

Credit for Consumers*

NOWADAYS most consumers may, if they wish, bathe in the consumer credit sea. You, perhaps, are one of those rare persons who stick to dry land, basking in the debt-free sun. If not, you may now be jumping joyously up and down in the credit breakers, unaware that someone on shore is making off with your clothes.

Or you may have drifted far beyond your depth. In that case, are you strong enough to swim back unaided? Or are you about to go down for the third time, to be revived only by a bankruptcy court pulmotor?

This pamphlet briefly describes the advantages and the dangers of the watering places, comments on the life guards, calls attention to the price of admission, and how to make sure what the true price is.

How Consumer Lending Has Grown

Conservative banking practice from the first frowned upon credit for consumers. Credit for production, yes! Credit for consumption, no! The wise words of the elder J. P. Morgan, to the effect that a man's character should be the first consideration in making a loan, were often quoted but seldom acted upon—for consumers.

Banks would lend on real estate, on good stocks and bonds, and to prosperous citizens without any security at all; but about 85 per cent of consumers could not meet the requirements. So these consumers, when unable or unwilling to borrow from friends and relatives, turned to the only commercial source widely available—the illegal lenders. Their rates were extremely high and their treatment abusive; but men who are sufficiently hard-pressed borrow where they can, without counting the cost.

* This pamphlet was written by LeBaron R. Foster, in cooperation with the Public Affairs Committee, on the basis of reports by Indiana, Wisconsin, and Massachusetts investigating commissions, the Report of the Massachusetts Committee on Consumer Credit, and studies by the Russell Sage Foundation, the Twentieth Century Fund, and other agencies.

CREDIT FOR CONSUMERS

Not until shortly before the World War did society begin to use effective remedies. Prohibition through usury laws had been tried. It was as futile then as it is today. More promising were the remedial loan societies, organized as social agencies, with capital supplied on a semicharitable basis, for the purpose of driving out unlawful lenders by competing with them. But these societies were too small and too few to meet more than a small part of the demand. Evidently, there was need for new loan agencies designed to serve consumers decently and efficiently.

One of these agencies, the first credit union, was set up in 1909, and a year later came the first Morris^{*}Plan bank. Of greater immediate effect were steps which brought existing lenders of small sums under close state control. Guided by advice from the Russell Sage Foundation and the remedial loan associations, six states passed laws, between 1911 and 1915, for the regulation of personal finance companies. Though inadequate, the laws gave practical experience which led to the drafting, in 1916, of the Uniform Small Loan Act. This model law permits lenders who obtain licenses to charge more than the maximum of the usury statutes, on loans of \$300 or less, provided they obey the rigid provisions of the law and submit to strict state supervision. Today a majority of the states have laws which embody the main features of the model law, and most of these states have fixed maximum rates under which law-abiding companies can do business. Large volume, illegal, very high rate lending continues, however, in states which have not adopted workable laws.

Along with cash lending agencies have developed institutions known as "sales finance companies." In the beginning, retailers carried instalment sales along with charge accounts, and many still do so. But with the rapid rise of instalment sales many retailers turned over the financing of these sales to companies which specialized in that business.

In recent years, lending to consumers has grown by leaps and bounds. During the period, 1920 to 1930, sales finance companies and personal finance companies were leaders in this growth. Though still dominant in size, they have grown less rapidly, since the Great Depression, than some smaller agencies, notably credit unions and personal loan departments of commercial banks. Taken as a whole, consumer credit agencies have been expanding faster than population, or retail sales, or consumer incomes. When a new credit

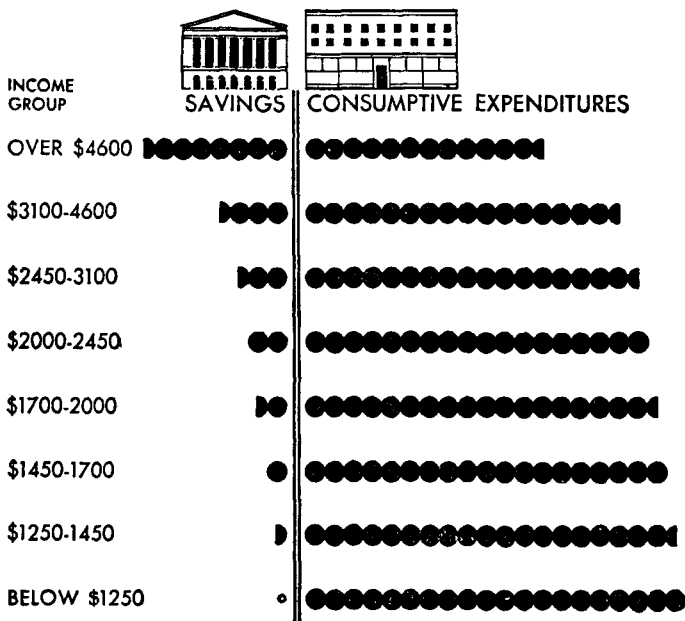
CREDIT FOR CONSUMERS

agency comes into a community, it appears to develop new business, not merely to take business away from other agencies. Either the demand for consumer funds has never been satisfied, or the demand is constantly enlarging, or both.

Inadequacy of Individual Savings

The easiest way to meet sudden demands for large sums of cash is from savings. The schools are right in teaching

SAVINGS AND CONSUMPTIVE EXPENDITURES



Each disc represents 5 per cent of income of group

PICTORIAL STATISTICS, INC.

● No savings or incurring indebtedness

thrift: that is the best means of providing for a rainy day. If families saved more, they would need to borrow less.

But the incomes of most families are not large enough to provide for a decent standard of living and savings, too. The first obligation of a family which is barely getting along is to

CREDIT FOR CONSUMERS

get along. Money spent for dental care, for example, may do more good than the same amount put in a bank. To save money and lose teeth is not true thrift.

That is one reason why saving, though widely praised, is not more widely practiced. Even in prosperous 1929, according to a Brookings Institution study, seven families out of ten received less than \$2,500. In the aggregate, those with incomes of \$1,250 to \$2,450 saved very little, and those with incomes of not more than \$1,250 saved nothing at all.

Savings, moreover, may be used up. Lost jobs, resulting from depressions and other causes, make mock of stability. The provident ant, after a long, hard winter, may find himself as destitute as the carefree grasshopper. However plump the cushion against hard times, illness may draw out all the feathers. Few savings accounts can withstand a succession of misfortunes.

With conditions as they are, rather than as we wish they were, savings often are not available when they are most needed. Borrowing then becomes the only possibility except charity. Whenever a large lump sum of money would be helpful—in sickness, accident, or death, during unemployment, for relief from a burden of piled up debts, even for sizable purchases of property—credit is often a friend in need, and the only friend.

Good Uses of Consumer Credit

The use of consumer credit is justifiable, first of all, to meet emergencies. Son Jerry must have his appendix removed at once. We have no money in the bank and Jerry cannot wait until we save the money. We are self-supporting and self-respecting; we would not appeal to charity even if we could thereby get the kind of service we want. So we borrow what we need.

Now take a case a trifle less urgent. Father, unemployed for six months, has been offered an attractive salesman's job which requires a car. For another man a car would be a luxury; for Father it is a necessity. He is sure that he can earn a living at the new job, but his savings are so nearly used up that he has barely enough to cover the down payment. In this emergency he uses credit: He buys the car on time.

