

**LOANING MONEY IN THE DISTRICT OF  
COLUMBIA: HEARINGS BEFORE THE  
SUBCOMMITTEE OF THE COMMITTEE ON  
THE DISTRICT OF COLUMBIA, UNITED  
STATES SENATE. SIXTY-FOURTH  
CONGRESS, FIRST SESSION ON S. 4661**

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# **VARIOUS**

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## LOANING MONEY IN THE DISTRICT OF COLUMBIA.

FRIDAY, APRIL 21, 1916.

UNITED STATES SENATE,  
COMMITTEE ON THE DISTRICT OF COLUMBIA,  
Washington, D. C.

The committee met, pursuant to call, at 10.30 o'clock a. m., in the committee room, Capitol, Senator John Walter Smith, presiding.

Present: Senators Smith of Maryland (chairman), Pomerene, Smith of Arizona, Hollis, James, Saulsbury, Dillingham, and Jones.

Also present: William H. Baldwin, Rear Admiral Richard Wainwright, United States Navy (retired), Mrs. Richard Wainwright, Mrs. Archibald Hopkins, Hon. Henry White, Dr. George M. Kober, George S. Wilson, Edward Byrne, Evan H. Tucker, Walter S. Ufford, J. T. Exnicios, and Louis Ottenberg.

The committee thereupon proceeded to consider the bill (S. 4661) to amend an act entitled "An act to regulate the business of loaning money on security of any kind by persons, firms, and corporations other than national banks, licensed bankers, trust companies, savings banks, building and loan associations, and real estate brokers in the District of Columbia," approved February 4, 1913.

The CHAIRMAN. Gentlemen, the object of this meeting is to discuss the bill S. 4661, which the clerk will insert in the record.

(The bill referred to is here printed in full, as follows:)

[S. 4661, Sixty-fourth Congress, first session.]

A BILL To amend the act entitled "An act to regulate the business of loaning money on security of any kind by persons, firms, and corporations other than national banks, licensed bankers, trust companies, savings banks, building and loan associations, and real estate brokers in the District of Columbia," approved February fourth, nineteen hundred and thirteen.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the act entitled "An act to regulate the business of loaning money on security of any kind by persons, firms, and corporations other than national banks, licensed bankers, trust companies, savings banks, building and loan associations, and real estate brokers in the District of Columbia," approved February fourth, nineteen hundred and thirteen, be, and the same is hereby, amended as follows:

By adding after the word "intangible" in section one of said act the words "or without any security."

By adding at the end of section one of said act the following: "When an application for a loan is made within the District of Columbia and the money is advanced without said District in consequence, directly or indirectly, of such application, the transaction shall be deemed a loan made within such District, and all the parties within said District aiding in making it shall be subject to the provisions of this act. The purchasing or discounting of notes or loans of \$200 or less, or the indorsing, guaranteeing, or becoming surety for the payment of any such notes or loans for compensation or for value of any kind, or the furnishing of security therefor, or procuring any indorser, guarantor, or security therefor, for compensation or value of any kind, shall be considered to be engaging in the business of loaning money within the provisions of this

act. Any person, firm, voluntary association, joint-stock company, incorporated society or corporation directly or indirectly engaged, or seeking to engage, in the business of negotiating, arranging, or aiding the borrower or lender in procuring or making loans, whether such loans are actually made by such person, firm, voluntary association, joint-stock company, incorporated society or corporation, or by other parties, or are not made, shall be deemed to be engaged in the business of making loans, and shall be subject to the provisions of this act."

By inserting after the word "with" where it last occurs in section four of said act the words "an income, or profit and loss statement for the year and."

By inserting after the word "receive" where it occurs in line two of section five of said act the words "either directly or indirectly, or by means of any collateral or contemporaneous arrangement."

By substituting for the word "one" where it first occurs in section five of said act the word "two."

By adding after the word "made" where it occurs in line eight of section five of said act the following words: "and shall be computed only on unpaid balances."

By inserting after the word "sum" where it occurs in line twenty-five of section five of said act the following words: "and all usurious interest and forfeitures on loans heretofore or hereafter made, under this or other laws, may be collected or set off by the borrower as are other debts or claims."

