THE LOAN SHARK BILL

BY GEORGIA BROWN

The following article on the Loan Shark bill was written by Miss Georgia Brown, a member of the graduating class of the Nyssa high school, each graduate being required to prepare an article as part of the school work:

The Loan Shark bill, one of the latest bills passed by the Oregon legislature, is an act to regulate the business of loaning money or credit by persons, firms and corporations other than national banks, licensed bankers, trust companies, savings banks, building and loan associations, real estate and pawn brokers. Under this bill the rate of interest cannot exceed ten per cent per annum without first procuring a license. There are certain rules and regulations which must be complied with before any person, firm or voluntary association may receive this license. The license tax shall be fifty dollars per annum, which shall be paid to the state.

One of the definitions given by a standard dictionary of the word shark is a "petty thief," "a swindler." The loan robbers are generally designated as loan sharks, but the term does not aptly fit, for in no sense of the word are they "petty" thieves. They usually manage to get all the victim has. There is nothing of the petty order about that. It is the loan robbers that make it impossible for the widows who are left with children and no money to make a living. Having once borrowed money it is years before the sum required can be paid back, if it ever can be, to the loan company.

In Oregon, as in all other states, there is a law against usury. In this state the maximum legal rate when fixed by contract, is ten per cent, and without contract it is six per cent. All over the United States these rascals have been taking money from the people who were so poor that they couldn't get along without borrowing money. They charge anywhere from fifty to five hundred per cent on the money they loan, thus getting all the way from two to five times the amount loaned. A certain amount of this is collected for commissions, renewals, notary fees, etc.

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 extravagance.

There was a case in the city of Portland where a young man borrowed ten dollars. He really got but seven dollars. To pay that sum he has already given the loan robbers seventy dollars and still owes the original ten. The entire transaction has taken a little over two years. The law says the maximum rate of interest is ten per cent. What rate was that collected? There is no system whatever to this and it is natural for some people to want to rob their victims, not seeming to care how they accomplish their purpose.

A woman in a southern city last year borrowed four dollars from a loan company, agreeing to pay one dollar and sixty cents a month for the use of the four dollars. After making eleven monthly payments, amounting to seventeen dollars and sixty cents, she became sick. The company then foreclosed the mortgage and took from her home furniture for which she had paid over one hundred dollars, and took the same to pay a debt of five dollars and sixty cents and court costs. The goods were sold, but no money was returned to the woman. The net results of her transaction with the loan companies were as follows: For seven years she had the use of four dollars and paid for same one hundred thirty-four dollars and forty cents. For theree years she had the use of five dollars and paid for it sixty-four dollars and eighty cents. For eleven months she had the use of four dollars, for which she paid seventeen dollars and sixty cents and finally lost her household furniture and came under the care of a relief society. In this case the woman might have worked all her life and would then have owed the loan company more than she borrowed in the first place.

There is a point where interest becomes robbery. The loan sharks get hold of hundreds of innocent people who do not really need to borrow money, but who see the alluring and misleading advertisements which sound so good that they often go to the loan associations and borrow a few dollars. Of course they expect to have a good time or perhaps wish to purchase something, thinking they can pay the money back when they get ready. When they start in trying to pay it back and find they have been charged up with about five times the amount they borrowed they then wish they had kept away from the loan company. You may say that any one ought to know better than to borrow money from them, but that is what the law is for, to protect innocent people. Once a person borrows money he will often borrow from every possible source until he gets into deep water. When the payments come due and the collectors try to collect them their practices often result in the loss of employment, in forgery, theft and, in not a few instances, in family desertion and suicide. Here is a good example:

A young man holding a responsible position endorsed the note of a friend. 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 company then called upon the endorser to make good the loan. He was unable to do this, but he knew his employer would discharge him, if it become known that he had dealings with the loan company. As the loan company was 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 two hundred and fifty dollars in excess of the amount received from them and was now indebted to eight separate concerns to the extent of three hundred dollars. Unable to get more money from him one company filed upon his wages and an order came from the office to discharge him. Since his discharge the young man has not been seen by his family and they fear he has committed suicide.

There are many such examples where men were unable to keep up the payments, got discouraged and began drinking and gambling. There are other cases where they have stolen jewelry, knives and other articles, took them to the pawn shops and received a certain per cent of their value. The loan sharks and the pawn shops are closely connected. A great many people possessing personal property go to the pawn broker, make the deposit and get about twenty-five per cent of the value of the property. Generally they do not raise the money to have it redeemed, and so it is sold. The profit goes to the pawn shop. The pawn broker is an object of interest because of his relations with the criminal element. The burglar, pickpocket and thief find the pawn shops the handiest place to dispose of jewelry, watches and other things that may come into their possession. In almost all cities the pawnshops are under control of the police. In London, for instance, the pawn brokers are licensed by the police and are virtually police agents in the recovery of stolen property. In New York there is little restriction upon dealings between the thief and the pawnbroker, and the fact that the city is overrun with burglars and pickpockets is largely due to the facility with which stolen property may be disposed of in the pawn shops.