Still oftener credit is needed to meet accumulated bills. Perhaps through unforeseeable accidents, perhaps through

CREDIT FOR CONSUMERS

laxness, the head of the family has allowed a sheaf of bills to pile up. The grocer's account is four months overdue; half the winter's coal is unpaid for; the electric light company threatens to cut off the service; and the next instalment on the refrigerator falls due the first of the month. One creditor is threatening wage attachment, an action which might cost the family breadwinner his job. It may be that a temporary lay-off, or costly hospital care, or moving expenses, or help to a relative has unbalanced his budget. Anyway, here he is. What shall he do?

There are several alternatives. Often the most feasible is the taking of a loan sufficient to pay off all the debts. That means borrowing from Peter to pay Paul; but Peter will wait for his pay and Paul will not. Moreover, if Peter is a legal lender, he makes only such loans as pretty surely can be paid without too great a strain on the borrower's income; and many lenders assist the borrower in working out a budget which provides for repayment. The money which the borrower pays for the use of money may be well spent if it saves his job, conserves his investment in the refrigerator, re-establishes his credit at the stores, and maintains his self-respect.

Not all consumer credit is used to extricate the borrower from trouble. A common use is to acquire high-cost commodities, such as houses, oil burners, automobiles, refrigerators, pianos, and furniture; things which are desired more than many of the low-cost things which are bought every day.

The cheapest way to buy such goods is to save up and pay cash. That way we pay less, but we have to wait for the goods. By buying on credit, we pay more, but we get the goods sooner. It boils down to this: Is it worth that much more money to have the goods at once? Often it is not; but many of us cannot muster the self-denial required to save cash. Either we acquire the costlier things through the compulsion of a monthly payment plan, or not at all.

Again, some of us who *could* pay cash deliberately choose the instalment plan because we have labeled our savings: "To be used in case of fire only."

In any case, the *purpose* of credit is but one test of wise use; the *size* of the total debt is at least as important. Mainly through taking on too much debt is financial health undermined.

The consumer-borrower is not like a railroad or a gov-

CREDIT FOR CONSUMERS

ernment; he cannot, for very long, live beyond his income. He must pay his debts regularly, or have his credit cut off. Usually, his fault is not that he lives a spendthrift existence while his brethren toil, but that he keeps his finances a month or two behind the game, and pays dearly for it. A person with the debt habit—one who continually takes on new high-cost debts as fast as he pays off the old—is an economic fool.

Credit cannot take the place of income. It can only alter the time when income is spent.

The Risks and the Costs of Using Credit •

The advantages of using credit are real, but the risks are equally real. A borrower who is unable to repay as agreed may lose the car or other assets which he has pledged as security. He may even have his wages seized by an impatient creditor. Some instalment and some loan contracts do, in fact, contain wage assignment clauses; and even without such contracts, a creditor may secure wage attachments through the courts to enable him to collect overdue debts. Action of this sort often means the loss of the borrower's job.

Further, if he uses his credit for everyday needs, he may find his credit exhausted in a real emergency. Again, he may find it easy to get into debt, but difficult to work his way out, so that in the end he pays not only the original credit charge but also successive refinancing charges. But if the borrower decides that the benefits are worth the risks and the costs—and no person can decide for him—he may borrow without a sense of guilt and without thought that the lender is doing him a favor. The borrower is simply making use of institutions geared to his needs.

VARIOUS KINDS OF CONSUMER CREDIT

Charge Account Credit

CHARGE accounts are primarily for convenience. It is easier to pay once a month than to make change for every purchase. The itemized monthly statements are an advantage, too, for they aid budgeting; and budgeting is essential if debts are to be kept under control. Some families will not or cannot budget. For them, buying on a pay-as-

CREDIT FOR CONSUMERS

you-go basis, with hard cash, puts a check on soft spending. Moreover, prices are often lower in strictly cash stores. The charge privilege is usually found in stores which provide a number of other services, and the cost of the credit and the other services often increases the price of the goods.

Many families, temporarily short of funds, use the "charge it" privilege in place of a loan. Customary terms are payment by the 10th of the month following purchases, but often these terms are not enforced. In most department and most clothing stores, charge customers may let their bills run 60 days, sometimes 90 days, without penalty. This enables customers to delay payment in order to tide over emergencies. But usually the family will get lower prices and fairer treatment from stores which enforce prompt payment by suspending the charge privilege on delinquent accounts. Customers will do well to encourage merchants who adopt this fair policy.

Credit Based on Assets

It is wise, before obtaining any loan or credit, to take stock of your financial cupboard. Borrowing on what you own is cheaper, as a rule, than borrowing on your mere promise to repay. The use of your savings bank deposits, life insurance policies, building and loan association shares, bonds and stocks, even jewelry and other personal property, may enable the lender to advance money with small risk of loss, and consequently at lower rates.

Often it is well to borrow on accounts in savings banks, instead of withdrawing the needed funds from the bank. Thus interest which has accumulated may be partially saved. Loans on insurance policies are easy to obtain, and they are low in cost, as they should be, since there is no risk to the lender. The borrower is in effect borrowing his own money. As these loans are readily renewed, self-discipline is necessary if the loans are to be paid. Borrowing on stocks or bonds may be economical, if the need for funds is clearly temporary.

Pledged Loans

Loans on pawnshop pledges are useful mainly when a very small loan will be a real benefit; but much caution is needed. The borrower should make sure that the rates are not much higher than the rates on other available loans, that

CREDIT FOR CONSUMERS

enough time is provided during which the pledge may be redeemed, and that the money is more needed than the possessions which are temporarily given up. Sometimes the borrower, if his chances of redeeming are slight, can do better by selling outright. As a rule, pawnshops lend from 60 to 90 per cent of the auction value of the pledge. Rates in a few cities are as low as 24 per cent a year, but usually the rates are much higher. In the largest cities, 36 per cent a year is common, and in many localities, particularly in the South, rates are from 60 per cent to 120 per cent.

Loans from remedial loan societies can be obtained on the security of jewelry or other marketable personal property. The societies which make such loans are like pawnshops; but their loans on the average are larger, rates generally are much lower, and standards of practice generally are higher. This is to be expected, because the rate of profit is limited and the policies are determined by trustees whose first concern is the welfare of borrowers; but there are remedial loan societies in only 21 cities, and only 15 of these make pledge loans.

Pledge loans have unique advantages: Since the borrower makes no promise to pay, but in effect sells the pledge subject to repurchase, he runs no risk other than the loss of the pledge. He is not pursued by collectors, and he is in no danger of having his wages attached. Moreover, for families without assured income, pledge loans are sometimes the only available credit source.

INSTALMENT REPAID CREDIT

LOANS of the kind just discussed are based on savings. Your savings may be in the bank, or invested in life insurance, real estate, stocks and bonds, or other valuable property. In time of need, you can turn these things into cash, or borrow on them.

Now we shall consider loans for which the chief security is not savings, but future earnings. With few exceptions, loans of this kind involve instalment payments.

