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COOPERATIVE CREDIT SOCIETIES
(CREDIT UNIONS) IN AMERICA AND
IN FOREIGN COUNTRIES

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**COOPERATIVE CREDIT SOCIETIES (CREDIT UNIONS) IN AMERICA
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INTRODUCTION.

Cooperative credit societies have been established for the purpose of encouraging thrift among and extending credit at low cost to honest, frugal, industrious workers of the agricultural and mechanical classes with slender means, and thus preventing their falling into the hands of "loan sharks" in time of unemployment, sickness, or need. Communities without local banks, or where existing banks do not loan money in small amounts, are a fertile field for credit societies. These organizations are known under different names—people's banks, popular banks, rural banks, savings and loan banks, loan associations, credit associations, savings and loan fund associations, credit and savings societies, cooperative credit societies, loan societies, loan and credit unions, loan fund unions, and credit unions. It is the general experience that wherever such societies have been introduced the usurer has left, homes have become comfortable, and the poor man has become a small capitalist.

These societies are not charitable institutions to care for the helpless or assist the incompetent, nor are they reformatory institutions to turn dishonest men into honest ones. They help only such able, honest, and unfortunate persons as are capable of being helped and are willing to try to help themselves. They are purely business propositions. Their underlying principle is cooperation, each society being organized for the furtherance of cooperative purposes and not to enrich the members. They comprise two classes of members—borrowers and lenders—both often merged in the same individual, and both treated with equal justice in the distribution of the profits. Each member must hold at least one share of stock in the association and may hold more, the par value of shares being placed so low as to keep out no one otherwise eligible for membership. Regular rates of interest are paid on deposits and are charged on loans. Depositors do not receive large rates of interest on their money, and borrowers avoid paying high rates to money lenders.

In many ways these societies resemble combined savings bank and building and loan associations but are engaged in other than building operations. They differ from the regular commercial banks in four important particulars: First, they are organized and managed primarily in the interests of the borrowers; secondly, the par value of the shares is small and may be paid for in weekly or monthly installments of a few cents each; thirdly, small loans are preferred to large ones; fourthly, other collateral being lacking, good character is occasionally accepted as security for a loan.

COOPERATIVE CREDIT ABROAD.

GERMANY.

SCHULZE-DELITZSCH SOCIETIES.

These societies for cooperative credit originated with Hermann Schulze, a graduate of Leipsic University, and at the time a judge in a provincial court in his native town of Delitzsch, in Prussian Saxony. He was an earnest student of cooperation as then taught in England and France and adapted his idea of thrift from the English friendly societies, with which he was acquainted.

Greatly affected by the deplorable condition and poverty of the working classes in his Province following the famine of 1848, he organized an association of poor people for the purpose of buying raw materials at wholesale and selling them to members at cost, and then tried to evolve a plan to raise capital for persons without money or to give them credit safely without security. Two years later he organized a second society composed of needy mechanics and a few philanthropic members, the latter to loan money to the former, who were to repay it with interest in monthly payments of small amounts each. The profits were to form the basis of a fund to be used in making further loans to members at a low fixed rate of interest.

In 1853 he organized another similar society and provided for the creation of a fund by the contribution of members alone. In the following year he began a systematic agitation for the formation of cooperative credit societies, or Creditvereine, as he called them in a book issued in 1856, defining their scope and object. He issued a series of brochures, corresponded with leading newspapers, and as a member of the Prussian Parliament advocated his theories publicly. In 1859 he opened a central bureau to promote the cause of cooperation, to keep members informed of the condition and progress of the societies, to promote closer relations between them by exchange of reports, to obtain loans for societies from commercial banks, to keep a register of societies, and to publish yearly statistical reports. These societies existed as voluntary associations until 1867, when the first cooperative law in Prussia was passed. In 1868 this law was adopted by the North German Confederation and in 1889 by the German Empire; all cooperative societies in Germany are now organized under the imperial act.

As a result of this active propaganda the number of societies rapidly increased. They were at first intended for the jobbing artisan and small tradesman in towns, but have been found useful by the man of larger business. Members of all occupations are found in their ranks, but though the largest occupational group (one-fourth of all members) is composed of workers on farms, these societies seem better adapted to the industrial and mercantile classes with small stores than to small farmers and agricultural laborers, because of the length of time for which loans are granted.

RAIFFEISEN SOCIETIES.

An adaptation of the Schulze-Delitzsch societies for the benefit of the farm classes was worked out by Frederick Wilhelm Raiffeisen, who, as

burgomaster of Weyerbusch, an inhospitable region of small farms in the Rhineland, had noted the inability of the half-starved peasants to make a living following the drouth of 1846 and 1847.

Believing that their suffering was largely due to the terrible usury practiced by money lenders Raiffeisen organized at Flammersfeld, to which he had been transferred in 1848, a cooperative society to sell the peasants bread and cattle at cost. In 1849, he organized a credit and loan society to loan money to the peasants at reasonable rates of interest. Five years later at Heddesdorf, another town in which he had become burgomaster, he persuaded certain philanthropists to loan money on the security of the combined credit of the borrowers, and thus to enable the latter to buy cattle, fertilizers, and other farm supplies at wholesale and to sell them to members at cost, the loan to be repaid in five annual installments at a low rate of interest. In 1862 he organized at Anhausen a society in which he united the cooperative banking plan of Schulze with his own plan of distribution. The next society was opened in 1868. Since 1880 the idea has spread rapidly until to-day societies on the Raiffeisen model, confined mainly to rural districts, outnumber those on the Schulze model three or four to one.

COMPARISON OF SCHULZE-DELITZSCH AND RAIFFEISEN SOCIETIES.

Both of these types of societies, unsuccessful when run as charitable organizations, but successful as business enterprises, were organized for similar purposes—to obtain by combination credit that could not be obtained individually, to combat usury, to encourage thrift, and to change dependent into independent producers. Comparison between them is rather difficult and the differences between them have been sufficiently great to prevent their acting in harmony.

Schulze was materialistic and commercial, kept the financial aim ever in view, avoided all connection with religion and charity, and carried the doctrine of self-help to its limit, refusing outside aid of any kind, whether State or local. Raiffeisen was humanitarian and ethical, idealistic, intensely religious, preached educational and moral reform, accepted outside aid wherever proffered, tried to organize his societies in connection with churches, enlisted the aid of parish priests, and though a Lutheran was supported by the clergy of all denominations.

OFFICERS AND BUILDINGS.

The Schulze societies, popularly known as people's banks, are generally housed in their own building which is often the principal one in the town. They have well appointed offices, paid clerks, and regular banking hours, and resemble small State or private banks in this country. Many indeed have developed into regular commercial banks.

The Raiffeisen societies, popularly known as village banks, or savings and loan banks, have but one paid official—the accountant—who is generally the village priest, school-teacher, or a local public official, and in the earlier days was often not a member of the society. He receives a salary of from 300 to 800 marks (\$71.40 to \$190.40, par) a year for his services, and his office, which is frequently in a room in his house or in the barn, is open for business only at stated times, as on holidays, Sundays after church services, and on two or three evenings a week.

MEMBERSHIP.

The Schulze societies are in the populous centers, and the aim is to have one in each town, with a large membership, because of the safety in numbers, the reduced cost of management, and the better security offered. The societies have an average membership of about 625, though there are societies in existence with a membership of more than 10,000. Practically any respectable self-supporting person of good moral character is eligible to membership on assenting to the rules. Membership is not limited to any class. The more varied the occupations the steadier the foundation and the less the risk, but people of the poorest class are not welcome, nor are minors admitted.

The Raiffeisen societies exist where the population is sparse. They aim to have one society in each parish or locality of 400 people, each with a small membership now averaging less than 100, and some having only about 15 or 20 members. They are composed mainly of one class, farmers. Their object is not to secure a large membership but to exclude those not eligible, and to benefit the very poor. The majority of members come from the middle class. However, any person may be admitted to membership after being recommended by a member of the society and being found on investigation by the trustees to be of orderly habits, good reputation, good moral character, and able to support himself—if elected by the members. Few worthy persons are debarred from membership, for nearly every farmer has some equipment or live stock or a little property of some kind that can be used for security if need be.

Both societies exclude drunkards, spendthrifts, profligates, and those without means to maintain their membership. Neither society advocates the formation of societies composed entirely of the poor, though Raiffeisen never refused membership to a poor man if honest.

CAPITAL.

Schulze organized to obtain funds. Raiffeisen organized to create a condition where outside credit could be obtained at a minimum of cost. This credit is created out of the general knowledge of the character of members and this is more easily attained in the small restricted area of operations of the Raiffeisen society than in the large unrestricted area of the Schulze organization. The Schulze societies borrow but little money as they obtain nearly all they need in other ways. The Raiffeisen banks borrow heavily, and generally for long periods of time, from commercial banks willing to loan on the security of the combined credit of the members.

The Schulze societies desire to have a large capital in order to give standing to the organization. Therefore the par value of the stock is made rather large, generally 300 to 500 marks (\$71.40 to \$119, par), and sometimes 1,000 marks (\$238, par). Each member is required to own one share, being allowed to pay for it in monthly installments small enough to admit the poorer classes, though the size of the share undoubtedly prevents some desirable persons without property from joining. In order that the poorest may be admitted, the Raiffeisen societies organize without cash capital where the law so permits and in States where a cash value of the stock is required, each share is put at as low a value as possible, generally 4 marks (95.2 cents, par), or even less, and the ownership of more than one share is generally forbidden.