By amending section eleven of said act to read as follows:

"Sec. 11. That the enforcement of this act shall be intrusted to the Commissioners of the District of Columbia, and they are hereby authorized and empowered to make all rules and regulations necessary in their judgment for the conduct of such business and the enforcement of this act in addition hereto and not inconsistent herewith, and anyone failing to comply with said rules and regulations shall be subject to the punishments provided in section seven of this act."

The CHAIRMAN. Those in favor of this bill have asked for a hearing before the committee, which we have granted. I understand that Mr. Baldwin will represent those present in regard to this matter; and I will ask him, while we do not want to hurry him unnecessarily, to be as brief as possible, as there are other matters before the committee for consideration.

Senator DILLINGHAM. May I suggest that the question in which the committee are most interested is the question of the reasonableness of the 2 per cent rate. That is where the objection to the bill mostly lies, I think.

The CHAIRMAN. That seems to be the objection. The committee are of the impression that 2 per cent a month is an excessive rate of interest to charge; and the committee would like to hear from you gentlemen in regard to the rates charged elsewhere, and why 2 per cent is asked, instead of the amount that is now permitted to be charged under the old law, 1 per cent.

We will hear Mr. William H. Baldwin.

#### STATEMENT OF MR. WILLIAM H. BALDWIN.

Mr. BALDWIN. Mr. Chairman, I shall try to make the matter as clear as I can, and to be as brief as possible.

The CHAIRMAN. Whom do you represent in this matter, Mr. Baldwin?

Mr. BALDWIN. I represent the citizens' committee, and I was going to speak of that first.

Here is a list of the members of the citizens' committee, which has been in existence for more than six years, trying to get an adequate loan-shark law—one which will prevent exorbitant rates, and yet will permit the loaning of money at the most reasonable rates possible. Several of the members have died since—Justice Brewer, Mr. Sleman, Mr. Riggs, and others—but this is the committee as it stands at

present. There are 19 of them. We lost ex-Corporation Counsel Thomas, who was an admirable man, within the year.

Senator DILLINGHAM. You will insert the list in the record?

Mr. BALDWIN. Yes, sir.

(The list referred to is here printed, as follows:)

MEMBERS OF THE CITIZENS' COMMITTEE ON THE LOAN-SHARK QUESTION.

Mr. Emmet L. Adams, 503 B Street NE.  
 Mr. William H. Baldwin, 1415 Twenty-first Street, chairman.  
 Mr. John B. Colpoys, 533 Tennessee Avenue NE.  
 Mr. John Joy Edson, Washington Loan & Trust.  
 Mr. William J. Eynon, 512 Eleventh Street NW.  
 Mr. Charles E. Foster, The Portland.  
 Mr. H. C. Gauss, 1403 Webster Street NW.  
 Mr. Gilbert H. Grosvenor, National Geographic Society.  
 Mr. William F. Gude, 1214 F Street NW.  
 Mrs. Archibald Hopkins, 1826 Massachusetts Avenue NW.  
 Dr. George M. Kober, 1819 Q Street NW.  
 Mr. Cuno H. Rudolph, Second National Bank.  
 Mr. Evan H. Tucker, 720 A Street NE.  
 Mr. Walter S. Ufford, 923 H Street NW.  
 Rev. John Van Schaick, 1417 Massachusetts Avenue NW.  
 Mrs. Richard Wainwright, 1264 New Hampshire Avenue.  
 Mr. Henry L. West, 2708 Twenty-seventh Street NW.  
 Mr. Henry White, 1624 Crescent Place.  
 Mr. George S. Wilson, room 319, District Building, secretary.

Mr. BALDWIN. I want also to say that this bill has the unanimous indorsement of the Chamber of Commerce the Board of Trade, the Federation of Citizens' Associations, the Monday Evening Club, the Associated Charities, and the Woman's Welfare Branch of the National Civic Federation, so that it is as nearly a unanimous expression of the opinion of the civic bodies, and most representative bodies of Washington, as you could have. I know of no one who is opposed to the bill in Washington except some people who think that the rate ought to be still higher than we ask for, and I judge that the committee would not be interested in that, or inclined to listen to any arguments on that score.

Senator JONES. Have any labor organizations expressed themselves?

Mr. BALDWIN. Some of the labor organizations have expressed themselves as desiring a higher rate—3 per cent per month for loans under \$50.

Senator JONES. Do you know what organizations?

Mr. BALDWIN. I think the Central Labor Union. We have some of the labor men on our committee, but we have no objection, let me say, to that view. If you want to make the rate 3 per cent on some of the smaller loans, our committee has no objection.