Instalment Sales Credit

That instalment selling has come to account for about one-eighth of all retail sales is largely because both sellers

CREDIT FOR CONSUMERS

and consumers have found it useful. And, in the main, neither group wants to take unfair advantage of the other. Nevertheless, there are brigands in both camps. Sellers protect themselves by organizing to weed out bad risks, and by employing strong legal weapons. Consumers must be equally alert. If they are to avoid the sharks in the credit sea, they must be constantly on their guard against excessive charges and sharp practices.

Instalment credit is now available for the purchase of nearly everything from bassinets to gravestones. This does not mean that every store will sell on time to every customer; but it does mean that so many kinds of stores, with so many kinds of merchandise, at such widely varying prices, have adopted so many species of "easy payment" plans, with such diverse carrying charges, that a majority of families can find at least one seller who is glad to oblige.

Such a variety of credit terms makes for extensive credit, but it also makes for extensive confusion. Consequently, in order to buy intelligently, the shopper must take pains to discover exactly what kind of service he is offered and exactly what it will cost. Here are some of the important questions which he should ask, and, if necessary, keep on asking until he has definite and satisfactory answers:

1. *To whom will the debt be owed?* The reputation of the dealer is important, but it may afford little protection to the borrower if the dealer turns the debt over to a sales finance company or bank. Has the financing agency which will actually collect the payments a reputation for fair dealing?

2. *Is the instalment contract just?* Usually contracts are a maze of legalistic terms, printed in fine type. Hard as they are to read, the consumer may save money and annoyance if he reads them carefully *in advance*, for the express purpose of finding out whether they contain traps for the unwary. Some of those who prepare contracts take advantage of the fact that few customers read them. The finer the print, the more carefully the borrower should read it.

The *usual* security for instalment credit is a claim on the goods which are delivered at the time of sale. But let the buyer beware. Is there a claim on *other* goods? If the buyer fails to meet payments on his auto radio, can the seller take possession of both the car and the radio? Does the contract in question allow the creditor to seize the purchaser's wages? Are endorsements of other parties required? Generally the

CREDIT FOR CONSUMERS

buyer need not furnish any such extra security. Always he should know exactly what he is signing before he takes pen in hand.

3. *Is the creditor given the power to impose fines, penalties, and extra charges without limit?* Delinquency, repossession, and other irregularities cause the seller expenses for which he is entitled to some compensation; but the purchaser must be on his guard against extortionate extra charges. Not infrequently the borrower pays dearly for a few days' tardiness in payment. Some used car dealers thrive on repossession charges. One New York City purchaser was asked to pay, for the return of his car, a repossession charge of \$65, which was clearly extortionate.

4. *Is the purchaser assured a fair rebate of the carrying charges, if the debt is paid before it is due?* The purchaser should make sure that early payment will be rewarded by a worthwhile reduction in carrying charges.

5. *Does the contract require the creditor to give ample notice before repossession?* Such a clause may protect the buyer from harsh and costly treatment. Unethical sellers and sales finance companies wait until the customer has completed all but one or two payments; they then repossess, without notice, on the slightest excuse.

6. *Are all the dollars and cents figures which appear in the contract correct?* The time to rectify mistakes is before the contract is signed. Later on may be too late. A few minutes is not too much time to spend in examining an agreement which lays a claim on the family income for one, two, or even three years. A rushed deal may be suspected. Above all, refuse to sign unless all the figures are filled in.

7. *What will credit cost?* There are two measures of the money cost: the cost in dollars and cents, and the cost in terms of a percentage rate. Neither may turn out to be what at first glance it seems to be.

The Dollar Cost of Credit

The first thing which a buyer must do for his own protection is to find out the difference between the *true* cash price and the credit price. This research may take a little of the buyer's time, but it may pay him five dollars or more per hour. Some stores, because they sell all or nearly all their goods on *credit*, have no incentive to advertise a low cash price. In

CREDIT FOR CONSUMERS

effect they include part of the credit charges in the ostensible cash price in order to make the credit charges appear low. The slogan "No Carrying Charges" is misleading. There are always carrying costs, whether concealed or in the open, and the dealer always intends to make customers pay them.

This point may be clarified by a few comparisons:

Store A sells on instalments but makes no separate carrying charge. *All* prices are time prices. Therefore, the customer pays for credit whether he takes it or not.

Store B makes a carrying charge which is insufficient to cover the costs of extending credit. In this store, cash customers pay part of the costs of the credit granted to other customers.

Store C quotes a price which is merely a starting point: If the customer buys on time, he pays a carrying charge; if he buys for cash, he is given a special discount.

Store D makes a carrying charge which equals or exceeds the cost of granting credit.

Store E sells only for cash.

Certain credit stores do not vary their first-quoted prices; others, on one pretext or another, grant discounts whenever the customer appears to be interested in a cash deal. The shopper cannot always tell, except by careful shopping, which store is which.

Having determined what he wants to buy, the shopper should find out which store will give him the lowest *cash* price. With this price he should compare the *credit* price of the instalment sales offer which is best suited to his needs. The difference is, to him, the *dollar cost* of the credit. There is no other way of finding out the *true* dollar cost.

The Percentage Cost of Credit

The dollar cost of credit helps the shopper, particularly when he compares costs of credit purchases which run the same number of months and start with the same unpaid balance. But whenever time and unpaid balance differ—and often they do differ—and whenever it is helpful to compare the cost of paying carrying charges with the cost of a money loan—and usually it is helpful—a *percentage rate is absolutely necessary for intelligent comparison.*

Many dealers say, however, that a majority of customers pay little attention to percentage rates, even when invited to

CREDIT FOR CONSUMERS

do so. That is a fact. Such buyers might save a lot of money by taking a little trouble.

How to Find Out What Rate You Pay

For an example, let us take actual terms quoted in one Lowell, Massachusetts, store. A radio was priced at \$100 cash and \$104 on time. The terms were \$5 down, the balance to be paid in 12 equal monthly payments. According to the dealer, the carrying charge was 4 per cent. For spot cash, however, he would deduct \$10 from the "cash" price. So, in reality it would cost the customer \$14 to pay off a debt of \$85 over a period of 12 months. The debt would be gradually reduced by the instalment payments, with the result that the purchaser would receive credit, on the average, equal to about half the starting balance. Dividing 14 by half of 85 gives the annual rate of 33 per cent. As with nearly all percentages quoted by sellers, the 4 per cent rate quoted in this case is far from the true rate.

Now suppose the Lowell customer were also considering a refrigerator, and wanted to know whether it would be more economical to pay cash for the radio and buy the refrigerator on time, or vice versa. In a neighboring store, he could have purchased a refrigerator for \$180 cash (no discount allowed); or \$10 down and the balance, plus a \$20 carrying charge, to be paid in 24 monthly instalments. The average amount of credit would be roughly half of \$170, or \$85. When 20 is divided by 85 the result is, in round numbers, 24 per cent for two years' credit, or about 12 per cent per year. Instalment purchase of the radio, therefore, would have cost the buyer more than two and one-half times as much per dollar of credit as instalment purchase of the refrigerator.

How Easy Are "Easy Payments"?

Some of the rates on instalment credit are among the lowest in the entire field of consumer finance; some are among the highest. A special commission of the Massachusetts legislature found that among about 500 cases the rates of 56 were in excess of 100 per cent a year. On automobile tires, for example, a common charge is 10 per cent of the unpaid balance for the privilege of paying in 10 to 20 weekly payments. Though the credit charge may be only a few dollars, it results

CREDIT FOR CONSUMERS

in an annual rate of as much as 95 per cent. The seller probably little more than covers his costs, but the purchaser pays dearly for a little credit.

