

PROCEEDINGS

OF

The National Federation of Remedial Loan Associations

BOSTON MASS., JUNE 12-13, 1911

PUBLISHED BY
THE NATIONAL FEDERATION OF REMEDIAL
LOAN ASSOCIATIONS

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(RECAP)



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OF THE
SOCIETIES FORMING
NATIONAL FEDERATION OF REMEDIAL
LOAN ASSOCIATIONS

The National Federation of Remedial Loan Associations

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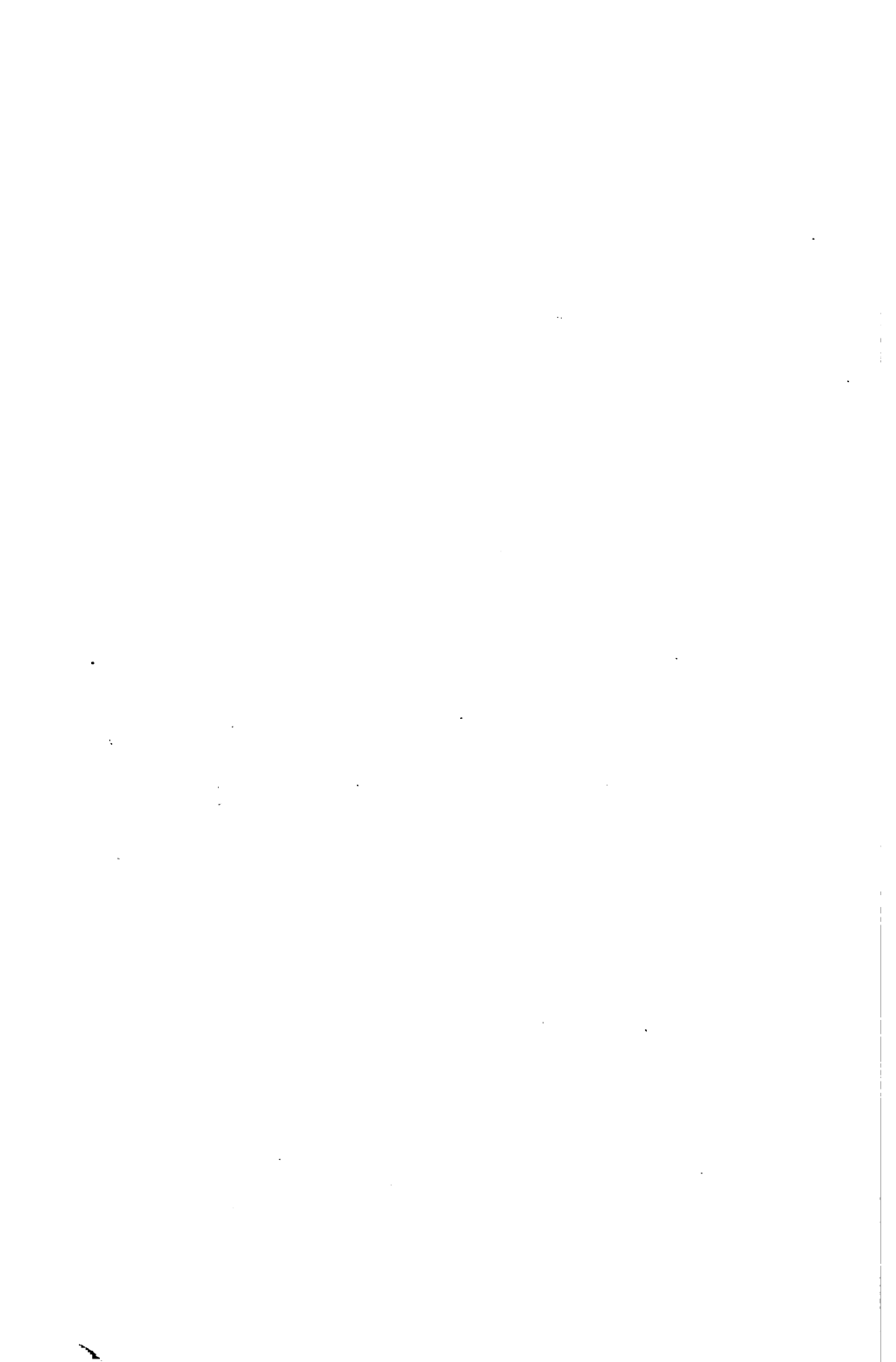
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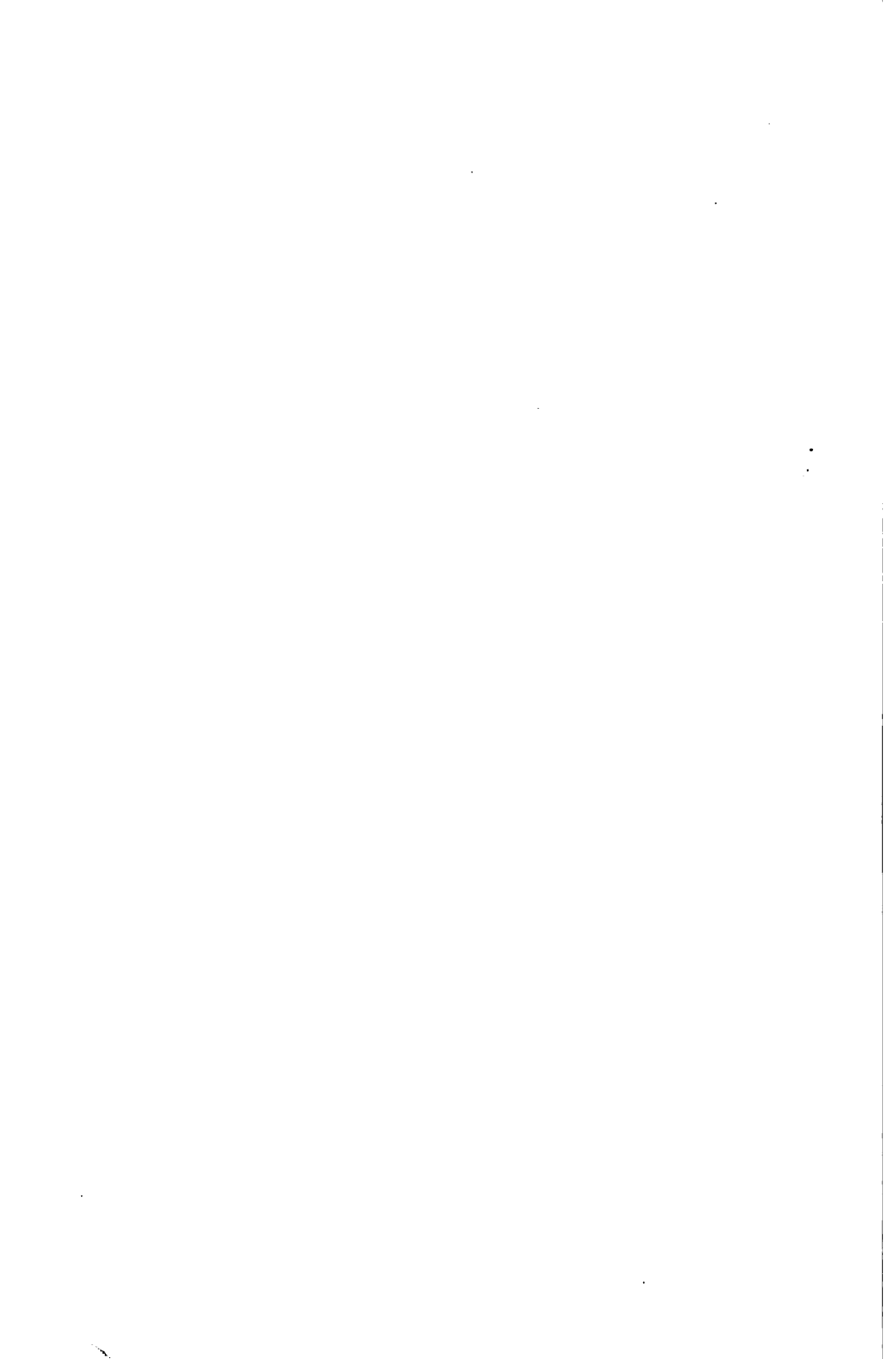
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MINUTES OF THE MEETINGS
OF THE
NATIONAL FEDERATION OF REMEDIAL
LOAN ASSOCIATIONS

PERKINS HALL, BOYLSTON ST.
BOSTON, MASS.

IN CONJUNCTION WITH THE
38th NATIONAL CONFERENCE OF CHARITIES
AND CORRECTION

SECTION MEETING OF THE CONFERENCE, JUNE 13, 10.30 A. M.
BUSINESS MEETINGS OF THE FEDERATION, JUNE 12-13, 1911



REMEDIAL LOANS AS FACTORS IN FAMILY REHABILITATION.*

ARTHUR H. HAM.

The remedial loan associations operating in about twenty-four cities in this country have come into existence through a recognition of the need for temporary loans by millions of people who have no banking facilities and through a realization that the agencies exploiting this need, namely the loan sharks, constitute an important cause of distress. With two exceptions the remedial loan associations now operating in the United States have been organized within twenty years, and their number has increased 50 per cent. within the last year. This is due in part to the recent rapid development of the usurious money-lending business. The pawnbroker is, of course, an old-established institution, but the so-called loan shark who lends money on mortgage of household furniture or assignment of wages at an interest charge of from 10 to 25 per cent. per month is of comparatively recent origin. I wonder how many social workers appreciate the extent to which this evil has grown and give it the place it merits among the important causes of distress?

Accurate information concerning many phases of the usurious money-lending business are obviously impossible of obtainment, but recent investigations have shown fairly conclusively that in every city of more than 30,000 population there is one usurer to every 5,000 to 10,000 people, and one victim to every 20 dwellers in such cities, or one out of every 5 voters. In cities where manufactures employing large numbers of workmen have congregated these figures are greatly increased. A careful estimate places the number of professional money-lenders in Boston at about 100 and the number of borrowers at 100,000. One company alone operating five offices made 45,000 loans last year at an average interest

*Read at Section Meeting, Committee on Families and Neighborhoods, of National Conference of Charities and Correction, Boston, Mass., June 13, 1911.

charge of 228 per cent. per annum. Atlanta, Ga., supports 58 money-lenders; Syracuse, N. Y., 24; Portland, Me., with a population of only 60,000, has 12 usurers. New York City has from 200 to 300, and the amount of usury extorted from victims of that city each year is twice as much as that required to support the Charity Organization Society, the Association for Improving the Condition of the Poor, the United Hebrew Charities and Bellevue and Allied Hospitals. The effect of extortionate interest charges is very apparent in impaired physical condition caused by overwork and inadequate nourishment, made necessary by the demands of the usurer; decreased industrial efficiency caused by worry over payments coming due and the harassing by collectors, whose practices very often result in loss of employment, in forgery, theft, and in not a few instances in family desertion and suicide. Three cases selected almost at random will illustrate these facts.

A young man holding a responsible position in the New York office of a Western corporation endorsed the note of a friend who had been compelled to borrow \$50 from a salary loan shark. Under the loan shark system the endorser as well as the borrower is required to give an assignment of his wages. Subsequently the borrower, before he had been able to pay off his loan, lost his position and left the city. The loan company called upon the endorser to make good the loan. He was unable to do this, but knowing that his employer would discharge him if it became known that he had had dealings with the loan company, and as the loan shark was already threatening to notify his employer, he went to a second loan company to borrow the amount claimed by the first. This began a chain of transactions that lasted about eighteen months. During that time he had paid the money-lenders about \$250 in excess of the amount received from them and was then indebted to eight separate concerns to the extent of \$300. Unable to get more money from him, one loan company filed upon his wages, and an order came from the Western office to discharge him. An investigation of his accounts showed a shortage. Since his discharge the young man has not been seen by his family, and they fear he has committed suicide.

A policeman with a salary of \$1200 a year was forced on account of his wife's illness and other misfortunes to borrow \$150 from a loan shark. He paid the interest of \$15 a month regularly for two years until his wife died and both children became ill with scarlet fever. The additional expense of his wife's funeral, doctor's bills and paying \$15 a month interest compelled him to contract a larger loan in order to meet current expenses, and the loan agent gladly increased the loan to \$300. He agreed to pay \$30 a month interest and kept up his payments for a long time. Eventually he became delinquent in his payments, the loan agent foreclosed upon his furniture, and filed upon his wages, which resulted in his losing his position. The man, who had been sober and industrious, turned to drink and is now an inmate of a county home.

A woman in a Southern city last year borrowed \$4 from a loan company, agreeing to pay \$1.60 a month for the use of the \$4. After making eleven monthly payments aggregating \$17.60, she was taken sick. The company then foreclosed the mortgage and took from her home furniture for which she had paid over \$100, and held the same to satisfy a debt of \$5.60 and court costs. The goods were subsequently sold, but no money was returned to the woman. The net results of her transactions with the loan companies were as follows: For seven years she had the use of \$4 and paid for the same \$134.40. For three years she had the use of \$5 and paid for it \$64.80. For eleven months she had the use of \$4, for which she paid \$17.60, and finally lost her household furniture, her home was broken up and she came under the care of a relief society.

If only people who needed money for an emergency borrowed from the loan sharks the distress would be greatly lessened, but many of the victims are victims of their own improvidence and extravagance. This is shown by the fact that the backbone of the usury business is furnished by city employees and employees of large public service corporations, whose pay is regular and above the average and whose positions are more or less permanent. Many of these men have no cause to borrow except a fancied need to which the loan shark caters by his alluring and misleading

advertisements. Once infected with the borrowing germ a man will often borrow from every possible source till at last he gets into deep water, his family suffering as a result of his transactions and he himself finally becoming a veritable slave, with his entire earning capacity mortgaged to the loan shark. Such conditions in our cities have brought about the organization of remedial loan agencies founded on three distinct bases: (1) Philanthropic competition; (2) voluntary protective effort, and (3) money-making desire. The first class includes semi-philanthropic societies which have been organized by prominent men desirous only of improving loaning conditions and who are satisfied with a very moderate return on their investment. An example is the Workingmen's Loan Association of Boston, established in 1888 by Robert Treat Paine. The second class includes co-operative savings and loan associations organized by the employees of certain large establishments for the purpose of replacing the loan shark with an institution that offers loans at reasonable rates and affords an opportunity to the workman to deposit small portions of his earnings in a savings account which returns him an interest greater than that paid by regular savings institutions. (Savings and Loan Association, Celluloid Club, Newark.)

The third class is made up of companies formed to loan money at reasonable rates by men seeking a good return on their investment and who recognize the value as an advertisement of a plan which, though largely money-making, is a great improvement over the loan shark system. Because of their effect we are forced to include the latter class among remedial loan agencies, yet we realize they fall far short of the requirements of the ideal remedial loan society which the Russell Sage Foundation and the National Federation of Remedial Loan Associations are attempting to organize in every large city in the United States. With such a society, extending financial aid to applicants is only one of its functions. It seeks also to secure adequate legislation and its enforcement, to give publicity to loaning conditions in its city, to secure settlements on an equitable basis for the victims of the usurers, to discourage ill-advised borrowing, to give helpful advice, to encourage thrift and saving, to secure employment for

applicants who are out of work (one society got employment for 75 men in one year), to fill the gap existing in our financial world between the banks and the organized relief societies. By extending relief to the deserving and by helpful advice the remedial loan association aims to prevent its clients from becoming started on the downward road which leads to dependence and the relief societies.

The remedial loan field extends to all families who by force of circumstances, by improvidence, by bad management, or by whatever cause have fallen below the somewhat vague line of normal standard of living.

The successful remedial loan agent must understand the needs and resources of each applicant, and, keeping in mind the factors which go to make up a normal standard, must thoroughly investigate the elements of each applicant's distress. Unnecessary borrowing is discouraged; legitimate borrowing is made inexpensive and a valuable experience to the borrower. A man applied to a remedial loan society for a loan. He had not sufficient security for the amount required, but satisfied the manager of the loan association that he was honest, and a loan of \$50 was made to him on about \$25 worth of furniture. He used the money to buy out a small grocery stand in a growing section of the city. During the next few years he borrowed several times. This money enabled him to expand his business and he is now a prosperous grocer and has reached out in other directions.

A widow with two children, no employment and no resources, applied to a remedial loan society. A loan of \$25 was made to her and the society assisted the woman to find employment for herself and her son. The family is now in comfortable circumstances. A man who had always been a steady workman, earning good wages, but who had never been able to save any money, lost his position through the closing of the factory in which he worked. At the same time he and his wife became ill. Their resources were soon exhausted and debts began to accumulate. Soon the man was able to work again, but had no funds to carry him along until his first pay would become due. The loan was made to him by a remedial loan society. Soon he became accustomed to the

habit of making regular payments on his loan, and when his indebtedness had become paid he was encouraged by the manager of the remedial loan society to start a savings account. He now has a tidy sum on deposit and owns some of the stock of the remedial loan association.

In many States the monthly pay system used by railroads and other large employers is a contributing cause of the loan shark evil and resultant distress. A mechanic skilled in railroad shop work obtained a position with the Pennsylvania Railroad in an Ohio city. Employees of the Pennsylvania Railroad receive their wages once a month and two weeks' pay is always held back by the company. This man went to work on the 15th of the month and on the next pay-day, which came on the first of the following month, he received no money. Having no credit, he was unable to finance himself and family during the next month and was obliged to give up his position. He secured a position with a second company, where he found similar conditions in the pay system. This went on for some time. Being a sober and industrious workman, he was able to get positions without much difficulty, but because of the pay system could never hold them until the regular pay-day. Finally he drifted into the hands of the loan sharks, who assisted him on the downward road until he applied to the associated charities for relief. A well-timed loan in the beginning by a remedial loan association would have saved this man and his family.