In the Schulze societies the reserve fund is formed from a non-returnable entrance fee of 10 marks (\$2.38, par) collected from each member on joining, all the profits of the first year, 15 to 20 per cent of those of the second and third years, and 5 to 10 per cent thereafter. The reserve is intended to be kept at about 10 to 20 per cent of the capital and 8 to 10 per cent of the liabilities, and is used to make good any losses and to reduce the necessity of borrowing.

In the Raiffeisen societies all the profits, after paying losses and running expenses, are carried to the reserve fund, which takes the place of borrowed capital and reduces the cost of borrowing to members.

In both systems deposits on which interest is paid are received from anyone, child or adult, whether or not a member of the society. The Raiffeisen society tries to become the savings bank of its district, distributes savings boxes among the families in the community, sells savings stamps and cards, and endeavors to get possession of every spare coin in its vicinity. From 85 to 90 per cent of its working capital consists of deposits. The average working capital of a Schulze society is about ten times that of a Raiffeisen society.

LIABILITY OF MEMBERS.

At the outset Schulze, in his effort to find a basis of credit for his societies, adopted the system of unlimited liability of each member for the debts of all as the one calculated to attract depositors and to inspire confidence among persons with money, for the latter, though unwilling to loan money to one person of good character, might be willing to loan money to a group of such persons without other security than the individual promise of each to become responsible for the payment of the whole debt. This system causes caution to be exercised in the selection of members, discourages any tendency toward speculation, and makes each one feel his responsibility for all. Besides, there is little danger in the assumption of such liability, for in no case does the personal liability begin until after the exhaustion of all the capital and the reserve of the society.

Since 1889 the law of Germany has permitted limited liability and most of the Schulze societies since organized have been organized on the limited liability principle. To-day more than one-third of these societies are limited and permit members to hold more than one share. Experience has shown that the principle of unlimited liability is less essential as the capital of the society grows. Up to the present time in Germany the debtor's estate or sureties or the reserve have proved sufficient to take care of every case of failure by borrowers to pay principal or interest and the necessity of unlimited liability has never been put to the test. The Raiffeisen societies, however, still hold to the original principle of unlimited liability.

METHOD OF MAKING LOANS.

Under both the Schulze and Raiffeisen systems bank accommodation is given to members only. The Schulze banks confine themselves to a banking business, discounting and accepting bills of exchange, which are in general use in Germany in place of checks, and granting advances on the note of the borrower for small amounts

and with one or two indorsements for larger amounts. All this is done at practically the same rates charged by commercial banks, but for short periods of time, not more than ninety days, with renewals in case the borrower reduces the amount of the loan. Each society fixes the maximum amount to be loaned a member, which is always small. No one is extended credit in an amount exceeding one-fifth of the property of the society, and the amount of loans outstanding may not exceed twice the capital. An attempt is made to keep the society's funds liquid. Advances on realty are discouraged. Shares of its capital stock are not taken as security. Chattel mortgages are preferred. For failure of a borrower to meet his payments his security is forfeited, then his shares are taken, and lastly his indorsers are called upon to meet any deficiency.

The Raiffeisen societies confine themselves to the simplest kind of banking transactions, receive deposits, and borrow on the credit of the society, neither giving nor cashing checks or commercial paper of any character. All transactions are for cash, a small amount of money—800 to 1,200 marks (\$190.40 to \$285.60, par)—being kept on hand for emergencies and the rest of the funds deposited in a commercial bank without incurring risk. Most of the money loaned by the society comes from deposits or is borrowed from commercial banks. The loans are generally for less than 500 marks (\$119, par) each, and are most frequently made on the credit of the individual member, or on a note, with one or two sureties, according to circumstances, but for a long period of time, three to five years or more, repayment being made in installments or amortized.

Borrowing, however, is not encouraged, in fact it is made somewhat difficult, in spite of the current belief that cheap and easy credit is obtained on character alone. By borrowing on "character" is usually meant the borrowing by the society from a bank on the collective character of the members of the society, not primarily the borrowing from the society by a member on the strength of his personal character. Credit is not indiscriminately given. Every society requires from its borrowers as safe a security as is exacted by any bank. The applicant must show his need for the money. The improvident is refused a loan. A loan is never made to procure a luxury, but is made for a specific productive purpose or for something that will repay the loan out of savings, additional profits, or the proceeds. Credit is refused small traders and workmen without means, even if honest. Safety is the prime requisite, not business.

The Schulze banks, because of their size, fluctuating membership, and unrestricted area, do not watch to see whether the money is used for the purpose for which borrowed, provided the security given is sufficient.

The Raiffeisen societies, however, record the purpose for which the loan is made and watch carefully to see that the money is used for that purpose, and will call it in if misapplied or if the borrower is careless in paying the interest thereon promptly when due or if he lets his security deteriorate in value. Every three months the condition of debtors and their securities is inspected and additional security demanded if circumstances require it. The close acquaintance with borrowers due to the limitation of membership to a pursuit or a neighborhood, the restricted area covered by the society, and the common spirit in industrial and social relations make vigilance

possible. The caution in granting loans, the careful checking of every act, the avoidance of all risks, the cheapness of the service, the small, modest and humble manner in which the business is carried on, all tend to make the Raiffeisen societies successful.

INTEREST.

The rate of interest charged for accommodation by the Schulze societies is the current rate charged by commercial banks in the vicinity, the borrowers receiving part of it back at the end of the year in the form of dividends. Large dividends, often as high as 12 per cent, are the rule in the first years of a society's existence in order to attract capital and to cause members to pay up their shares early, dividends being returned on paid-up shares only. Schulze advocated the payment of high dividends in order to attract money and secure the best managerial ability, and thus make possible favorable terms to borrowers.

In order to attract members the Raiffeisen societies place the rate of interest lower than that charged by banks. In order to prevent greediness, no dividends are paid; whatever profits remain at the end of the year, after provisions for impairment of capital and deductions made for the reserve fund, are used to pay subscriptions to periodicals or devoted to public or social welfare work in the community. Raiffeisen laid emphasis on the low rate of interest charged borrowers.

Thus the systems of both encourage thrift—that of Schulze by encouraging the creation and constant accumulation of capital, requiring small weekly payments on a large share of capital and encouraging members to become capitalists; and that of Raiffeisen by requiring repayment of loans in small amounts extending over a long period and encouraging members thus to obtain property, on the theory that periodical payments on long-time loans were as effective to encourage thrift as periodical payments on shares. In one case stock was obtained, in the other land or property.

In addition to their banking business, the Raiffeisen societies, especially during the earlier years of their existence, buy farm supplies, seed, fertilizer, coal, feed, and farm machinery—at wholesale for cash—and distribute them among members, receiving pay therefor when the crops are gathered. A society may buy a large farm and allot it to members, who repay in installments and avoid all brokerage charges.

MANAGEMENT.

The government of both societies rests in all the members at the annual or semiannual general meeting, where the officers are elected, important questions considered, the general policy of the bank shaped and final appeals heard, no one having more than one vote or voting by proxy, and no difference being recognized between rich and poor.

The management of the Schulze society is vested in an executive committee of three—manager, cashier, and comptroller—forming a board with general control of the bank, and selected purely for their fitness. They recommend persons for membership and carry out the policy determined at the annual meeting. They themselves are not allowed to borrow from the society and their acts are supervised and examined quarterly by a supervisory committee of nine representing all sections of membership, which checks everything that is done, audits

accounts, inquires whether proper security was taken in each case, removes members of the executive committee for cause, appraises the credit value of each member, and admits and expels members. Both committees are generally paid, the former often on a commission basis, which is apt to make them to be less careful of the security offered and at times to embark on hazardous or speculative undertakings. They serve three years, one-third of each board retiring yearly. The safety of the business depends on the carefulness with which the supervisory committee does its work. Almost every case of loss has been due to negligence on the part of this committee. A biennial inspection of every society is made by an inspector appointed by a group of societies, compulsory since 1889, voluntary before that time.

The Raiffeisen societies are managed by a committee of five elected for four years, two or three retiring every two years. They meet weekly and perform all the executive work. A council of supervision, consisting of from three to nine members, is elected for three years, one-third retiring yearly. They meet quarterly, supervise the committee, and under certain circumstances discharge members of the committee. The duties of both boards are similar to those of the corresponding boards of the Schulze societies, except that the manager oversees the use of the loan and attends to any buying and selling in which the society may be engaged. The custom is to have a majority of the committee composed of the wealthier members, officials and landowners, often the most important men in the township, who do not need credit but who join the society because of their interest in its object, make deposits, and give it a visible solvency. All serve gratuitously, except the accountant or cashier, and he is merely an executive agent. Caution and safety are the guiding motives in every act. All accounts are sent to headquarters of the central office and there checked. Inspectors examine thoroughly each society every two years.

WITHDRAWALS AND DISSOLUTION.

Generally, on three months' notice, a member may withdraw from a society and receive the value of the shares bought, but he loses all his right to the entrance fee and any share in the reserve fund.

Expulsion may follow immoral conduct, failure in business or in meeting liabilities, or joining another similar society organized on the unlimited liability plan.

Heirs of a deceased member are not necessarily entitled to admission to the society, but only to a settlement of accounts.

Whenever a Schulze society goes out of business, and many have done so, the assets including the reserve are divided among the last members.

If a Raiffeisen bank goes out of business the reserve fund is transferred to some public institution to be used in organizing other similar societies in the same district, and if none is organized within a reasonable time, then to the commune for some local public benefit.

