

ORGANIZATION OF PUBLIC OPINION FOR EFFECTIVE MEASURES AGAINST LOAN SHARKS

GEORGE L. GISLER*

Obviously the one who suffers most at the hands of high-rate lenders is the borrower, yet he is almost the only member of society who has done nothing about his plight. No case is known where a group of borrowers (or even a single borrower) have made a fight for themselves. The economic condition of loan shark victims explains much, but not all, of this situation.

Legal aid societies necessarily have been occupied in finding a solution for the whole problem. They have been joined by employers who would not ignore the effect of the illegal lending system on their employees; by labor leaders, concerned with the wholesale impact on union members; and by social workers, altruistic citizens, civic organizations and business and professional associations who recognized the economic waste and the human suffering created by an unregulated lending racket. These groups, who have no direct interest in the outcome, are the ones who have taken the lead in marshalling public opinion behind a program for the relief of the borrower. The principal research on the problem was undertaken by such organizations as the Russell Sage Foundation. The legislative solution came only after years of experimentation with practically all types of laws, and through the efforts of all these groups.

Few other social evils involve the legal, ethical and emotional intricacies of the loan shark problem. The legislatures of our most advanced states struggled with its complexities for over thirty years before reaching any satisfactory solution—and the problem is not static. Prohibition—"let's pass a law against it"—is still the starting point in the thinking of the average person, even though nine states in the period from 1884 to 1898 became convinced that criminal penalties alone offered no real or lasting solution.¹ Even where the problem is of staggering proportions the general public may not be aware of its existence, for the corner policeman does not so readily detect usury as he does a case of murder, arson or burglary. Furthermore, the victim of burglary is more apt to cry out than is the victim of usury. In states having no

* A.B., 1930, Butler University; J.D., 1933, University of Michigan. Member of the Missouri Bar. Director, Personal Finance Surveys, Junior Bar Conference, American Bar Association, 1940. Former chairman of the Small Loans Committee of the Missouri Bar Association, and the Loan Shark Committee of the Lawyers Association of Kansas City. Author (with Joe Birkhead), *Salary Buying in Kansas City, Missouri* (Conference on Personal Finance Law, 1938), and *Manual for Use of Small Loan Committees* (Junior Bar Conference, Am. Bar Ass'n, 1940).

¹ GALLERT, HILBORN AND MAY, SMALL LOAN LEGISLATION (Russell Sage Foundation, 1932) 19-27.

remedial laws, borrowers of small sums must become victims of usury, for they have no place to go other than to the illegal lenders. Thus the loan sharks actually fill an economic need. And rarely does the public appreciate the insidious power of the loan shark in his interstate connections, his enormous profits, his utter disregard of law and his ability to deceive the public into serving his purposes.

In many communities the machinations of the loan sharks have been exposed. Direct assistance and even remedial legislation, in some instances, followed through the efforts of an aroused and informed public. It is outside the scope of this article to discuss what remedy the public should have sought or should now seek—or to determine the method, of seeking a remedy—whether by gathering facts, lending legal or other practical assistance, or by legislation, whatever its kind. Rather, I have chosen situations in several states as showing how public opinion actually has been organized to bring relief to the small borrower.² Also included are sections on the Russell Sage Foundation, because of the vast scope of its contribution in this field; and on the Junior Bar Conference of the American Bar Association, because its program of fact finding and legal aid embodies most of the methods used with success in these other states.

THE RUSSELL SAGE FOUNDATION

Incorporated by act of the New York Legislature in 1907, the Russell Sage Foundation was endowed with \$15,000,000 by Mrs. Russell Sage "for the improvement of social and living conditions in the United States of America." Its work has included research, experiments and other activities in such fields as the following: adult education, city and regional planning, the improvement of housing, family welfare, remedial loans and consumer credit, education and training for social workers, community social work programs, child welfare, legal aid, penology and prevention of delinquency, public health, and race relations. Although the work of the Department of Consumer Credit Studies does not constitute the major portion of the activity of the Foundation, bearing in mind the scope of all its endeavors, its directors, Arthur Ham, Leon Henderson and Rolf Nugeht, have made such outstanding contributions to the development of the Uniform Small Loan Law that the Russell Sage Foundation is recognized as the leader of thought in this field.

The work of the Department of Consumer Credit Studies has centered principally on advising the public of the facts and in the development of remedial legislation known as the Uniform Small Loan Law. The objectives of this department have for several years been: (1) to improve the conditions under which credit is available to families of limited means; (2) to prevent abuses of small debtors by creditors; (3) to ameliorate the social problems which have accompanied the extensive use of common credit; (4) to develop and publish or to encourage other agencies to develop and publish adequate statistics covering the field of consumer credit; (5) to interpret

² Situations in these states have been used as stepping stones to describe both the need for measures and the measures employed to organize public opinion. The Missouri experience is given in much greater detail solely because of the author's personal familiarity with the movement beginning in 1935.

the social and economic significance of developments in the field of consumer credit and to recommend policies with respect to these developments.

The first thorough factual accounts of practices of high-rate lenders were made by the Foundation and these published studies of the conditions produced by high-rate lenders are the outstanding treatises in this field. Significant as these activities have been, they represent only a fraction of the Foundation's contributions to relief for the small borrower.³ It is enough to say here that when the state legislatures were lost in a welter of piecemeal attempts to eliminate loan sharks, it first occurred to the Directors of the Foundation to study the actual practical operation of these statutes, to determine those portions of laws which were effective, and to combine all good features in one act designed to solve the problem. It was this unbiased, scholarly, competent research which made it possible for public spirited citizens in many communities to deal effectively with the loan shark problem.⁴

Formerly the Department of Consumer Credit Studies participated actively in legislative campaigns. Today its efforts are confined to responding to requests for information and rendering advice concerning the form of small loan legislation. Even in this somewhat limited field, its services to the public have been so noteworthy, that loan sharks have attempted to discredit the Foundation by circulating rumors designed to create the belief that the Foundation is a small loan company with a financial interest in small loan legislation. That such fantastic rumors could be believed seems incredible in the face of the character of the Foundation and the fact that neither it nor members of its staff have ever had an investment in any commercial loan company. That the writer has actually encountered individuals who *believed* these rumors forcibly demonstrates the serious need for organized public opinion to counteract the tremendous flood of misinformation from the camp of the loan sharks.

KENTUCKY

Legal Aid Bureaus

The enactment in 1934 of a regulatory small loan law in Kentucky marked the culmination of 22 years of almost continuous efforts by public spirited organizations to achieve some constructive permanent solution to the loan shark problem in that state. As early as 1920 the Kentucky Conference of Social Work had manifested its interest in the problem by establishing a legal bureau in Lexington where borrowers could go for relief. This step was of double significance. In the first place, social workers have found it difficult if not impossible to offer relief against present cases of oppression by illegal lenders, because most usury laws are not self executing, and there is always present the threat of legal action followed by garnishment. Criminal prosecutions have not proved successful for ending usury for any period of time.