Senator JAMES. Is it not unusual for borrowers to want to increase the rate of interest on themselves?

Mr. BALDWIN. Yes, sir. That is the paradox that I am trying to get at here, and to explain why we help a man by raising the rate; but if you will bear with me I will try to make it clear.

I submit here some letters that were written about this bill. There was an identical bill introduced in the House by Mr. Page. The following are copies of some letters that were written, indorsing the bill, identical with the bill we are considering, from these organizations of which I have spoken.



(The letters referred to above are here printed, as follows:)

LETTERS INDORSING THE AMENDMENT TO THE LOAN-SHARK LAW, H. R. 5782, BY MR. PAGE IN THE HOUSE, S. 4661, BY MR. SMITH OF MARYLAND IN THE SENATE.

BOARD OF TRADE.

FEBRUARY 15, 1916.

Referring to H. R. 5782, being a bill to amend the act entitled "An act to regulate the business of loaning money on security," etc., in the District of Columbia, I beg to state as chairman of the committee on law of the board of trade that this bill or one identical was nearly one year ago fully approved by the board of trade of the District of Columbia in open session, after a report favorable thereto by my committee. The committee on law was instructed by the board to lend its aid to the enactment of the bill into law.

Very respectfully,

A. A. BIENEY,  
*Chairman Committee on Law.*

MONDAY EVENING CLUB.

The executive committee of the Monday Evening Club has this afternoon passed a resolution expressing its sincere appreciation of the personal interest and support which you are giving to the proposed amendments to the so-called loan-shark bill, H. R. 5782.

Events have shown that in the regulation of loaning money to necessitous borrowers, a rate of interest has been fixed which made the business unprofitable for a city like Washington. We, therefore, sincerely trust that the amendments permitting a 2 per cent rate will be adopted both by the House and Senate.

If there is anything that the Monday Evening Club can do to strengthen your hands in creating public sentiment in support of the proposed amendments, please command us.

Again thanking you, on behalf of the club,

Very respectfully,

EXECUTIVE COMMITTEE,  
Per WALTER S. UFFORD,  
*President.*

(This confirms the resolution of the Monday Evening Club May 17, 1915, indorsing the bill in the exact form in which it was afterwards introduced by Senator Smith.)

ASSOCIATED CHARITIES.

FEBRUARY 10, 1916.

At a meeting of the board of managers of the Associated Charities, held yesterday afternoon, the board directed its president and secretary to express to you our appreciation of your efforts in behalf of the bill H. R. 5782, introduced by you, which would establish a rate of 2 per cent on small loans in the District of Columbia.

This board is on record as giving its hearty support to such legislation, and expresses the hope that you will be successful in having the bill enacted into law at an early date.

On behalf of the board,

Very respectfully,

CUNO H. RUDOLPH, *President.*  
WALTER S. UFFORD, *Secretary.*

FEDERATION OF CITIZENS' ASSOCIATIONS.

MARCH 6, 1916.

As president of the Federation of Citizens' Associations, I take pleasure in informing you that, at the regular meeting of the federation, held Saturday night, the 4th instant, a resolution was adopted approving the bill introduced by you providing for interest at the rate of 2 per cent per month on small loans in the District of Columbia. It is the hope of the federation that the Page bill will be enacted into law.

Respectfully,

EDWARD F. COLLADAY,  
*President Federation of Citizens' Associations.*

CHAMBER OF COMMERCE.

MARCH 15, 1916.

The chamber of commerce last night adopted unanimously the report of the committee on municipal legislation on H. R. 5782 and S. 4661 (identical bills) to advance the rate on lending of money in the District.

The committee recommended and the chamber indorsed heartily these bills and urge their enactment.

I was directed to communicate this to you.

Respectfully,

THOMAS GRANT, *Secretary.*

In connection with this I want to emphasize this point: We have been talking a good deal about suffrage in the District lately, and some Senators have been of the opinion that we ought to have suffrage here, so as to express the views of the District. This is as near an expression of the kind that you would get by suffrage as anything we could have, as nearly unanimous as anything that I know of, in favor of raising this rate to at least 2 per cent. I know of no one who is against it.

I ought to say, also, that the commissioners are earnestly in favor of this bill, and have written a letter, I think, to Senator Smith, urging that the bill be passed. At least, they told me that they had.