FEDERATIONS.

In Germany, the Schulze societies are independent but are affiliated to 32 provincial federations, each including cooperative, distributive, productive, and building, as well as credit departments, and

each having its periodic meetings. The provincial federations are in turn affiliated with a central organization known as the General Federation of German Cooperative Societies, a voluntary organization governed by a general committee elected by the groups above mentioned, and holding an annual congress where pertinent questions of interest to the members are discussed, views are interchanged, resolutions adopted, and cooperative conditions kept pure and uniform. Since 1904, the Dresdner Bank, which in that year absorbed the German Cooperative Bank that had been organized at Berlin as a central bank for the Schulze societies, has acted as a central bank for the federation.

The Raiffeisen societies are grouped into a more comprehensive system than the Schulze, each part supporting the rest. They are grouped into provincial federations and the latter in turn into national bodies. The provincial federations are supervisory bodies, with the right of inspection and audit of each local society, and carry on organization and instruction. There are three central organizations: (1) The Central Agricultural Loan Bank, originally established at Neuwied in 1877 but whose headquarters since 1910 have been in Berlin, with branches in various parts of the country. Its function is to act as an intermediary between the individual societies and to equalize the money market. Each local society holds one share of stock in the bank. (2) The General Federation of Rural Cooperative Societies, a general supply agency of German agricultural cooperative societies, established in 1877 but taking its present name in 1899. The federation extends and supervises the credit societies and represents their interests everywhere. Between 1905 and 1913 the federation was affiliated with the Imperial Federation of Agricultural Cooperative Societies, which was an organization of provincial distributive agricultural cooperative societies formed in 1883. (3) The firm of Raiffeisen & Co., established to raise funds, manage the printing office of the societies, publish their paper, and be a savings bank, using the profits for the benefit of the societies. Independent assemblies are held in the larger States of Germany.

PROGRESS.

These societies have a limited field peculiarly their own. When they started there were few banks which would receive small savings. They have not displaced the savings banks nor are they competitors of the commercial banks which are glad to be rid of small and vexatious loans which return but little profit, and devote themselves to larger and safer loans more easily handled. They give to the small borrower the same banking facilities elsewhere reserved for capital. Their value to the Government during the recent war was well shown in that through them imperial bonds were floated to the extent of 3,500,000,000 marks (\$833,000,000, par). They were heavy subscribers to the second and third loans.

Their success has been marvelous. The percentage of losses has been trifling and confined mainly to those on the Schulze model. In the Raiffeisen societies no depositor or creditor has lost a cent, as losses have been covered by raising the interest rates on loans or slightly increasing the price of supplies. The surplus earnings and savings of the community are thus kept at home instead of being sent to the city to be used elsewhere.

ITALY.

From Germany the idea spread until at the present time one type of society or the other, and generally both, is to be found in every country in Europe. Some are simply loan societies, charitable or philanthropic. Others, though retaining the cooperative idea, have departed so far from the original that the adapted form is hardly recognizable.

The first form introduced into a country has generally been the Schulze, though after the introduction of the Raiffeisen form the latter has soon outdistanced its rival in the number and varieties of societies. The latter is the prevailing form in Austria, Italy, Switzerland, and Russia. One noticeable feature in regard to the introduction of these societies is that in no country have the Raiffeisen societies been introduced by a farmer, or the Schulze societies by anyone needing their help. Both have invariably been introduced by charitably disposed or public-spirited persons who after studying them have been impressed with their value and felt that they were suited to the needs of their own country.

The credit society of Schulze was introduced into Milan, Italy, May 25, 1866, by Luigi Luzzatti, then a young man, but later Minister of Finance and Prime Minister of Italy. The form was somewhat changed from the German model, and to-day people's banks, as they are termed in Italy, are to be found in all the larger cities in the northern portion of the peninsula.

The members of these societies are drawn mainly from small tradesmen of the middle class but with several from the well-to-do to give strength to the society in its earlier days, inasmuch as limited liability is the rule, the Italians being unacquainted with the principle of unlimited liability. Admission to a society is a guaranty of good character, for character is as carefully scrutinized in Italy as in Germany. The high par value of the Schulze shares is reduced in amount. Shares vary in value from 5 to 100 lire (\$0.97 to \$19.30, par), generally lying between 20 and 50 lire (\$3.86 and \$9.65, par). A member is limited to one vote though he is allowed to hold stock up to the value of 5,000 lire (\$965, par), paying for it in 10 monthly installments, thus early giving the society a definite capital. The societies receive no assistance, State or charitable; give preference to applicants for small loans, accept and discount bills of exchange, make loans on a member's character, pledge, or shares; limit loans except those for agricultural purposes to three months, lend their surplus to nonmembers, avoid all risk, pay dividends, and give a percentage of the profits to charity and for civic betterment. Some of the larger societies do every variety of banking business. The societies do not borrow money. Their funds come from the sale of shares, low entrance fees, a reserve fund created by carrying to it 20 to 25 per cent of the yearly profits, and by the issue of interest-bearing bonds, but mainly from deposits, as these societies are considered savings banks.

The final governing body is the general meeting. At the annual meeting four unsalaried committees are elected: (1) A council, or board of management. The council has from 7 to 140 members

representing all parts of the membership and all the various sections and interests, has general administration of the society, elects new members, and appoints, inspects, and reviews the administrative officers. It appoints from its own number an executive board of from three to five, to whom the general management of the society is intrusted. (2) A committee of discounts of from 15 to 40 members to keep records of the safe credit value of each member and his past dealings with the society and to approve or reject applications for loans or credits. (3) An appeal committee of three members to act as arbitrators in all disagreements between members and the various officers and committees relative to matters of administration. (4) A committee of from three to five to approve and make or to refuse (for good reason) loans and discounts. The societies cover larger districts than the Schulze in Germany and some of them have several branches, often as many as 20, with a membership of 5,000 or more. There is no central organization. Some of the societies are grouped into district bodies, which are without authority over the member societies. Some of the larger societies act as central banks for the smaller organizations in their vicinity. No general directing or inspecting body exists, and therefore uniformity is lacking.

Though one-fourth of their members are in agricultural pursuits the people's banks do not reach small farmers and villagers. Noticing this, Leone Wollemborg, later Minister of Finance of Italy, in June, 1883, established at Loreggia a rural society on the Raiffeisen principle, furnishing most of the initial capital himself. By 1912 the number of these societies had increased greatly, outstripping the people's banks of Luzzatti, and all closely following their Raiffeisen model. The same care as in Germany is observed in electing members. The societies have only one salaried officer, no shares, no dividends, turn all surplus into the reserve, do a simple banking business with a small membership, and require that loans shall be used for the object stated in the application. General meetings of all the members are held frequently, nonattendance being penalized by a fine. The organization is a little different from the Raiffeisen model. An executive board of five, similar to that of the Luzzatti banks, administers the affairs of the society. The council, which meets fortnightly to examine accounts, receive deposits, and consider applications for loans, is larger than in Germany. All loans are for three months or less but are renewable.

One of the peculiarities of many of the Italian societies is the "honor loan," which is a loan ranging from 50 to 100 lire (\$9.65 to \$19.30, par) made to honest nonmembers without security if vouched for by a member, and repaid in installments, often without interest.

OTHER COUNTRIES.

From Italy the Luzzatti system entered France. On April 9, 1883, a people's bank was organized at Mentone, and has been successfully conducted ever since, though the artisans and working classes generally form but a small part of its membership. A few other societies on the same plan have been formed, but they are outnumbered by the Raiffeisen societies which entered France

direct from Germany in 1892 through the influence of Louis Durand, a loyal follower of Raiffeisen. The original was followed except that the societies are closely connected with the church and have a strong religious bent. A few imitations of both societies exist in Spain and Portugal, but they differ widely from their models. The Luzzatti plan, considerably changed, has been adopted by societies organized in Argentina, Uruguay, Egypt, and Canada.

In Belgium the popular banks with but slight changes from the Schulze system were introduced by a large landed proprietor, Léon d'Andrimont, into Liege, in 1883. Limited liability, however, was soon substituted for the unlimited liability of the German system. The management is vested in an unpaid council of 15, which appoints the manager, cashier, and executive committee. The value of the shares is generally 200 francs (\$38.60, par), and loans are made on these shares up to one-half of their value. The reserve fund of these societies is less than of those in Germany. There is no central bank.

The Raiffeisen societies of Belgium are very similar to those in Germany. They were introduced by Abbé Melaerts and have ever been closely under the control of the Catholic church. The parish priest is a member of the managing committee, which decides upon the eligibility of candidates for admission with the same care as in Germany. Meetings are regularly opened with prayer, and a gratuitous funeral mass is said on the death of a member. No State aid has ever been received and unlimited liability is the rule. The headquarters are at Louvain.

The Raiffeisen societies in Holland, where the first one was organized at Limberg, in 1895, are a close imitation of those in Belgium. The few in Switzerland are largely denominational, and date from 1900, when the Vicar of Bichelsee formed a society in his parish.

In Austria, societies on the Schulze model were organized before 1859, and are similar to those in Germany. About two-thirds of them are organized on the limited-liability plan. Many Raiffeisen societies are also found in Austria. In Hungary, Czechoslovakia, and Yugoslavia, societies on both models have been formed, but most of them follow the Raiffeisen model, though heavily subsidized by the Government. In Serbia and Bulgaria the shares of the Raiffeisen societies are paid for in annual installments and at the close of a stated term the money is refunded.