Although the remedial loan association has two principal functions: to relieve distress and to prevent it, it is first of all a business organization in the mind of the borrower who comes as a client rather than a suppliant. As a commercial institution, regular monthly installment repayments on loans are demanded; borrowers are not allowed to become lax in their dealings with the agency, and the procedure makes possible perhaps the most important part of the work, the creation of habits of thrift that often result in savings accounts after the loan is paid, thus providing in advance for future contingencies and putting the family beyond the need of future relief. These business-like requirements, however, bring about certain limitations in the work of the remedial

loan associations. It may not loan to applicants who have no household furniture or other security to pledge (though this rule is sometimes stretched in emergency cases); it may not loan to an applicant permanently unemployed by reason of accident or chronic illness, nor to a family whose present or prospective income does not promise fairly regular repayments on a loan. Such applicants cannot be cared for by the remedial loan agency, but must be sent to the organized aid societies. In this connection it is important to consider the increased efficiency of the work of caring for distressed families that might result under further cooperation between relief societies and remedial loan agencies. The remedial loan association manager should not only understand the elements of a normal standard, but should know the purposes and methods of the agencies and social forces which aim to supply these elements. The relief society should understand the methods, functions and limitations of the remedial loan work, and should adjust itself to meet the organization of remedial loan associations. It should act as a bureau of general information and refer all persons to the remedial loan association whom a loan would benefit and who can properly be cared for by a remedial loan agency. It should go further when necessary and guarantee the loan if the applicant cannot qualify under the remedial loan association requirements. Among the families that apply to the organized aid societies are many who do not want charity, but a temporary loan which they promise to repay. Many of these might be rehabilitated by a loan properly administered when a gift or a grant might be great harm. Many relief societies undertake to provide for these cases by making loans out of a self-support fund. Unfortunately the experiences of most societies in this connection show that the feeling of self-respect and independence that prompted the applicant to seek a loan rather than a grant of relief becomes vitiated by the knowledge that he is dealing with a charitable institution that cannot enforce payments. Consequently most of these loans are not repaid, and the effect upon the borrower has been harmful instead of beneficial. In one Western city the secretary of a relief society entirely squandered his self-support fund in a very few years by making loans under

such conditions. During a period of four years a charitable society in another Western city gave out \$22,000 in direct relief and only two recipients repaid the amount loaned to them. With the organization of the Welfare Loan Agency of Kansas City a new plan has been adopted by the Jewish charities, which is worthy of consideration by all relief societies. Each applicant for relief is carefully investigated, and if the agent decides that a loan is likely to improve the family's condition the applicant is referred to the remedial loan association. If he cannot qualify under the requirements of the remedial loan association the loan is guaranteed by the Jewish Charities. This guarantee is made without the knowledge of the borrower, to whom the loan at once becomes a business transaction. During the five months from December 7, 1910, to May 1, 1911, 52 loans amounting to about \$2,000 have been made by the Welfare Loan Agency of Kansas City under this arrangement with the Jewish Charities, and already 25% of the money loaned has been repaid. This is a very large part of the amount due. Such an arrangement might be entered into by the relief societies and the remedial loan associations in all cities, thus extending the field of the latter and relieving the former of the administration of a fund in which they have not been over successful.

The problem of extending aid to families falling below the normal line is how to avoid demoralization, how to prevent the loss of self-respect, independence, self-reliance and the sense of responsibility for those dependent upon the head of the family. There is in most people a wholesome dread of becoming dependent, a pride in being able to support one's self and family. To guard against its impairment is the function of the remedial loan association.

Business Meeting of the National Federation of Remedial Loan Associations

PERKINS HALL, 264 BOYLSTON STREET
BOSTON MASS.

JUNE 12, 1911

The Federation met at 11 A. M., June 12, 1911, with representatives of the following societies present: Collateral Loan Co., Boston, Mass.; Workingmen's Loan Association, Boston, Mass.; Economy Building and Loan Co., Cleveland, Ohio; Provident Loan Society, New York, N. Y.; St. Bartholomew's Loan Association, New York, N. Y.; Worcester Collateral Loan Association, Worcester, Mass.; Workingmen's Loan Association, Providence, R. I.; Chattel Loan Association, Baltimore, Md.; Citizens' Mortgage Loan Co., Cincinnati, Ohio; Society for Savings, Washington, D. C.; Provident Loan Society, Milwaukee, Wis.; Newark Provident Loan Association, Newark, N. J.; Workingman's Collateral Loan Co., Cleveland, Ohio; Provident Loan Society, Detroit, Mich.; Equitable Loan Association, Minneapolis, Minn.; People's Provident Association, Louisville, Ky.; Remedial Provident Loan Association, Paterson, N. J.; Russell Sage Foundation (represented by Mr. A. H. Ham), New York, N. Y.

The convention was called to order by Chairman Finley, who submitted his annual report as follows:

REPORT OF CHAIRMAN W. N. FINLEY, Baltimore, Md.

The progress of the remedial loan movement during the year just closed has been unchecked and the results realized have been greater than during any similar period in the past, a fact which will be more strongly emphasized by remembering that from 1859 to 1897 only five societies were formed, and from 1898 to 1909 but eight more. From June, 1909, to May, 1910, four companies were organized, while during the year just ended five new remedial

loan societies were admitted to membership in our Federation, and in no less than twenty-three States legislation designed to regulate the lending of money upon chattels, upon pledges or by assignment of salary or wages has been attempted. The gain in membership by the National Federation since its organization in Buffalo in June, 1909, has been slightly in excess of 61%, an eminently satisfactory increase. But I am quite sure that as we review the work already done we will find our greatest gratification in the well-founded hope that the awakened public sentiment which has caused social workers in more than one hundred cities to set on foot investigations of loaning conditions in their several communities bids fair to produce even greater results in the formation of remedial loan societies in these cities in the near future.

The awakened public interest to which I have alluded is one of the greatest, if not the greatest, assets of the remedial loan movement, and is directly traceable to the vigorous campaign of education which has been carried on through the press during the past two years, and when social workers shall have firmly grasped the idea that there is an actual and legitimate need everywhere for an organization of some kind which will supply the periodical demand for small sums of money by those who have no banking facilities, and the further fact is grasped that such an organization should be conducted as a simple business proposition and not as a pauperizing charity, and that many such loaning organizations are in successful operation, it will not be long before these aroused and informed social workers will have enlisted the active co-operation of men of means in the formation of remedial loan societies on lines approved by this Federation.

This has been the history of all the remedial societies now in operation. To create, keep alive and properly direct awakened public sentiment is the mission of this National Federation of Remedial Loan Associations, and it is, I believe, but a simple statement of a known fact to say that the Federation is fulfilling its mission.

If, however, evidence in support of this statement be required, I will cite the fact that the bills introduced in the various State Legislatures during the past year and designed to regulate the

loan business were all drawn upon broader and more comprehensive lines than similar measures in the past, and almost without exception fixed a maximum rate of 2% per month as a proper charge for the service rendered, thus showing that in these widely scattered commonwealths the idea has been grasped that it is a matter of impossibility to conduct the small loan business at ordinary banking rates. Too much stress cannot be laid upon the fact, well known to remedial loan men, but not generally understood by the public at large, that this rate of 2% per month is upon the monthly balances of loans and not a flat charge of 24% per annum on sum loaned, or in other words, that a loan of \$100 for one year repaid in monthly instalments yields a gross return at 2% per month of \$13, and not \$24, to the lender. Almost without exception these legislative measures were drawn after consultation with some member of our Federation or with Mr. Ham.

The hearty co-operation of the Sage Foundation with our Federation, the great work done by Mr. A. H. Ham, its special agent, in New York City and State, and in many other States of the Union, and the magnificent results accomplished, are beyond all praise, and yet I can but feel that great as are these achievements, they are but forerunners of even greater, more far-reaching and more lasting benefits to be reaped in the future.

In conclusion allow me to express my sincere appreciation of the cordial co-operation given me in the work of the past year by every member of the Federation.

Boston, Mass., June 12, 1911.

REPORT OF THE SECRETARY.

J. T. EXNICIOS, Washington, D. C.

The National Federation has every reason to congratulate itself upon the record it has made during the past year, both as to the active interest aroused throughout the land in remedial loan work and all that it implies; but especially as to the number of new companies organized and admitted to its membership.

As will be seen from the reports of Chairman Finley and Mr. Ham, the following associations were elected by vote of the members to representation in the Federation:

The Chattel Loan Co., Grand Rapids, Mich.
 The Provident Loan and Securities Co., St. Louis, Mo.
 The People's Provident Association, Louisville, Ky.
 The Remedial Provident Loan Association, Paterson, N. J.
 The Welfare Loan Agency, Kansas City, Mo.

The request of The Provident Collateral Association of Pittsburg, Pa., for membership being denied.

In the case of each of the above-named organizations the Secretary sent all members of the Federation the report in detail of the thorough investigation made by the membership committee and their recommendations, which in every instance met with the approval of the members as shown by votes recorded with the Chairman.

Numerous inquiries for information bearing on our work were received from all sections of the country, acknowledged and forwarded to Mr. Ham of the executive committee, who was deputed to furnish all information relative to the Federation, its object and work. The Secretary's duties were not very onerous, the burden of work falling principally upon the shoulders of Chairman Finley and Mr. Ham.

A glance at the financial statement shows balance on hand May 21, 1910, \$20; receipts for the year, \$105; expenditures, \$116.10; balance on hand at this date, \$8.90. In connection with this statement I respectfully request that the Chairman appoint a committee to audit and examine the books of the Secretary.

I desire to express my thanks and appreciation for the aid and co-operation of the officers and members when called upon.

FINANCIAL STATEMENT FOR YEAR ENDING JUNE 12, 1911.

Receipts.

To balance on hand May 18, 1910.....	\$20.00
Membership Fees, 1911, paid by:	
The Citizens' Mortgage Loan Co., Cincinnati, O.....	5.00
Provident Loan Society, Detroit, Mich.....	5.00
St. Bartholomew's Loan Association, New York City, N. Y....	5.00
Provident Loan Society, New York City, N. Y.....	5.00
Economy Building and Loan Co., Cleveland, O.....	5.00
Society for Savings, Washington, D. C.....	5.00
Workingman's Collateral Co., Cleveland, O.....	5.00

The Chattel Loan Association, Baltimore, Md.....	5.00
Collateral Loan Co., Boston, Mass.....	5.00
Workingmen's Loan Association, Boston, Mass.....	5.00
Equitable Loan Association, Minneapolis, Minn.....	5.00
First State Pawnners' Society, Chicago, Ill.....	5.00
Worcester Collateral Loan Association, Worcester, Mass....	5.00
Workingmen's Loan Association, Providence, R. I.....	5.00
Newark Provident Loan Association, Newark, N. J.....	5.00
Provident Loan and Securities Association, St. Louis, Mo....	5.00
Chattel Loan Co., Grand Rapids, Mich.....	5.00
People's Provident Association, Louisville, Ky.....	5.00
Welfare Loan Agency, Kansas City, Mo.....	5.00
Provident Loan Society, Milwaukee, Wis.....	5.00
Remedial Provident Loan Association, Paterson, N. J.....	5.00
Total Receipts.....	\$125.00

Disbursements.

Bill of Lucas Bros., April 1, 1910.....	\$1.25	
Bill of Sisco Bros., April 16, 1910.....	3.50	
Typewriting and postage used in preparation for annual meeting	3.40	
Telephone service to New York, May.....	1.30	
Expressage on stationery to Washington.....	.40	
Bill of Lamb & Tilden, June 18, 1910.....	.80	
Expressage on sign to Washington.....	.30	
One brass chain for sign.....	.35	
Bill of J. C. Baumgarten, June 4, 1910.....	1.50	
Bill of Lucas Bros., June 6, 1910.....	18.00	
Bill of Lucas Bros., June 14, 1910.....	6.70	
Bill for 150 2-cent stamps.....	3.00	
Bill of A. H. Ham, expressage and postage on St. Louis reports	16.25	
Expense trip of W. N. Finley to Phila., Sept. 29, 1910....	7.00	
Expense trip of W. N. Finley to Pittsburg, Nov. 8, 1910..	19.00	
Postage in re second annual meeting, April 22, 1911....	3.00	
Expense trip of W. N. Finley to Boston, April 27, 28, 29..	30.35	
Total Disbursements.....	\$116.10	
Cash on hand.....	8.90	
Total	\$125.00	\$125.00

J. T. EXNICIOS,
Secretary.

Audited June 12, 1911.
C. M. KELLY.
FRANCIS X. MEIGAN.

REPORT OF YEAR'S PROGRESS

The annual report of A. H. Ham was then presented as follows:

Despite the fact that the completed plans for eliminating or minimizing the loan shark evil have not yet become universally operative, and the so-called loan sharks still flourish and wax wealthy while their hundreds of thousands of unfortunate victims are forced to pay extortionate interest charges, it cannot be denied that considerable progress has been made in the campaign against the usurers.

At the time of the last meeting of the National Federation, held in St. Louis, the Federation had fourteen members. During the past year seven new societies have become members, making an increase in membership of 50 per cent. in one year.

In many cities societies have been upon the point of organizing, but for various reasons have put off final arrangements or have been compelled by unforeseen circumstances to await a more propitious time. In Rochester the promoters were able to secure \$27,000, but because of lack of unanimity among the subscribers as to the purpose of the society the money was returned to the subscribers, and the organizers will now undertake anew the securing of capital for a business organization to be run along semi-philanthropic lines. In St. Paul a charter has been secured for the new society. The capital of \$50,000 has been slow in coming in, but at last nearly all has been subscribed. In Toledo, Ohio, considerable interest has been aroused and many subscriptions have been received, but the organization of the society has been delayed because of the lack of some prominent man who could give sufficient time to the work. In Los Angeles, Cal., the capital of \$50,000 has been coming in slowly, and it is expected that the organization will soon be completed. In Elmira, N. Y., a loan society, which seems to have been operating along approved lines, has been compelled to discontinue temporarily because of a recent amendment to the New York State law. The stockholders, however, intend to reorganize this fall under the new requirements, and this society will undoubtedly be eligible for membership in

the Federation. In Akron, Ohio, the Chamber of Commerce, through a special committee, is organizing a society. A similar situation exists in Des Moines. It is probable that these two cities will have societies in operation before the close of the summer months. In Atlanta, Ga., a society has been organized along the lines of the Fidelity Savings and Trust Co. of Norfolk, Va., and Suffolk and Newport News, Va. All four of these companies are in operation and it is desirable that the Federation during these meetings discuss the so-called co-operative plan on which they are operating, for it is attracting some attention in Southern cities, and other companies will undoubtedly be formed on similar lines during the next few months. In Portland, Maine, a charter has been secured for a remedial loan society which will undoubtedly be organized this fall. In Lynn and Fall River, Mass.; Troy and Tenn., considerable interest has been aroused in the subject which Syracuse, N. Y.; Trenton, N. J.; Houston, Texas, and Memphis, will in a few months undoubtedly be crystallized and remedial loan societies will be organized. It is practically certain that a chattel loan society with a large capital will be established in New York City this fall.

It is safe to say that an interest in the subject of usurious loans and their effects has been aroused in nearly every city of considerable size in the country, and the number is rapidly increasing of those which realize that no campaign against the loan shark can be entirely successful or be of any great assistance to the poor people of a particular city unless it is followed by the establishment of an agency which will provide loans at reasonable rates.

During the past year publicity crusades and campaigns of enforcement have been carried on energetically in more than a dozen cities. Chief among these are Atlanta and Augusta, Ga.; San Antonio and Houston, Texas, and Des Moines, Iowa.

Twenty-two States and the District of Columbia have been attempting to deal with the loaning question by legislation. Until quite recently, whenever the exactions of the loan sharks became particularly flagrant, it has been the practice in most States to introduce bills in the Legislature forbidding a higher rate of interest than the banking rate under penalty of criminal prosecu-

tion. Legislatures are coming to realize that the small loaning business can only be regulated by a law which allows a reasonable rate of interest and provides for efficient supervision and control. As evidence of this more intelligent attitude on the part of legislators, the majority of the bills introduced during the past winter have allowed a rate of interest of 2 per cent. or more per month. Out of twenty-two States legislating on this subject, Pennsylvania is the only one in which a determined effort is being made to enact a law limiting the rate of interest to 6 per cent. per annum under penalty of criminal prosecution.

During the present session of the Massachusetts Legislature many bills have been introduced aiming to regulate the small loaning business. As a result of these and of recommendations of the Bank Commissioner, the joint committee on Banks and Banking have been empowered to investigate the workings of present laws and to recommend desired legislation. The Chamber of Commerce has appointed a committee to co-operate with the legislative committee and an effort will be made to draft a bill that will satisfy all requirements.