There has been a tendency to make "easy terms" too easy. In the consumer's own interest, the down payment should be as large and the period of contract as short as his cash on hand and his income readily permit. Thus more of his dollars are used to buy merchandise and fewer to pay for credit. Furthermore, the smaller the debt which he assumes and the shorter the time during which it runs, the less is the danger of losing his car or other merchandise because he cannot complete his payments.

There are other dangers. Instalment buying from the minority of unscrupulous dealers, now under no special regulation except in Indiana and Wisconsin, offers more pitfalls than any other kind of borrowing except borrowing from unlicensed lenders. No contract is likely to be entirely satisfactory, since contracts are prepared mainly to protect the creditor. In practice the customer must rely on his own vigilance; he must take pains to examine the terms offered and refuse to sign any contract which contains dangerous provisions.

Industrial Banks, Morris Plan Banks, and Personal Loan Departments of Commercial Banks

Industrial banks are primarily consumer credit agencies; the word "industrial" is a misnomer. One group of these banks operates under the trade name "Morris Plan." Industrial banks and personal loan departments of commercial banks serve borrowers who are able and willing to get responsible endorsers for their notes. A few remedial loan societies also make such loans. The risks of loss are relatively small and the loans on the average are relatively large.

The requirement of endorsers or co-makers to share with the borrower the responsibility for payment, is a stumbling block for many men who would like to borrow from these institutions. Some customers, including most of those who are in direst need of aid, cannot get acceptable endorsers. Others are loath to ask such a favor because they do not want to have to return it. Still others do not wish to reveal their financial troubles to their friends or employers.

A borrower naturally considers whether his friend or relative can afford to assume such a risk. If the answer is

CREDIT FOR CONSUMERS

“yes,” the personal loan department of a commercial bank, a Morris Plan or other industrial bank, may be his best source of help. Even if unwilling to supply endorsers, borrowers who enjoy high credit ratings should not overlook this source, since some of these lenders now make loans on single signatures.

The rates are relatively low; but they are not as low as they seem to be. First, the charges are *discounted*. This means that, if the total charge is 8 per cent, a borrower who signs a \$100 note receives only \$92. Second, part of the charge for the loan is called “fees.” To the stated rate of interest is usually added 1 to 3 per cent for investigation or other expenses—expenses which, for the most part, must be met by *all* lenders of money, whether or not a separate charge is made. Third, the borrower is required either to repay in instalments, or, what amounts to the same thing, to make regular deposits to a special savings account sufficient to pay back the loan. Thus, in effect, the borrower pays interest on that part of the loan which he has already paid off. When interest is paid on the deposits, it should be taken into account in figuring the cost of the loan.

The net result of the interest charge and the fees, the discount in advance, the repayment by instalments, and the interest allowed on deposits, is actual annual rates ranging from 7 per cent to 34 per cent per year. Rates of commercial banks frequently are 10 to 12 per cent. A common rate for industrial banks—usually advertised as “loans at 6 per cent”—amounts, including fees, to more than 17 per cent. Even at these rates, the lenders are forced to demand that the borrower make his payments with promptness. Heavy fines imposed for tardy payments, often 5 cents on the dollar, yield substantial revenue to some lenders. Endorsers are called upon to assist in making collections. Legal action is relatively frequent, and in such cases attorneys’ fees are charged to borrowers. In short, the plan cuts expenses by demanding good security and strict paying performance. Borrowers who can meet the requirements are rewarded with low rates.

Credit Unions

Credit unions are cooperative organizations which lend the savings of a group to some of its members. These unions have obvious advantages. Usually their lending costs are low

CREDIT FOR CONSUMERS

because of donated management services and office space, intimate knowledge of members' circumstances possessed by the directing officials, tax exemptions, and limited rates of return on the capital. On account of these advantages, credit unions can make loans at rates lower than those charged by commercial agencies on the same type of loan, and have a special advantage in loans of \$50 or less.

Credit unions succeed best in closely knit groups, such as employees of one business firm or government department, members of a labor union, or of a club or lodge. As a rule there must be at least 50 members in order to provide sufficient capital. There are also neighborhood unions; but the chances of success decrease as a union spreads out and the management loses close touch with the affairs of the members. Credit unions therefore are not available to everybody. More than 7,000 of these agencies are in operation, however, with a membership of approximately 1,800,000.

A majority of credit unions lend \$50 or less without any security other than the borrower's signature and the pledge of any union shares that he may own. For larger loans, endorsers usually are required. The objections to endorsements are akin to those mentioned in connection with industrial banks, but not so weighty since endorsers less frequently are asked to pay the loans. In some cases, wage assignments and real estate mortgages are alternative sources of security.

For the borrower, the chief attraction of credit unions is low rates. A majority of the state laws and the federal law limit the charge to 1 per cent per month on actual, unpaid balances. Generally, initial extra fees are not permitted, although fines for delinquency are. The 1 per cent charge is figured each month, not on the amount of the loan at the start, but on the actual amount still unpaid. Thus, the commonest maximum charge amounts to a true annual rate of 12 per cent.

Credit unions are a concrete embodiment of the cooperative ideal. Under favorable conditions, they provide loans at advantageously low rates for borrowing members, and liberal returns for investing members.

Licensed Personal Finance Companies

Commercial small loan companies, now called personal finance companies, operate under laws devised to eliminate

CREDIT FOR CONSUMERS

illegal moneylenders. They serve borrowers in all income groups between the very highest and the very lowest, including many who, because they have uncertain prospects or can offer no good security or want only very small loans, would be turned away by lower cost commercial agencies. Loans are made quickly and confidentially.

Since the chief security for such loans is the borrower's promise to repay, the loans are called character loans. Additional security is generally required in the form of chattel mortgages on household furniture, or occasionally wage assignments, but these are taken mainly as a protection against those very few borrowers who, though able, refuse to pay. In some localities loans are being made simply on the signature of the borrower.

Loans are limited, under the small loan laws of nearly all states, to \$300. This blanket restriction applies to no other consumer credit agency. In several states, one-half the loans are \$100 or less, and from one-third to one-sixth of them are \$50 or less. Many families and single individuals, including most of the lower half with incomes less than \$21 a week, need comparatively small sums. Their only safe source, aside from credit unions and pawnshops, usually is licensed personal finance companies.

In some states, the maximum that may be charged is $3\frac{1}{2}$ per cent a month; in more states, 3 per cent a month; and in two states, $2\frac{1}{2}$ per cent a month. In a few other states, still lower maximum rates are fixed by law, but are ineffective. On loans above \$100, rates lower than 3 per cent are obtainable in most large cities.

Three per cent a month is a high rate. It is, however, an all-inclusive rate. The model law prohibits fees, fines, or other extra charges. Suits for collection are relatively infrequent, partly because attorneys' fees may not, as with other lenders, be saddled on to the delinquent. The rate as stated is an accurate rate; the charge is not discounted, and the interest is applied each month only on the balance still due. Thus the borrower is charged only for the credit he actually uses. In the case of a \$100 loan, repaid in 12 monthly instalments, the amount borrowed would be \$100 the first month, one-twelfth less than that the second month, and so on, averaging \$54.17 for one year. The charge at 36 per cent a year (3 per cent a month) would be, not \$36, but \$19.50. The balance

CREDIT FOR CONSUMERS

due may be repaid at any time, with interest charged, at the stated rate, only for the actual period of use.