In Russia an adaptation of the Schulze societies was introduced in 1864 at Dorovatov by de Louguinine, a Russian landlord, the credit feature being but one part of the business of the society. Thirty years later the Raiffeisen societies were introduced, but changed almost beyond recognition, unlimited liability being the principal feature retained. Each society is organized on the approval of the Ministry of Finance, is located in a town, covers a large district, and has a large membership, with paid officers. The Russian credit society has no capital except what is loaned by the State, and all profits go into the reserve. Both the Schulze and Raiffeisen societies, as found in Russia, have departed so far from their originals that it is generally difficult to distinguish between the two adapta-

tions. Both receive State aid and are carefully supervised by the State. Under the Soviet Government they have been encouraged as a part of the cooperative system.

In Prussian Poland, the Schulze societies are in the majority, and closely follow their original. In Russian Poland, the Raiffeisen type prevails, as is also true in Bohemia, Moravia, and Silesia.

England has not proved a fruitful field for cooperative credit societies. The few founded there have not increased in size or attracted much attention. Those in Ireland, where they were introduced in 1895, are rural and of the Raiffeisen type, and are successfully operated.

In India, a land teeming with usurers, a cooperative credit act was passed in 1904, after consideration of the needs of the country and a long and careful governmental study of the societies of Europe. This provided for the formation of societies on the Schulze plan in cities where four-fifths of the membership was to be nonagricultural, and on the Raiffeisen plan in the rural districts where four-fifths were to be agriculturists. The rural societies were to have unlimited liability, and with the urban societies the form of liability was to be optional. According to this law, the profits of the former go into the reserve, and three-fourths of the profits of the latter are divided among the members. The societies may borrow from the Government, which also controls their management. The officers serve without pay. Loans are for a specific purpose approved by the proper committee, which is less severe than that of the German societies in the character examination of members and less suspicious over loans.

COMPARATIVE STATISTICS.

Correct statistics of these societies are practically unobtainable. Under the laws of the various European States all cooperative societies are supposed to be registered and to make annual reports. In most States statistical abstracts of these reports are printed. In some of these reports, however, no separation of the credit societies from other types is made, and where a society conducts other operations besides credit it is generally impossible to separate the credit statistics from the rest. In some of the less progressive countries many societies fail to give reports and uniform data are unprocurable. The following table based on statistics taken from various sources and scattered reports will serve to give some idea of the work done in the more important countries.

STATISTICS OF COOPERATIVE CREDIT SOCIETIES IN SPECIFIED COUNTRIES.¹

[A.= agricultural; R.= Raiffeisen; S.= Schulze-Delitzsch.]

Country.	Class of society.	Year of report.	Number of societies.	Number of members.	Share capital.	Deposits.	Loans.	Reserve.
Argentina.....	All.	1915	11	377		₹61,500 (\$59,335)	₹149,500 (\$144,238)	
Austria.....	S.	1913	431		Kr. 69,702,756 (\$14,149,659)		Kr. 470,392,068 (\$95,489,590)	(2)
Belgium.....	S.	1917	485					
	R.	1919	1,039					
Ceylon.....	All.	1918	92	9,551	R. 48,548 (\$23,823)	R. 2,954 (\$1,437)	R. 50,209 (\$24,432)	R. 6,374 (\$3,102)
Czechoslovakia.....	R.	1918	1,107	135,538	Kr. 2,886,000 (\$585,858)	Kr. 474,255,000 (\$96,273,765)		Kr. 6,945,000 (\$1,409,835)
	All.	1918	3,705	399,823	Kr. 5,932,000 (\$1,204,196)	Kr. 996,839,000 (\$202,358,317)		Kr. 14,233,000 (\$2,889,299)
Germany.....	S.	1911	917	641,429	M. 61,000,000 (\$14,518,000)	M. 319,000,000 (\$75,922,000)		
	R.	1918	4,712					
Great Britain.....	A.	1919	11,164	1,099,843	M. 4,637,794,799 (\$1,103,795,162)	M. 1,929,553,015 (\$459,233,618)	M. 575,378,455 (\$136,940,072)	(9)
	All.	1914	216	22,373	£170,301 (\$328,765)		£71,700 (\$348,928)	
	A.	1916	6	127	£775 (\$3,772)	£525 (\$2,555)	£2,265 (\$11,023)	
Hungary.....	R.	1916	183	16,602			Kr. 12,597,497 (\$2,557,292)	
India.....	All.	1918	25,036	1,045,452	£1,414,888 (\$6,885,552)	£6,009,324 (\$29,244,375)	£2,827,765 (\$13,761,318)	£613,619 (\$2,986,177)
Ireland.....	R.	1918	138	15,881	£7,968 (\$39,777)	£48,675 (\$236,877)	£33,463 (\$162,799)	£4,133 (\$20,113)
Italy.....	S.	1918	140	27,000	L. 2,200,000 (\$424,600)	L. 34,000,000 (\$6,562,000)	L. 5,833,000 (\$1,125,769)	L. 1,100,000 (\$212,300)
	R.	1918	508				L. 10,777,500 (\$2,080,058)	
Japan.....	All.	1918	10,390	1,223,000		Yen 133,000,000 (\$66,300,500)	Yen 91,700,000 (\$45,712,450)	
Korea.....	All.	1917	240	65,742	Yen 786,608 (\$392,124)	Yen 294,363 (\$146,740)	Yen 2,127,646 (\$1,060,632)	Yen 529,684 (\$264,017)
Lithuania.....	All.	1920	76					
Mauritius.....	All.	1918	23	2,837	R. 106,143 (\$51,649)	R. 62,521 (\$30,423)	Fl. 78,662,000 (\$31,622,124)	
Netherlands.....	R.	1919	1,159			Fl. 227,765,000 (\$91,561,530)	Kr. 2,528,950 (\$677,223)	
Norway.....	R.	1919	210	12,677	Kr. 237,797 (\$63,730)		R. 238,700,000 (\$122,735,020)	
Russia.....	S.	1917	4,362	10,478		(R. 262,700,000 (\$135,185,420)	R. 295,000,000 (\$151,807,000)	
	R.	1917	12,114			(R. 419,600,000 (\$215,926,160)	Fr. 2,640,529 (\$509,622)	
Serbia.....	R.	1911	638	9,082		Fr. 718,713 (\$138,712)		Fr. 179,616 (\$34,666)
Switzerland.....	R.	1919	250	18,976	Fr. 1,250,947 (\$241,433)	Fr. 38,643,068 (\$7,458,112)	Fr. 54,428,843 (\$10,504,767)	Fr. 1,418,322 (\$273,736)

¹ Data are mainly from International Review of Agricultural Economics, Roma.

* Included in share capital.

COOPERATIVE CREDIT IN AMERICA.**HISTORY OF MOVEMENT.**

The first attempt to establish credit associations in the United States was in 1870, when Josiah Quincy and other prominent men of Boston petitioned the Legislature of Massachusetts for the passage of a general law allowing the incorporation of cooperative banks on the Schulze-Delitzsch plan, then attracting so much attention in Europe. A translation of the act of 1868, passed by the North German Confederation, was laid before the legislative committee on banks and banking. At the session of the legislature which met in January, 1871, favorable committee reports were made to both houses. A bill to permit the organization of cooperative societies for distribution, manufacturing, loan, and credit, with the right to receive deposits of savings, was introduced but failed of passage. Subsequently, bills were passed providing for the incorporation of cooperative societies of the various kinds mentioned in the bill of 1871, except for cooperative credit.

In the meantime, articles were printed in the various economic and banking journals and leading literary magazines describing the system of cooperative credits in Europe. The United States Department of Agriculture in 1892 issued a detailed description of the workings of the Schulze and Raiffeisen societies. The cooperative journals contained frequent references to the system, and among certain classes the working and the value of these associations were well understood.

QUEBEC.

The first general law in North America authorizing the organization of cooperative credit associations was not passed, however, until 1906. The passage of this bill was due to the efforts of Alphonse Desjardins, who, December 6, 1900, had founded a cooperative people's bank at Levis, a city of 7,000 inhabitants on the St. Lawrence River opposite the city of Quebec.

Desjardins was a journalist who had spent his life in that vicinity. He was acquainted with the conditions of the people of the Province of Quebec, who were popularly known as French Canadians. They were descendants of settlers from France who passed under English control in 1763, following the French and Indian War. They were poor people, with no knowledge of banking and little patronage for banks. For years they had been victims of terrible usury, frequently paying 100 per cent interest on small loans. Desjardins corresponded with the leaders of the cooperative credit movement in Europe, examined the savings-bank system of New England, and finally evolved a plan, based upon the Luzzatti system of cooperative banking in Italy, combining with it the distinctive features of the Raiffeisen societies, at that time spreading rapidly throughout Europe, but modified by the needs of the people with whom he was acquainted. He drafted a constitution, and with the help of the Roman Catholic priest and the clergy of the locality, he organized La Caisse Populaire de Levis, with 90 members and a capital of \$28, and opened for business January 23, 1901.

In the following July, a similar association was formed in the rural parish of St. Joseph de Levis. In January, 1905, a third society was formed at St. Malo on the eastern outskirts of the city of Quebec. The formation of other societies was discouraged during the experimental stage, which, however, by 1906, Desjardins felt had passed. In that year, with the support of both political parties, the Quebec Syndicates act, as drawn up by Desjardins, providing for the formation of consumption and credit associations of a cooperative character, was passed without a dissenting vote, though six years before the Quebec Parliament had refused to consider such an act. It followed the constitution and by-laws of the three societies then existing in Quebec.