The recent developments in the New York situation are as follows: The number of licensed personal loan associations has been reduced from 18 to 12 by action of the Banking Department. Suits have been begun against the bonds of two of these associations. The Royal Bank of New York, found to be doing a salary loan business, has been forced to give up its charter. One salary loan shark has been convicted of usury and fined \$250. Many other cases are in the hands of the District Attorney for criminal prosecution. Many borrowers have been relieved by the courts of the necessity of paying further interest charges, and the recent decision of the Appellate Division of the Supreme Court holds that under present laws no employer shall recognize an assignment of wages filed by a loan shark unless filed within three days of the actual making of the loan. This decision is probably the most important step in the progress of the loan shark fight. The Postoffice authorities are investigating possible violations of the postal laws by the loan sharks, and the city commissioner of accounts has started an investigation of the loan business so far as

it affects city employees, who form the backbone of the salary loan business. On May 18 a conference was held under the auspices of the Merchants' Association of New York and the Russell Sage Foundation to consider the extent, effects and possible remedies of the salary loan evil. Seventy-five prominent employers of labor were present at this conference and unanimously adopted resolutions embodying the following points: (1) That employers rescind their rules of discharge in order to assist employees in resisting unreasonable interest charges and depriving money-lenders of the power of extortion; (2) that all employers disregard claims filed by the money-lenders against the wages of employees, not in direct compliance with law, the employers to interest themselves in assisting employees involved with the loan sharks; (3) that in self-interest, as well as for the benefit of their employees, all large employers of labor encourage and assist in the creation and operation of co-operative savings and loan associations in their respective establishments; (4) that laws be enacted which will allow a reasonable rate of interest on all small loans and provide for the licensing of money-lenders and the efficient supervision and control of such licensees, preferably at the hands of the State Banking Department. Following this conference many large employers in New York City are refusing to recognize claims upon the wages of their employees filed by the money-lenders and have rescinded their rules of discharge and are interesting themselves in the organization of co-operative savings and loan associations.

There are several arrangements by which employers are seeking to aid employees who need temporary financial assistance. Some of these are casual and loose arrangements, some are branches of mutual benefit associations and some are distinct co-operative savings and loan institutions. Probably the best example of this latter form of competition is found in the savings and loan association among the employees of the Celluloid Company in Newark, N. J. Of the 1400 employees of that company about 900 have taken advantage of the opportunity of saving and borrowing afforded by the association, and the loan shark has been almost entirely eliminated from the establishment. The

failure of some employers who have attempted to provide opportunities for borrowing on the part of their employees to organize institutions of the type of the Celluloid Club Association is due to a large extent to the lack of literature and the inadequate means of disseminating information concerning this interesting agency. However, those few associations that have been operated in accordance with certain approved ideas have been uniformly successful, in all cases minimizing the evils of the loan shark business, and in most cases entirely eliminating them.

It is generally conceded that the salary loan shark who operates among employees of large establishments can only be driven out by intelligent effort on the part of employers, culminating in the establishment of co-operative savings and loan associations, and it seems to me that the Federation ought, during these meetings, to decide whether such associations operating along approved lines are not eligible for membership. According to the constitution of the Federation there can be little doubt about their eligibility.

Plans for the coming year include the publication of a pamphlet containing information regarding the co-operative savings and loan associations which will aid employers and employees in organizing along proper lines, the publication of a pamphlet on how to organize a remedial loan society, containing a brief history of the work of the remedial loan societies now in operation, a comparison of the laws of the various States governing small loans, instructions as to steps necessary in organizing a remedial loan association, specimen blanks and forms and constitutions, by-laws and charters. It is also intended to publish several magazine articles dealing with the general subject of small loans.

An effort will be made as early as possible to draft a satisfactory bill dealing with loans upon pledges, mortgages, assignments of wages and endorsed notes, to secure the passage of such a law in at least one State, then through the co-operation of the Uniform Laws Commission secure its enactment in as many States as possible. The fundamentals of such a law may be summed up in the following: A reasonable rate of interest, fair alike to bor-

rower and lender ; publicity of transaction and efficient supervision and control at the hands of a State department.

Papers were then read on the following topics :

"Remedial Work in Grand Rapids," by F. E. Stroup, Grand Rapids, Mich.

"Causes Which Make Borrowers," by J. H. Rubin, Milwaukee, Wisconsin.

"REMEDIAL WORK IN GRAND RAPIDS."

Grand Rapids, Mich., the second largest city in the State, has a population of about 120,000. The chief industry is the manufacture of furniture. About ten thousand people are employed directly or in allied branches. Figuring an average of four to each family, about one-third of the population is supported by this industry, and hence Grand Rapids is known as the Furniture City. The average wage of the employees is about \$12 per week.

The funds of fourteen banks, with a capital of \$4,000,000, and many more millions of deposits, are available for the factories to buy equipments and material and take care of the pay-roll until the finished product is turned into working capital.

These millions are also available for the merchant having approved credit or collateral, helping him to carry a satisfactory stock and discount his bills.

There are a very few business men who do not find it necessary, all, or part of the time, to borrow money in order to satisfactorily take care of their obligations.

Until recently the twelve-dollar man without the established banking credit, who for a dozen good reasons finds it necessary to borrow, has been supplied with funds by four pawnbrokers and eight usurious loan companies. Three of these companies make salary loans only. Four of these are financed by outside capital, owning chains of companies in many cities.

The rates charged vary from an equivalent of 240 per cent. on monthly balances for a \$10 loan down to 76 per cent. for a \$100 loan. The following are typical: Borrow \$15, seven months, pay back total of \$22.75; borrow \$50, ten months, pay back total

of \$75.50. The pawnbroker loaning smaller amounts gets even a larger rate.

The working capital of these usurious loan companies is approximately \$150,000, for the use of which our borrowers pay annually about \$180,000. If this business were all handled by legal rate companies charging the maximum interest and fee allowed by law, the charges could not exceed \$50,000. This means an annual overcharge of about \$130,000, enough in one year to finance a permanent company which could take care of all needy borrowers. This overcharge to our citizens has been known for years by at least a portion of the public.

The exorbitant charges of the usurious loan companies and the questionable methods of making collections has been exploited by the press, while the charity organization and Board of Trade have recommended the establishment of a remedial company for years.

That such a condition should be allowed to continue for years would seem a reflection on the civic spirit of our citizens if it were not known that they donate annually \$60,000 to the charities and philanthropies of the city and have given property for the same purpose worth over one and one-half million dollars.

As Grand Rapids is a representative city, conditions here are the same as in hundreds of other cities.

It might be interesting to analyze the causes which have allowed such conditions to exist, and to study the factors which are rapidly bringing about an improved condition.

In Michigan until 1907 the highest rate of interest that could be charged was 7 per cent. per year. As no one could make small loans at that rate, and reliable business men did not care to engage in an unlawful business, the opportunity was offered for the unscrupulous money-lender.

In 1907 a law was passed allowing on salary assignments and chattel mortgages a charge of 2 per cent. per month, and a fee of \$1 for \$50 or less, and \$2 for amounts over \$50.

Although a great deal was said about the desirability of a legal rate company, no one took the initiative, and it was left to the writer to qualify under the law by paying the license fee of \$50

and filing a bond for \$1,000 with the city. It was decided to demonstrate what could be done with \$10,000, following as nearly as possible the methods of the old and established remedial companies. The courtesy and help offered by the officers of the National Federation, furnishing forms and making suggestions, helped in no small way to get a hold of the details necessary to success.

Advertisements were placed in the dailies, advertising our rates, and offering free legal advice to borrowers paying more to other companies. We also offered to make settlements without publicity or trouble to borrowers, and have made more than 125 such settlements. In making these settlements we have given the borrowers the option of making two kinds of settlements for him, explaining that we could allow the 7 per cent. per year or the 2 per cent. per month, the amount they could charge if legally qualified. More than one-half have asked that 2 per cent. per month be the basis of settlement, and explaining that the loan was a great accommodation and greatly needed, and this rate seemed very fair and reasonable. In nearly every case it was also explained that by Michigan law the interest and principal could be forfeited, but in only one case were we asked to take advantage of this provision. It has been almost impossible to enforce this feature, as the company will deny having a chattel mortgage or salary assignment, and these are the only kind of loans where such forfeiture is provided. Under the law recently passed, and which will come into effect in September, all books and evidences of indebtedness are under police supervision and can be examined when necessary for evidence.

These settlements made for unfortunate borrowers will probably do more to attract favorable attention from the press and public than any other thing. We soon found that more capital was needed and set about organizing and incorporating a larger company.

With the shining example of a score of successful companies this might seem a very easy matter, but when we note the comparatively few remedial companies, and the fact that many of these still lack adequate capital, the task appears more difficult. We

have in the United States about 23,000 banks with billions of 5 and 6 per cent. money, but none available on chattel mortgages or unearned salaries. Human nature is the same everywhere, and it is interesting to note some of the reasons why philanthropic and public-spirited men will not more readily come together and work out remedial measures. As typical of their viewpoint I want to mention some of these. Mr. A. would subscribe \$5,000 if an interest rate were charged netting the company not over 5 per cent. Mr. B. thinks the business should be conducted strictly along business lines and that good business men are not interested in 5 per cent. investments. That the company should pay not less than 7 per cent., and that it should continue to accumulate a surplus, large enough to take care of all contingencies that might arise, and put the company on a standing where it would easily attract the capital necessary to take care of all who desire to avail themselves of its services. Mr. C. thinks the business hazardous and losses would necessarily be heavy. The borrowers who are not actually dishonest are at least improvident. That many could not and others would take care of obligations, and that finally in order to realize on a loan goods would have to be seized in many cases and that the company would soon be in the second-hand furniture business. Mr. D. is the man who drives close bargains. He would foreclose a real estate mortgage the first time a payment is past due. He is a regular Shylock in demanding the exact letter of the contract in his business dealings. He is the one who talks the most about limiting dividends to 3 or 4 per cent.

Mr. E. is the conservative banker who furnishes money for financing large enterprises and is considered a public benefactor. If he furnishes money at 5 or 6 per cent. to the public, it is no criticism on him that he pays his stockholders 20 per cent. for yearly dividends, and yet he would not think of lending his name and support to an enterprise which would net the investor over 5 per cent.

Mr. F. is the man who thinks that the "loan shark" should be put out of business by process of law, but refuses to become a substitute by furnishing money at a lower rate. G stands for good, and also represents Mr. G., who is willing to go in with a group

of men whose honesty and judgment he respects and help work out a system, even though all the details do not entirely conform to his own ideas.

It is not an impossible thing to demonstrate to the cautious investor that, when the borrower does not misrepresent, there is collateral back of the loan worth more than the debt, accumulated interest, expense of foreclosure, and in case of misfortune there is always someone to see the goods do not have to be sold. In the case of misrepresentation the borrower is liable for embezzlement, perjury and getting money under false pretenses, and pressure can be brought making the collection comparatively easy.

The sensitive man who hesitates to be connected with a business which has been conducted by unscrupulous methods soon learns that the business can be conducted along the same high standards and business methods as are employed in banking and mercantile houses.

We have just incorporated our company with a capital stock of \$30,000, and two-thirds of that amount is now available for loaning. We expect capital will be added to meet the demands for a growing company and to take care of all needy borrowers.

In closing I might say that I have not undertaken to say anything new or interesting to the experienced loan manager. However, these words may fall on the ear of someone who contemplates the establishment of a company, but who hesitates and is somewhat in doubt. To such I wish to say that in my experience and observation as a business man I do not know of an undertaking offering greater prospects of success. Not in earning large profits and dividends, but in accomplishing all the objects and ends sought for in remedial work. This compensation is much greater than the salary or dividends earned. A manager with the right mental and moral equipment cannot help becoming profoundly interested and enthusiastic in working out the problems that continually present themselves. He cannot help absorbing a personal interest in each of the hundreds of families who lay before him their troubles and misfortunes that make it necessary to borrow. Some of these troubles are faked, many are imaginary, but the majority have a human appeal and ring that one soon easily learns

to distinguish. After he once gets a glimpse of the results—families held together, children kept in school, hospital bills paid, household necessities provided, anxiety relieved—it is not surprising that he wants these companies multiplied and their influence extended. A loan often enriches where charity would impoverish. Opportunity for self-help is often the best help. A loan often makes a family independent where charity would render them dependent.

F. E. STROUP.

CAUSES THAT MAKE BORROWERS.

Usury has existed from time immemorial.

If Shylock were alive today his motto, his principle of life and his ethics would undoubtedly be expressed by that well-known sentence—"Money Loaned at Reasonable Rates."

The business that is based on the exploitation of the other fellow's misfortune has reached, in the last decade, its climax. The loan shark is the inevitable consequence of the improvidence and poverty of the great mass of the people. The average annual wage of the American workingman, according to a statement of the late Carroll D. Wright, United States Commissioner of Labor, is between \$425 and \$450. These figures were compiled during the most prosperous years our country ever had. Prof. John R. Commons of the University of Wisconsin, an authority on economics, in a paper read in 1910 states that, whereas wages advanced for the last five years 8 to 10 per cent., the prices of the necessities of life advanced 14 to 15 per cent., thus diminishing the purchasing power of the consumer's wage 6 to 7 per cent.

Milwaukee is considered one of the most industrious cities in the Northwest. It has a population of about 400,000 and employs in its factories and plants between 120,000 and 130,000 men and women. These are the very people, who, according to Professor Wright, do not make more than \$450 per year. It is obviously impossible on this wage to provide against unforeseen events, so when sickness, accident, death or the loss of a job comes upon a family they are thrown directly into the clutches of the men who

stand only too ready to loan them money—at usurious rates. In this way the loan company becomes a community institution. The harder the times the more daring the loan shark. He is not satisfied with the loaning of money, but packs the lobbies of the Legislature, stifling legislation inimical to his interests and paying for measures that tend to legalize his outrageous charges.

During the six years that I have been connected with the Provident Loan Society of Milwaukee I have come into personal contact with about 15,000 applicants, representing all walks of life and many nationalities. Applications for loans are made to us by Englishmen, Germans, Frenchmen, Italians, Poles, Jews, Russians and many others. The majority of them are poor and deserving. After considerable study as to the causes that make borrowers I have prepared for the benefit of the managers of the remedial loan societies and all others interested the following statistics:

Of 1,000 borrowers 28 are drunkards, 15 gamblers, 84 borrowed because of extravagance on the part of the husband, 92 because of extravagance on the part of the wife, 18 because of accidents, 30 because of desertion, 6 because of insanity, 23 because of death in the family, 65 because of sickness, 6 were criminals, 92 were out of employment, 65 for business purposes, 30 to pay insurance, 45 were newly wed and starting housekeeping on the installment plan, 85 for settlement with loan sharks, 25 on account of vacations, 20 for traveling expenses, 55 for transportation of relatives in Europe, 40 for sending children to college and 176 borrowed for the purpose of paying current expenses, such as the rent, grocer, butcher and doctor.

Classified by occupation, of 1,000 borrowers 22 were teamsters, 7 furriers, 18 electricians, 26 blacksmiths, 98 ironworkers of various descriptions, 9 butchers, 39 railroad employees, 20 tailors, 6 upholsterers, 35 painters, 52 laborers, 26 cigarmakers, 18 bakers, 18 shoemakers, 10 plumbers, 37 carpenters, 20 tanners, 12 barbers, 26 motormen and conductors, 45 policemen, firemen and other city employees, 62 school teachers, musicians, physicians and artists, 30 saloon keepers, liquor salesmen and bartenders, 48 firemen and engineers, 82 traveling men, solicitors and insurance agents, 28

dressmakers, 26 scrub and wash women, 57 widows keeping rooming and boarding-houses, 62 bookkeepers and office clerks, and 65 merchants and peddlers.

There are five general classes of borrowers. The first class is composed of laborers and mechanics whose earning capacity is from \$35 to \$75 a month. From this class come the most deserving applicants. They are thrifty, honorable in their dealings and try their utmost to meet their obligations. Loans made to this class are usually very promptly paid.

The second class consists of the railroad men, city employees, office men and solicitors, whose earning capacity is from \$75 to \$150 per month. Members of this class do not, as a rule, practice the strictest economy and frequently live beyond their means. The men seldom have savings accounts and usually live from hand to mouth. The members of this class are likely to become habitual borrowers.

The third class is made up of peddlers and small merchants. They borrow for business purposes; either to buy merchandise, to pay their licenses, or to tide them over hard places. They are usually prompt in their payments.

We occasionally have borrowers who need money in a hurry for the purpose of paying fines, legal services or for furnishing bail. However, the percentage is so small that it hardly constitutes a class.

The fourth class is made up of women borrowers who are making their living by renting rooms, keeping boarders or by office cleaning. These unfortunate women who are compelled to support themselves, usually owing to the death or desertion of the husband, are, as a rule, prompt payers, despite the fact that their earnings are very meager. They will oftentimes deny themselves the necessities of life in order to meet the obligations to their creditors.

The fifth class is composed of the habitual borrowers. They are provided with complete stocks of hard-luck stories or propositions of various descriptions. They are usually amply provided with letters of recommendation and references from the leading citizens of Milwaukee, and are ready to promise anything in order

to get a loan. They constitute about 90 per cent. of our rejected applications and are dismissed from the office without a great deal of time being wasted on them.

These statistics are the result of a careful study of 15,000 cases. The percentages as given may differ from those found in other communities, but this is due to local conditions.

It is an undisputed fact that the two chief causes that create borrowers are low wages and the high cost of living, and as long as these conditions exist there will also exist the economic need for small loans. The remedial loan societies of the United States cannot raise wages nor can they reduce the cost of the necessities of life, but they can be an asylum for the needy and a potent weapon for the annihilation of the unscrupulous money-lender. This is the mission of the remedial loan society, and upon it rests the responsibility of elevating the standard of money-lending and taking from it the discredit that has fallen alike upon the borrower and the lender.

J. H. RUBIN,
Milwaukee, Wis.

In compliance with the request sent out by the Chairman for six-minute reports from all societies represented covering the following points:

- (a) What has each society done in its home city to improve loaning conditions?
- (b) Is the society meeting the need?
- (c) Is it difficult to secure the required capital under limitation of the dividend feature?