Under the small loan laws, the lending agencies in most cases are carefully supervised. If the borrower has a grievance, he can take his troubles to the state supervisory department with confidence that he will receive fair treatment.

These are good reasons why every consumer should insist on having a *workable* small loan law in his own state, and should insist on having the law strictly enforced; but these reasons do not justify him in borrowing from small loan companies, if he can avoid borrowing without too great a sacrifice, or if he can borrow elsewhere, under a satisfactory plan, at rates lower than the comparatively high rates which small loan companies are obliged to charge.

Unlicensed Lenders

In the 20 states which have no small loan law, as well as in states which have passed good laws, but which have established maximum rates too low to permit small loan companies to grant small loans, unlicensed lenders are the only source of loans for a large majority of wage earners. Thus, these states have not yet protected those of their citizens who most need protection.

A few lenders in these states are doing their best to supply the demand for consumer loans at fair, although illegal, rates. But they are exceptional. The lowest rate *commonly* charged by illegal lenders is 120 per cent a year; the usual rate is 240 per cent; and the highest rate is above 1200 per cent.

The rate, however, is not the worst feature of the business. The usual aim of these lenders is to get the borrower into debt and keep him there. When the borrower attempts to pay part of his debt, he is told to pay the whole principal or none. Often, when he cannot pay even the interest, he is passed on to a company of another name owned by the same lender; and then he is charged, in addition to interest, a sizable refinancing fee. In case after case, a man borrows, let us say, \$50, pays in interest \$300, and still owes more than he borrowed. Resort of the victim to the courts is often of no avail. The illegal lenders, operating under a pretense of buying wages or under some other legal dodge, and often

CREDIT FOR CONSUMERS

in league with officers of the law, thwart all attempts of the borrower to extricate himself.

To deal effectively with the evil, each state must: first, outlaw illegal lending by adopting laws which close all the loopholes; second, adopt rates and regulations under which the demand may be served legally; third, enforce the law.

VOLUME OF CONSUMER DEBTS

WE now venture estimates of amounts. For some divisions, such as remedial loan association loans, the data are reliable. For some others, such as personal finance companies, credit unions, and personal loan departments of commercial banks, the data are estimated from a body of

SAVINGS DEPOSITS, CONSUMER CREDIT, AND BANK LOANS, 1937



TOTAL
CONSUMER CREDIT



DEPOSITS IN ALL
SAVINGS BANKS



LOANS BY ALL BANKS
IN THE UNITED STATES



Each circle represents 2.5 billion dollars

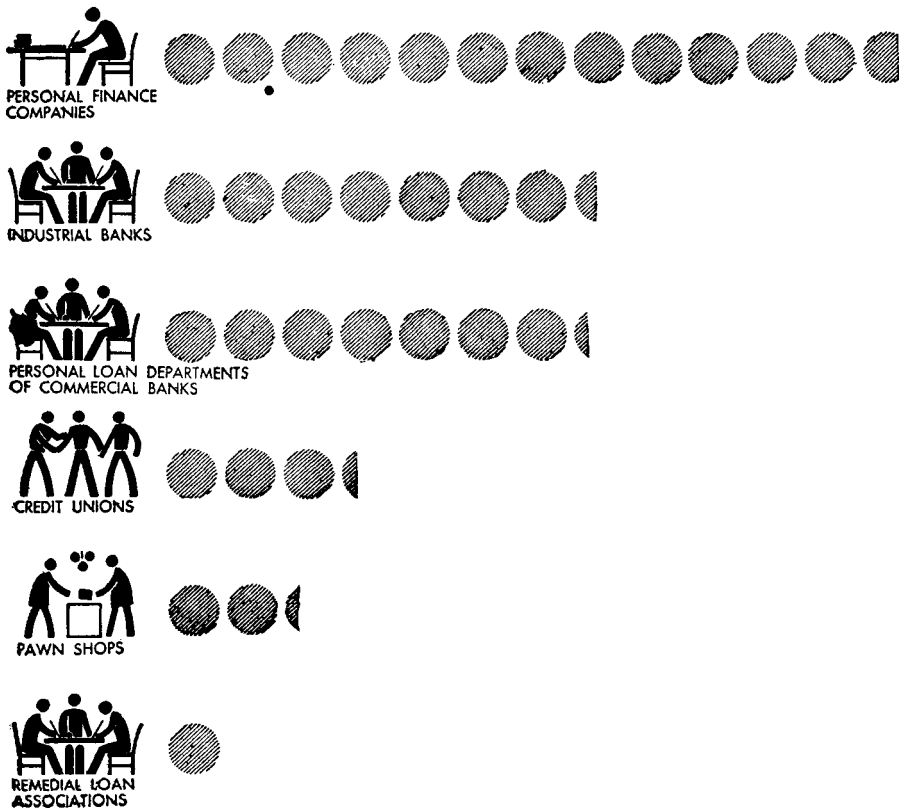


PICTORIAL STATISTICS, INC.

CREDIT FOR CONSUMERS

known fact. As for the figures on charge accounts, instalment sales credit, illegal lenders, pawnshops, loans among friends or relatives, and informal personal loans by commercial banks—well, it would be rash to call these figures more than

CONSUMER LOANS BY VARIOUS AGENCIES, 1937



Each disc represents 25 million dollars

VICTORIAL STATISTICS INC 

informed guesses. The nine billions of consumer credit compare in size with total deposits in our savings banks, and are somewhat less than half as large as the loans of all banks in the United States. Credit for consumers has an important place in our credit structure.

CREDIT FOR CONSUMERS

CONSUMER DEBT BY TYPES OF LENDING AGENCIES¹

Estimated Outstanding,
End of 1937
(Millions of dollars)

Credit Based on Personal Property and General Credit

Retailer and Financing Agency Instalment Sales Credit . . .	\$2,800
Retailers' Open Accounts	1,600
Advances by Relatives and Friends	1,000
Commercial Bank Personal Loans (not segregated)	500
Personal Finance Company Loans	315
Industrial Bank Loans (including Morris Plan)	185
Personal Loan Department (Commercial Bank) Loans . . .	180
Illegal Lenders' Loans	125
Credit Union Loans	80
Pawnshop Loans	55
Remedial Loan Association Loans	27
Loans from Philanthropic, Employer, Student and Other Special Loan Funds	25

Credit Based on Savings and Other Reserves

Life Insurance Policy Loans	2,100
Veteran Borrowings on Life Insurance and Adjusted Com- pensation Certificates	143
Building and Loan Association Share Loans	120
Loans by Other Savings, Loan, and Investment Companies	50
Savings Bank Loans on Pass Books	8

TOTAL \$9,313

HOW TO USE CREDIT TO ADVANTAGE

NOW, let us say that, having gathered the facts, you decide that you want to use your credit. What is the best security that you are willing and able to offer? Generally speaking, the better the security, the lower the cost of borrowing.

What is the smallest loan that will solve your problem?