If the laws were made to mean what they seem to mean, instead of being made so that they can be twisted to mean almost anything, such laws would do more than anything else to destroy the loan sharks, who lend fifty dollars and take back twelve monthly paymentt of say seven dollars and fifty cents, thus making one hundred and forty per cent per annum.

Heretofore it has been almost impossible to punish the rascals for the reason that the laws seemed to leave a loophole for their escape. When the peaple saw what they were really doing they began establishing remedial loan associations so that the poor people might borrow money without having to go to these robbers, and as a result they were soon put out of business.

The remedial loan associations which are coming into operation all over the United States extends to all families who, by force of circumstances, by improvidence, by bad management, or by what ever cause, have fallen below the somewhat vague line of normal standard of living.

The successful remedial loan agent must understand the needs of each applicant and be able to investigate each applicant's distress. Unnecessary borrowing is discouraged, legitimate borrowing is made inexpensive and a valuable experience to the borrower. There are certain business-like requirements which cause the borrower to have to pay regular monthly payments. This is a good thing for the borrower, as it creates habits of thrift which will be of use to him in the future. As a rule, they do not loan to applicants who have no furnitnre or other security to pledge, though this rule is sometimes stretched in emergency cases.

A man applied to a remedial loan association 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 fifty dollars was made to him on about twenty-five dollars worth of furniture. He used the money to buy 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.

To the employer who is building up his organization a cooperative savings and loan association is valuable in two ways: First, it relieves the workers from the strain and annoyance due to the importunings of the "loan shark." No employe can give his best service to his employer when he lives in daily dread of the filing of an assignment of wages. The wise employer recognizes this fact, and instead of allying himself with the loan shark and holding the club of discharge over the heads of his men, he provides for them a normal and equitable method of securing funds when the occasion demands; second, a mutual cooperative organization among the employes who are making common cause against a common enemy will do more to weld a labor force into a strong, unified, working whole than any other measure that an employer can adopt to accomplish this end. After all, the most important things that an employer wants are not cheap materials, power, market facilities or machinery, but he wants the labor force. In this labor force the employer wants two things—first, efficiency in the individual; second, efficiency in the working force as a whole. The loan associations therefore play a large part in the organization of any well managed industrial plant or business establishment, and the employer who is allert to his own opportunities, to say nothing of the welfare of his employes, will not put aside this problem and its solution as trivial and undeserving of attention.

A widow with two children, no employment and no resources, applied to a remedial loan society. A loan of twenty-five dollars 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.

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 tn support one's self and family. To guard against its impairment is the function of the remedial loan association.

Tough Luck.

"If some of these 'harbingers of spring,' "
The jaybird said in an injured tone,
"Don't get to work pretty soon, by jing,
I'll have to build a nest of my own."

Paternal Duty.

"I am trying to keep my boy from using slang."

"Do you find it hard?"

"By George, yes! No matter how often I lecture him, he doesn't seem to get wise to the fact that I am in earnest."

Have an Exalted Model.

The future is your uncut block of marble. Beware how you smite it. Don't touch it without a program. Don't strike a blow with your chisel without a model, lest you ruin and mar forever the angel which lives within the block; but the past marble, while you have carved into hideous images, which have warped and twisted the ideals of your youth, and caused you infinite pain, need not ruin or mar the uncut block before you. This is one of the merciful provisions that every day presents to every human being; no matter how unfortunate his past, a new uncut block of pure Parian marble, so that every day every human being has a new chance to retrieve the past, to improve upon it if he will.—O. S. Marsden.

Two Sides to a Crime.

It is all part of our tendency to be kind and considerate to lawbreakers; to think of the family of the man who has killed somebody instead of considering the family of his victim; to lay stress on the devotion of the relatives of the man who has looted a bank, rather than to take into account the broken depositors and their sharp sufferings. Hence the general approval of the fantastic extension of the pardoning power, which meets with no real, sane disapproval.—New York Evening Sun.

Man's Muscular Force.

A man is weakest in the morning, just after rising from bed. Our muscular force is greatly increased by breakfast, but it attains its highest point after the mid-day meal. It then sinks for a few hours, rises again towa[rd] evening, but steadily declines from [that] to morning.

Stock wanted to pasture on Bridge Island. $1.00 per head per month. R. R. Clark. a17tf