The passage of the act awoke great interest in cooperation in the Province of Quebec. Until then, Desjardins had acted as president and manager of the Levis society, serving without pay, the place of business having been in his private office. He then moved the office of the society down town and hired a manager for it. Three associations were organized in 1907, 11 in 1908, and 15 in 1909. In 1912, the number of such associations was 98; in 1913, 122, besides 19 similar associations in the Province of Ontario, the latter all voluntary.

An effort was made to have a bill passed by the Dominion Parliament. A bill modeled on the Quebec act of 1906 was introduced into the Dominion House of Commons in 1907 and referred to a committee which, after making an exhaustive inquiry into the subject of cooperative credit, recommended its passage; but nothing further was done. The Retail Merchants' Association of Canada disapproved the scheme because of its distributive feature and, in the session of 1908, vigorously opposed it. However, it passed the House of Commons unanimously and was lost in the Senate by only one vote. In 1910 another effort was made to pass a similar bill and was met by the same opposition. Then Desjardins divided his bill into two parts, one for cooperative credit and the other for cooperative production and distribution. The latter was defeated and the former never reached a final reading, in spite of the fact that the Governor General of Canada, the Lieutenant Governor of the Province of Quebec, and the Archbishop of Quebec were members of the Levis bank. No further efforts have been made to secure the passage of a cooperative law by the Dominion Parliament.

NEW HAMPSHIRE.

In the meantime the work attracted attention in this country. Large numbers of French Canadians had emigrated to the factory towns of northern New England. Among them in Manchester, N. H., Desjardins on December 16, 1908, founded the first credit association in the United States—La Caisse Populaire Ste. Marie—99 per cent of whose depositors to-day are French. It is operating under a special charter, granted by the legislature April 6, 1909, following closely the provisions of the Quebec act, and still remains the only organization of its kind in the United States so organized and operating.

MASSACHUSETTS.

In Massachusetts, at the same time, several associations existed bearing a striking resemblance to the Canadian societies. Hon. Pierre Jay, bank commissioner of the Commonwealth of Massachusetts, in his report dated February 11, 1907, made a brief review of the various agencies in Boston which, without legal authority, received deposits for the encouragement of thrift. In his report for the year 1908, he referred to five cases where employees in business houses had organized savings and loan associations, received deposits from members and invested them or loaned them to members. Such societies were operating contrary to law, yet the commissioner recommended the passage of laws encouraging them and continuing their existence.

The oldest of these societies was the Globe Savings and Loan Association, organized in 1892; its membership being confined to employees of the Boston Globe. It was a mutual cooperative and loan society, organized and operated, absolutely independently of the owners of the newspaper, by 444 of the 600 employees for their own benefit, and was organized for the purpose of borrowing small amounts of money at reasonable rates and avoiding the then common practice of borrowing at high rates from one another or from outsiders on assignment of wages. Only members were allowed to make deposits and deposits were not allowed to be in excess of the loans needed. On January 1, 1909, the loans outstanding were \$48,329; cash on hand, \$5,209.64; deposits, \$53,319; surplus, \$219.64. During the year 1908, of a total of 4,579 loans made, aggregating \$67,571, nearly 53 per cent were in amounts of \$5 or less and 97 per cent were in amounts of \$50 or less.

The success of this association led the employees of other newspapers and of large manufacturing plants and mercantile establishments in Boston to organize similar societies.

The bank commissioner, in concluding this part of his report for 1908, called attention to the success of these societies, described the credit associations organized by Desjardins in Canada and the 25,000 cooperative banks in Europe and India, with 3,000,000 members, and \$1,000,000,000 of assets, and their success among farmers, small tradesmen, and industrious workmen, and ended with a strong recommendation to the legislature to pass a bill authorizing the formation of credit associations for people in moderate circumstances, legalizing societies similar to the Globe association, and placing them under the direction of the bank commissioner.

Through the influence of the bank commissioner, Desjardins was invited to give an address before the Twentieth Century Club of Boston, describing the working of the credit associations of Quebec, and to confer with the banking committee of the Legislature of Massachusetts, before which in February, 1909, he explained the theory and practice of his system and aroused public interest in this agency. On the basis of the committee's report, the legislature passed an act similar to that of Quebec, embodying all the principles Desjardins advocated, which was approved by the governor, May 21, 1909. Several applications for incorporation were received but only one was granted during the year, and no organization was

made under that approval. The first society opened for business was the Myrick Credit Union, of Springfield, which was incorporated April 5, 1910, and began business in a large manufacturing plant on May 2 of the same year. By the end of the year four more had been established—one of French Canadians in a Roman Catholic parish in Lynn, one of Poles residing in the North End of Boston, and two others in the same city.

Literature was prepared to aid in the starting of credit associations and during the year 1911 determined efforts were made to bring before the public the advantages of establishing credit unions in communities that might be benefited by them. The Boston Chamber of Commerce appointed a committee to aid in their establishment and Desjardins made several addresses in various parts of the State advocating their formation. Several societies were established as a result.

JEWISH UNIONS.

The movement was also helped forward from another and unexpected source. The Jewish Agricultural and Industrial Aid Society had been incorporated in New York City in 1900 to encourage the removal of Jews from the cities to the country. To aid it in this work, the society was given a part of the Baron de Hirsch fund of \$2,500,000. This was a fund established by Baron Maurice de Hirsch in 1891, for the amelioration of the condition of immigrant Jews who, beginning with 1892, had come to the American shores in large numbers, mainly from the agricultural districts of Russia, Rumania, and Galicia, and had remained in the large cities along the coast in spite of efforts to settle them on the land farther west. The society granted loans to mechanics, artisans, and tradesmen to enable them to secure larger earnings and to accumulate savings with which to buy homes in the suburbs and rural districts. Many Jewish colonies were established in the West, and several abandoned farms in New England, New York, and New Jersey were bought, the society paying all the expenses except transportation, which was paid by the Industrial Removal Office, another Jewish society organized in February, 1901.

Where individuals had difficulty in borrowing money with which to buy farms, the society granted them financial assistance, taking a second mortgage on the property and allowing repayment to be made in installments, using a method adapted from the "crédit foncier" system common in France. As time passed, many short-term personal loans were also made to those desiring to purchase equipment for their farms.

In 1907 a study was made of the cooperative credit system in general use in Europe, and in 1909 a form of credit union was devised, slightly different from that established in Massachusetts, but, like it, based on the Raiffeisen form of cooperative banks. It was, however, modified by the society's experience with the Jewish colonies planted in the West, and substituted for the State the Jewish Agricultural and Aid Society, which loaned each union twice the amount of its capitalization. The capital stock of each union was placed at \$500, and after the shares had been bought by members the Aid Society loaned the union \$1,000 at 2 per cent interest annually. Membership was confined to Jews. Between the years 1911 and 1915, 19 Jewish credit unions, the first agricultural credit unions

formed in the United States, were organized—8 in New York, 5 in New Jersey, 5 in Connecticut, and 1 in Massachusetts—the last one being organized in 1914 under the credit union law of that State, and remaining to this day the only agricultural credit union in Massachusetts. The others were voluntary organizations in States where no credit union law existed at the time of their formation.

DEVELOPMENT OF AGRICULTURAL CREDIT.

Two other occurrences, apparently unrelated to the subject and independent of each other, drew attention to the credit union movement. The first of these was the report, in 1908, of the Country Life Commission appointed by President Roosevelt, which found a lack of agricultural credit facilities and recommended the adoption of some method of cooperative credit and rural cooperative organization. The second was the report of the National Monetary Commission to inquire into and report changes necessary or desirable in the monetary system of the United States, appointed in accordance with the provisions of sections 17 to 19 of the act to amend the national banking laws, approved May 30, 1908, following the commercial crisis of 1907. This report called attention to the superior facilities for obtaining loans enjoyed by farmers in Europe.

The first of these reports showed the need of cooperative credit among farmers, and the second aroused interest in the possibilities of cooperative credit in the United States in view of its wide and successful use throughout Europe. Many articles on the subject appeared in the newspapers and magazines. The subject was discussed at a meeting of the Bankers' Association of Ohio on October 26, 1910. A year later, the American Banking Association at its annual meeting in New Orleans created a committee on agricultural and financial development and education, and caused the organization of subsidiary agricultural committees in 34 States to study the various forms of agricultural credit in use in Europe.

In 1912, a series of events of interest in this connection occurred. Early in the year, David Lubin, the American representative to the International Institute of Agriculture at Rome, had sent broadcast through this country copies of a collection of articles describing the importance attached by the European Governments to the farmers employing the best business methods possible. One of these pamphlets fell into the hands of Senator Fletcher, of Florida, at the time president of the Southern Commercial Congress. At his invitation, Lubin came from Rome and attended the fourth annual meeting of that congress at Nashville, Tenn., April 9, 1912, after giving six days' instruction in rural cooperative credit to a conference on agricultural finance, attended by representatives from 27 States. As a result, the congress voted to appoint a committee on rural finance, consisting of two persons from each State to investigate the actual working of the cooperative credit societies among the farming and industrial classes in Europe.

In the summer of 1912, each of the leading political parties at its national convention adopted recommendations in its platform favoring such an investigation. At the meeting of the American Bankers' Association in Detroit, in September, several addresses were delivered on rural credits in Europe. Later in the year, there was issued a Preliminary Report on Land and Agricultural Credit, prepared by Hon.