³ See Nugent, *The Loan Shark Problem*, *supra* p. 3, at 6; and Hubachek, *The Development of Regulatory Small Loan Laws*, *supra* p. 108.

⁴ The Foundation has published and collected from other sources a great number of pamphlets on all phases of the problem, including many reprints of outstanding magazine articles. A complete list of publications available may be secured from the Foundation on request.

Their chief value has been to expose the evil and to make the loan shark proceed with caution, at least temporarily, but they leave untouched the question of the borrower's individual liability. Under our system of law the borrower's defense to a claim asserted by the loan shark must be made by the borrower. Hence any advice to the borrower to cease paying usurious interest long after the principal and legal rate of interest has been paid, depends ultimately upon the backing of an attorney.

While hardly any borrowers have the means with which to pay an attorney, they do have enough traditional American spirit of independence that they will rarely seek an attorney in private practice to ask for free advice. Couple this with the fact the loan sharks make a point of convincing their uninformed victims that there is nothing an attorney can do for them, and we have the reason most lawyers never have any experience in this field. The legal problems involved in the giving of adequate legal aid are sufficiently specialized and call for such a broad knowledge of the methods of illegal lenders, that most lawyers are not equipped to give such help with a minimum of effort. Hence it is that the establishment of a legal bureau by a charitable organization in cooperation with a definite committee of lawyers willing to specialize represents the most practical solution to the problem.

Fact Finding

Despite reverses in each session of the legislature, public interest in the problem continued to mount during the next decade. At times the groups working for some remedial legislation were faced with defections from the cause by such vitally concerned groups as labor unions, who had become confused with the misinformation supplied by the loan sharks, and who thus served as unwitting spokesmen for the loan sharks.⁵ These reversals and defections demonstrate not only that the loan shark is a formidable opponent, but that social organizations which approach a problem of the dimensions of the loan shark problem must be adequately prepared and must not do it in amateur fashion. Occasionally their enthusiasm to correct an evil may lead them to plunge into a program without adequate study. Some of the earlier measures proposed by the groups in Kentucky would hardly have solved the problem.

Their early reversals compelled those interested in adequate remedies continually to re-examine their positions and to seek more facts so as to draw complete public support. Between 1930 and 1934 they made detailed records of all complaints coming into their legal bureaus and compiled statistics showing not only a serious social problem but one with adverse effects on labor, industry and commerce. Among these studies was a careful analysis of all wage earner bankruptcies in the principal cities of Kentucky. Thorough investigation of methods and tactics employed by the loan sharks followed. Successful criminal prosecutions exposed to the public the illegality of the racket. General Hugh S. Johnson as head of the N. R. A. was persuaded to take measures against illegal lenders who were operating under the Blue Eagle.⁶ All these facts and statistics were kept before the public through whole-

⁵ See Louisville (Ky.) Herald, March 9, 1924.

⁶ See Louisville (Ky.) Herald-Post, Nov. 20, 1933, p. 1.

hearted cooperation of newspapers. The *Herald-Post* of Louisville and the *Kentucky Post* of Covington assumed active leadership and consolidated public opinion through the appointment of various citizens' advisory committees. These measures produced results. In 1932 a measure lacked only four votes of passing the state senate. In Louisville alone, 78 civic and business agencies sponsored the bill. In 1934 the bill became law by an overwhelming vote.

MISSOURI

As early as 1891 Missouri recognized that the field of small loans called for special attention.⁷ An 1897 statute allowed 1% per month on certain chattel loans, but made the security contract void if a higher rate were charged.⁸ Even at that time salary buyers were vigorously plying their trade.⁹ In 1911 it was sought to cure the evil by an act making null and void all assignments of unearned wages, and requiring assignments of earned wages to be in writing.¹⁰ A chattel mortgage act of 1913 permitted charges in excess of 2% per month on certain loans. It required a license and provided for certain municipal supervision on loans of \$300 and less. Few persons ever sought licenses under this act.¹¹

The legal aid bureaus, better business bureaus and chambers of commerce had been struggling hopelessly with the usury problem for years when in 1926, Leon Henderson, then director of the Department of Remedial Loans of the Russell Sage Foundation, suggested they study the problem with a view to sponsoring enactment of the Uniform Small Loan Law. Committees were formed in St. Louis and Kansas City with representatives from these groups and from civic and charitable organizations and labor unions. Public hearings were held, and after several months of study the Committees concluded to sponsor, in the 1927 session of the legislature, the Uniform Small Loan Law with an interest rate of 3½% per month on unpaid balances on loans of \$300 and less. Because of fear that Section 16—the famous salary buying section—was repugnant to the Missouri Constitution, it was not included in the bill. The committees stirred up public interest in the bill, secured newspaper support and publicity, organized large delegations to appear at legislative hearings on the bill, and were successful in obtaining its enactment.

In 1929, however, both the House and the Senate saw measures introduced to repeal the small loan laws and to reduce the rate of interest to as low as 2% per month on unpaid balances. The story of this 1929 session is an interesting demonstration of the effectiveness of loan shark tactics in confusing public opinion.

The same Citizens Committee which had endorsed the 1927 Act opposed the rate reduction on the ground there had not been sufficient experience under the Uniform Law in two years to demonstrate that it would be effective at a rate of 2% per month on unpaid balances. Rolf Nugent and Leon Henderson of the Russell Sage

⁷ Laws 1891, p. 170.

⁸ Laws 1897, p. 202.

⁹ See *Bell v. Mulholland*, 90 Mo. App. 612 (1901), involving transactions occurring in 1897.

¹⁰ Laws 1911, p. 143.

¹¹ GALLERT, HILBORN AND MAY, *op. cit. supra* note 1, at 73.

Foundation appeared at the request of the Citizens Committee before Senate committees in support of continuation of the 1927 Act. But in the ranks of their opposition were a few labor unions, apparently led to support the legislation decreasing the interest rate on the erroneous theory that savings to their members would result. Quick to seize upon this division of public opinion as a means of furthering their own ends, the loan sharks launched a bitter attack on the Uniform Small Loan Law. Two examples of their technique will show how they are able to obtain effective publicity.

On February 15, 1929, the St. Louis *Post-Dispatch* printed a long interview with R. D. Ison of Atlanta, Georgia, admittedly a salary buyer, with offices in Kansas City, St. Louis and other parts of the country. Ison "reported" an alleged agreement between the Russell Sage Foundation and certain loan sharks. He admitted that no one from the Foundation was present at the alleged meeting and that he had never heard what, if any, action had been taken by the Foundation. However, the impression was created that the Foundation had entered into some kind of "unholy alliance." It is difficult to understand how such unconfirmed rumor could be classified as news, but its sensational character brought it into the newspapers, despite its admittedly doubtful status.