Reports were presented as follows:

COLLATERAL LOAN COMPANY.

BOSTON.

The Collateral Loan Co., which began business in Boston in 1859 under the name of the Pawnees' Bank, was established by special charter by the Legislature of Massachusetts and placed under the supervision of the Savings Bank Commissioner, with the intention of making loans on diamonds, watches, jewelry, silver-

ware, books, clothing, merchandise, etc., at lower rates of interest than made by pawnbrokers and other money-lenders on collaterals of this description, and to afford absolute protection to the borrower.

An experience of fifty-two years has confirmed the wisdom of the organization, and the company continues its usefulness to borrowers on all kinds of personal property.

Our rate of interest we have reduced to what I think is the minimum, one per cent. a month and no charges whatsoever, and our clientele has increased so that our loans now amount to over two and a half million a year.

I feel that this bank is meeting the present need of greater Boston, and so far as capital is concerned any additional amount can easily be obtained.

WILLIAM COBB,
President.

WORKINGMEN'S LOAN ASSOCIATION.
BOSTON.

The Workingmen's Loan Association was organized 23 years ago. It was the result of an experimental work which Robert Treat Paine caused to be conducted during the preceding year.

When our company began business it found loaning conditions similar to those existing in all large cities where there are no remedial organizations.

The borrower of small amounts was completely at the mercy of the money-lender, who exacted all that the business would bear. It would be difficult to state just what average rate of interest was charged by these money-lenders. It was more than 5 per cent. a month, perhaps nearer 10 per cent. than 5 per cent.

It would be useless for me to describe the effect of these high rates upon the borrower. Most of you who have engaged in remedial loan work are familiar with similar conditions.

Various attempts were made to remedy these conditions by legislation without success. Experience has since taught us that legislation alone is not a sufficient remedy. There must also be

competition by some agency ready to lend money at reasonable rates.

The Workingmen's Loan Association has done its share of the work of improving conditions by entering into competition with the high rate money-lenders.

The company feels that, to a great extent, it is meeting the need that called it into existence. The small borrower now has a place where he can obtain a loan upon his household effects at a reasonable rate of interest, and where he will receive humane treatment in the event of illness or misfortune.

An indirect result of the work of our company has been the lowering of the rates of interest charged by the other companies. This is a very important result, as the rates charged by these companies are not nearly as high as they were when the Workingmen's Loan Association was organized. Even now we sometimes hear of exceedingly high rates being charged, but these cases are not nearly as common as they were in former years. It should be understood that I am not speaking of the salary loan business. I believe that conditions in that business are as bad as they ever were, with the exception that there are a few companies where they have co-operative loan societies.

To give you an idea of the size of our business I will say that our outstanding loans on March 31 of this year amounted to \$217,698.94 to 3,978 borrowers.

During the year ending on the same date our company made loans amounting to \$182,788.57, and received in payments upon the principal of its loans \$177,666.77. The number of loans made during the same year was 2,419.

The company pays dividends of 6 per cent. yearly to its stockholders, but the dividends are not limited by its charter.

It has never found any difficulty in securing the capital required in its business.

T. A. RICHARDSON,
Manager.

CITIZENS' MORTGAGE LOAN CO.
CINCINNATI, OHIO.

This company commenced business just eleven years ago. It is incorporated under the laws of Ohio and owned by two hundred and fifty-nine of the best-known men and women in the business and professional life of the State. Every dollar of the capital was collected without difficulty; in fact, was subscribed cheerfully without a thought of selfish investment. It was sufficient to know that it was for the purpose of organizing a society to furnish accommodation to those compelled to borrow on their household goods without being forced to go to the loan shark.

We have made no effort recently to dispose of stock. When in need of extra funds we find no trouble in obtaining the necessary money. The company is so well known, and its reputation so thoroughly established, that its credit is practically unlimited.

Although the capital was subscribed without promise or expectation of profit, the company has paid nine annual dividends of five per cent.

That the society is meeting the need is very evident. We have made upward of 27,000 loans, amounting to more than one million four hundred thousand dollars. We have settled quite one thousand cases against the other loan companies, resulting in the saving of many thousands of dollars to the borrowers, and in all cases furnished the money required for the settlement.

The law regulating the chattel loan business in Ohio was enacted principally through the efforts of this company. Our support was given to the Bruce law of the present session that prevents the sale or foreclosure in any other than a Court of Record.

The loan shark has not been eliminated entirely, but we have the undisputed evidence that the old-time practice has vanished. They frankly acknowledge the changed conditions. The owner of one of the oldest concerns in the city said to me very recently: "We might as well close up shop, the good old days of the loan business are gone forever, the Citizens' company has queered the business."

Another commenting on present conditions said: "The Citizens' Mortgage Loan Co. has ruined the business in this city."

We are in a position to know that these statements apply to every loan company in Cincinnati. This is what our company has done to improve loaning conditions here.

That it has been a great benefit and accomplished much good is vouched for by thousands of patrons and the people generally.

HUGH CAVANAUGH,
Manager.

NEWARK PROVIDENT LOAN ASSOCIATION.

NEWARK, N. J.

At the last annual meeting of the stockholders, which was held in February of this year, our President reported that in five years and nine months this association had made 10,652 loans amounting to \$677,769.29, an average of \$64.40 for each loan. Of these 10,652 loans a large per cent. were renewal loans, so that it would be quite difficult to determine without a careful tabulation just how many actual borrowers we have had in that time. The number is probably anywhere from 2,500 to 5,000. When you compare our rates with those charged by the other loan companies in our city, it can easily be seen that we are doing a good work and saving thousands of dollars to the borrowing class. It is not only what we actually save our own customers, but the good we do in an indirect way by holding in check the so-called loan sharks and thus obtaining better terms for their own customers.

We now have a working capital of over \$80,000. There have been times when we did not have sufficient funds to meet the demand, and that time may soon come again, but since the first of this year we have not refused a single loan because of lack of funds. Our stockholders comprise some of the best-known and most influential business men in the city, who are deeply interested in the work and who would no doubt lend further aid at any time if deemed absolutely necessary to extend the scope of the work.

We are now on a 6 per cent. dividend basis, and have been for the past three or four years. This is the maximum rate that we are allowed to pay under the act of incorporation. Our surplus now exceeds \$10,000. An association of this character in every

large city in this country would serve a beneficent purpose, and at the same time can be made a safe and paying business enterprise.

C. G. VAN GORDEN,
Manager.

PROVIDENT LOAN SOCIETY.

DETROIT, MICH.

The Provident Loan Society of Detroit has just completed its fifth and most successful year. It began business July 1, 1906, with a capital stock of \$25,000, which has been doubled twice during the time as the demands upon it made it necessary; however, none of the last stock issue made in May last has been sold.

The company has always paid an annual dividend on its stock of 5 per cent. and has laid by a surplus of \$21,500. This has accumulated on a rate of $1\frac{1}{2}$ per cent. per month with a fee of \$1 or \$2, according as the loan is under or over \$50.

It accepts nothing as security but household goods, and during the last year it has investigated approximately 6,000 applications, out of which 4,532 loans have been made, aggregating \$200,854, of which \$183,843 has been repaid. Its records show about one-fourth of the applicants are refused.

The average size of the loans is \$44, and the average time a little over six months. The gross profits for the year amount to \$18,392, and the expense, not including losses and dividends, \$8,836. The net earnings after losses have been charged off and dividends paid is \$6,571. There has been charged to the suspense account as loss 27 bad accounts, whose total amount was \$1,194, one-third of this amount having been paid, leaving a net loss of \$806.85.

The total losses from all sources for the year amounts to four-tenths of one per cent. of the business, and out of 2,225 open accounts at the close of this year there are 35 which have failed to make a payment during the last 60 days, but a majority of these have made satisfactory arrangements for an extension of time.

During the year the company was successful in having passed by the last Legislature a bill governing the loaning of money when

any charge in excess of the amount allowed by the general interest law has been made, and it is believed that this bill will put a satisfactory check upon usurious charges in this State.

During the past five years Detroit has grown from 350,000 to 485,000, and the loan shark business from 25 usurious companies to 15 . We do not know how much of this belongs to the efforts of the Provident Loan Society, but one thing is certain that this company has made it much more difficult for the usurious companies to do business and much less profitable, and if the new law works out what the framers of it expect it will, another year will show a still greater decrease in the shark companies.

H. A. CONE,
Manager.

PEOPLE'S PROVIDENT ASSOCIATION.

Since the organization of the People's Provident Association, eight months ago, I believe the loaning conditions in Louisville to have materially improved.

Of the twenty-five loan agencies in business at that time, two of the largest have since gone out of business; rates on chattel loans have in many cases been considerably reduced, and all are making strenuous efforts to retain the desirable part of their business, which is being transferred to us as rapidly as we can take care of it.

Beginning on a very limited capital, with many obstacles to overcome, we have felt it necessary, in order to establish the association on a firm financial basis, to look well to the business side of each loan, rather than to the strict philanthropic side. Our rates are therefore slightly above those of other remedial associations, but are only about one-fourth the rates exacted on small loans by the extortionate money-lender. We make loans almost daily to people seeking relief from these exorbitant rates, but on account of the limited funds at our disposal are forced to decline many applications. A large part of our business comes from a class of people who have never borrowed from a loan agency; worthy people of refinement, but of limited means, who welcome

an institution from which they can borrow in times of need, relieving them of the embarrassment of appealing to friends.

There seems to be an unlimited field in Louisville for remedial loan work, and while there is doubtless a limit to the rather high class of business to which we have thus far catered, there are several branches of the work we have not been able to handle, such as the salary loan, and loans to colored people, both of which, however, we consider unsafe and undesirable, but which form a large part of the business of the loan agency. The pawnbroker, charging 10 per cent. a month, is also another evil which we have been unable to meet. We hope by perseverance to eventually have sufficient capital to enable us to reduce our rates, take care of much of the business we are now forced to decline, and make of the People's Provident Association a power for good in the community.

I believe the limitation of dividends to be somewhat of an obstacle in the way of selling our stock, as a 6 per cent. security does not appeal strongly, as an investment, to our wealthy citizens, or the investing public generally. Their subscriptions have therefore been small and given more as donations to a worthy cause, caring little for the dividend, but unwilling to part with larger sums for philanthropy. We have another large class to which the stock may appeal as an investment, but it takes time, hard work and expense to place it before them, which, to any extent, we have thus far been unable to do.

R. M. RUTHERFORD,
Manager.

WORCESTER COLLATERAL LOAN ASSOCIATION.

The situation in Worcester fifteen years ago was that no borrower could obtain money from any public loan office for less than 60 to 120 per cent. on chattel mortgage or personal property.

A large part of our first year's business was in loaning money to borrowers at 18 per cent. to refund mortgages paying 60 per cent. and over. As our competition began to be seriously felt,

other loan offices commenced to make reductions to their best customers until they were as low as ours in some cases. The State law at that time allowed only $1\frac{1}{2}$ per cent. monthly interest to be legally collected. Our association loaned quite a number of people cash with which to hire attorneys and legally tender balances due, claiming excess interest above 18 per cent. as credits on the principal. As a result almost all the loans of deserving, honest borrowers came to us. The 60 per cent. companies either went out of business, began advertising confidential loans on "notes without security," or confined their loans to pledge business on watches and diamonds. The interest charges on pledge loans was the same then as now: from 300 per cent. on loans under \$2 to 50 per cent. on loans from \$50 to \$100.

The association has ample capital and is fully meeting all local needs in chattel mortgages.

In the pledge loans the capital is ample, but our offices are not as convenient as pawnbrokers on the ground floor of the principal streets.

It would seem impossible to sensible people that we could have a standing advertisement in each daily paper stating that loans on pledges could be secured at 18 per cent. and not secure all the business of pawnbrokers charging an average of 120 per cent.

It is, however, probable that our annual business of \$20,000 is not over one-fourth of the total loans on pledges in the city. There are ten pawnbrokers with offices on the ground floors with "three balls" for street signs and store fronts to display defaulted pledges. These pawnbrokers choose the populous shopping streets, frequently near saloons.

The office of the Worcester Collateral Loan Association is on the fifth floor in our newest ten-story office building. Our office hours are 9 A. M. to 5 P. M. We do not cater to the street trade by keeping open evenings and refuse to loan to "drunks," or when we know the money is to be used for drink. We also endeavor to respect the wishes of parents, friends or guardians regarding spendthrifts appropriating and pawning family property.

I have found no difficulty in securing all capital needed since I raised the first \$10,000. Eleven months of hard work in can-

vassing was done by me in securing the money for beginning business. Since it has been demonstrated that we could earn and pay 6 per cent. dividends, each issue of capital stock has been quickly taken. The original stockholders have taken their rights of subscription in nearly every case. Our last addition to capital of \$15,000 has not all been issued, as we did not need the money, and rights not taken by the stockholders were not offered to the public.

CHARLES E. BURNHAM,
Treasurer.

Adjournment was then taken to 2.30 P. M.

AFTERNOON SESSION, JUNE 12, 2.30 P. M.

Papers were read as follows:

"The Chattel Loan Association a Necessity," by Hugh Cavanaugh, Cincinnati, Ohio.

"How to Control the Evil of the Chattel Loan," by Charles E. Burnham, Worcester, Mass.

"Progress of Remedial Loan Work in Louisville," by R. M. Rutherford, Louisville, Ky.

THE CHATTEL LOAN ASSOCIATION A NECESSITY.

My purpose in presenting this paper is a desire to reply to the questions and criticisms that every manager has heard times without number, questions and criticisms of the superficial investigator that carries the impression that the chattel loan association instead of being a necessity is an institution that encourages the thriftless and extravagant and is a haven of the family guilty of bad management and reckless living. There are no doubt many cases where the failure of the expense to square with the income is due to inferior management, but to charge as a rule that the patrons of the loan association are extravagant as a class is wide of the mark. The fact is that the wages of a very large per cent. of those to be met in the loan office is the very best evidence that the charge of extravagance is not well founded.

The extent to which the chattel loan business has grown in the past few years may be taken as an evidence of the necessity for such institutions. They are meeting an economic need growing out of changed economic conditions. They grow as the charitable associations are growing in the small cities throughout the land that had been until recent years free from those forms of chronic poverty that call for organized relief.

It is estimated that there are 4,500 loan companies or offices in this country. These figures may not be correct, but I am quite sure there is scarcely a city of any considerable size in the country that does not harbor one or more offices of this kind, so that the necessity seems to be widespread.

Experience justifies me in saying that the great majority who patronizes the loan company, for the first time at least, do so reluctantly and as a lesser of two evils. They reason that to borrow on the household goods is preferable to further excuses to the grocer or landlord whose bills may have been long unpaid. In an effort to maintain even a fair standard of living, the wonder is that with their limited income they are able to manage as well as they do. I am speaking now of the men and women of the wage-earning class, whose limited income as a rule makes saving out of the question; in fact, is barely enough to meet the necessary expenses, modest as they may be, and hence are compelled to patronize the loan office to make good the deficit.

Though the time has never been when the necessities of life and wealth of all kinds has been produced in such an abundance and with such ease, the distribution of that wealth has not proceeded in such a manner as to make the producer of it independent or prosperous, but on the other hand it is withheld, centralized and accumulated in few hands, so that the prophecies of public men years ago seem to be coming true and the loan shark is but a guerdon in the march of poverty. The workers who exemplify these conditions feel that they are denied just participation in the results to which they have given so much.

In the classified report of The Citizens' Loan Co. of the 2,700 loans granted last year, 1,029 were made to mechanics and laborers. The wages of these men ranged from nine to twenty dollars

per week. As a rule these figures represent the maximum wage, very rarely are they multiplied by fifty-two in any year. The annual wage will more likely range between \$400 and \$600, seldom in excess of the latter figure. These men subject to uncertain employment and inadequate compensation do not hesitate to say that non-employment for thirty days means suffering and distress that the small savings, if they have been fortunate enough to have saved any, failed to prevent. Out of this wage the family must be housed, clothed and fed, the children educated, doctor bills paid, insurance and church contributions, entertainment and all other expenses incidental to the care of the family.

To live more economical would mean to many of these families a change to poorer and cheaper quarters, less and poorer food and clothing, restriction of the children's education, compelling them to leave the school-room for the workshop at the earliest day that a violated child labor law will permit. This is what "Economy" as suggested by our critics would mean to those I have in mind.

From every section of the country the complaint goes up that business is dull, which defined means that the working class upon whom business depends for success is buying less of everything that goes to make business. If this be true, even economy has a limit beyond which it may not be safe to go.

Besides those to whom we have referred as mechanics and laborers, a goodly number of loans are made to women, in many cases the bread winner of the household, whose wages or income is considerably less than the figures given above. Then another and quite numerous class, those occupying a somewhat higher position in the economic scale, with salaries or incomes double the amount of the mechanic or laborer. These men have their pressing obligation. Life insurance, payments on a home, assessments for municipal improvements, or carrying a son or daughter on to higher education, possibly a heavy expense incurred in sending a member of the family to another climate in search of health. A multitude of good reasons that cause a draught on a reasonably good income that the accommodation of a loan may be required to assist.

In the advice to live more economically it avails nothing to refer to our fathers' days. Times and conditions have changed. Luxuries of forty or fifty years ago are necessities today, and one of the evidences of the changed conditions is the chattel loan company as we know it, for be it remembered that in our country it is a business of very recent origin. Some of the men earliest in the business are still alive and not very old men.