¹ As explained in the text, estimates where adequate data are not available are necessarily rough. All estimates are net, after deducting estimated loans for business purposes. Money loans include virtually no rural credit, and no real estate debt. For some items, use has been made of earlier studies by Dr. M. R. Neifeld and Dr. F. W. Ryan, and of current estimates by the Department of Commerce and Mr. Rolf Nugent.

CREDIT FOR CONSUMERS

It is foolish to pay for more credit than you need; yet a loan which only partially solves your problem may soon leave you face to face with the same difficulty all over again.

What service features do you want? Are you reasonably certain of your ability to reshape your finances without assistance and to meet all payments on the dot? Or do you want counsel on budgeting, and lenient treatment in the event that you find yourself unable to make a particular payment? Extra services may be valuable to you, but you will have to pay for them.

RATES ON CONSUMER CREDIT

	<i>Common Charge</i>	<i>Range of Charges</i>
Savings Bank Accounts.....	...	3-6
Buildings and Loan Ass'n Shares.....	6	6-12
Insurance Policies.....	5	3-6
Credit Unions.....	12	6-18
Personal Loan Depts. of Banks.....	12	7-23
Remedial Loan Ass'ns (Pledges).....	..	9-36
Remedial Loan Ass'ns (Chattel Mortgages and Co-maker Notes).....	..	15-30
Industrial Banks.....	17	12-34
Pawnshops	36	24-120
Personal Finance Companies.....	36	30-42
Instalment Sellers and Finance Companies	0-500
Illegal Lenders.....	240	72-1200

Taking into account the answers to these questions, what is the lowest cost loan that will serve? Rates of charge differ from state to state, from city to city, and from lender to lender. The preceding table gives only a general summary of rates, which should be checked by the individual borrower in his own community.

Let us emphasize the fact that the above table is merely a rough guide to the widely varying rates of charge in various parts of the country.

How to Finance Yourself

Some see only two alternatives: buying now on credit at high costs, or waiting several months until the necessary cash has been saved. But waiting is always irksome, and sometimes it is both unwise and unnecessary. You may be able to

CREDIT FOR CONSUMERS

buy now, and still avoid the charges of the commercial market. Have you savings which you are loath to touch because you set them aside for definite purposes? Perhaps you fear that if you use them, you will fail to replace them. You are inclined to buy on credit, not because you are heedless of the morrow, but because the repayment plan compels you to live within your income.

Commendable as the motive is, the needless resort to such credit wastes time and money. By devising a self-made plan, you can finance yourself at a cost of 2 or 3 per cent (whatever interest you forego on your savings) as against many times as much for credit obtained elsewhere.

Careful budgeting is a great help, and there are many excellent guides to assist you. All you really need to do, however, is to set up a schedule of payments identical with those you would have to make to the instalment seller or lender. Then regularly, on each payday, deposit the payment in your savings account. In the end you will have paid back not only the amount you withdrew from the bank, but also an added amount equal to your saving in carrying charges. Whether you use your own funds or funds supplied by a creditor, it is the rigid adherence to regular payments that prevents you from falling behind.

Paying Off Old Debts

Clearing up a pile of overdue debts is a real job. The sooner it is faced, the better. Here is a sensible approach:

1. Leave out all bills, if any, which are not just claims, and refuse to pay illegal lenders. If any creditor who is thus ignored makes trouble, consult your lawyer. If you cannot afford to pay a lawyer, consult a legal aid society.

2. Make a list of the remaining bills which are due and those which are soon to become due.

3. Pare your expenses to the bone. If that means moving or giving up your car, better do it now, deliberately, than be forced to do it later. Now compare income with expenses. Have you enough left to pay your debts in a few months? If so, make out an exact dollars and cents plan for paying each creditor his share on each payday. Show the plan to all creditors who are demanding immediate payment. If the plan is practical, usually all creditors will cooperate.

4. You may find that, because an important creditor re-

CREDIT FOR CONSUMERS

fuses to wait or because your debts are too large, your self-made plan does not work. In that case, a loan may help. The loan charges will add to your burden; but you can reduce the size of the payments by spreading them over ten months, twelve months or, with some lenders, as much as twenty months. Often lenders will suggest ways to cut expenses and will assist you to budget. In your clean-up plan be sure to take all debts into account. An overlooked creditor may garnish your wages and wreck your plan.

5. If there is no reasonable prospect of getting out of debt through borrowing, do not borrow even if you can find a willing lender. Use the new machinery which the federal Bankruptcy Act of 1938 provides for wage earners with incomes not over \$3,600. Without going through bankruptcy and without hiring a lawyer, you may submit a repayment plan to the federal court, for approval by the court and a majority of your creditors. If necessary, your debts may be scaled down. While you are making payments under the plan, the court will protect your property and your wages against attachment.

6. Bankruptcy is the last resort. Very rarely, important creditors will refuse to cooperate; or your debts will be so large that the court finds it impossible to arrange a plan of payment. In that case bankruptcy may be necessary to free your wages and your job from the persecution of creditors. Beware, though, of shyster lawyers who drum up trade in this field.

WHY CONSUMER CREDIT IS EXPENSIVE

ANY consumer who bought flour by the carload would get a low price per pound; but no consumer wants wholesale lots. He wants only a few pounds at a time. He also wants credit in small lots; and as with flour or coal or cotton cloth, he must pay more at retail than at wholesale.

There are several reasons why credit for consumers is more expensive than credit for business. First and most important is the fact that service costs per dollar of loans to consumers are higher than the costs per dollar of loans to industry. An experienced investigator must contact several references to check the consumer's credit standing. He must verify the title to any goods that may serve as security. The

CREDIT FOR CONSUMERS

necessary documents must be prepared, duplicated, filed, and recorded. The cashier must receive numerous weekly or monthly payments, issue receipts, and keep track of them on the books. When routine notices fail, collectors must be sent out to exert pressure. All these expenses often amount to more dollars on a retail \$100 consumer loan than on a wholesale \$5,000 producer loan.

Second, the cost of capital generally is higher than for commercial banks. Banks which lend to business pay no interest on checking deposits, and only 1 or 2 per cent on time deposits. Lenders to consumers, however, start where the banks leave off. They pay bank rates for the funds which they borrow from the banks, and going market rates for substantial preferred and common stock capital. So, in lending those funds, they must make their rates enough higher to cover their expenses and profits.

Third, there are losses. They are less than one might suppose in view of the risks accepted, but they are by no means unimportant. Particularly in times of subnormal employment, cash lenders have to give up trying to collect large amounts of interest and principal, and instalment sellers must either repossess much of the goods sold on credit or write off numerous bad debts. Even in good times they keep down their losses mainly by spending much money in painstaking investigation and persistent collection effort.

There is another cost factor, often called the "legislative hazard." Since credit use may profoundly affect a family's welfare, legislatures are justly concerned with prices and practices. Lenders of money depend for their existence on permitted interest rates—rates which may be suddenly and drastically changed; and instalment credit grantors are coming in for increasing regulation. Wherever proposed legislation may seriously affect their business, creditors are at some expense to make their case heard. And when new laws alter the rules, they must spend money in adjusting or in moving.

A PROGRAM FOR SOCIAL PROTECTION

THE consumer is at a special disadvantage in his dealings with credit agencies. If his need for money is urgent, he is in no position to bargain; and when he buys on the budget plan, he is inclined, since he is interested pri-

CREDIT FOR CONSUMERS

marily in the merchandise, to accept whatever terms are offered.