As to the rate, Mr. Commissioner Brownlow handed me some time since for consideration a letter from Mr. Herbert Quick, who is interested in rural credits. Perhaps Senator Hollis would be interested in that general subject. In this letter Mr. Quick says that the loan-shark business is quite as bad in the rural districts as anywhere else, but there are two sides to it. He says [reading]:

Where interest rates—which in the chattel-loan business consist very much more in wages and insurance—

Mr. Quick has the idea there that it is not simply the interest, it is the cost of making the loans and insurance for risks more than the real interest—

fall below the line of profits the farmers can get no money at all. You are perfectly familiar with this principle.

I wrote Mr. Quick about it, and he told me that he had written an article for the Saturday Evening Post, which I will insert.

(The article referred to is here printed, as follows:)

BERKELEY SPRINGS, W. VA., February 5, 1916.

MR. LOUIS BROWNLOW,  
*Commissioner, Washington, D. C.*

DEAR LOUIS: I saw in the Times a day or two ago a statement to the effect that your commission had decided that 1 per cent a month is less than chattel loans can be obtained for in the District and that an increase over that amount is deemed necessary.

If you have anything which you can let me have, or which you can write me, giving the basis on which this decision was made, it will help me in an article on rural credits which I am preparing. The loan-shark business is quite as bad in the rural districts as anywhere else, but there are two sides to it. Where interest rates—which in the chattel-loan business consists very much more in wages and insurance for risk than in real interest—fall below the line of profits the farmers can get no money at all. You are perfectly familiar with this principle.

The fact that your commission made an investigation and came to a decision will be a good thing for me to have in mind in writing on the subject.

Yours, sincerely,

HERBERT QUICK.

I want to show you, just at a glance here, that this is the way the loan business was in this city when we started [exhibiting news-

paper advertisements to the committee]. There is a third of a page, nearly half a page, of the paper, with advertisements of more than 20 concerns saying, "Come in and get your Christmas money," and so on, and the rates ran as high as 470 per cent, some of them. I know a man who paid a loan here, on which he paid 470 per cent interest per annum. Here is what we have it reduced to to-day [exhibiting another advertisement to the committee]. We have reduced the advertisements now to this—just one little card down at the bottom; but while that is a small card in space it is a very large card in the proportion of the business. It represents, perhaps nearly half of what was going on at that time—the advertisement which appears in the morning papers of Mr. Horning, loans at the other end of the Long Bridge, with free automobiles from his office at Ninth and D Streets.

Senator JONES. He is the man who conducts his business over here in Virginia because of this act?

Mr. BALDWIN. Yes, sir; because of this act. It is an incongruous position to have him have to do that because he can not do business in the District.

Senator JAMES. Did your committee advocate the present law, 1 per cent?

Mr. BALDWIN. No, sir; not 1 per cent. We objected to the 1 per cent, but we accepted it in order to secure the enactment of the law which would stop these extortions.

The CHAIRMAN. That would stop the man across the bridge from charging 3 per cent?

Mr. BALDWIN. No, I mean the exorbitant rates then charged here.

Senator DILLINGHAM. I may say that the committee advocated substantially the law that is on the books, but they recommended a 2 per cent, or a higher rate. I made the report for the committee to the Senate; but in the Senate there was a feeling that 2 per cent a month was an injustice to the borrower, and, as a matter of compromise, it was reduced it to 1 per cent. That is substantially the history of the legislation.

Senator JAMES. The present law, however, did serve a good purpose, because it drove these rates of interest down from the maximum of 470 per cent, as you state, to 3 per cent, and you have to go across the river to get that, do you not?

Mr. BALDWIN. Sometimes you do; yes, sir.

Senator JAMES. You do always, unless they violate the law?

Mr. BALDWIN. Yes; and the law is being violated.

The CHAIRMAN. I understood you to tell me, Mr. Baldwin, that there were no loan-shark offices here at all now.

Mr. BALDWIN. There are no open offices that are doing a loan business. It has served that purpose, and I am glad of it. It took much longer than we expected to make the law effective, and the loan sharks here got probably \$100,000 more than I think they ought to have gotten if we could have gone right on and pushed them out; but it has become unhealthy to do the business here, and they have finally gone over the line to Virginia, where there are three doing business with District people now. I will get to that a little later, though.

About the bill, it was introduced away back on December 20, 1909, and this committee was formed just after that. Senator Dillingham