While the necessity for loans within the reach of those referred to has become imperative, the loan shark, who has until recently had a monopoly in providing that necessity, has created two diseases where one existed before. The remedy too often has proven worse than the disease. The necessity now is to meet the monetary requirements of the people in a way that really helps the applicant without devouring his substance.

The several remedial associations meeting here today were organized for that purpose. They are doing what laws have thus far found difficult to do—providing protection for those who are compelled to borrow.

What they have accomplished in the cities in which they operate bears testimony to their value and necessity, and until a more just and equitable industrial system prevails the chattel loan association must remain a necessity, and the law-abiding, fair society furnish the remedy.

HUGH CAVANAUGH,
Cincinnati, Ohio.

HOW TO CONTROL THE EVIL OF THE SALARY LOAN.

This paper naturally treats of two points; first, the cause, and second, how to remedy or control the *Evil of Salary Loans*.

I think the cause is evident to any careful observer. Many of our daily papers are printing from five to twenty advertisements suggesting: "Loans to Housekeepers" to catch the foolish women financiers; "\$10. Loans Absolutely Confidential;" "Loans to Salaried People;" "Loans for Vacation Money;" "Loans for the Coal Bill;" "Loans for Christmas," and loans for every need the imagination can suggest.

In our city of Worcester, when the old plan of monthly payments was in force, every manufacturing plant had its financier who had surplus cash and who made a good living by lending to those unable to wait until pay-day. The weekly pay-day largely stopped that evil, but we have now the public *loan shark* with his plausible bait to make it easy to get just what you want at his terms, and then—"Financial Slavery." This evil is steadily growing, and there are now syndicates with headquarters in New York, who are investing large sums of money and opening offices in every city of importance in the United States.

The truth about the advertisement, "Confidential Loans," is this: If you pay the loan and interest, as agreed, all is well. If you don't, the collector will notify your relatives or references; yell his demands on the back piazza so all the neighbors can hear and finally attach your wages or enforce an assignment of wages which the borrower has signed without reading. The average rate of interest ranges from 240 per cent. per annum to 480 per cent. For instance, a typical case: You borrow \$10, pay \$1 per week for 13 weeks. Result, actual use of the whole \$10 for 6½ weeks or 45 days, 30 per cent. for one-eighth of a year, or 240 per cent. per annum. If the borrower has his loan half paid and wants to borrow back \$5, he again makes a new note for \$13, which makes his interest rate 480 per cent. You can follow this out until the borrower is in complete slavery to the lender.

The remedy for this evil actually groups itself as follows:

First. Absolute prohibition of all *Loan Shark* offices by law and making it a crime to allow advertising in papers.

Second. For newspapers and periodical managers to refuse to print any but proven honest loan advertisements.

Third. The organization of remedial loan companies, giving honest competition and lowest possible rates to borrowers.

Regarding the *first* point (Absolute Prohibition.)

It seems to me that the temptation by unprincipled men to gain the enormous profit will make it impossible for many years to reduce or properly control this evil in that way. The laws passed to date seem almost non-effective, as a new scheme is invented to get around each law as rapidly as passed.

Regarding the *second* point (Newspapers and Editors.)

The average newspaper manager will require years of education before he has the backbone and principle to refuse a \$10 advertisement from a well-known *Loan Shark*.

We have known many honorable exceptions, and in time I believe the newspapers will rise to the plan of printing nothing which will injure its readers. Your Boston *Traveler*, the Kansas City *Star*, the Philadelphia *North American* and Springfield *Republican* are making valuable progress along these lines. The weeklies, such as *Collier's* and *Literary Digest*, and monthlies, such as *McClure's* and *Everybody's*, are printing articles calling attention to the great evil of the "*Loan Sharks*." Any newspaper can investigate loan advertisements and save its readers thousands of dollars, prevent the wrecking of homes and the loss of manhood by ignorant borrowers.

Employers of labor can well afford to take time to investigate attachments and assignments of wages. The arbitrary way is to discharge the man at once as troublesome help. The right way is to take a bit of time to investigate and discharge a *Loan Shark* every time it is possible. I think it the duty of the competent business man to plan to help his employees when the case seems to be worthy.

Third point (The organization of Remedial Loan Associations for "loans without security and salary.")

I believe this can be safely done and successfully as regards investment of capital. Five years ago I desired to try out the idea on a small scale and invested \$2,000 in twenty-five loans secured by a blind advertisement to reply to a postoffice box for "confidential loans." It was amusing to see the instant replies of about twenty-five of my worst borrowers in the Worcester Collateral Loan Association, already having their furniture mortgage.

I found these classes among the applicants for loans:

1. Salaried people in the employ of the Fire Department, Public Schools, High Schools, United States Government Post-offices and some business men. These classes were all opposed to recorded furniture mortgage. The personality of this class averaged better than the furniture or pledge borrowers of my loan association.

2. Ordinary workingmen and women not having any personal property, but willing to assign wages to protect a loan. Also some family men with no furniture paid for.

3. Young, unmarried men and women who had left jobs and wanted to sell their week's earnings, men wanting to sell wages against liens and contracts—extravagant dead beats, trying to borrow of anyone on any terms, to beat it, or pull out of one hole just to fall into another.

I would advise not to loan at all to this class. They are worse, if possible, than drunkards to reform. Laws should make loans to proved incompetents illegal. The first and second classes can be accommodated, I think, with safety. The Washington plan of endorsed notes and careful investigation ought to keep the loss within safe bounds.

Should advise assignment of wages in every case where State laws allow it, but to be enforced only when in default of payment. My experience shows the need of instant call of a collector if a weekly or monthly payment is overdue *one hour*. In my experiment I found that 36 per cent. was not adequate for this class. My losses about equalled my earnings, and I dropped the plan, as I could not watch the collections sharp enough. One loss of \$95 was to a postoffice employee in the money-order department, who skipped to Colorado. Am still chasing this and paying Western attorneys. Also lost on one State aid pension, who gave his State aid as collateral, and I later found that it was not assignable.

With a properly organized company and competent workers, the market ought to be managed so as to leave no excuse for a sensible borrower going near a *Loan Shark*. The business in this line will, I think, never have the same standing as a loan to parties possessing actual property. Spending money before it is earned seems poor policy, but there are a great many honest people who have not the opportunity to get started, and a little help at the right time may lead to financial success. In our small loans to owners of furniture and jewelry many tell us that it gave them a start in business which put them permanently on their feet and later in the class with *money in the bank*.

First aid to the injured, financially, will often save a home and a man or woman if used wisely in time of need. The boy or girl who never knows the value of money makes many times a sorry failure. A timely loan on easy terms and honest dealings will put such a family on its feet. The "Loan Shark method" will likely break up the family by causing desertion of the husband after he has been discharged a few times because of attachment of his wages.

I hope plans may be adopted at this convention to begin organizing for the purpose of correcting the *Salary Loan Evil*.

CHARLES E. BURNHAM,
Worcester, Mass.

PROGRESS OF REMEDIAL LOAN WORK IN LOUISVILLE.

As the business experience of the People's Provident Association of Louisville, which I have the honor to represent, covers a period of only eight months, it was my desire, in attending this meeting of the National Federation, to learn from the experience of others, rather than advance ideas or tell of the progress of our work in Louisville. I hope, however, our experience, though brief, may be of assistance to those contemplating the establishing of remedial loan associations in new fields, encouraging them to go ahead and overcome all obstacles, firmly believing in ultimate success, both financially and philanthropically.

I doubt if the organization of any similar association has been attended with such discouragements, as much expense or had as many difficulties to overcome. This has been largely due to the extreme conservatism of our Southern people and their reluctance to give financial support to an untried proposition, even though years of experience in other cities had proven beyond a doubt that philanthropy and sound business principles were not incompatible. Finally beginning on what I believe to be the smallest capital on record, we have in eight months built up an institution whose influence is beginning to be felt throughout the community. We are gradually gaining the confidence and respect of the public, and our financial success thus far has been most gratifying.

About eighteen months ago the attention of several Louisville business men was called to the enormous rates charged by the local loan agencies, and upon investigation found there were in our city of less than 250,000 inhabitants twenty-five agencies employing a capital of over half a million dollars, exacting in most cases 10 per cent. a month on small loans. Realizing the need of some means of correcting this condition, and being somewhat familiar with the remedial loan work in other cities, much of which information had been furnished by Mr. Ham of the Russell Sage Foundation, we decided to establish a remedial loan association. As the legal rate of interest in Kentucky is 6 per cent., we conceived the idea of organizing a People's Bank with a savings department, and a Storage Company, owned by the same stockholders; the bank to lend money at the legal rate on the warehouse receipts of the storage company. After several months' work we found the most of our well-to-do citizens had other banking connections, and the combination of banking and philanthropy did not appeal to them. Realizing there were many other local conditions against the sale of the stock, we concluded it would be impossible within a reasonable time to sell enough to entitle us to a bank charter, although we had then taken several hundred small subscriptions. Learning through our friends of the National Federation that several remedial associations had been started and successfully operated in cities where the State interest laws were similar to ours, we finally decided to relinquish the bank idea and form an association modeled after those of the National Federation. It then became necessary to call upon each of our subscribers to secure his consent to this change of plan. Many of those favoring the bank idea withdrew their subscriptions, and those philanthropically inclined were unwilling to risk more than a small amount in what they considered an experiment with every prospect of failure.

After exhausting every resource to secure a reasonable capital, we decided to give a practical demonstration of our faith in the success of such an institution, and therefore incorporated in July the People's Provident Association with an authorized capital of \$20,000.

We finally succeeded in getting an organization together, elected a board of directors and officers, and I was made manager. An amendment to our charter has since been granted, increasing the authorized capital to \$105,000, thus giving the association a dignified standing in the community.

Unwilling to delay longer, although we had collected less than \$8,000 of our subscriptions, out of which the organization expenses had been paid, we opened our doors for business on October 1, and loaned during that month \$3,800. Each succeeding month has shown a substantial increase, and in eight months our loans have reached the sum of \$37,000. During this time our borrowers have repaid the sum of \$19,400. Six hundred and fifty loans (averaging \$57 each) have been made, 237 of which have been paid in full. Our eight months' business shows no losses, and only one or two small balances which are considered doubtful. We have paid two quarterly dividends of 1½ per cent. each on our preferred stock, have paid our taxes and license for entire year, all operating expenses, and show a net profit for the eight months of \$2,068.

Beginning on almost nothing, we have gradually increased our working capital each month and now have \$23,500 subscribed, of which, however, only \$18,500 has been paid in.

As the business shows about the same increase each month, we have, by strenuous efforts, been able to add sufficient new capital as needed to take care of this healthy growth.

Our present stockholders number several hundred citizens from all walks of life, among whom are many of the most prominent men of our city and State. As our shares are only \$10, most of these subscriptions are small, many of them having been given more as donations to a worthy cause, and as the dividends are limited to 6 per cent., the stock does not appeal strongly to investors not philanthropically inclined.

On account of our limited capital we have found it necessary to be very conservative, and in order to establish the business on a firm foundation have probably looked more to the business side of each loan than to the strict philanthropic side, and have perhaps

catered to a better class of borrowers than is the custom of other remedial associations.

Louisville has not the extremes of wealth and poverty to be found in most larger cities. Being a "city of homes," we have few tenements, and a fair percentage of our laboring people are property owners. We also have a large middle class of wage-earners and salaried people of education and refinement, who are unwilling to go to a loan agency in times of need, and yet are not in position to borrow from a bank. From this class we draw a large volume of business. Fully 50 per cent. of our loans have been made to people who have never borrowed from a loan agency, but who look upon our institution as a "bank for small borrowers." We impress upon them that we are to the wage-earner and salaried man what the bank is to the merchant and manufacturer; that there is no odium attached to making a loan with an institution like the People's Provident Association. We do not encourage unnecessary borrowing, but say, "If borrow you must, come to us." We inquire carefully into the needs of each borrower, and feel that our loans are made only to those who will use the money for legitimate purposes.

Only a small percentage of our customers are what could be called "chronic borrowers," and while we renew a great many loans, we believe there is a legitimate need in every case; and from a business standpoint we consider these renewals most desirable, as the credit of the borrower has been established.

We frequently make loans to people temporarily out of employment when the character of the applicant is satisfactory and the security sufficient, thus enabling them to pay off their debts and become once more independent.

We have applications daily from people who seek relief from the exorbitant rates of others, and by exercising proper care and judgment have lost nothing from this class of borrower, who, except for our assistance, would probably have finally landed in the destitute class.

Our business is principally confined to loans on furniture and household goods, but frequently accept a diamond or watch as security, taking a chattel mortgage on the article, but retaining

possession of it. As this forms such a small part of the business, we think the pawning habit is prevalent among a different class of people and feel that we reach the class most in need of assistance by confining our business largely to furniture loans.

Since our organization two of the largest loan agencies have gone out of business, others have changed their names, changed managers, and in many cases reduced their rates. These changes have come about largely as a result of our influence, although on account of our limited capital we have not considered our position strong enough to be aggressive other than to advertise lower rates and use the names of our stockholders as a guarantee of fair treatment, which gives us all the desirable business we can, at present, comfortably handle.

While we have been unable to carry on an extensive campaign of advertising, and there are perhaps thousands of Louisville people still ignorant of the existence of the People's Provident Association, there seems to be no limit to the amount of business we could get were we in position to make lower rates on large loans. We have applications from every class, for all amounts, and with every description of security offered, much of which business we are forced to decline.

In addition to the legal 6 per cent. interest, we charge a reasonable appraisal and expense fee, regulated by the amount and time of the loan, and while this total charge is slightly above the rate charged by other remedial associations it is only about one-fourth the rate charged by the loan agencies of Louisville. The majority of the loans being small in amount, our charge is not burdensome to the borrower and is gladly welcomed by those who have been oppressed by extortion.

We hope by persistent effort to finally convince the investing public, and our present stockholders especially, that the People's Provident Association is no longer an experiment or an uncertainty, and that the successful experience of other members of the National Federation can be duplicated in Louisville.

As manager of the association, believing that the ideal institution is the one that can give relief and protection to the greatest number of people, and at the same time make money for its stock-

holders, I am heartily in sympathy with a broader policy and larger capital, enabling us to lower our rates, take advantage of the wonderful possibilities of the business, extend our philanthropy as far as sound business judgment will permit, and make of the Peoples' Provident Association an institution to which all citizens will point with pride. These, I believe, to be the true aims of the Remedial Loan Association.

R. M. RUTHERFORD,
Louisville, Ky.

SOCIETY FOR SAVINGS.
WASHINGTON, D. C.

(a) What has each society done in its home city to improve loaning conditions?

By establishing the business of the Society for Savings of Washington, a remedial loan office that charges only 2 per cent. per month on the actual amount in hand, we have made it possible for persons in need of small amounts of money to make loans without resorting to the office of loan sharks. Our business methods have found imitation, and thus virtually force the sharks to come down in their charges. If we had more capital we could extensively bring this fact to the notice of the public, and thus by "underbidding" the sharks more effectually compete with them. There are about forty-two companies and sixty-one individuals and firms with three million dollars who compete with us and charge from 100 per cent. to 300 per cent. per annum.

On the other hand, the growing idea that usury laws are, like sumptuary laws of the Middle Ages, antiquated; that money is a commodity which demands its price, makes restrictive legislation more and more difficult. Absolute publicity and strict regulation of the business of loaning money seem to be the most desirable ends in view.

(b) Is the society meeting the need?

It certainly does. Persons who, despite our low rate, still resort to the loan-shark are generally of a class who have never heard of us through our inability to advertise for lack of funds to

meet the demands that would arise in consequence; also persons who have lost credit in respectable loaning offices, or who are crooked by birth and breeding. Such persons have a bad record, having allowed themselves to be sued for debt in the municipal courts, or have proved so slow in repaying their loans that only sharks dare take the risk of lending them money. A single case of crookedness in the borrower spoils the chances of several honest and straight borrowers, causing doubt and distrust, make it necessary to call for additional security and require even greater caution.

We have stated in one of our annual reports that more than 50 per cent. of our borrowers pay up and stay out of debt until the need arises again. There seems to be prevailing among some of our customers, the majority of whom are Government clerks, the idea that when they have paid enough on a note to cover the principal, the payment of the last installment may be deferred or covered by a new loan. Comparatively few pay up and make a clear board of their debts. The recent increase in the prices of commodities and necessities of life has greatly increased the number of slow payers in loaning offices. Ever increasing is the number of deferred payments.

(c) Is it difficult to secure the required capital under limitation of dividend feature?

Washington is not an industrial or commercial city, hence capital being timid likes to creep under the cloak of alleged righteousness, and rather foregoes paying investments than let it be known that it earns a dividend of 10 per cent. per annum by being loaned out at the rate of 2 per cent. per month. We cannot secure capital at 6 per cent., and even with a 10 per cent. dividend it is a constant struggle to secure needed funds, largely due to the fact that we are as yet non-legal. Nothing venture, nothing won—a proverb well believed in in a commercial town ought to be equally true in Washington, where the old-fashioned stocking and pewter-pot are in as frequent use as are banks of deposit.

The regular and prompt payment of quarterly dividends alone convinces the persons investing; and another argument is strong, namely, that the assets in form of chattel mortgages and endorsed

notes are always available and in evidence, so that in our business an investment in form of stock is as safe as in United States treasury bonds. In Washington persons of small savings are always looking out for speculative investment that has the halo of respectability; especially the so-called "unearned increment method" of making money is often applied. Few cities have as many real estate offices as Washington, and real property changes hands quite frequently. Suburban property especially is here acquired and lost with almost equal facility.

