

Office Correspondence

Date February 21, 1935.

To Governor Eccles
From Mr. Edmiston *H.K.*Subject: William T. Foster's Statement
upon the District Small Loan Bill.

GPO 16-852

Mr. Foster's objections to the Small Loan Bill sponsored by Senator King seemed to me to be quite sound. This is a business in which expenses are large and unless it is thought desirable from social considerations to have the Government subsidize the business, I think that maximum legal rates must be kept relatively high.

Below are summarized Mr. Foster's objections:

1. The Uniform Small Loan Law as sponsored by the Russell Sage Foundation has been adopted in twenty-six States through the unceasing efforts of social workers over a period of thirty years. Continually the revision of these laws is being sought by loan operators and to have a different type of law passed in Washington would seem to discredit these laws in other States.

2. Experience has shown that the rate of $2\frac{1}{2}\%$ a month on small loans is not unreasonable. To set up lower legal maximum rates tends to drive licensed lenders out of business and thus leaves the field open to loan sharks to the detriment of individuals who can only obtain funds in this manner.

3. In spite of the fact that the law provides for a lower schedule of rates, it permits special fees and discounting in advance. Mr. Foster claims that these exceptions will bring the rates higher than the maximum which are provided under the Uniform Small Loan Law. In addition, experience with a small loan business in many States has shown that whenever special exemptions are provided, there is no legal way to combat evasions.

4. The Uniform Small Loan Law has stood the test of time in many States and it has been modified on numerous occasions to remedy the difficulties which experience has demonstrated to be present. Mr. Foster believes, therefore, that it would be better for such a law to be passed for the District rather than adopting a new and untried law dealing with the small loan business.