Among several newspapers reporting the second incident was the Kansas City *Times* of March 23, 1929. It carried a statement by Clark G. Hardeman, a well-known lender of St. Louis, regarding his intention to appear before the Cole County Grand Jury to give "evidence" relating to a "slush fund" used by small loan companies in the 1927 session to procure enactment of the Uniform Small Loan Law. He charged that \$1,000 had been paid as a bribe in the 1927 session. A month later the newspapers were referring to a "grand jury investigation of a slush fund" without mentioning Hardeman. When the bill reducing the rate passed the House, the Kansas City *Times* of April 30, 1929 again mentioned a "grand jury investigation" and stated, "Reports of a huge slush fund . . . are believed to have influenced the House in the passage of the Ballew bill."

It probably did not cost Hardeman as much as \$10 to make the trip to Jefferson City to tell the newspapers he was "going to testify about a slush fund," yet this small investment was still paying dividends ten years later.

No one but members of the grand jury will ever know whether Hardeman did, in fact, testify about a slush fund, or, if he did, whether his evidence was worthy of belief. Apparently they did not have much faith in Hardeman's "evidence" for there is no report of any grand jury action in this connection. However, the loan sharks saw to it that the incident was not forgotten. As the newspapers could not report all the facts each time it was mentioned, the incident soon became a "grand jury investigation," when in fact, there had been no such action. As reported by the Kansas City *Times*, the public must have been influenced by this repeated reference to a "grand jury investigation."

A spokesman for those who favored the rate reduction prepared a bill incorporat-

ing Section 16 (the famous salary buying clause) of the Uniform Small Loan Law. Section 16, of course, had the enthusiastic support of all groups and the two bills became law. Many of those who opposed the rate reduction were puzzled when the loan sharks made no spirited resistance to enactment of Section 16. They believed the phenomenon was explained a few months later when the case of *Sherrill v. Brantley* was tried in St. Louis.

On November 2, 1929, a salary buyer named Sherrill loaned money to an employee of one Brantley—then owner of the Atlas Printing Company in St. Louis. The commissions assigned in this loan transaction became due on November 9. On November 13, 1929, Sherrill sued Brantley for refusal to pay the commissions, claiming in reply to Brantley that Section 16 was unconstitutional because of a technical defect in the title of the 1929 act. Sherrill's position was upheld by the Circuit Court on March 21, 1930, and by the Supreme Court in 1933.¹² Section 16, therefore, had an effective existence of little more than five months in combating salary buying. Ten years later in 1939 newspapers were still referring to the "1929 grand jury investigation of the slush fund"; Hardeman, Ison and Sherrill were still engaged in salary buying; and Brantley was printing literature which was being distributed at the 1939 session of the legislature on behalf of the loan sharks.

By 1935 the salary buyers were again well entrenched in Missouri. With about 60 offices in St. Louis and 15 in Kansas City they were brazenly advertising their "services," were conducting their operations from the best office buildings in each city and were freely using the courts to enforce their demands. These operations however, were confined to the field of "little" loans; only 3½% of the loans they made were loans of \$50.00 or more; only 14% were loans of \$25.00 or more, and nearly 25% were in the amount of \$10.00 or less. Licensees under the small loan laws had apparently, by competition, destroyed the business of the salary buyers in loans of \$50.00 and over.^{12a} Limited as was this field, the salary buyers were estimated to be taking in from \$3,000,000 to \$5,000,000 annually in the state through interest rates ranging from 240 to 1,000% per annum. Better business bureaus and other civic groups were unable alone to make any progress toward relieving the conditions of misery they had investigated.

It is informative to analyze the various steps undertaken in Missouri as they show what may be done under similar conditions. The general public was almost wholly unaware of the deplorable loan shark situation until newspapers in St. Louis and Kansas City assigned reporters to the task of unearthing the facts. The first step, therefore, was to expose to the public the vicious illegal money-lending system. For several weeks there appeared articles each day outlining the plight of victims of these racketeers in money lending. Members of the staffs of the better business bureaus, all of whom were familiar with the facts, made informative addresses before civic clubs.

¹² 334 Mo., 497, 65 S.W. (2d) 529.

^{12a} These figures are estimates based on 300 average case histories detailed in Gisler and Birkhead, *Salary Buying in Kansas City, Missouri* (Conf. on Personal Finance Law, 1938), 35. See note 13.

They requested the bar associations to appoint committees to render legal assistance. The appointment of these committees marked the first time in six years that any more than passive resistance was offered the salary buyers. When the young lawyers of these committees became aware of the full implications of salary buying, they entered into a real fight to protect the rights of the small borrower. While rendering free legal aid these bar committees obtained even more detailed information as to the methods and practices of the salary buyers. By tabulation of statements of many persons, the committees were enabled to make a statistical report, to analyze the causes for the problem and to make recommendations for ending it.

When the bar association committees began giving free legal assistance, the campaign entered its second phase—inroads on the illegal system. Advice to hundreds of persons to cease paying illegal interest;^{12b} institution of actions to recover usurious interest paid by borrowers; institution of injunction suits by Attorney-General Roy McKittrick (at the suggestion of the bar committees); a vigorous public stand taken by Governor Lloyd C. Stark; and adequate newspaper accounts of these various steps not only exposed the illegal system, but proved to thousands victimized by loan sharks that the public was no longer unconcerned with their plight and encouraged them to resist demands of the illegal lenders.

By January, 1937, the lawyers working on the problem were keenly aware of the impossibility of making progress in giving legal aid without Section 16 of the Uniform Small Loan Law. Late in the 1937 session of the legislature they proposed an amendment incorporating Section 16. While the public was stirred by the stories of oppression by salary buyers, there was little general interest in this legislative effort and there was not sufficient time to arouse such interest. No thoroughgoing analysis of the Missouri situation had yet been made,¹⁸ nor had the Governor or Attorney-General taken any action. The bar committees, unaccustomed to and unprepared for legislative campaigning, were unable to make any showing. The bill died in a Senate committee. Perhaps this was best. In the light of subsequent studies and experience it is apparent that this measure alone could not have solved the problem.