Moreover, even if he attempted comparisons, his task might be difficult. Often credit terms are a jumble of percentages added, percentages deducted in advance, flat dollar charges and cash discounts, percentages applied to cash prices, to original unpaid balances and to declining unpaid balances, special charges for investigation, insurance, registration, and what not. As Evans Clark says: "The present complicated maze of differing rates and ways of charging for instalment credit and small loans should be reduced to a single, simple, and easily comparable basis which would show the borrower at once precisely how much he has to pay for the money or credit of which he has the actual use. Every agency should be required by law: (1) To calculate its rates in terms of this single standard; (2) to publish this calculation in all its loan contracts; (3) to submit it to the state supervisory agency as part of its regular public accounting."

A practical and accurate method of stating the interest rate on an instalment-repaid loan is the statement as per cent per month on actual unpaid balances. But, because other methods give a competitive advantage through making the rate appear lower than it is—the "6 per cent plan" of the automobile finance companies, for example—it is doubtful whether widespread adoption of any reasonably accurate method can be secured except through legislation.

Control of Money-Lending

Outstanding among control measures is the sixth and most recent draft of the Uniform Small Loan Law. As more effective laws are developed, they should be adopted. At present many states do not even require accounting reports, and the best of the reports could be improved. Worse still, in some states, the administration of the law is lax.

Supervision over other lending agencies is crude and inadequate. Credit union laws, despite some shortcomings, are better than most. New York and New Jersey, alone have laws regulating personal loan departments of banks. Most pawnshop supervision is for the sole purpose of intercepting stolen goods. And lastly, instalment sellers and financiers, except in Wisconsin and Indiana, are largely free from state regulation.

CREDIT FOR CONSUMERS

All consumer credit agencies should be put under effective control, in order to make public the nature and extent of their operations, to shut out unprincipled operators, and to assure the statement of credit charges upon an *open, clear, uniform, and competitive basis*.

A second major objective is the elimination of outright dishonesty and racketeering. In the money-lending field, the problem is more acute in states which have no workable and ably enforced small loan law. Salary buyers not only levy extortionate interest charges, but resort to the cruelest measures to collect them. Where other means fail, illegal lenders have employed armed thugs to beat up delinquent victims. The obvious remedy is the use of credit unions wherever conditions are favorable, and the replacement of antiquated usury statutes with effective small loan laws, which prescribes rates sufficiently high to attract legitimate capital.

Regulation of Instalment Selling

The remedy for racketeering in instalment selling is not so clear. Abuses range from the levying of unreasonable fees for delinquency, repossession, and refinancing, to fraudulent sales of merchandise, the main purpose of which is to burden the purchaser with debt and thereby collect extortionate financing charges. One device is the "add-on" contract, which may cover several purchases strung out over a long period. Though the buyer may have paid, by the time of default, enough to cover all but the last purchase, the seller repossesses the entire lot.

A study in Chicago of wage assignments showed the annual filing of one wage assignment for every five employees in the street railway, and one assignment for every one and one-half of the laborers in a packing plant. The bulk of these were filed by retailers who, to judge from the records of the Legal Aid Society, were for the most part instalment houses. While the major part of instalment selling today is done by reputable firms at reasonable rates, the part conducted by racketeers is considerable. Strong legal instruments, which are necessary to protect the seller, are easily converted into devices for oppressing imprudent or unlucky debtors.

To remedy these abuses, two steps appear necessary: (1) Full disclosure in plain language, in every instalment contract, not only of the regular instalment terms, but also of

CREDIT FOR CONSUMERS

the exact amount of fines and penalties, if any, that may be imposed in case of delinquency or default, and the exact conditions under which repossession may be made; (2) prohibition of, or strict limitation on, those devices which are used to abuse the purchaser.

Laws hastily drawn up and laws which fix impossibly low rates are worse than no laws at all. Such are the laws, passed by Utah and a few other states, which limit instalment charges to 6 or 10 or 15 per cent a year. No one attempts to enforce such laws. To be workable, regulation must be built into the framework of existing laws and commercial procedure, and must permit reasonable rates.

Two Regulatory Laws on Trial

Two states, Indiana and Wisconsin, are pioneers in the regulation of instalment selling. Laws of both states require that the buyer be given complete dollars and cents details of the instalment transaction, and a statement or insurance policy describing the insurance coverage.

In many other respects these two laws differ. Indiana requires all finance companies to be licensed, and all licensees to make detailed reports and keep their records open for inspection. Maximum rates for carrying charges—different for different classes of merchandise—are set by the state banking department, and full-time investigators are employed to see that the limits are not exceeded. The law has the active co-operation and warm endorsement of the majority of firms affected, partly, no doubt, because the maximum rates thus far have not been low enough to injure any reputable finance company. However, instalment sellers who do not deal with finance companies are largely unregulated.

Wisconsin's law governs only the motor vehicle industry, but within that field goes much further than Indiana's law. Under it, not only finance companies, but also manufacturers, distributors, dealers, and salesmen are licensed; and the regulations issued by the supervisory authority are enforced through the power to revoke licenses, a power which is vigorously used. Rate limits are not prescribed, but the state department does require each finance company to submit for approval its schedules of rates, rebates, fees and penalties. The law is not solely a consumers' law; many of its provisions and much of the enforcement are designed to

CREDIT FOR CONSUMERS

better the position of small businesses in their struggle with large ones. To what extent a consumers' law and a fair trade practices law can be made to work hand-in-hand may be learned from Wisconsin's experience.

A Massachusetts Special Commission recommended licensing and supervision of finance companies by the state banking department. The Governor's Committee on Consumer Credit in the same state concluded that control would be difficult unless extended to include retailers. The two bodies agreed, however, that state regulation of some sort is urgently needed for the protection of the public.

England's new Hire-Purchase Act, effective January 1, 1939, was drafted to protect consumers. It does not attempt to limit rates of charge, but in some other features, notably those governing repossession, it is far more drastic than most proposals for the United States. Results will be worth watching.

Rates Determine the Extent to Which Credit Is Granted

The cost of providing credit rises rapidly as the service is made available to a larger and larger proportion of the population. The smaller the loan and the greater the risk, the higher must be the charge for credit. Commercial bank rates for business loans permit lending only to preferred risks; in fact, a large proportion of personal loans at commercial rates are made as special favors, or as business builders for the more remunerative departments.

Next in the scale of risk are loans made on the security of notes endorsed by responsible co-makers or to rigorously selected risks: loans of industrial banks, Morris Plan banks, personal loan departments of commercial banks, and a few others. Also in a preferred class as to risk are pledge loans of remedial loan associations, some credit union loans, and those few accounts of instalment sellers which are fully protected by the resale value of the property which serves as security.

Useful as they are, these loans are available only to those who can meet the requirements. The needs of other consumers are met by those instalment sellers who rely primarily on the earning power of their customers, by credit unions, by pawnshops, and by personal finance companies licensed under

CREDIT FOR CONSUMERS

the small loan laws. Rates for this type of credit usually are much higher than for well-secured credit.