J. T. EXNICIOS,
Treasurer.

THE WORKINGMEN'S LOAN ASSOCIATION,
PROVIDENCE, R. I.

(a) Prior to the organization of the Workingmen's Loan Association there was no place in Providence where chattel loans could be obtained at reasonable rates. Such loans bore interest at from 5 to 16 per cent. per month. The rate established by this association, at first 2 per cent., was later reduced to 1½ per cent., and finally to 1 per cent.

It was soon noticed that there was a tendency amongst some of the brokers to reduce their charges for the purpose presumably of holding borrowers then on their books. But the reduction was slight and had little effect in preventing the transfer of many loans to our company. There has never been, however, a bona fide attempt on the part of any broker or loan company to compete with our rates, and in consequence a very large proportion of the chattel loans made today in Providence and vicinity are made by our association. Indeed, it has become a rare occurrence now to meet the representative of any other company searching the records at the city or town halls.

Many of these concerns have either retired or are relying largely on salary loans for their business.

(b) The Workingmen's Loan Association since its organization has made 16,000 loans to about 10,000 borrowers. It now has 2,700 borrowers on its books, and the loans outstanding amount

to \$115,000, a fair indication that the society is meeting the needs of the community for its services.

(c) Dividends of the association are limited by its charter to 6 per cent. per annum. At first it was difficult to convince people that the business was safe and practicable, and stock in the company sold slowly. Many of our stockholders looked upon the enterprise as a charity and never expected any return on the capital invested. The immediate success of the business, however, has permitted the capital stock to be increased without much difficulty from \$25,000 to \$40,000, then to \$50,000, and finally to its present figure, \$75,000. It has been deemed advisable to use borrowed capital from time to time to meet the needs of the business, rather than increase the capital stock before it became evident that the increase would be permanently required.

CHARLES F. BIGELOW,
Manager.

REMEDIAL PROVIDENT LOAN ASSOCIATION,
PATERSON, N. J.

The Remedial Provident Loan Association of Paterson, N. J., was organized October, 1910, and began business on the 22d of the following month. The concerns doing business prior to that time were the Paterson Loan Co., American Loan, The Central Credit, Mr. R. Krimke, and the Home Loan Office, the last named concern conducting a pawn business. All of these companies pay an annual license fee of \$100. The Central Credit were in business only a short time when they discontinued, turning their accounts over to the American Loan Co. This action, I am inclined to believe, was caused by the fact that public sentiment at that time was strongly in favor of establishing a remedial association. Mr. Krimke, who had been in business here for the past twenty years, has since retired. His successor, Mr. W. A. Dunn, is conducting the business in an entirely different manner. In regard to the Home Loan Office, my firm belief is that when their license expires they will find it very difficult to obtain a renewal, as Mayor McBride has informed me that he is opposed to places of this kind, as he considers pawn-shops harmful to a community, and feels that an

association such as ours is able to provide for the legitimate needs of the people. In addition to the above-named companies there are a number of individuals who loan only on notes at a rate of from 3 to 5 per cent. a month. I have learned that one of these has discontinued the practice, and others are gradually getting away from it. That the society is meeting the needs of the community there can be no question. It has filled a long felt want. While still in a formative state, we are carrying on the work, I believe, along the lines that have brought success to the other members of this Federation. During the few months we have been in existence we have assisted those who were badly involved by taking over their accounts, and effecting a settlement on a 6 per cent. basis, at a saving of about \$900. We are planning for the future and using our efforts in every way to bring about a better condition for the borrower. Paterson is a home city; the men identified with its business interest are men of civic pride, always ready and willing to lend their assistance to anything that has for its object the betterment of the social or business conditions of the community. When the subject of remedial loans was brought to their attention they realized the healthy effect it would have, and at once began the work of organizing. In a short time \$20,000 was subscribed by our citizens. The fact that the dividend was limited did not interfere with our plans in any way, the main object of the stockholders being to grasp the opportunity it afforded them to assist the needy borrower. In a few months it will be necessary to secure additional capital, and I know that the citizens of Paterson will respond promptly, because they are interested in the success of the association.

FRANCIS X. MEEGAN,
Manager.

ECONOMY BUILDING AND LOAN COMPANY,
CLEVELAND, OHIO.

There are three elements to consider in bettering loan conditions.

First. The elimination of the shark.

Second. Courteous, lenient and non-oppressive treatment to borrowers.

Third. Reduction of interest rates.

The Economy Building and Loan Co. has been very active in the past year in making legal settlements with the shark companies. We have also assisted in having passed by the Legislature the present law, which, if enforced, will drive the shark company out of the State of Ohio. In my opinion the law as it now stands is far from an ideal measure, but is the best that could be passed. The loan shark evil as applied to chattel loan companies in Cleveland is practically a thing of the past. It is the consensus of opinion of those familiar with the subject that we have not to exceed \$10,000 per month loaned on chattels, other than that loaned at legal rates. This has been brought about by the campaign inaugurated by our remedial loan companies. We now have but two high-rate companies making a specialty of chattel loans. The rest are confining their activities to salary loans.

To fulfill the objects of a remedial loan company, sufficient capital must be available to meet the demand. If there is \$200,000 of business a year in a community, and the remedial loan company has only \$75,000, they are not meeting the need, and are bettering conditions only to the extent of their capital. The assets of the Economy Building and Loan Co. at this date are \$295,000; The Workingmen's Collateral Loan Co., \$70,000, available for chattel and pawn loans, making a total of \$365,000.

It is estimated that we are filling 90 per cent. of the need of chattel loans and 25 per cent. of the pawn loans.

The amount of philanthropic money in any community is limited, and when this is exhausted we are compelled to resort to investments on a business basis. The investors erroneously believe that the business is especially hazardous, and for that reason demand more for their money than they would in other lines of investments. If dividends are restricted, capital for investment will be restricted.

I strongly advocate the limiting of rates charged to those allowed by the respective States who have special laws governing loans on chattels, pawns, etc., and where no such laws exist our

association fix a charge that we approve and allow dividends to take care of themselves. The economies of operation and the volume of business are great factors in dividends and establishing the rates to be charged. If any one company is making an excessive profit, they are bound to have competition, and competition will reduce the rates as well as the dividends to the minimum.

Kindly but firm treatment of the delinquent borrower is second only in importance to the rate charged, and we should not in our desire to reduce rates hastily reduce them to a point where harassing measures are necessary for collection.

In Cleveland we have two low-rate chattel loan companies, and our experience has shown that the elimination of the shark evil is only a question of sufficient capital and active and intelligent competition.

D. H. POND,
Manager.

THE WORKINGMAN'S COLLATERAL LOAN CO.,
CLEVELAND, OHIO.

The Workingman's Collateral Loan Co. was organized in 1906, and at that time received considerable publicity owing to the character of the organization and the prominence of the men interested in it. By an active advertising campaign and legal settlements to the sharks, where mistreatment of borrowers was found, it soon became an important factor in the chattel loan business. We feel that we may justly claim that our company has helped in a great measure to bring about the improved conditions which now exists in our city. There are now two companies lending at reasonable rates, and I think it safe to say that they are making considerably more than half the chattel and pawn loans. The sharks are treating their borrowers with consideration, and we believe that our efforts should be toward extension of our influence and further reduction of the percentage of loans made by the high-rate companies. We are planning additional advertising and hope to impress upon the public the difference between an institution such as ours and the usurer.

As to meeting the need we feel that we have been successful in helping to remedy conditions and have fulfilled the expectations of our stockholders. Of course with more capital we could do a proportionately greater amount of good, and it now seems that we will not be handicapped by a lack of funds as has been the case at times in the past. By lending on chattels and pawns we reach more people than would be possible were we lending on only one of these kinds of security. There is no doubt in our minds as to the legitimacy of most of our pawn loans, and as both kinds of loans can be made in the same office without confliction we think that where only chattel loans are made a pawn department could be advantageously added.

The stock of The Workingman's was sold originally with the understanding that no dividend was to be paid, but after two and a half years of operation it was found that the earnings would warrant a 5 per cent. dividend, and it was decided that this should be paid. In arriving at this decision our directors had two ends in view. (1st) To put the company on a business basis; (2d) in hope that more capital might be attracted. The first has worked out to their entire satisfaction, but very little money has been invested on account of the dividend bearing feature. Practically every share of stock has been sold to men who, realizing the need of such an organization, were willing to give their money without thought of return. From observation I should say that 8 per cent. is as small a return as is really attractive to the investor.

C. M. KELLY,
Manager.

Adjournment was then taken to June 13, 9 A. M.

MORNING SESSION, JUNE 13, 9 A. M.

The Hon. Ansley Wilcox of Buffalo, N. Y., upon invitation of the chairman presented his views on the situation now existing in New York, how the conditions might be met and relieved, particularly among that class of borrowers who possess nothing in the way of collateral save their clothes. The need of constructive

legislation, and the merits of the proposed law providing for the supervision, regulation and control of the business of making loans on pledges of personal property, chattel mortgages or assignments of salary or wages.

Messrs. Arthur J. Morris of Norfolk, Va., and Redmond C. Stewart of Baltimore, Md., were then asked to explain the plan of the Fidelity Savings and Trust Co. of Norfolk, Va., a combination of the methods of building and loan associations and savings banks, and its application to the loan field, they having requested the endorsement of the association. After discussion it was moved by Mr. Cone that the entire matter be referred to the membership committee, which was instructed to examine the plan submitted and report thereon back to the association. Carried. Adjourned to 1.30 P. M.

SESSION JUNE 13, 1.30 P. M.

The chairman having appointed Messrs. C. M. Kelly and F. X. Meegan a committee to examine and audit the books and accounts of the secretary they reported having examined all accounts, vouchers, checks and expenditures, and found them to be correct and as set forth in the secretary's financial report.

The question of permitting and encouraging co-operative loan societies, as established and now operating in our large industrial, manufacturing and mercantile establishments, to affiliate and become members, was then introduced by Mr. Ham, who explained their methods at some length.

Mr. Cavanaugh moved that the subject be referred to the membership committee, with instructions to report at the next annual meeting. Mr. Cobb moved the amendment that the committee be instructed to report as soon as possible, because of the growth of this movement. Motion as amended adopted.

Mr. Burnham offered the following amendment to the membership section of the by-laws: Moved, "That a committee be appointed to report during this convention as to whether the rate of interest charged to the borrower should not be made the basis of future membership, in addition to the provisions of the by-laws

regarding membership already existing." After some discussion Mr. Burnham withdrew his motion.

Mr. Cavanaugh was appointed a committee to prepare suitable resolutions, expressing the thanks of the association to the Woman's Educational and Industrial Union for the use of Perkins' Hall during the convention, and he submitted the following letter, which was adopted, ordered spread on the minutes, and a copy of which was sent to the Union:

THE WOMAN'S EDUCATIONAL AND INDUSTRIAL UNION,
Boston, Mass.

Ladies:

As a slight token of our appreciation of the courtesies and favors received at your hands in so generously granting our Association the use of Perkins' Hall during our stay in Boston, we herewith express our sincere thanks.

Respectfully,

W. N. FINLEY,

Chairman.

The National Federation of Remedial Loan Associations.

J. T. EXNICIOS,

Secretary.

A vote of thanks was tendered to Chairman Finley by the Federation for arrangements made by him for the success of the Boston meeting.

Adjournment was then taken to 4.30 P. M.

SESSION JUNE 13, 4.45 P. M.

PROVIDENT LOAN SOCIETY OF MILWAUKEE,
MILWAUKEE, WIS.

The Provident Loan Society of Milwaukee was organized on February 15, 1905, with a capital stock of \$25,000 to make loans on chattel mortgages from \$25 to \$100 to help the needy and deserving borrower.

The capital stock was divided into 500 shares of \$50 each.

Our first year's loans aggregated \$38,550 to 834 borrowers, and since then business has grown rapidly from year to year, with the result that in 1910 our loans made were \$141,383, which makes an increase from 1905 to 1910 of \$102,833, or 350 per cent. Our outstanding accounts in 1905 were \$14,983. Our outstanding accounts on the last day of 1910 were \$67,444. Payments on loans received during 1905, \$23,666. Payments received during 1910, \$132,115, an increase in payments in 1910 over 1905, \$108,449. Total loans made during that time, \$551,279.

The number of loan sharks in Milwaukee in 1905 were 27. At present only 9. The rate of interest charged by the loan sharks in Milwaukee is 10 to 20 per cent. per month. Their scale of interest charged is based entirely upon the ignorance of the borrower; the more ignorant the borrower, the higher the rate of interest. Our society has caused the arrest of sixteen loan sharks on account of usury. Nine of those arrested were fined \$50 and costs in each case. Seven were ordered to pay back to the borrowers triple the amount of interest collected. Our society has settled 635 cases with the loan sharks, aggregating \$42,650, thereby causing a saving to the borrower of about \$80,000.

On June 1, 1910, we added another department in addition to the chattel loan, namely, the pawn office, and we are making loans on pledges, diamonds, watches and jewelry. Our charge in the pawn department is 1½ per cent. per month on small loans, and 1 per cent. per month on loans over \$50 and the period over three months. The interest charged by the pawnbrokers of Milwaukee is 10 per cent. per month. Our loans in the pawn department during the first 11 months aggregate the amount of \$9,916. The difference between our rates on the amount loaned out in our pawn department and the rates that are charged by the pawnbrokers is \$3,250, which means a saving to the borrowers in this department of \$3,250.

Our society was instrumental in getting the law enacted in our Legislature, making the legal rate of interest 10 per cent. and 14 per cent. commission per annum. Any rate higher than 10 per

cent. interest and 14 per cent. commission is usury in our State, and is punishable by a fine or imprisonment.

We were also instrumental in enacting a law in our Legislature this year, compelling the second-hand dealers, auction houses and storage to file a record with the city clerk of all goods which come into their possession, whether bought or placed for safe keeping. This law is a protection to our society, as well as to institutions that are selling furniture on the installment plan, to guard against anyone that is trying to dispose of chattels that are mortgaged without first getting the consent of the mortgagee.

A municipal loan bill was introduced in our Legislature this year, but after our Board of Directors appeared before the Senate Committee and explained the working of our society, the bill was withdrawn. In other words, it was killed in the committee.

Our society consists of many stockholders, who are among the most influential and best spirited citizens of our city. We incorporated under the State laws of Wisconsin with a capital stock of \$100,000, of which \$65,000 is paid up. The capital stock pays a dividend of 6 per cent. per annum, and according to the articles of incorporation of our society we are not permitted to pay a higher dividend than 6 per cent. The surplus over and above 6 per cent. dividend paid to our stockholders and expenditure of running our institution is reserved for an emergency fund, which is to be accumulated for the purpose of helping such applicants as are unable to meet their obligations on account of accidents, deaths or desertions, or other causes that keep them from working.

This, in short, is the outline of the workings of the Provident Loan Society of Milwaukee.

J. H. RUBIN,
Manager.

THE CHATTEL LOAN ASSOCIATION,
BALTIMORE, MD.

During the thirteen years of our business life we have waged a persistent warfare against the tribe of loan sharks in our city, viz:

(a) By lending money at lower rates than any other loan concern here.

(b) By legislation, three measures backed by this association having been passed by our State Legislature, to wit: The Chattel Act of 1900 regulating loans on chattels of all kinds; the amended Act of 1902, designed to strengthen the previous measure, and the Salary Assignment Act of 1906, regulating assignments of salary or wages.

(c) By a continuous campaign of education carried on through the press (and by means of our own advertising literature), pointing out the evils of the loan business and suggesting a remedy therefor, and by addresses delivered before churches, social service clubs and educational institutions by representatives of this Association.

(d) And by effecting the settlement either directly or indirectly of many hundred cases of extortion.

The net result has been that press and public recognize this Association as not only a truly remedial loan concern, but as the only one of its kind in our community. We have been instrumental, by means of the agencies hereinbefore mentioned, in forcing a material reduction in the rates charged and a great lengthening in the time granted on loans by all of the loan shark concerns operating in this city, and while conditions are far from being what we would like them to be, and from what we hope to have them ultimately, yet we feel that we can fairly claim to have thus far done what we could to remedy the evils of the loan business, and that we are filling the need for a remedial society in our community.

We have never found it difficult to obtain needed capital because of a restricted dividend.

W. N. FINLEY,
Manager.

THE PROVIDENT LOAN SOCIETY OF NEW YORK.

The society decided upon amendments to the constitution (adopted January 9, 1911) by which any surplus property would

be divided among charitable organizations to be selected by the trustees in the event of the dissolution of the society. Also to permit the distribution from time to time among charitable organizations similarly chosen of a part of the surplus earnings.

Two new offices were opened, one in the Borough of the Bronx, and another in the community known as Brownsville, in the Borough of Brooklyn. Property was also purchased for an office building for the use of the office located in East 125th street. When this office is moved to the new location it will be known as the Mount Morris Office.

The investment of the society in office buildings for its own use amounted at the end of the year to \$950,000. An additional issue of certificates of contribution to the amount of \$1,000,000 was authorized to provide new capital.

An investigation of the loans repaid during 1910 shows that out of 339,812 loans paid 164,967, or nearly half the number, paid less than .56 in interest. The operating cost of each loan made during the year was .56. Nearly one-half of the loans paid during the year did not, therefore, pay their proportion of operating expenses, without including the interest which the money employed costs. Our statistical tables also show that out of 369,150 loans made during the year, 318,327 were for \$50 and under.