The preparation of the pamphlet *Salary Buying In Kansas City, Missouri*, marked an important step in the solution of the problem. When the authors began writing the report, they had hundreds of case histories, but no conclusions; they were relatively unfamiliar with the mass of general literature written on the problem; they had never

^{12b} This advice was backed up by the bar committees who agreed to defend, without charge, any borrower who was sued by the loan sharks. In St. Louis the bar committees defended more than 300 such suits. These cases had to be appealed by borrowers because the justices of the peace were deciding the cases for the salary buyers. In Kansas City, the justices of the peace decided a few cases for the borrowers. The salary buyers ceased filing suits. Later, a member of the bar committee in Kansas City could call a salary buyer, order him to cancel certain loans, and be confident the borrowers would have no further difficulties.

In San Antonio, Al M. Heck has developed a system of colored postcards; when he advises a borrower to cease paying, he sends these printed cards to the loan shark and to the borrower's employer. Both cards state that he has advised the borrower to cease paying the illegal claim.

¹⁸ *Salary Buying in Kansas City, Missouri* was not begun until October, 1937, and was not published until May, 1938 by the Conference on Personal Finance Law. Before this pamphlet was published, the Bar Committee had not compiled any analysis of its case histories.

before consulted reports of their own State Finance Department.¹⁴ All they saw was the problem of each individual case of oppression; in their minds, the enormity of the question lay in the multiplication of these individual problems. They had viewed it merely as a problem of law enforcement. While preparing this report, however, the authors began to think of ways to prevent having victims. Upon analyzing their case histories and studying the reports of the State Finance Commissioner, they recommended that a slight increase in the rate of interest on "little" loans should be allowed licensees in order to stimulate competition with loan sharks in this field.

Publication of this report, therefore, was of double significance: it compiled, in concise, convenient form, the results of an investigation extending over a period of nearly two years. Many people studied the pamphlet and became well acquainted with the nature and extent of the problem. Second, the recommendations, though not worked out in detail, gave those interested in the problem a goal toward which they could work.

Buttressed with the facts and armed with a program, the citizens who had been attempting to give some assistance were in a position to go to the public and organize it for action. When the State Finance Commissioner, in the fall of 1938, made a definite recommendation for an increase in rate together with reenactment of Section 16, the bar committees felt it was time to act. They conferred with leaders of labor unions, whose experience had convinced them of their mistake in advocating what seemed in 1929 to be a desirable rate reduction; with business men, whose employees were in the clutches of loan sharks and who had studied the facts and had become convinced of the desirability of the proposed remedy; and with civic leaders of long experience in this field, who enthusiastically joined forces with the bar committees. A Citizens Anti-Loan Shark Council, with state-wide representatives of these groups, was formed as the agency for expressing their collective ideas.¹⁵

The Council, acting on the theory that ours is a representative government, believed that if it could persuade the constituents of members of the legislature of the soundness of the bill (then in preparation), these constituents could more effectively induce their senators and representatives to support the bill than any outsider might.¹⁶ With its limited numbers, time and resources, it was impossible for the Council to do this by personal contact; the obvious thing was to turn to direct mail advertising

¹⁴ A table compiled from 300 average case histories showed these 300 persons had borrowed \$5,848.85; that they had paid in interest \$16,128.10, which is \$15,590.74 more than that allowed by Missouri laws regulating usury. The average size of these loans was \$19.50 and the average amount of *interest* paid was \$53.76. The records of the State Department of Finance showed the average size of the loans made by small loan licensees was about \$140.00 and the average expense of account per month was about \$2.00. This required an average loan balance of \$80.00 at 2½% per month on unpaid balances to meet expenses. The licensees were not seeking "little" loans because the rate was inadequate.

¹⁵ Members of the Missouri Citizens Anti-Loan Shark Council included representatives from every principal city and some of the smaller towns. The Council was made up of chamber of commerce directors, bar association executives, labor union officials, prosecuting attorneys, managers of better business bureaus, directors of councils of social agencies, representatives of merchants' associations, and others.

¹⁶ For a more detailed report of methods used in this legislative program see Gisler, *What Bar Associations Did in Missouri to Combat the Loan Shark Evil*, PROGRAM AND PAPERS (Conference on Personal Finance Law, 1939).

methods. The Council then began preparation of a pamphlet, *The 240% Loan Racket in Missouri*, which was designed to present a picture of the evil and the remedy and to contain a copy of the bill. The pamphlet, however, bogged down with legal verbiage and the Council turned to Richard B. Fowler of the editorial staff of the *Kansas City Star*, who brought the loan-shark picture to life. His style made it so interesting and forceful that a number of representatives quoted portions from it in letters to their home town newspapers. Five thousand copies of this pamphlet were distributed over the state.

This program for seeing that the public was adequately informed about the nature of the evil and the desirability of the proposed remedy was supplemented by the work of a number of members of the Council who made trips to various parts of the state. They organized small loan committees of local bar associations and obtained resolutions from labor unions and various civic organizations scattered over the state. Among the many persons contacted by mail were the judges of the county courts. Each county court was asked to pass a resolution endorsing the bill and a number of them did so, even though it was an unusual request. The copies of these resolutions sent to the legislature mustered the support of many a senator and representative who otherwise might have been reticent about committing himself. From Frank Murphy, Secretary of the Missouri Federation of Labor, came the suggestion for the formation of a Labor Small Loan Committee to be headed by Cliff Langsdale, prominent labor attorney and former president of the Kansas City Bar Association. Including legislative representatives of a number of labor unions, this committee, because of its experience in such campaigning, showed the way through many problems of legislative procedure.

The soundness of all this preliminary work and planning was proved when the Council was able to secure the signatures of 78 out of 150 members of the House of Representatives on the bill when it was introduced. The bill immediately received an astonishing amount of publicity and favorable comment from newspapers over the state, with the lead being taken by the large metropolitan papers. One large St. Louis newspaper opposed the bill and repeatedly challenged the sincerity and good faith of the proponents of the bill. However, this had the fortunate effect, of causing the other papers to redouble their efforts because the sincerity and good faith of the members of the Council had been proved to them by the conscientious efforts to render free legal assistance and other aid to thousands of persons over a period of several years.

At the first hearing on the bill before the House Committee, three St. Louis lawyers appeared to oppose the bill "at nobody's request but their own." One of these lawyers, who had formerly represented Clark G. Hardeman, sent out a pamphlet attacking the small loan companies and representing that members of the bar association committees who were taking the lead in the campaign were the paid tools of "sinister forces." For nearly three months a steady stream of publications ranging from what purported to be impartial criticisms of the Uniform Small Loan Law to

lurid accounts of suicides of alleged "victims" of licensed small loan companies found their way, first to the desks and then to the wastebaskets of members of the legislature. These publications managed to charge the air with suspicion for but a brief time, for members of the legislature were convinced of the sincerity of the efforts of members of the Council. First-hand accounts from loan-shark victims who appeared at legislative committee hearings at the request of the Council, vividly impressed the legislature with the crying need for remedial legislation.