The Test of Social Benefit

The ideal, from the social standpoint, is a full loan service on a business basis for every self-supporting family that needs it. As long as the purpose is constructive, the cost not unduly high, and the payments within the ability of the borrower, a loan is as well justified in the case of a \$15 a week clerk as a \$50 a week machinist. Indeed, those who want the smallest loans are often in the direst need of temporary assistance. But costs rise rapidly as the size of the loan decreases. On loans of \$5, it is possible to justify, looking only at costs, a rate of 10 or 20 per cent a month. Where shall society draw the line?

Each legislature, when setting rules, must decide at what point the cost to borrowers exceeds, on the whole, the advantages, of being able to borrow. Too high a rate permits un-social over-lending; that is, lending more money than is good for borrowers, and lending to persons of doubtful character. Too low a rate denies the service to many who would be benefited by it. As a practical solution, most states attempt to set rates which will foster a legal business sufficiently broad to drive out all illegal lending.

Not all legislatures, to be sure, appear to understand what they are doing. In passing the old usury laws, they apparently thought they could restrict rates for all types of credit to the level of rates for business credit. Lenders evaded or ignored the laws. Nowadays, the question is not whether consumers must pay more than large business concerns pay, but how much more. No pat answers are useful; conditions vary from state to state, and change over periods of time. Maximum rates should be fixed upon careful study of local conditions.

Intensive drives on illegal lenders temporarily curtail their operations, and give relief to some victims; but the effect of such drives is short lived because they do not change basic conditions. What *illegal* lenders fear most is the commercial competition from *legal* lenders. That is why they always fight against the passage of workable small loan laws. And that is why, once workable laws have been passed, they

CHECKED

200304

CREDIT FOR CONSUMERS

try to hamstring them by substituting impossibly low rates. If, with the aid of well-meaning persons who do not see the necessity of the usual small loan maximums, they can succeed in passing laws which drive out the legal lenders, then they have the field to themselves. On the other hand, when a small loan law with workable rates goes on the statutes, the illegal lenders move to more hospitable states.

The law, to be sure, says only what shall be done; it is up to the supervisors to see that it *is* done, both in letter and in spirit. The borrower rubs elbows with the law in the lender's office. It is the lender who decides, after weighing all the pros and cons, whether the purpose of the loan is constructive. It is the lender who maps out the budget road to repayment. It is the lender who persuades the borrower to pay on schedule, brings collection pressure to bear, and finally decides which of the misfortunestruck should be released from their obligations. It is within his power to temper his legal rights with mercy and wise counsel. The problem of regulation, therefore, extends beyond the drafting of laws and the setting of rates to the fostering, by state supervisors and trade associations, of a lively sense of social responsibility.

SUGGESTED READINGS

American Academy of Political and Social Science, *Annals*, Consumer Credit Issue, March, 1938

The social and economic problems and the agencies

Andrews, B. R., *Economics of the Household*, revised edition, Macmillan, 1935

Bigelow, Howard F., *Family Finance*, Lippincott, 1936

Jordan, David F., *Managing Personal Finances*, Prentice-Hall, 1936

Owens, David F., *Controlling Your Personal Finances*, Whittlesey House, 1937

Advice on saving, budgeting, and use of family credit

Clark, Evans, *Financing the Consumer*, Harper, 1930

Well-rounded exposition of all phases of consumer credit

Cover, John H., editor, *Financing the Consumer*, University of Chicago Press, 1937

Speeches and discussion at a consumer financing conference.

CREDIT FOR CONSUMERS

- Hardy, Charles O., editor, *Consumer Credit and Its Uses*, Prentice-Hall, 1938
Clear description of agencies and problems; much data and up-to-date bibliography
- Household Finance Corporation, *When Should a Family Borrow?*, *Money Management for Households*, and, *Credit Cost Calculator*, The Corporation, 919 North Michigan Avenue, Chicago
Free booklets with sound, practical help to borrowers, and a table for computing monthly rates on unpaid balances
- Hubachek, F. B., *Annotations on Small Loan Laws*, Russell Sage Foundation, 1938
Indispensable for a knowledge of judicial law on small loans
- Mergendahl, Charles H., and Foster, LeBaron R., *One Hundred Problems in Consumer Credit*, Pollak Foundation, Newton, Mass., 1938
How to figure credit costs, with methods, formulas, and answers. Problems from easy to difficult, based on actual situations
- Neifeld, M. R., *The Personal Finance Business*, Harper, 1933
Intensive study of the small loan problem, including detailed statistics and historical background
- Nugent, Rolf, *Consumer Credit Dynamics*, Russell Sage Foundation, 1939
Complete, authoritative, up-to-date study of all classes of consumer debts
- Nugent, Rolf, Hamm, John E., and Jones, Frances M., *Wage Executions for Debt*, Monthly Labor Review, Feb., March, and July, 1936
- Report of the Committee on Consumer Credit*, Commonwealth of Massachusetts, Room 24, State House, Boston, Mass., 1936
Study of the need for regulation of instalment selling and financing, with recommended regulatory bills
- Robinson, Louis N., and Nugent, Rolf, *Regulation of the Small Loan Business*, Russell Sage Foundation, 1935
Readable historic and economic analysis, with recommendations
- Snider, Joseph L., *Credit Unions in Massachusetts*, Pollak Foundation, Newton, Mass., 1939
Intensive, up-to-date study of credit unions in one state
- Wilder, Ernestine, *Consumer Credit Bibliography*, Prentice-Hall, 1938
Arranged by agencies. Unusually extensive

A NOTE ON PUBLIC AFFAIRS PAMPHLETS

THIS pamphlet is one of a series published by the Public Affairs Committee. The other titles available are listed on the back cover.

Over a million of these pamphlets have been sold, indicating that the busy man and woman are finding them valuable time-savers in keeping up with important questions of the day.

You may subscribe to the pamphlet series as you would to any magazine. For \$3 you may have 36 issues. Those that have been published will be sent immediately, and the balance as they appear monthly.

The publication of the Public Affairs Pamphlets is one of the activities of the Public Affairs Committee, whose purpose as expressed in its Constitution is "to make available in summary and inexpensive form the results of research on economic and social problems to aid in the understanding and development of American policy. The sole purpose of the Committee is educational. It has no economic or social program of its own to promote."

The following persons are members of the Committee:

Robert P. Lane, <i>Chairman</i>	William T. Foster
Lyman Bryson, <i>Vice Chairman</i>	Harry D. Gideonse
S. M. Keeny, <i>Secretary</i>	Francis P. Miller
Luther Gulick, <i>Treasurer</i>	Felix Morley
Raymond Leslie Buell	George Soule
Frederick V. Field	Ordway Tead

Maxwell S. Stewart, *Editor of the Pamphlet Series*
Caroline C. Curtis, *Assistant Secretary*
Marion Humble, *Educational Publicity*

The members serve in a personal capacity and not as representatives of their respective organizations. The organizations with which they are connected are in no way responsible for the policies or activities of the Committee.

All rights reserved. No part of this pamphlet may be reproduced without permission, except short passages of no more than 500 words in length, which may be quoted by a reviewer or commentator, with full credit to the Committee. For permission to use longer excerpts write to the Public Affairs Committee, Incorporated, 8 West 40th Street, New York, N. Y.

PRINTED IN THE UNITED STATES OF AMERICA

First edition, August, 1936
Second edition, November, 1936
Third edition, January, 1939