A pension plan for employees, worked out by a committee during the year, was adopted January 18, 1911. The report recommended that the principle of pensions for employees of long standing be officially adopted; that no fixed rule governing the granting of a pension be established; that each case be considered on its individual merits at the time the need arises; that the minimum pension granted will be 1 per cent. of the maximum salary received by the beneficiary for each year of service with the society.

FRANK TUCKER,
Vice-President.

FIRST STATE PAWNERS' SOCIETY,
CHICAGO, ILL.

The First State Pawnors' Society of Chicago, making loans only upon pledges, is now in its twelfth year of existence. Prior

to the organization of this society, although a legal rate on pledges was 3 per cent., the pawnbrokers had almost a universal rule of charging 10 per cent. Only especially favored customers were granted a lower rate. In making these illegal charges they most openly defied the pledger any redress, as the police did not enforce the law, and to resort to an attorney and the courts was too expensive. At the present time a demand for the goods at the legal rate (which is still three per cent.) is seldom refused, and any loans of consequence can usually be made at $1\frac{1}{2}$ or 2 per cent., owing to our competition and their anxiety to do business, which is now less in volume than twelve years ago.

The society is undoubtedly doing a great deal of good to the needy borrowers, as 60 per cent. of our loans are \$10 or less, and handled by us at a loss which is balanced by the income from the larger loans.

At the organization it was quite difficult to procure the required capital, as the majority of subscribers looked upon it in the light of a charitable donation and scarcely expected dividends. However, this feeling changed almost immediately upon opening, as the volume of business done showed surprising results. Since the first issue of stock increases in capital have always been offered to the stockholders pro-rata and have always been oversubscribed.

At our last Legislature just adjourned (May 19) bills were presented as endorsed by the Legal Aid Society, prominent clubs and our directors to curb salary assignments and chattel mortgage sharks, and looking for the establishment of a chattel loan society upon lines and management similar to this society. Regret to report that though much pressure and newspaper publicity was given these bills, the Legislature did not look favorably upon them, and they were allowed to die without a final vote being taken on them.

SAMUEL WOLFORT,

Manager.

PROVIDENT LOAN AND SECURITIES CO.,
ST. LOUIS, MO.

Our association was not organized until the latter part of May, 1910, and our first annual meeting does not occur until the second

Tuesday in June; for that reason it is impossible for us to present an annual report in detail.

We commenced with a capital of \$50,000, which has since been increased (during last March) to \$75,000. The balance of our loan account on May 1 amounted to \$72,995.30, and the balance to the credit of our interest and discount account, after deducting expenses, amounted to \$6,091.20. This did not include, however, our expenses for furniture and fixtures, which are carried on our books as an asset.

Our experience thus far has been quite satisfactory, excepting in this, that we do not seem to have as yet reached the really needy class of borrowers. This seems to be due to the fact that our charges strike them as being so low that it must conceal a "joker" somewhere. We imagine, however, that time will remedy this feature.

The majority of our clients at the present time seem to be a class of people that have heretofore refrained from patronizing the so-called "loan shark," owing to their excessive charges, and to this class we seem to be filling a long felt want.

We hope, however, and have reason to believe that we will gradually get before that class of the community whom we wish to protect, and are pleased to state that we have the good will, active support and assistance of the various charitable organizations in this city and the business and mercantile community who are gradually becoming acquainted with our work.

(a) Feeling some uncertainty as to just what was needed in the way of legislation, and owing to our lack of experience we unfortunately delayed the presentation of our bill to the Legislature. It, however, passed the Senate without a dissenting vote, and had we had sufficient time it would in all probability have passed the House. But, owing to the fact that it got there somewhat late in the session, we were unsuccessful in getting it through.

The writer, in company with other members of our organization, spent considerable time and money in the way of traveling expenses and attorney fees in connection with this legislation,

and we at least feel that we have laid the foundation for successful work at the next session of our Legislature.

(b) Pawn-shop charges in this State are regulated by law at 2 per cent., but very few such establishments observe this rate. In fact, I understand that it runs as high as 10 per cent. monthly in some few cases, the general average being from 3 to 5 per cent.

(c) The question of the charges made by salary and chattel loan sharks is a somewhat difficult one to answer. As nearly as we have been able to get at it, the people engaged in the salary loan business charge all the way from 5 to 10 per cent. a month. In fact, we took up a case last month in which a charge of 10 per cent. monthly was being exacted. We understand that the chattel loan sharks charge all the way from 50 to 150 per cent. annually, the latter figure being used usually as a result of juggling the loan by reason of the borrower's inability to pay on specific dates arranged for, in consequence of which the lender takes up the original loan, creating a new one.

We have found many cases where the borrower was absolutely ignorant, either of how much he had paid back, or of just how he did stand with the lender. There are in the neighborhood of sixty people engaged in this class of business in St. Louis, but our association is gradually beginning to effect them and will undoubtedly continue to do so to a greater extent in the future.

CHARLES L. CRANE,
President.

CHATTEL LOAN COMPANY,
GRAND RAPIDS, MICH.

A remedial loan company for Grand Rapids, Mich., has been advocated for years by our Board of Trade, Charity Organization and philanthropic citizens. No one taking the initiative, it was left for the writer to put \$10,000 into the business, and in January, 1910, undertook to conduct a company along the line pursued by the older remedial companies.

Two things have constantly been kept in view. First, to comply strictly with the law regulating charges and management, and second, to protect borrowers from extortion. The maximum legal rate authorized by Michigan laws is 2 per cent. per month and a

fee of \$1 for loans of \$50 or less and \$2 for loans over \$50. After demonstrating the usefulness of such a company, and gaining somewhat the confidence of the public, in April, 1911, a corporation was formed, taking over the business and continuing the same under the name of the Chattel Loan Co. The company was incorporated for \$30,000, and two-thirds of this amount is now available for loaning. The officers, stockholders and directors are composed of well-known business and professional men. During the seventeen months of its existence it has accommodated 1,020 borrowers, loaning them \$46,702.47, an average of \$45 for each loan. The principal and interest are paid back in small monthly sums to suit the convenience of the borrowers.

To protect the borrower from extortion, the Chattel Loan Co. has carried an advertisement in the daily papers, calling attention to its charges for loans and notifying borrowers that higher rates are unlawful. The company has also advertised to give free legal advice to borrowers who are being overcharged, and offered its services in making settlements, loaning them the money if necessary. We have made 125 such settlements, for which we make a maximum charge of \$1. Occasionally we find borrowers making payments to two or three companies, making new loans to take care of old ones which come due faster than they can meet them. When we make these settlements we allow the borrower the choice of allowing the company 7 per cent. per year or 2 per cent. per month, the amount they would be entitled to if legally in the business. More than one-half prefer to allow the full 2 per cent., showing that they regard this rate as a very fair charge, all circumstances considered. Under Michigan laws a provision is made forfeiting interest and principal in cases of usurious interest. It speaks well for the honesty of the average borrower and his sense of fairness when we state that in only one instance has he requested that we make this kind of settlement. It is practically impossible under our present law to convict them, because it is necessary to show that a mortgage or a salary assignment has been taken, and the loan companies deny the existence of such evidence of indebtedness when the matter comes up in court. Under a new law just passed and effective in August, the loan

companies and pawnbrokers are all under the police supervision, and the books and records can be examined at any time, and it undoubtedly will be easy to get proof and secure conviction for overcharges.

The company has been obliged to charge off only \$84.80 for losses, being less than one-fifth of 1 per cent., and all of the borrowers are making satisfactory payments on their loans, and in no case has it been necessary to take away furniture in actual use. The company has the confidence and good will of its borrowers and the public in general, and has received favorable comments from the press of the city.

F. E. STROUP,
Manager.

ST. BARTHOLOMEW'S LOAN ASSOCIATION,
NEW YORK, N. Y.

The work during the past year has been very much the same as in the previous years, with the exception of the month of January, when a few banks closed, thus tying up the funds of many small merchants. This brought a class of borrowers different from the usual type, and it is a source of great satisfaction to be able to report that most have since closed their accounts, although their time has only quarter expired. Many of these people never for a moment considered their household as a business asset, but a few drifted in and they told their fellowmen, and so we were more than usually taxed. They expressed appreciation for our timely assistance, which certainly was a great boon, and saved several from very disastrous conditions, as these small merchants have only a limited credit.

During the year over 200 unfortunates deeply involved with the sharks came to us at a very critical time when they were about to lose their homes. We are pleased to report that we were able to save these people by taking up their obligations and giving them time at reasonable rates to recover themselves. In many cases the demands of the sharks became less when they learned our association would settle their claims. This goes to show that

the most efficacious way to handle the shark question is by direct competition. No doubt some sharks will always exist, as in all large cities there are many people who are very willing borrowers for purposes which any remedial company would not countenance. They do not belong to an ignorant class, and fully understand that they are paying very exorbitant rates, but they cannot tell their husbands or wives, so they turn to the shark, who advances the required amount without "bothering" about both signatures, or, if they see their way clear, without even sufficient security, as fear of exposure in these cases forms a good asset. My experience leads me to believe that most people seeking salary loans belong to this class, and to assist them is simply to multiply their indiscretions. We make it a point to keep applicants from borrowing more than they absolutely need. Many admit freely that without this advice they would have contracted a heavier debt than was necessary. It is always a pleasure to have a borrower who has closed his account come in and tell us how well he is now doing because we came to his assistance when he was about down and out. But our path is not all sunshine, as in New York, the goal of the extravagant, there are many shrewd individuals who are determined to live on the best, but not to turn to and work for it. Their stories are very pathetic until they get the loan, then the pathetic side is ours. Although we have had some hard chases and a few long waits, we have been fortunate with these collections.

All our loans are made for one year, payable in equal monthly installments with interest at the rate of $1\frac{1}{2}$ per cent. a month on the outstanding balance. The borrowers may close their loans any time they see fit previous to the expiration of the year, and we charge interest only for the time they use the money.

During the year 1910 we made 1,137 loans amounting to \$100,016.

JAMES R. FERGUSON,
Manager.

On motion of the Secretary the convention went into executive session for the election of officers for the ensuing year and other business.

Mr. Kelly moved the re-election of Mr. Finley as Chairman and Mr. Exnicios as Secretary. There being no objection, Mr. Tucker moved that the Secretary cast a ballot for Mr. Finley as Chairman and that Mr. Ham cast a ballot for Mr. Exnicios as Secretary, which was done, and they were duly declared elected as Chairman and Secretary, respectfully, for the ensuing year.

Mr. Arthur H. Ham was appointed by the Chairman as the third member of the Executive Committee.

Messrs. Frank Tucker and Charles F. Bigelow were reappointed as additional members of the membership committee.

On motion of Mr. Cavanaugh, the annual membership fee was increased to \$10 for the ensuing year, and should this amount be found insufficient to meet the expenses of printing the proceedings of this meeting and other expenses incurred, the Executive Committee was authorized to request an extra contribution of \$5 from each association.

There being no further business, the meeting was then adjourned at 6.45 P. M.

APPENDIX I

CONSTITUTION OF THE NATIONAL FEDERATION OF
REMEDIAL LOAN ASSOCIATIONS

NAME. This organization shall be known as *The National Federation of Remedial Loan Associations*.

OBJECT. The object of the organization shall be to encourage the formation of local organizations and to aid and direct persons interested in the work and who contemplate organizing remedial societies; giving such information and advice concerning legislation, finance, problems of administration, and general information necessary for organization and management.

MEMBERSHIP. The organization shall be composed of representatives of the remedial loan societies and such others as are known to be in complete sympathy with the movement to compel recognition of the laws regulating chattel, salary and pawning loans and protecting borrowers from extortion.

OFFICERS AND THEIR DUTIES. The officers of the organization shall be a chairman and a secretary. These, with one other appointed annually by the chairman, shall constitute the Executive Board.

This Federation shall be affiliated with the National Conference of Charities and Correction and shall meet annually, wheresoever practicable, as a part of the National Conference, endeavoring to bring its particular problems to the attention of the Conference and benefiting by the work of the Conference in general.

See last pages for Appendix II and III.

APPENDIX IV

*Bill introduced in New York Legislature, 1911

AN ACT

To provide for the supervision, regulation and control of the business of making loans on pledges of personal property, chattel mortgages or assignments of salary or wages.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

SECTION 1. This act shall be known as the "Remedial Loans Law." It regulates and controls the following forms of business, namely: (1) Loaning money on the security of personal property deposited with the lender, a transaction commonly known as pawn-broking; also (2) loaning money upon personal property remaining in the possession and use of the borrower, a transaction commonly known as a chattel mortgage; also (3) loaning money upon the security of an assignment of salary or wages either earned or to be earned, a transaction commonly known as a salary loan.

SEC. 2. Every person, firm or corporation engaged in or seeking to engage in the business described in section one of this act, or in any form of such business, shall on or before the first day of October next following the passage of this act file with the superintendent of banks, in such manner and in such form as he may direct, a certificate dated on September first of that year, stating the name and residence of the individual; or in the case of a firm, the names and residences of all the officers and directors, managers or trustees of such corporation; and the place or places where said business is transacted by such individual, firm or corporation. The certificate shall state the amount of capital paid up and employed

FOOTNOTE A.

*This bill was introduced in the New York Legislature in 1911. It was drafted as a result of many conferences on the part of several students of the subject in New York. It was not urged for passage, but merely introduced as a suggestive outline for adequate legislation.

at the date of making such certificates and all other funds used as loanable capital in said business and obtained in any other manner than through capital contribution. The certificate shall state in detail the loans outstanding at the close of business on the thirty-first day of August preceding the date of the certificate. The certificate shall give a full statement of the rates of interest charged for all loans, together with a full statement of each and every charge other than interest in connection with the making of such loan, and shall give such further information as the superintendent of banks may require.

SEC. 3. Upon receipt of such certificate, the superintendent of banks shall issue a license in writing to the person, firm or corporation filing the same, authorizing such person, firm or corporation to carry on the business described in section one of this act, or one or more forms of such business, until the thirty-first day of December of the year following the issue of such license, or until the license is revoked. After the first day of October next following the passage of this act, it shall be unlawful to engage in the business described in section one of this act or in any form of such business, without having a license from the superintendent of banks.

SEC. 4. Annually thereafter and before the first day of October in each year, the superintendent of banks shall issue licenses for the ensuing calendar year, and also, if necessary, covering the remainder of the current calendar year, to such persons, firms or corporations as may file new certificates as provided in this act, and to such persons, firms or corporations as may have been carrying on such business in conformity with law.

SEC. 5. It shall be a violation of this act for any person, firm or corporation carrying on the business described in section one of this act, or any form of such business, to engage in or have a financial or other interest in any other business on the same premises.

SEC. 6. The superintendent of banks shall inspect or cause to be inspected from time to time and as frequently as may be practicable, the books, accounts and records of all persons, firms or corporations engaged in the business described in section one of

this act, and shall prescribe the forms, books and records of all transactions in said business, and shall require reports to be made to him annually or oftener upon such matters in connection with said business as may in his judgment be of public concern. He shall have power to make and prescribe rules and regulations not inconsistent with law for the conduct of the business described in section one of this act.

SEC. 7. The superintendent of banks shall have power by a written order to determine and allow reasonable rates of interest to be charged by any person, firm or corporation upon loans of the kind described in section one of this act, which rates may exceed six per centum per annum, but shall not exceed three per centum a month; and he may from time to time amend or change such order. He shall endeavor to fix rates of interest which shall permit the lenders to earn upon the capital employed in the business not less than six per centum per annum and not more than twelve per centum per annum, if the business is conducted with skill and economy, and in addition to earn a reasonable compensation for their personal services, but no more. The rate so fixed shall be the maximum legal rates which may be charged by any person, firm or corporation upon loans of the kind described in section one of this act. After October first next following the passage of this act, it shall be a violation of this act to make any charge other than the interest rates fixed by the superintendent of banks, or some lower interest rate, for any service connected with the making of any loan of the kind described in section one of this act.

SEC. 8. The superintendent of banks may revoke the license issued to any person, firm or corporation refusing to furnish the information requested by him, or failing to report as he may require, or otherwise not conforming to the provisions of this act and to such rules and regulations as he may prescribe under this act for the conduct of the business described in section one of this act.

SEC. 9. Every person, firm or corporation who after the first day of October next following the passage of this act shall engage in the business described in section one of this act, or in any form of such business, without having a license to carry on such business

from the superintendent of banks, and every person, firm or corporation, director, agent, officer or member thereof who shall violate any provision of this act directly or indirectly, or assent to such violation, shall be guilty of misdemeanor.

SEC. 10. Any and all loans made in violation of the provisions of this act shall be void, and all payments made thereon may be recovered back from the lender in an action at law, together with all interest paid thereon, and in addition one hundred dollars as a penalty to be paid to the borrower.

SEC. 11. Nothing in this act contained shall be deemed to prohibit or render unlawful any loan of money or credit made, with or without security, at a rate of interest which is not in excess of the rate allowed by law to be charged upon all loans.

SEC. 12. The superintendent of banks shall upon the written request of the official head of the legally constituted police force of the locality in which such business is licensed authorize by written certificate such members of the local police force as he may consider proper to inspect the records of loans made by any person, firm or corporation making loans upon personal property deposited with the lender as set forth in section one of this act. The superintendent of banks shall require any person, firm or corporation making loans upon personal property deposited with the lender, as set forth in section one of this act, to make such reports, daily or otherwise, to the official head of the legally constituted police force of the locality in which such business is licensed, as said head police official may consider proper and in the public interest.