After the bill passed the House, the Citizens Anti-Loan Shark Council, realizing that it would have a similar fight in the Senate, was faced with the necessity of raising money to pay the expenses of the campaign which were exceeding pledges earlier given by the bar associations and better business bureaus. In a short time public spirited citizens, labor unions, and business firms whose employees had been victimized created a fund, which, with donations of office space, supplies and furniture, was adequate to take care of the small expenditures required.

Many senators remembered the campaign of 1929 made by Senator Russell Dearmont, now General Counsel for the Missouri Pacific Railroad, to reduce the interest rate. Reference to his position on the rate question was made repeatedly by opponents of the bill in the House debates. Inquiry proved, however, that Mr. Dearmont, convinced by the unsuccessful operation of the 1929 Act that a change was desirable, would join with Henry S. Caulfield in supporting the 1939 bill. As former Governor, Henry S. Caulfield had signed the 1929 bill. Knowing the technical nature of any small loan bill and because of the barrage of alleged facts and statistics laid down by the loan sharks, the Citizens Anti-Loan Shark Council prepared, for its friends in the Senate and for Governor Lloyd C. Stark, a brief outlining the background of the bill and containing facts, figures and statistics gathered by the committees, photostatic copies of letters from finance commissioners of a number of states, together with exhibits of advertising material and forms employed by the salary buyers. This proved to be an important contribution to the program; the senators referred repeatedly to the "brief" for ammunition during debates.

With over 1100 bills and resolutions introduced in the 1939 session of the Missouri Legislature, it is evident that no member could be completely informed through his own research concerning the merits of each of these measures. This situation is the same in every legislature. The simple conclusion is that even though the public has convictions respecting a measure to remedy a social evil it should make it easy for a member of the legislature to become informed about those measures by providing a concise but detailed résumé of all the facts, statistics and opinions which induced the recommendation of the particular legislation. Another conclusion from the Missouri experience is the proof of the desirability of continuing the same men in leadership of a program such as just described. In Missouri the lead was taken by young attorneys who were thoroughly grounded in the problem after three years work of advising hundreds of people, representing victims of loan sharks in court, and helping to draft and prepare the bill which was offered to the legislature. That the public

will respond, if given the facts, was proved when civic groups, labor unions and newspapers, which had previously advocated the decrease in the rate, became so enthusiastic about the proposed measure that each considered the bill its own. The value of building strong public sentiment for a particular piece of social legislation is obvious. There are often strong differences of opinion as to how a social problem should be solved. Yet it is easy to overlook the fact that a member of the Legislature in explaining to his constituents why he voted as he did, may, perhaps face just such differences. Thus, a strong and united request to a member of the legislature by his own local people to support a piece of social legislation makes it easy for him to give a bill his own enthusiastic support, without fear of criticism in his district.

The bill was signed by the Governor on March 20, 1939, and became effective November 1, 1939. While it is too early to predict the full effect of the new law, the last report of the Small Loans Committee of the Missouri Bar Association stated that, on November 1, 1939, all known salary buyers closed their doors in Missouri and that, so far as the Committee was able to learn, the licensees under the Small Loan Law were advertising and making loans in the smaller brackets. A thorough-going evaluation of the effectiveness of the new law cannot be made until a report of the Finance Commissioner for the calendar year 1940 is available in the late summer of 1941, but preliminary reports indicate there may be a higher percentage of loans of \$50 and less being made by licensees in Missouri, than in any other state having the Uniform Small Loan Law.

CALIFORNIA

The writer is not sufficiently familiar with all the details of the various movements for remedial legislation in California to determine whether any measures for organizing public opinion were employed there which have not been discussed previously in this article. For the remarkable referendum election of November 7, 1939, the public was adequately informed and there was cooperation from a greater number of responsible citizens and organizations than in any other state where remedial legislation has been proposed. Because this election was the first popular vote on a small loan law it demands comment.

By an initiative measure of 1918, establishing a general usury law with a maximum rate of 12% per annum, the legislature was rendered powerless to regulate the general subject of interest rates and charges. A small loan act patterned after the Uniform Small Loan Law was passed by the legislature in 1931 but was declared unconstitutional by the California Supreme Court in 1932 because it was in conflict with the 1918 referendum measure. A remarkable event was a constitutional amendment of 1934 giving the legislature the power to enact legislation with reference to interest rates. Pursuant to this constitutional amendment, the legislature appointed a special committee to investigate small loans in California. This committee held public hearings and made a thorough printed report on all types of lending in the small loans field in California. Its recommendation was enactment of the Uniform

Small Loan Law. Such a bill was introduced in the 1939 session of the California legislature, sponsored primarily by the Legal Aid Society of San Francisco and the Better Business Bureau of Los Angeles. "Then" as Mr. Christopher M. Bradley, President of the Legal Aid Society of San Francisco said, "the usual riot started. Everybody in the state except the lineal descendants of Emperor Norton I introduced a bill. Some are designed to meet the business desires of legitimate lenders. Some are political hurrah! Some are examples of densest ignorance. But most of them may be characterized under the head of strategy bills to prevent any legislation on this subject."¹⁷ Despite this confusion the legislature passed two small loan laws (usually referred to in California as Personal Property Brokers Laws) which incorporated the features of the Uniform Small Loan Law and which supplemented each other.

After these acts were signed by the Governor, the personal property brokers who had operated under the previous act, and who had been charging enormous brokerage fees for small loans, conducted an extensive and expensive campaign to secure the signatures of voters to referendum petitions. They reported to the Secretary of State on September 27, 1939, that they had collected and spent a total of \$43,785.00 to obtain names on the petitions, at so much per name. The Better Business Bureau of Los Angeles, Ltd., had made a complaint on August 24, 1939, to the Criminal Complaints Committee of the Los Angeles Grand Jury that there had been widespread violation of the law in obtaining signatures to the petitions. The complaint charged many cases of outright misrepresentation of the purposes of the referendum petitions. In many cases circulators of the petitions were so uninformed as to the true nature of these laws that some of the signers thought they were signing daylight savings time petitions, or petitions to reduce personal property taxes. Some persons believed the petitions were to reduce loan charges, when as a matter of fact just the reverse was true. Some persons interviewed denied having ever signed the petitions. However, this effort by the Los Angeles Better Business Bureau was thwarted because the Bureau was unable to bring before the grand jury sufficient evidence in time to prevent the small loan laws being placed on the referendum ballot.