Myron T. Herrick, who had been the principal speaker before the bankers of Ohio, in 1910, who had introduced the resolution creating the committee on agricultural development of the American Bankers' Association, in 1911, and who was at that time, and is at present, the American ambassador to France. This report, prepared by direction of President Taft, was a summary of the system then existing in the leading countries of Europe. In December, at the meeting of the house of governors, at Richmond, Governor O'Neal, of Alabama, chairman of the committee on rural credits, addressed the meeting on that subject. In the spring of 1913 the first National Conference on Marketing and Farm Credits, called by the publishers of farm journals in the United States, was held in Chicago and gave due consideration to the question of rural credits.

FEDERAL FARM LOANS.

The commission assembled by the Southern Commercial Congress, consisting of 2 from each of 29 States, 4 from Canada, and 5 appointed by President Wilson in accordance with a provision in the agricultural appropriation act approved by President Taft on the last day of his term of office, was absent from the country from April 26 to July 25, 1913. Under the direction of David Lubin and the International Institute of Agriculture, the members visited Egypt and every European country, except Portugal and the Balkan States, and made a detailed study of the finances, production, and organization in agricultural and rural life, including agricultural credits and cooperative banks. On their return, the presidential appointees on the commission submitted four successive reports to the Senate between October 20, 1913, and March 13, 1914, recommending that incorporation of banks with small capital be left to the consideration of the States, but that Congress by appropriate legislation establish some system of agricultural credit. Eighty-six bills relating to rural credits were introduced by various members of both Houses of Congress, and eventually, July 17, 1916, the Federal farm loan bill, based on the Prussian *landschaft*, but with a mixture of cooperation and Federal assistance, was enacted into law.

STATE CREDITS.

During the three years that the question of national legislation was under consideration, addresses were made, articles were printed in the papers and magazines, pamphlets were written, and the State members of the commission reported to their respective governors. Nineteen States passed legislation relative to rural credits permitting State loans to farmers under certain conditions and the creation of rural savings associations or banks, all relating to farm mortgages for long terms of years, and paralleling in a way the Federal act of July 17, 1916.

LEGISLATIVE ACTION.

In nine States,¹ widely separated and representing different conditions, acts similar to the credit union acts of Massachusetts and New Hampshire were passed, designed to aid small farmers and artisans.

¹ Texas (Acts of 1913, ch. 87), New York (Acts of 1913, ch. 582), Wisconsin (Acts of 1913, ch. 733), Rhode Island (Acts of 1914, ch. 1103), Oregon (Acts of 1915, ch. 277), North Carolina (Acts of 1915, ch. 115), Utah (Acts of 1915, ch. 120), South Carolina (Acts of 1915, No. 154), and Nebraska (Acts of 1915, ch. 198).

In California, an act (ch. 279, Acts of 1915) was passed, providing for the appointment of a commission to consider and report on the advisability of the adoption of a system of rural credits. In New Jersey a bill introduced in the legislature, March 4, 1919, giving banking powers to associations managed on cooperative principles under the department of banking and insurance, failed of passage.

The New York act was passed at the request of the Jewish Agricultural and Industrial Aid Society, which desired incorporation for its eight credit unions, and of certain benevolent institutions in New York City. In the other States, the legislation seems to have been the outgrowth of the current discussion on rural credits, and to have been designed to enable small farmers to obtain financial aid for short periods of time at rates not prohibitive. The New York act was replaced by a new act the next year,² based on the experience abroad, in Canada, and Massachusetts, and the savings bank and building and loan experience in New York, and the Massachusetts act of 1909 was revised in 1915,³ the provisions varying from the earlier act mainly in arrangement. In 1921, New Hampshire passed a general act⁴ providing for the incorporation of credit unions, following in the main the provisions of the special act of 1909.

COOPERATIVE CREDIT LEGISLATION.

The laws show by their fullness the ideals of the founders of the plan. Whenever the details have been conscientiously followed, credit unions have been generally successful. Failure in nearly every case has been due to carelessness in the observance of details. After the establishment of one society in a State, the rule has been never to organize other societies in advance of the need for them nor until those who enter them understand what they are doing.

The main provisions of the various laws are summarized below.

Name of credit associations.—The names of these associations in the different States vary somewhat. In Quebec they are incorporated as cooperative syndicates for consumption, production, and credit, though popularly referred to as cooperative people's banks. In Massachusetts the name "cooperative banks" had already been given by law to building and loan associations. To avoid confusion between the two types of organization, it therefore seemed advisable to coin a new name for the credit associations and, after consultation with Desjardins, the term "credit union" was adopted. This is the English equivalent of "creditverein," the term used by Schulze in his book written in 1856 and the name by which several of the cooperative associations founded by him were known. In New Hampshire, New York, Rhode Island, Oregon,⁵ and North Carolina they are also called credit unions; in Texas rural credit unions; in South Carolina⁶ cooperative credit unions; in New Hampshire,⁷ Wisconsin, and Nebraska cooperative credit associations; and in Utah cooperative banks for personal credits.

Control.—Except for one in New Hampshire, credit unions are incorporated under general laws and are generally under the

² Acts of 1914, ch. 369.

³ Acts of 1915, ch. 268. General Laws of Massachusetts of 1921, ch. 171.

⁴ Acts of 1921, ch. 40.

⁵ In the title of the act they are called rural credit unions or cooperative associations.

⁶ In the title of the act they are called cooperative unions.

⁷ In the act of 1909.

direction of the banking department of the State. In North Carolina credit unions are organized and controlled by the superintendent of cooperative associations and credit unions, who is under the direction of the joint committee for agricultural work in the division of markets and rural cooperation.

Articles of incorporation and by-laws.—Generally they are organized by 7 or more⁵ citizens⁶ of a State, making, signing, and acknowledging a certificate containing the name and location of the association with the conditions of residence or occupation necessary to qualify for membership, with number, names, and addresses of the first board of directors and subscribers and the number of shares each is to take. The law of Utah requires that before the articles are approved 400 shares must have been subscribed for and half their value paid in.

The certificate is then presented to the State banking board, or superintendent of credit unions in North Carolina, for approval which is generally granted as a matter of course. In Massachusetts, New Hampshire, and South Carolina, consent may be given if the board is satisfied that the proposed field of operation is favorable to the success of the corporation, and in Nebraska, North Carolina, South Carolina, Utah, and Texas, when further satisfied that the standing of the proposed members is such as to give assurance that its affairs will be administered in accordance with the spirit of the act. In South Carolina the charter is granted by the secretary of state. In New York and Oregon an appeal to the supreme court is allowed from an adverse decision of the banking department. After approval, a copy of the articles or certificate is filed with the secretary of state or with the clerk of the county court or municipality in which the principal office of the society is located.

The certificate is then returned to the incorporators who come together and draw up by-laws. In some States the by-laws are drawn up at the outset and presented to the board with the proposed articles of incorporation. The required contents of the by-laws vary somewhat in the several States. Usually, the name of the organization must be given and must contain the words "credit union" or similar words designated in the statute, and the use of these words by any association not incorporated under the act is forbidden. The by-laws must also state the purpose, location, conditions of residence, or occupation necessary to qualify for membership, the par value of the shares, the conditions on which shares are issued, transferred, and withdrawn, the conditions on which deposits are received and withdrawn, loans made, and dividends declared, the method of receipting for money paid in on account of shares or deposits, the number of directors and officers, the number of members of the credit committee, the duties of the several officers and committees, the fines for failure to meet obligations to the corporation punctually, the date of the annual meeting, the manner of notifying members of meetings, the number of members necessary to constitute a quorum, and such other matters as seem advisable.

The laws of several States have additional requirements; thus, the act of New Hampshire requires the amount of the entrance fee to be stated in the by-laws, and the date of the beginning of the fiscal year. The acts of New York, Oregon, North Carolina, and Nebraska

⁵ 5 in Rhode Island; 10 in South Carolina, Texas, and Utah; 12 in Quebec; and 15 in Nebraska.

⁶ Persons employed or residing in, in Massachusetts, New York, North Carolina, and Oregon.

require that the manner in which the guaranty fund is to be accumulated shall be specified, as well as the manner of conducting meetings, the number of directors necessary for a quorum, the compensation of officers, and the maximum rates charged on loans. North Carolina requires that the method of investing funds and manner of dissolution be shown, and with New Hampshire that the number of members on the supervisory committee be stated. New Hampshire requires the maximum amount of a loan to be indicated, Massachusetts and New Hampshire the maximum number of shares one may hold, and Nebraska the manner in which funds are to be employed. In Utah the names of associations in towns containing more than 3,000 people must include the words "urban cooperative bank" and those in smaller districts the words "farmers' cooperative bank." In South Carolina and Utah, the by-laws must state the system for encouraging members to increase their holdings. These by-laws, after adoption by the association, must be approved by the State banking department and are not to be changed except with its approval.