SEC. 13. The superintendent of banks shall report annually to the legislature such facts as he may deem proper concerning the business described in section one of this act, together with recommendations for any additional legislation necessary for its proper supervision, regulation and control and he shall include in said annual report copies of all rules, regulations and orders issued by him and in force applying to the business described in said section.

SEC. 14. For the purpose of carrying out the provisions of this act the superintendent of banks shall have power to appoint a

remedial loans deputy, who shall take and subscribe the constitutional oath of office and file the same in the office of the secretary of state, and to employ such clerks and examiners as may be needed, and he shall have power to fix the compensation of said deputy, clerks and examiners.

SEC. 15. A fund is hereby created to be known as the "remedial loans supervising fund," and out of said fund shall be paid all the expenses incurred in the administration of this act, including the salaries of the said deputy, clerks and examiners. The superintendent of banks shall fix the license fees to be paid by persons, firms or corporations who shall be licensed by him to engage in the business described in section one of this act which license fees shall not be less than one hundred dollars a year, nor more than five hundred dollars a year, and need not be uniform throughout the state. The said license fees shall be collected by the superintendent of banks. The fiscal year for such license fee shall be the calendar year. In addition to the license fee every person, firm and corporation carrying on any form of the business described in section one of this act shall pay for all examinations of the business of such person, firm or corporation and all special expenses incurred in connection therewith, as fixed by the superintendent of banks, and shall also pay annually a proper share as fixed by the superintendent of banks of the balance required to make up the total amount needed for the administration of this act, in like manner as the other expenses of the banking department are now charged to and paid by the businesses, corporations and individuals whose activities are supervised or regulated by the state banking department. All moneys collected or received by the superintendent of banks under and by virtue of the provisions of this act shall be by him delivered to the treasurer of the state, who shall deposit the same to the credit of the said remedial loans supervising fund. If any person, firm or corporation shall fail to pay any such charges as are herein required, the superintendent of banks shall forthwith revoke the license of such person, firm or corporation.

SEC. 16. All acts or parts of acts inconsistent with this act are hereby repealed. All powers and duties relating to regulating the

business or any form of the business described in section one of this act, heretofore conferred upon any municipal or county authorities by the provisions of any general law, or of any special law, are hereby repealed.

SEC. 17. This act shall take effect immediately.

APPENDIX V

*Act passed by New York Legislature, 1911.

AN ACT

To establish a commission to inquire into the workings of laws relative to certain loans commonly made at extraordinary rates of interest or charges, also to make recommendations for legislation, and making an appropriation for the expenses of said commission.

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

SECTION 1. Within forty days after this act takes effect there shall be appointed in the manner hereinafter provided a commission which shall consist of fifteen persons whose duty it shall be to make inquiry and investigation into the working of the laws in the State of New York relative to loans secured by pledge or mortgage of personal property and assignment of wages, and loans secured by note or contract with or without an endorser, which loans are commonly made at extraordinary rates of interest or charges, with or without legal sanction, except licensed pawnbrokers, and into the comparative efficiency, justice, merits and defects of the laws of other States and countries, relative to the

FOOTNOTE B.

*This bill was passed by the New York Legislature on July 21, 1911. The bill in its original form authorized the commission to examine into the laws regulating all forms of money-lending, but was subsequently amended to except licensed pawnbrokers. This amendment limiting the scope of the investigation was accepted by the introducer of the bill because of the realization that with the session near its close the bill could not otherwise have been passed. The bill was vetoed by the Governor of New York July 28, 1911, because of appropriation carried by it.

same subject; with a view to recommending permanent ways and means for regulating these forms of money lending. Said commission shall submit a full and final report, including such recommendations for legislation by bill or otherwise as in its judgment may seem proper, to the legislature of nineteen hundred and twelve.

SEC. 2. The members of the said commission shall serve without compensation, except that each shall be entitled to his actual necessary expenses incurred in the performance of his duties under the provisions of this act. The appointments shall be made as follows: Seven of the said persons shall be appointed by the governor, including one representative of each of the following organizations: The Russell Sage Foundation, the Merchants' Association of New York, the New York Charity Organization Society, the Charity Organization Society of Buffalo, the Brooklyn Bureau of Charities, the United Charities of Rochester; three shall be appointed by the president of the senate from the senate, and five shall be appointed by the speaker of the assembly from the assembly.

SEC. 3. For the purposes of its investigation the said commission is hereby authorized to send for persons and papers, to administer oaths and to examine witnesses and papers respecting all matters pertaining to the subjects referred to in the first section of this act, to purchase books and supplies, and to employ all necessary clerical and other assistance, within the appropriation therefor. If the said commission shall appoint from its members sub-committees to make inquiry into one or more of the subjects referred to in the first section, said sub-committees shall have the same powers as to sending for persons and papers, administering of oaths and the examination of witnesses and papers, as are herein conferred upon the commission.

SEC. 4. For this purpose the sum of ten thousand dollars (\$10,000), or so much thereof as may be necessary, is hereby appropriated.

SEC. 5. The superintendent of banks is hereby directed to co-operate with said commission and to render it any such proper

aid and assistance by the banking department as in his judgment may not interfere with the proper conduct of such department.

SEC. 6. This act shall take effect immediately.

APPENDIX VI

*Law Enacted in Massachusetts, 1911.

AN ACT

To provide for the Regulation of the Business of Small Loans.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

SECTION 1. There is hereby established the office of supervisor of loan agencies. The term of the office shall be for three years, and the supervisor shall be appointed by the governor, with the advice and consent of the council. His salary shall be twenty-five hundred dollars a year. He shall be furnished with an office in the state house, or elsewhere, and shall be allowed such sums for necessary expenses and for clerical assistants as may be approved by the governor and council. He shall annually on or before the first Wednesday of January transmit to the secretary of the commonwealth a report to the general court of his doings with such recommendations and suggestions as he deems necessary.

SEC. 2. It shall be the duty of the district police and the police of the cities and towns of the commonwealth to carry out the directions of said supervisor in enforcing the provisions of this act, and of any regulations made hereunder by him.

FOOTNOTE C.

*This law was recently enacted in the State of Massachusetts as a result of the findings of a legislative committee appointed to investigate the workings of small loan laws in that State. In its report the committee stated that it found the entire business of small loans so fraught with dangers and complications that it is necessary that an adequate law be enacted providing a reasonable rate of interest under an adequate scheme of supervision.

SEC. 3. No person, association, corporation or partnership shall directly or indirectly engage in the business of making small loans of three hundred dollars or less where the amount to be paid on such loan, for interest and expense together for making such loans exceeds an amount equivalent to twelve per cent per annum, without first obtaining a license for the carrying on of such business in the city or town in which such business is to be transacted. Such license may be granted by the supervisor of loan agencies.

SEC. 4. The supervisor shall, from time to time, establish regulations with reference to the granting of licenses and the business carried on by the parties so licensed, and loan companies and associations established by special charter. He shall either personally or by such assistant as he may designate, at least once a year, and whenever he deems it necessary, examine and inquire into their affairs, and for the purpose of making such examinations shall have free access to the vaults, books and papers, and shall ascertain the condition of the business and whether they have complied with the provisions of law and the regulations made by the supervisor. He may, if he deems it expedient, cause the examination of the books and business to be made by an accountant whom he may select, and the cost of such examination shall be paid by the person or corporation whose books are so examined.

SEC. 5. All persons under his supervision shall annually on the first day of November in each year make a return to the supervisor in the form of a trial balance of their books at the close of business on the thirtieth day of September preceding, and shall specify the different kinds of liabilities, the different kinds of assets, together with such other information as may be called for by the supervisor in accordance with a blank form to be furnished by him. A copy of such returns, or so much as the supervisor may deem necessary, shall be forwarded with the annual report to the legislature.

SEC. 6. The supervisor may summon the licensee or regulated companies or any of their agents or employees and such other witnesses as he deems necessary, and examine them relative to the affairs, transactions and conditions of such business, and for that purpose may administer oaths. Whoever, without justifiable cause,

refuses to appear and testify when so required, or obstructs the supervisor or his representative in the performance of their duties, shall be punished by a fine of not more than five hundred dollars or by imprisonment of not more than six months, or by both such fine and imprisonment.

SEC. 7. The supervisor shall establish the rate of interest to be collected, and in fixing said rate shall have due regard to the amount of the loan and nature of the security and the time for which the loan is made, but said rate shall not exceed three per cent per month, and no licensee or regulated company shall charge or receive upon any loan a greater rate of interest than that fixed by the supervisor.

SEC. 8. Licenses granted by the supervisor shall be for a period of one year from the first day of October: *provided, however,* that licenses granted between August first and September thirtieth of the current year shall expire on the thirtieth day of September, nineteen hundred and twelve. Each license shall plainly state the name of the licensee and the place where the business is to be carried on, and shall be posted in a conspicuous place in the office where the business is transacted.

SEC. 9. The fee for all licenses granted under this act shall be not less than one hundred dollars. If the licensee desires to carry on business at more than one place he shall procure a license for each place where the business is to be conducted.

SEC. 10. Any person, partnership, association or corporation who violates the provisions of this act or the regulations made by the supervisor shall be subject to a fine not exceeding five hundred dollars, and the license may be suspended or revoked by the supervisor. Any loan upon which a greater rate of interest or expense is charged and collected than allowed by this act or the regulations of the supervisor may be declared void by the supreme or superior court in equity upon petition by the person to whom such loan was made.

SEC. 11. Such license shall not be granted until the applicant therefor shall have filed with the supervisor of loan agencies a statement under oath which, in case of a corporation, made

by the president or agent thereof in charge of such business, stating the place in the city or town where the business is to be carried on, the name and the private and business address of the applicant, and, in case of a corporation, the State under the laws of which it is organized, and the name and private address of the clerk or secretary and the agent or other officer having charge of its proposed business, nor until the applicant, unless excused by the supervisor of loan agencies, files with said supervisor a power of attorney, appointing a person satisfactory to the supervisor to be his attorney, upon whom all lawful processes may be served in any action or proceeding arising under the provisions of this act, with the same effect as if served upon such applicant. If any change occurs in the name or address of a licensee or of the clerk, secretary or agent aforesaid of any licensed corporation, or in the place where the licensed business is carried on, or in the membership of any partnership licensed, a true and full statement of such change, sworn to in the manner required above in the case of the original statement, shall forthwith be filed with the supervisor of loan agencies, who may at any time after hearing revoke the license.

SEC. 12. Such license shall not be issued until the licensee gives to the treasurer and receiver general of the commonwealth a bond in a penal sum of five thousand dollars to be executed by the licensee and a surety company approved by the supervisor conditioned for the faithful performance by the licensee of the duties and obligations pertaining to the business so licensed, and the prompt payment of any judgment recovered against him or for which any one of the licensees may be liable under the provisions of this act, but no suit at law or in equity shall be commenced against said sureties on such bond for thirty days after judgment against said licensee. If in any case at law or in equity against the licensee under the provisions of this act it appears that the plaintiff is entitled to judgment or decree except for proceedings in bankruptcy or insolvency, for the discharge therein of the licensee, the court may at any time, on motion, enter a special judgment or decree for the plaintiff for the amount of his debt, damages and costs, or for such other relief as he may be

entitled to, and such bond shall be conditioned for the payment of such special judgment and compliance with such decree. Whoever is aggrieved by a breach of the condition of such bond may sue thereon at his own expense and in his own behalf, but in the name of the obligee, and if judgment shall be entered for the defendant for costs, execution therefor shall issue against the person for whose benefit the suit is brought as if he were the plaintiff of record, but not against the obligee. In such suit like proceedings shall be had as in a suit by a creditor on an administration bond. The supervisor may, at any time, require the licensee to file an additional bond of like nature and with like effect, and to give full information as to all judgments recovered or suits pending, on his bond. Upon failure to file any such bond required the license shall be revoked.

SEC. 13. If a greater rate of interest or amount for expenses than is allowed under the provisions of this act has been paid on any loan to which this act applies, the person who pays it may, by an action of contract, or suit in equity, recover back the amount of the unlawful interest or expenses, with twice the legal cost and no more, if such action or suit is brought within two years after the time of payment.

SEC. 14. If a loan to which the provisions of this act apply is secured by mortgage or pledge of personal property, or by an assignment of wages, the mortgage shall be discharged, the pledge restored or the assignment released upon payment or tender of the amount legally due under the provisions of this act, and such payment or tender may be made by the debtor, by any person duly authorized by him or by any person having an interest in the property mortgaged or pledged, or in the wages assigned. Whoever refuses or neglects upon request to discharge a mortgage, release or assignment or restore a pledge to the party entitled to receive the same, after payment of the debt secured thereby or the tender of the amount due thereon as aforesaid, shall be liable in an action of tort to the borrower for all damages thereby sustained by him.

SEC. 15. A mortgage or pledge of personal property or assignment of wages to which the provisions of this act apply shall

not be valid unless it states with substantial accuracy the actual amount of the loan, the time for which the loan is made, the rate of interest to be paid and the expense for making and securing the loan, if any; nor unless it contain a provision that the debtor shall be notified, in the manner provided in section five of chapter one hundred and ninety-eight of the Revised Laws, of the time and place of any sale to be made in foreclosure proceedings at least seven days before such sale. A notice of intention to foreclose under the provisions of sections five and eight of chapter one hundred and ninety-eight of the Revised Laws shall not be valid in such case unless it expressly states where such notice is to be recorded and that the right of redemption will be foreclosed sixty days after such recording. At any time after twenty days from the date of any such mortgage, if the same has not been recorded, the holder thereof shall forthwith, on demand and payment or tender of one dollar given to the mortgagor or any person interested in the mortgaged property, a copy of the mortgage and note on obligation secured thereby, which such holder or holders shall certify to be a true copy thereof.

SEC. 16. If a payment is made on account of a loan to which the provisions of this act apply, the person who receives the payment or its principal shall, when the payment is taken, give to the person paying a receipt setting forth the amount then paid and the amount previously paid, and identifying the loan, note, mortgage or assignment to which it is to be applied.

SEC. 17. Whoever not being duly licensed as provided in this act on his own account or on account of any other person, partnership or corporation not so licensed, engages in or carries on, directly or indirectly, either separately or in connection with or as a part of any other business, the business of making loans to which the provisions of this act apply, shall be punished by a fine of not more than five hundred dollars or by imprisonment for not more than sixty days, or by both such fine and imprisonment.

SEC. 18. The provisions of this act shall not affect so much of section 3 of chapter seventy-three of the Revised Laws as provides that if there is no agreement for a different rate of interest of

money shall be at the rate of six dollars upon each one hundred dollars for a year.

SEC. 19. Loan companies, and loan associations established by special charter are hereby placed under the supervision of the supervisor of loan agencies, but shall be exempt from procuring a license and all parts of said charter inconsistent herewith are hereby repealed.

SEC. 20. Upon the passage of this act the supervisor of loan agencies shall exercise all the powers in respect to the licensing and control of persons engaged in the business comprised within this act now conferred by statute upon the bank commissioner, the police commissioner of the city of Boston, the mayor and aldermen in other cities and the selectmen in towns. All licenses granted by the police commissioner of the city of Boston, by the mayor and aldermen in other cities, by the selectmen in towns, for the conduct of the business comprised within this act shall terminate on the first day of August, nineteen hundred and eleven: *provided, however*, that the supervisor of loan agencies, upon the payment of a fee of one hundred dollars, shall issue to the holders of licenses so terminated a license to continue the business.

SEC. 21. Section forty-one of chapter one hundred and two of the Revised Laws is hereby amended by inserting after the word "regulations," in the second line thereof, the words:—to the satisfaction of the supervisor of loan agencies,—so as to read:—*Section 41.* The board which grants licenses to pawnbrokers shall from time to time establish regulations to the satisfaction of the supervisor of loan agencies, relative to the business carried on and rate of interest to be charged by them; and a pawnbroker shall not charge or receive upon any loan a greater rate of interest than that fixed by the licensing board.

SEC. 22. No assignment of or order for wages or salary to be earned in the future to secure a loan of less than three hundred dollars shall be valid against an employer of the person making said assignment or order until said assignment or order is accepted in writing by the employer, and said assignment or order and the acceptance of the same have been filed and recorded with

the clerk of the city or town where the party making said assignment or order resides, if a resident of the commonwealth, or in which he is employed if not a resident of the commonwealth. No such assignment or order shall be recorded by the clerk of a city or town unless it states on its face that the sum of ten dollars of the wages or salary so assigned has been exempt from such assignment or order. No such assignment or order shall be valid when made by a married man unless the written consent of his wife to the making of such assignment or order is attached thereto. No such assignment or order shall be valid for a period exceeding one year from the making thereof.

SEC. 23. All parts of the charters of the Collateral Loan Company, Workingmen's Loan Association, Worcester Collateral Loan Association and Chattel Loan Company inconsistent with this act are hereby repealed.

SEC. 24. Section sixty of chapter one hundred and two of the Revised Laws is hereby repealed, such repeal to take effect upon the thirty-first day of December, nineteen hundred and seven. Sections fifty-seven, fifty-eight, fifty-nine, sixty-one, sixty-two, sixty-three, sixty-four, sixty-five, sixty-six, sixty-seven and sixty-eight of chapter one hundred and two of the Revised Laws, and chapter six hundred and five of the acts of nineteen hundred and eight as amended by chapter three hundred and seventeen of the acts of nineteen hundred and nine are hereby repealed.

SEC. 25. This act shall take effect upon its passage except so far as otherwise herein prescribed and all acts or parts of acts inconsistent herewith are hereby repealed.

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