The number of responsible citizens and public spirited organizations who participated in the referendum election of November 7, 1939, in favor of the small loan laws is so large as to make enumeration impossible here. They included the Governor, the Attorney-General of the state, representatives of the AFL and CIO and professional, business, civic, charitable and social organizations from all over the state, together with the leading newspapers and leaders of all political parties. An interesting feature of the referendum election is that the groups supporting the small loan laws had no cohesive organization and no single leader. Some groups who participated on their own initiative became confused about the nature of the referendum election and sent letters to their members urging them to vote "no" on propositions 3 and 4 (the small loan laws) when the group really meant to favor these laws. It was, therefore, necessary for them to send out supplemental letters to

¹⁷ *The Problem of Small Loans in Legal Aid Work*, PROGRAM AND PAPERS, *supra* note 16, at 36.

their members to correct the error and urging the members to vote "yes." Even a newspaper editor made a similar mistake and was forced to write a second editorial explaining his confusion and the fact that he desired to support the legislative action. The tremendous support for propositions 3 and 4 (the small loan laws) made these propositions so popular that advocates of other measures sought to capitalize on this popularity of referendum propositions 3 and 4. For instance, the proponents of proposition 5, a measure designed to conserve oil reserves in California, distributed leaflets by the thousands urging voters to "drive both the loan sharks and the oil sharks" out of California and to vote "yes" on propositions 3, 4, and 5.

It was the theory of the entrenched high-rate personal property brokers, who had operated under a previous act, that the general public uninformed as it is would not support a law permitting charges on small loans, stated bluntly at 2½% per month on unpaid balances or at the rate of 30% annually. *This was the first time in history that the people in any state had had an opportunity to vote directly on small loan regulation.* More persons voted in this election than in any other election in California. The total vote of 2,974,406 comprised 82.48% of the state's total registered voters. The final count disclosed that the two small loan laws were sustained by a vote of 2½ to 1.

USE OF RADIO

The radio as an instrument for organizing public opinion has been employed with success in several communities. Heretofore the programs have been largely of two types. The first is a talk or a series of speeches dealing with the various aspects of the problem, followed by appearances of civic leaders, prominent business men, clergymen, social workers, etc., who not only seek to inform the public but to show the borrower that the public is interested in his situation and intends to do something about it. Such programs were sponsored by the Anti-Usury Committee of the San Antonio, Texas, Bar Association. For over two years these informal programs, broadcast weekly, have brought to the public a well-rounded exposition of all phases of the loan shark problem. Maintained almost solely through the ability, energy and persistence of the committee chairman, Al M. Heck, these programs represent a genuine contribution toward public understanding of the complicated factors involved.

Another type of program is the Council of Justice used with success by anti-usury committees in Dallas, Texas. There, borrowers were brought before the microphone and asked to tell the public the story of their transactions with the illegal high rate lenders. A member of the legal committee then gave his advice. This program proved to be extremely popular. Its effectiveness lay in the fact that it not only vividly presented the very human aspects of the problem and gave the public a picture of the service being rendered by the committee, but it also enabled borrowers, listening in, to understand the type of situations with which the committee dealt. Thereby they could determine whether or not they should seek the advice of the legal bureau. This program is undoubtedly a factor in explaining how over 1,000

borrowers involved in 2,554 illegal loans came to seek and actually received assistance from the Dallas Legal Committee in a period of only two months.^{17*}

The Council of Justice program is useful primarily in exposing the practices of illegal lenders and of demonstrating how they affect the individual borrower. It falls short, however, as a means of explaining the full economic and social consequences of the illegal lending racket or to portray the desirability of a particular remedy. It is to be hoped that soon some enterprising person deeply interested in the problem will prepare a series of radio plays which will utilize fully the tremendous possibilities of the radio.

BUSINESS MEN'S COMMITTEES

The frequency with which loan sharks utilize credit bureaus and employers as unwitting agencies for collection of illegal obligations presents a problem. So long as credit bureaus ruin a man's credit standing because he has dealt with or refused to pay a loan shark, so long as employers recognize wage assignments given as security for illegal loans or discharge employees (or permit employees to believe they will be discharged) for failure to pay loan sharks, even though the employee has been advised by an attorney, the efforts of any free legal aid bureau will be largely nullified. In fact there will be no reason for a borrower ever to seek such aid. This suggests the vital necessity of a committee of businessmen to work with the legal aid bureau on such practical problems and to lend moral support to borrowers. Such committees have functioned effectively in Louisville, Dallas, Kansas City, Charleston, S. C. and in many other localities.

PROGRAM OF THE JUNIOR BAR CONFERENCE

The discussion of activities in California, Kentucky, Missouri and Texas does not mean that the most significant work has been accomplished there or that such efforts were confined to these states. The truth is that it would be difficult to find a state where public spirited citizens have not taken action against the loan shark evil at some time.

Young lawyers over the country had taken part in the local programs and urged the Junior Bar Conference of the American Bar Association to assume leadership in such endeavors. With the loan sharks openly flouting the law and misusing and abusing agencies for the administration of justice, the Junior Bar Conference found a proper field for the young attorney to employ his professional training to the end of social justice by rendering legal aid. As stated in *Today* on November 25, 1933, quoting from a progressive Louisville labor paper *New Era*, "No other criminal racket is able to rent offices and do business in even second-rate buildings, advertise continuously in the newspapers, sue in the courts and use all the mechanisms available to decent business. . . . Bootleggers, prostitutes and gamblers do not use the courts for collection of their delinquent accounts. But loan sharks do, not rarely, nor

^{17*} Dallas Better Business Bureau, *The Dallas Loan Shark Fight* (1939) 15.

just in certain communities, but plentifully and generally. . . ." In addition, the Conference believed it would be serving the public through a program designed to find the facts with respect to personal finance conditions and to advise the public of its findings. The purposes of this program of personal finance surveys as outlined by the Conference are:

1. To obtain information as to conditions under which loans of small sums of money are made to wage earners.
2. To render legal assistance without charge where needed, to those persons victimized by illegal high rate lending schemes.
3. To evaluate and analyze the effectiveness of present laws and judicial machinery actually to protect the rights of such borrowers.
4. To make such recommendations as are indicated."^{17b}

One difficulty the Junior Bar Conference faced in undertaking this program on a large scale was that of finances. The young lawyers were interested enough, however, that they applied to several Foundations for assistance. Their request was granted by the Pollak Foundation for Economic Research. This Foundation, famous for its part in the monumental work on the *Cost of Medical Attention* and for brilliant research on other economic problems, has made a notable contribution in the field of consumer credit through a series of popularly written pamphlets prepared by its director, William Trufant Foster.