Share capital.—Shares may be subscribed and paid for in such manner as the by-laws prescribe and are to be issued only to persons qualified for membership. No limit is set on the share capital of the society, except in the first society formed in New Hampshire, where it may not be less than \$1,000 or more than \$100,000. In Quebec it may not fall below the amount mentioned in the articles of association. All members of the association are required to be shareholders. In no State is provision made for the organization of credit unions on a mutual basis without capital stock. In Quebec, the par value of each share must be at least \$1; in New Hampshire (the first society), \$5, and in Nebraska \$10; in South Carolina and Utah it is fixed at \$5, and in Texas at \$25; in Massachusetts and New Hampshire it is limited to \$10; and in New York, North Carolina, and Oregon, to \$25. In South Carolina and Utah members may purchase not more than 200 shares each; in the first society, New Hampshire, the limit per member is \$500, or one-sixth of the share capital of the society. In New York, North Carolina, Oregon, and Nebraska, the payment of commissions for securing members or for selling stock is forbidden. The capital of such societies is exempt from taxation in Wisconsin; in New Hampshire, New York, North Carolina, Oregon, and Rhode Island the societies are considered as savings banks for purposes of taxation.

In New York and Oregon shares in amounts of less than \$600 are not to be sold on execution. In New York, Oregon, North Carolina, and Nebraska the society is allowed to impress a lien on shares and dividends to the extent of loans, dues, and fines outstanding.

In Quebec membership in the society is permitted to farmers' clubs, agricultural societies, school districts, municipalities, parishes, and townships. Membership is expressly permitted to cooperative associations in Utah, and is impliedly so in other States, except South Carolina, where it is confined to natural persons.

In all States shares may be issued to and deposits received in the name of minors, and shares may be held and deposits made in trust, provided the name and address of the beneficiary are disclosed.

Deposits.—Credit unions are permitted to receive deposits from members in all States, and in North Carolina, South Carolina, and

Utah from nonmembers. In South Carolina the payment of savings-bank rates of interest on deposits is required.

Loans.—Credit unions are permitted to loan their funds—share capital, deposits, and surplus—to members only, at reasonable rates, for such purposes and on such security and terms as the by-laws permit or the credit committee determines. In Texas such loans are allowed for productive purposes only or for urgent need and are limited to \$200 for a period of eight months, without renewal for the amount of the original loan. In Massachusetts, under certain circumstances, loans may be made on the security of a first mortgage on farm land for not more than 50 per cent of its value. Oregon, New York, North Carolina, and Nebraska permit no loan for more than \$50 to be made without an indorsed note or other security. New York, Oregon, and Nebraska require a pledge of the shares held by the member to whom a loan is made and permit additional security to be demanded if, at any time, the loan is deemed unsafe. New York, Oregon, and Utah limit the rate of interest on loans to 12 per cent, South Carolina to 7 per cent, Texas to 6 per cent, New Hampshire and North Carolina to the legal rate. In Utah not more than 15 per cent of the capital and surplus may be loaned to one person.

The loan may be repaid in whole or in part on any day when the office is open for the transaction of business, the borrower to be fined for failure to pay the interest or any installment required by the terms of the loan as prescribed by the by-laws. Similarly, in New York, North Carolina, and Oregon, a penalty may be levied for non-payment on shares which, in the last-named State, is limited to 2 per cent a month, with 5 cents a month as a minimum.

Such surplus funds as are not loaned or needed for current use may be deposited in banks or trust companies incorporated in, or national banks located in, the same State as the credit union. In New York and Oregon the surplus may be invested in shares of or deposited with other credit unions. In Massachusetts and Utah the surplus may be invested in the bonds of other credit unions or of farm land banks incorporated in the State or in securities that are legal for savings banks. Massachusetts further permits deposits to be made in other credit unions, or invested in shares of credit unions, farm land banks, or local building and loan associations, up to 30 per cent of the share capital and surplus, subject to the approval of the bank commissioner. In New Hampshire and Nebraska such surplus funds may be invested in Federal, State, local, or farm loan banks, or in other securities approved by the State banking board. In Utah funds in excess of 15 per cent of the reserve may be loaned to nonmembers on demand.

In North Carolina, all credit unions over 3 years old must keep on deposit in regular banks an amount of the reserve fund equal to 20 per cent of the total liabilities.

Other activities.—All associations are permitted to borrow money from nonmembers if needed to lend to members. In New York and Oregon the amount so borrowed is limited to 40 per cent of the share capital, or \$2,000, if the capital is less than \$5,000; in North Carolina, to the capital, reserve, and surplus of the association; and in Quebec to twice that amount.

In all States credit unions are allowed to undertake such other activities relating to the purposes of the association as their by-laws authorize, subject, however, to the general banking laws of the State in which located and to the general supervision of the banking department (or superintendent of credit unions in North Carolina), the credit unions being in this respect on the same footing as the savings banks. In Massachusetts, under certain circumstances, credit unions are allowed to trade in their own collateral trust bonds secured by first mortgage on farm lands.

Liability.—Limited liability is the rule, though the laws permit any credit union to adopt the unlimited system if its by-laws so provide. In South Carolina the liability of each member is to be the same as in the case of other banks; in Nebraska, twice the par value of the stock held.

Meetings.—The fiscal year corresponds with the calendar year, except in Massachusetts and Wisconsin, where it ends October 31.

The annual meeting is held at such time as is prescribed by the by-laws. The act of Massachusetts, however, specifies that this meeting shall be held within 30 days after the close of the fiscal year, and the statutes of New York, Nebraska, and Oregon that it shall take place in January.

At these meetings the members receive the annual reports of the officers, decide questions of interest to the corporation, fix the amount of the entrance fee for the ensuing year, amend the by-laws (if the notice of the meeting specified the changes suggested), elect the members of the board of directors and various committees provided for by the laws of the State and the by-laws of the organization, and may reverse decisions of the credit committee or board of directors.

In most of the credit union States, special meetings may be called by order of the directors or supervisory committee or by the clerk on request of 10 members. In North Carolina and Quebec a special meeting may be called on request of 10 per cent of the members; in Nebraska, of 15 per cent of the members. Notices of the meeting are to be given as prescribed in the by-laws. Each member is entitled to but one vote, irrespective of the number of shares he owns, and no one may vote by proxy except in North Carolina, where proxy voting is allowed in cases of sickness or unavoidable absence, but no one is allowed to act as proxy for more than one person. In several States no one is permitted to vote who has been a member of the society less than three months. In Massachusetts and New Hampshire members under 18 years of age have no vote. Where the member is another society or organization it may designate some one to cast its vote. At the special meetings usually no business is to be considered except such as is indicated in the call for the meeting.

Directors and officers.—The board of directors consists of at least five members elected by the society at its annual meeting. In New Hampshire and Massachusetts, if the by-laws of the society so provide, they may serve for three years, in which case one-third are elected yearly. In Quebec, similarly, they may serve for either two or three years.

The board has the general management of the affairs, funds, and records of the corporation, and meets as often as may be necessary. It admits and expels members, fixes the amount of the surety bond

required of officers having custody of funds, determines the rate of interest to be allowed on deposits and paid on loans, directs the deposit or investment of the funds, fills vacancies in its number and (except in Massachusetts) in the credit committee until their successors are elected. Where not otherwise fixed by the by-laws, the directors recommend at the annual meeting the amount of the entrance fee, the maximum number of shares to be held by members, the maximum amount to be loaned to members, amendments to the by-laws, and the amount of dividends to be declared. In New York and Oregon, however, the rate of dividend is decided upon by the directors. Their decisions and acts are subject to review at the annual meeting and may be reversed generally on vote of three-fourths of the members present, but in North Carolina and Oregon by a majority vote of all the members.

The directors elect from their own number a president, vice president, clerk, and treasurer, who constitute the executive officers of the corporation. In Massachusetts, Nebraska, New York, New Hampshire, North Carolina, and Oregon one person is allowed to act as secretary and treasurer. In Quebec any officer may be designated as manager, who acts also as treasurer.

All officers and members of committees are sworn and hold office until their successors are elected and qualify, but their positions become vacant on their ceasing to be members. Officers having custody of funds must give bonds in the form prescribed by the bank superintendent for the faithful performance of their duties, and a copy is filed with the bank superintendent.

Credit committee.—A credit committee of at least three members is elected at the annual meeting in every State except Texas where they are selected from among the directors. This committee serves one year, except in Massachusetts and New Hampshire where the members may serve for three years, in which case one-third of the members are elected yearly. In New York, North Carolina, and Oregon, if the by-laws so provide, the board of directors may serve as a credit committee in associations located elsewhere than in a city.

It is the duty of the credit committee to meet as frequently as necessary and to approve applications for loans. The applications are made in writing and the purpose for which the loans are desired and the security offered are stated. The committee is forbidden to approve a loan until satisfied that it gives promise of benefiting the borrower and unless the loan was approved by all present when the application was considered. Their decision is subject to appeal to the board of directors. In North Carolina, a loan may be granted in fixed monthly installments, if needed to buy necessary supplies for growing crops. The acts and decisions of the credit committee, like those of the directors, are subject to review at the annual meeting and to reversal there.

Supervisory committee.—A supervisory committee of three members (or more, in the case of New York, North Carolina, and Nebraska), is also elected at the annual meeting in every State except Utah. No member of the board of directors is allowed to serve as a member of either credit or supervisory committee except as before noted and, as a rule, no member of either committee is allowed to serve on the other.

The supervisory committee meets periodically, keeps informed of the financial condition of the society, oversees all the business of the association, inspects its securities, cash, and accounts, and supervises the acts of the board of directors, officers, and credit committee. It may call a meeting of the shareholders to consider any violation of the State act or of the by-laws or any practice that is deemed unsafe or unauthorized, and may suspend the members of the credit committee or any officers elected by the directors—even the directors themselves, in New Hampshire, New York, North Carolina, Oregon, Massachusetts, and Nebraska. Within seven days after such suspension the committee must call a special meeting of the association to take such action as may seem necessary. The committee fills vacancies in its own number and appoints others (or acts itself in Nebraska) to take the places of the suspended members until new members are elected and qualify, and in Massachusetts and New Hampshire, jointly with the board of directors, fills vacancies in the credit committee. In Quebec each committee fills vacancies occurring in its own body.

