconstruction, or rehabilitation of private property, by the obligations of the owner of such property, secured by a paramount lien except as to taxes and special assessments *not delinquent* on the property to be acquired, repaired, [or reconstructed,] constructed, reconstructed, or rehabilitated or on other property of the borrowers;

(b) In case of loans for the [repair or reconstruction] repair, construction, reconstruction, or rehabilitation of privately owned water, gas, electric, communication, or transportation systems, by the obligations of the owners of such water, gas, electric, communication, or transportation systems, secured by a lien thereon; and

(c) In case of loans for the [repair or reconstruction] repair, construction, reconstruction, or rehabilitation of property of municipalities or political subdivisions of States or of their public agencies, including public-school boards and public-school districts, and water, irrigation, sewer, drainage, and flood-control districts, by an obligation of such municipality, political subdivision, public agency, board, or district, payable from any source, including taxation or tax-anticipation warrants.

[In any case in which any such loan is made, in whole or in part, for the acquisition of land in replacement of land privately owned and declared by public authority to be unsafe by reason of flood, danger of flood, or earthquake, such unsafe property shall be conveyed by the owner thereof, without cost, to the county, municipality, or district in which such property is situated.

The corporation shall not deny otherwise acceptable applications for loans for repair or reconstruction of buildings or structures, or water, irrigation, gas, electric, sewer, drainage, flood control, communication, or transportation systems of municipalities, political subdivisions, public agencies, boards, or districts because of constitutional or other legal inhibitions affecting the collateral.]

The collateral obligations shall have maturities not exceeding ten years in case of loans made under paragraph (a) of this Act and not exceeding twenty years in case of loans under paragraphs (b) and (c) of this Act.

The corporation shall prescribe such regulations as will most effectively expedite the [Repair and construction] repair, construction, reconstruction, and rehabilitation provided for by this Act and effectively carry out the emergency-relief purposes of this Act.

Notwithstanding any other provision of law, disbursement may be made at any time prior to January 23, 1939, on any commitment made by the Corporation under the terms of this Act, as amended.

The aggregate of loans made under this Act shall not exceed [\\$5,000,000] \$25,000,000.

Approved, April 13, 1934.