The program of the Junior Bar Conference has been developed through employing the best features of measures taken in all the states referred to in this article. What follows is an attempt to outline briefly the program, recommendations and suggestions of the Junior Bar Conference, as a guide to other groups who may be interested in such activity.¹⁸

The national Junior Bar Conference does not take an active part in the local program in any state. Its assistance consists of making available to local groups those precedents and techniques which have proved most effective in other states. This was accomplished through publication of the *Manual for Use of Small Loan Committees of Local Bar Associations*. It was believed that the local committees through use of the *Manual* would be spared the discouragements of the trial and error method and would be supplied a technique for carrying on their own activities in such manner as to accomplish the most good with the minimum of effort. The program contemplates that local committees in various communities should carry on the actual work of giving free legal aid to persons victimized by the tactics of illegal high rate lenders. This program of legal aid is believed to be the surest and most effective

^{17b} Gisler and Birkhead, *Manual for Use of Small Loan Committees of Local Bar Associations* (Junior Bar Conference, Am. Bar Ass'n, 1940) 6; referred to in subsequent notes as *Manual*.

¹⁸ No attempt will be made here to outline the actual working of the Junior Bar Conference program or to evaluate the effectiveness of the methods proposed. This will be a study in itself. It is hoped that the surveys will be completed and published during 1941. There will then be a proper basis for evaluating the results as well as the methods. During the next year the surveys will be directed by the following: in South Carolina, Nathaniel L. Barnwell, 32 Broad St., Charleston; in Oklahoma, John A. Johnson, Braniff Bldg., Oklahoma City; in Kansas, Roetzel Jochems, Farmers and Bankers Life Bldg., Wichita.

means of gathering, at first hand, a true picture of personal finance conditions. In addition to this aid, the Conference is offering supervision and direction of local efforts by Conference men who have had prior experience in this field.

The first step in the program in any locality is the appointment of a committee by the local bar association. The first goal of the committee is to establish a free legal aid clinic and to secure such publicity and such cooperation from other interested civic groups as will bring to this clinic a large number of persons who have actually suffered at the hands of illegal high rate lenders. In order to do this, the local committee must obtain a few first-hand accounts from local persons who have had dealings with illegal lenders. This is usually found to be one of the most difficult steps unless other civic groups have become interested in the problem through having previously received complaints from such persons. Often by interviewing the chairman, secretary or manager of the following groups, or some of the following individuals, local committees will have obtained leads:

- Chambers of Commerce,
- Legal Aid Bureaus,
- Better Business Bureaus,
- Bankruptcy records; the Trustee or Referee in Bankruptcy,
- Prosecuting Attorneys,
- Justices of the Peace, Judge of Small Claims Courts,
- Welfare and Social Agencies,
- Secretaries of Credit Unions,
- Personnel Directors of large employers,
- Officers of Labor Organizations.

From one or more of these sources the local committee will be enabled to obtain a few case histories of actual oppression. If none of these groups or individuals have any information it is then necessary to secure newspaper and radio publicity of the appointment of a committee, the fact that it intends to render free legal aid to victims of loan sharks and that the members of the committee may be seen in their various offices or at a clinic in some special place arranged for this purpose.

Study of the usury laws and other laws applicable to illegal lenders, is of course, imperative. Based on information received from case histories, the committee is able to determine various typical fact situations with which it will be confronted in rendering legal aid. A portion of the committee may properly devote itself to study of the laws of the state and municipal ordinances which might be applicable. Then the local committee is in position to prepare a brief for the use of its members which will include a résumé of the general usury laws, cases, and statutes relating to wage assignments and other devices, validity of any security if usury is charged; penalties (civil and criminal) for usury; rights of set off and to recover usurious interest paid, small loan laws, if any, etc. Such a brief has been found useful not only in giving legal aid and in trial of cases, but in securing proper publicity as to the legal rights of borrowers.

Publicity is the chief weapon against illegal lenders at all stages of a program designed to assist those who are being crushed by a staggering interest burden. The particular purposes of publicity in the early phase of the program as outlined by the Conference are:

“(a) *To inform all borrowers in the locality that they may obtain legal assistance and where and how it may be secured.* There is no other certain means of doing this than through newspapers and the radio. Members of the committee may make speeches before clubs, churches and civic organizations. Placards may be posted in factories and business establishments. Those persons whom the committee aids will pass the word along to some extent. But all means other than newspapers and radio will fail to reach the great majority of persons who really need help. Unless the information is given to all the public, the bar will fail in its objectives.

“The first announcement should be on the appointment of the committee and to the effect that it is ready to assist all who come to the ‘clearing house’ or to the offices of its members.

“(b) *To show borrowers how they can be helped.* The average lawyer has no comprehension of the bondage of fear in which borrowers are held. Studies show that ‘loan sharks’ keep their ‘victims’ paying by threats of loss of employment through garnishment, etc.; of loss of credit; of criminal prosecution; and occasionally the threat is that of physical violence. These fears will be dispelled only if the committee so organizes its program to show how the ‘victims will be protected. *At all times the publicity must emphasize the willingness of the committee to help.* It must show that borrowers have been helped and the manner in which the help was given. Otherwise, few, if any, borrowers will ever consult the committee and it will have no substantial information on which to base a report.

“(c) *To obtain the fullest possible measure of cooperation from the public.* This means focusing public attention on the program.”¹⁹

The publicity suggested by the *Manual* may be of several kinds:

1. *Newspaper publicity.* Local Bar Association Committees are advised to call upon editors of newspapers at the earliest possible time to advise them of the nature of the program, and to secure the editors’ advice and assistance. Editors, of course, are called upon every day to aid “causes” and cannot waste space on those causes destined to fail for lack of a plan of action or of sufficient support. The Conference therefore points out that unless the local committee has a program which appears feasible and unless it is able to convince the editors of its sincerity and determination to see the program carried through, the editors will not be interested. If an editor indicates a desire to cooperate, the *Manual* has the following concrete suggestions which the committee should make to the editor:

“1. Appoint one reporter and one editorial writer to work with the committee. The issues involved in this sort of endeavor are too complicated for a new man on each story to make the most of it.

“2. Assign the reporter working with the committee to write human interest stories based on actual interviews with borrowers (their names not to be published, of course): to arouse the interest of public leaders in the program by interviewing them on the problem; and to assist the committee in uncovering information on who and where the ‘loan sharks’ are and how they operate.

¹⁹ *Manual*, p. 10.

"3. Give prominence to those instances in which the committee has been able to render effective aid to 'victims.' This will encourage others to come in."²⁰

2. *Radio Publicity.* This includes effective but brief talks by business, professional, religious and civic leaders in the city showing their intent to cooperate in the program, condemning the loan shark evil and encouraging borrowers to seek the free legal advice promised by the committee. The Conference particularly recommends a program of the Council of Justice type previously discussed in connection with Dallas, Texas.

3. *Printed Material.* In a number of communities printers, or some civic organization, have contributed placards which are placed in factories and large business establishments, advising all borrowers that they may secure the free legal assistance of the committee and that the employer is cooperating with the bar association. The same end may be reached by printing or mimeographing folders or pamphlets explaining the nature of the program and which may be placed in pay envelopes, distributed house to house, sent out to all merchants and business men in the city or mailed to a large number of representative citizens in any locality. Because of its importance thought should be given to other means of stimulating publicity about the program.

Experience teaches that it is not possible for any one small group to carry on permanently or successfully a program for the relief of the small borrower. The Junior Bar Conference recommends that local committees secure the wholehearted cooperation of all civic and social groups. A partial list of such groups was given above. In a number of cities, the chamber of commerce, the better business bureau or a newspaper has supplied the office for the legal clinic, which will become well known and where all borrowers may more readily go for relief. Occasionally one of these civic groups has designated a full-time employee to take and record complaints under the direction of the lawyers of the committee. The lawyers are thus freed to give their full energies to legal problems. In Dallas for instance it was found that a committee of business men were able to deal effectively with the problems of wage assignments and to aid materially in bolstering the morale of persons victimized by high rate lenders. All these steps while preliminary to actually rendering free legal assistance, are nevertheless an integral part of a continuous program which must be carried on if any permanent results are to be achieved. The part most interesting to young lawyers will, of course, be the actual program of legal assistance. While this assistance is in the main the same sort of service any lawyer renders to his client, it is somewhat specialized and the Conference recommends the following measures:

"1. *Defending without charge, actions brought by illegal lenders against borrowers whom the committee has advised to cease making payments.* In some localities, particularly where the 'fee system' prevails, the 'loan sharks' have become friendly with justices of the peace because of the volume of their collection cases, and they will file a large number of cases with the idea of 'swamping' the committee and placing on the borrowers the

²⁰ *Manual*, p. 12.

burden of appealing to higher courts. The committee should promptly make arrangements to appeal a few of these cases as test cases and carry them through the higher courts. In other localities where only a few cases are filed, the committee by vigorously contesting and winning these cases will take much of the fight out of the 'loan sharks.' These cases will be defended on the theory that the borrower has repaid all he owes, because usury is a defense and may render void any security given. It is largely a question of fact for a jury regardless of the subterfuge employed. Ordinarily where the problem and the activities of the committee (especially accounts of trials) are given sufficient publicity, the 'loan sharks' will try to avoid the public 'eye' and will cease filing any actions.

"2. *Advising borrowers of their legal rights.* If the lenders cease filing actions to collect from borrowers, the legal assistance may consist largely in advising borrowers to cease making payments when the facts and the law warrant such recommendation. If the lender continues to harass the borrower, a member of the committee should write the lender, urging him to cancel the illegal obligation. If this does not end the matter, the committee may consider the advisability of having the illegal lender prosecuted for disturbing the peace, or if the borrower loses his job, of suing for maliciously causing the loss of employment. Vigorous action in a few such cases will create proper respect for the committee. The 'loan sharks' will be apt to accept (however reluctantly) the recommendations of the committee, in which case the committee will be freed of a great amount of work. In building up this respect, the committee should avoid making any rash representations to the illegal lenders, but when it has made clear what it intends to do, the committee should follow through.

"3. *Institution of equity actions to cancel security given in connection with an illegal loan.* In some localities illegal lenders regularly file wage assignments with employers and will foreclose chattel mortgages where powers of sale are given. A few equity suits to cancel the wage assignments or mortgages should convince the illegal lender that the committee means business. The point about this and other suggestions is that a few vigorously contested actions may establish such precedents (even without the necessity of appellate court decisions) that the committee will be saved the necessity of going to court in each subsequent case.

"4. *Affirmative actions against illegal lenders.* With the idea in mind of placing the illegal high rate lender on the defensive and of exposing the 'loan shark' situation in a more dramatic manner, some local bar associations have taken more vigorous measures."²¹

The measures suggested here by the Conference, mail fraud cases, criminal prosecutions, injunction actions, etc., have been discussed in previous articles.

The primary requisite to taking effective measures for the solution of any social or economic problem is to know the facts. However well accepted this proposition may be, people are inclined to ignore it when they first begin working on the loan shark problem. There are cases where legal committees interviewed hundreds of persons but kept no record of the information obtained. While the various members of the committee doubtless had a fairly sound impression of the nature and extent of the evil they were unable forcibly, to convey this impression to anyone else because of their lack of figures, statistics and documented facts. Needless to say, complete records of all interviews and of the sources and extent of all other facts should be made. The Junior Bar Conference properly recommends that each local committee at once adopt the use of mimeographed or printed forms for recording the informa-

²¹ *Manual*, pp. 13-16.

tion obtained in each interview. These forms recommended by the Conference were developed over a period of years by many local committees as containing the type of information necessary to evaluate the extent and nature of the loan shark problem and for rendering legal assistance.

An insight into the operations and methods of loan sharks will be found in numerous public records. Previous articles show that many loan sharks are merely a part of a national chain of illegal lenders. Information connecting any particular local concern with these national chains will become important later when the false cry is raised that the committee is ruining a local "business." Those local concerns which are incorporated will have filed various papers with the Secretary of State from whom a committee may secure information. Others operating as partnerships or individuals may do so under a fictitious name, in which event there may be a license from or record with the Secretary of State revealing the owner. Examination of the income, franchise, property, and other tax records may not only bring to light the owners but the amount of income derived from the business. Further information may be obtained through the landlord and other persons who have business dealings with the lender. A particularly valuable source of information is through the employees or former employees of the illegal lender. Significant facts may be developed through an examination of court records where lenders have instituted some volume of collection cases and in the records of bankruptcy courts. Examination of wage earners' bankruptcies in Kentucky and Missouri proved them to be a gold mine of information. Various other articles in this issue dealing with the operations of illegal lenders will be found to contain references to considerable published research on all of these problems. Much of it will shed light on the local situation.

In making a survey of personal finance conditions, the Junior Bar Conference believes the picture would be incomplete without showing the operations of legal concerns who operate fully within the usury laws and who are attempting to render a real public service. This includes the personal loan department of banks, credit unions, building and loan associations, industrial banks, licensed small loan companies and perhaps others. Most of these concerns will gladly make their records available to a public spirited committee attempting to make a competent analysis of the situation. Most of them are required to make yearly reports to some state officer who can supply many facts concerning the nature of the service they render. The purpose of this type of investigation is to ascertain how far legal lenders in the state are serving the need for small loans demonstrated by the existence of illegal, high rate operators. From the statements of borrowers, etc., it will be possible to determine what amount of money is most often loaned by an illegal lender (or the average size of the loan made by the illegal lender), the type of security he seeks, the policy on selecting credit risks, etc. This limits the field of lending on which the committee should bend its efforts. The committee will then attempt to determine how far legal lending agencies compete with the loan sharks in making loans of a comparable size, type of credit risk, etc. The committee must, therefore, ascertain the number of small