At the end of the year the committee makes a thorough audit of the receipts, disbursements, income, assets, and liabilities of the corporation and makes a full report to the directors which is read at the annual meeting and filed with the records.

Committees in general.—All members of committees serve without pay, but officers appointed by the directors receive such compensation as is authorized by the board. In Massachusetts, New Hampshire, Rhode Island, Utah, and Wisconsin, no member of either committee is permitted either to borrow or to become surety for any loan or advance to other members, but such members, in South Carolina and Texas, and directors, officers, and committees, in other States, are granted such permission on approval, at a regular meeting of the association if the matter is mentioned in the call for the meeting.

In South Carolina and Utah a special committee of two members is elected at the annual meeting to make loans to members of committees and the directors, acting toward them as the credit committee does to others.

Dividends.—In New York and in Oregon dividends are declared by the board of directors, in one society in New Hampshire by the board of directors with the approval of the supervisors, and elsewhere by the members at their annual meeting on recommendation of the board of directors. Such dividends are to be paid from the net profits of the year and only after any impairment of the capital has been made good. In North Carolina dividends are limited to 6 per cent, in Massachusetts to 20 per cent, in South Carolina to 1 per cent more than the average rate of interest received from borrowers during the year, and in Utah to 2 per cent more than that rate. Dividends are paid only on capital stock fully paid up, such as becomes fully paid up during the year being entitled only to a proportional part of the dividend. Dividends may be paid in cash, or credited on partially paid shares.

Guaranty or reserve fund.—Before dividends are paid, a certain part of the net income accumulated during the year is added to the guaranty or reserve fund. This fund belongs to the association and must be held to meet contingencies or losses in business. Cost of organization may be charged against the reserve. The proportion

of profits reserved yearly is as stated in the by-laws in Quebec, is 10 per cent in Utah and New Hampshire, 25 per cent in Nebraska, New York, Oregon, and North Carolina, and 20 per cent elsewhere. On recommendation of the directors, the society at its annual meeting may vote to increase this percentage, and when the fund equals the paid-in share capital, the proportion of profits to be added to it may be decreased. In New York, North Carolina, and Oregon, the fund is not to exceed the share capital plus 50 per cent of the other liabilities.

This reserve fund also includes all entrance fees in all States, and fines in Nebraska, New York, North Carolina, and Oregon. The amount of the entrance fee is determined by the society in annual meeting, and in cases where not otherwise provided in the by-laws, may be proportional to the number of shares bought; in South Carolina and Utah, the amount of this fee is placed at a minimum of \$1.

A member may sell any of his shares to any one elected a member, upon such terms as the by-laws provide, but the purchaser may be required to pay a reasonable transfer fee, which in North Carolina must not exceed 25 cents a share. In New York, North Carolina, and Oregon, this fee also is carried to the reserve. Stock transfers are exempt from taxation in New York and North Carolina.

Withdrawal of members.—Members may withdraw at any time on giving notice. The board of directors may expel any member who has not carried out his engagements with the society or has been convicted of a criminal offense, or neglects or refuses to comply with the provisions of the act or of the by-laws, or who habitually neglects to pay his debts or has become insolvent or bankrupt, or (except in New York, Nebraska, New Hampshire, North Carolina, Texas, and Oregon where the right is reserved to the society) whose private life is a source of scandal. In Quebec the board may expel a member who is interdicted, in South Carolina and Utah, any member who has deceived the committee with regard to his property, resources, or credit, in Massachusetts, New Hampshire, South Carolina, Texas, Utah, and Wisconsin, who has also deceived the society in regard to the use of borrowed money, and in North Carolina and Nebraska one who is habitually intemperate. However, final action may not be taken until the member has been informed in writing of the charges against him, and an opportunity given him to be heard.

Members who withdraw or are expelled receive back, in the order of withdrawal or expulsion, as funds become available, the amount they have paid into the society for shares or in deposits, less the amount necessary to liquidate any indebtedness to the society. Their shares are then canceled.

Reports.—The board of directors is required to make a report to the superintendent of banks ¹⁰ on forms prescribed by him and signed and verified by the officers of the credit union and by the supervisory committee. These reports are to be made within a month following the close of the fiscal year, under penalty of \$5 for each day of delay. In Massachusetts, the report shows the condition of the association as of October 31; in New Hampshire and Rhode Island, as of June 30; elsewhere as of December 31. These reports are published by the respective banking departments in connection with their regular annual reports, except in North Carolina. There the superintendent

¹⁰ The superintendent of credit unions in North Carolina.

of credit unions reports to the division of markets and rural cooperation, and mails a copy to each credit union and to the clerk of the superior court in whose jurisdiction the principal office is located. Until November, 1920, he printed a monthly report showing the condition of the credit unions. In Quebec the report is made by the manager and filed with the secretary of the municipality. Since 1915 abstracts of these reports have been printed in the provincial statistical yearbook.

Examination of accounts.—The State banking officials¹⁰ examine the societies from time to time and may request special reports from them. If examination shows a society to be insolvent, or to have violated the law or its charter or if a society neglects to make reports, correct wrong practice, or pay assessments or fines, the examining official may if necessary request the attorney general to bring suit for its dissolution. In that case the official takes possession of the property and administers or liquidates its affairs, as circumstances require. Any officer embezzling or misapplying funds is to be prosecuted. Failure to file annual reports or pay fees or fines within a certain time after due may work forfeiture of the charter in North Carolina.

Dissolution.—On unanimous recommendation of the directors¹¹ at any meeting specially called to consider the subject, the membership may vote to dissolve the society. The laws require generally that two-thirds of the membership shall be present when this vote is taken. New York and North Carolina require a four-fifths vote of the membership, while in seven States and in Quebec the society may not be dissolved if more than 10 members object. The vote being taken, the State bank official is then notified, and after his consent has been obtained, a committee of three is elected (except in New York and North Carolina where the directors act) to liquidate the assets and pay each shareholder a proportion of the proceeds after all deposits have been returned and debts have been paid.

ATTITUDE OF LABOR UNIONS.

While it does not appear that labor unions as such abroad have interested themselves to any extent in credit unions except incidentally in connection with the cooperative movement in general, it would seem that this is an activity that might well be undertaken by them, especially in connection with other cooperative movements they may be carrying on. That this question has been considered by labor unions in America is evidenced by the fact that several of the credit unions in New York and New England are composed entirely of members of labor unions and that on the committee of the National Association on Credit Union Banks are the president and the secretary-treasurer of the Brotherhood of Locomotive Engineers and others who have been closely connected with the trade-union movement in this country.

One national union, at least, has considered the question fully. At the annual meeting of the Amalgamated Clothing Workers of America in Boston, in May, 1920, the question of establishing credit

¹⁰ The superintendent of credit unions in North Carolina.

¹¹ Two-thirds in Massachusetts and New Hampshire.

unions was seriously considered. Numerous resolutions bearing on the subject were submitted. Addresses were made by leaders in the movement, and after a lengthy and thorough consideration of the question, it was voted that the new officers be directed to formulate plans for the establishment of credit unions. At a meeting of the general executive board, July 27 of the same year, in view of the unsettled conditions in the clothing trade at that time it was voted to leave the undertaking until a later date. The New York Clothing Cutters' Union No. 4, however, applied for and received a charter from the banking department at Albany, and has begun business. In Boston another local is in process of organization.

PUBLIC EDUCATIONAL EFFORT.

Little official organized effort has been made to extend the cause of credit unions, except in North Carolina. There, as a part of the work of the division of markets and rural cooperation, a superintendent of cooperative associations and credit unions was authorized to be appointed and paid by the State in 1915. His work was to organize and conduct a bureau of information in regard to cooperative associations and rural credits, to maintain an educational campaign to promote and organize cooperative associations and credit unions, and on the request of three persons to furnish printed information and blank forms necessary for the formation and establishment of the same, and on the request of twelve residents of a particular locality expressing a desire to form such an organization to proceed to that locality and advise and assist in establishing the institution in question. Acting under this authorization, the division appointed an assistant in credit unions, and issued pamphlets and circulars and reports; nearly all the credit unions formed in North Carolina have been organized as a result of the activities of this division.

In New York, the legislature, in 1914, appropriated \$20,000 to enable the commissioner of agriculture to disseminate, through the various communities of the State, literature and lectures relative to the advantages of cooperative associations and credit unions and to aid in their organization, but nothing seems to have been done under that authorization.

In Massachusetts, on the passage of the act in 1909, a pamphlet was issued relating to credit unions, and in December, 1914, the bank commissioner of the State prepared a pamphlet describing credit unions, their history, advantages, and organization, with a copy of the credit union law, forms to be used by those wishing to establish credit unions, sample records for the preliminary meetings of a credit union, and recommended by-laws, but beyond sending copies of this to inquirers, very little has been done by the State.

PRIVATE PLANS.

February 6, 1915, the Russell Sage Foundation and the mayor's committee on unemployment in New York City formed a plan to organize a credit union with a capital of \$250,000. This was to be an educational institution to encourage the foundation of other credit unions among members of fraternal, labor, and religious organizations in New York City, and to loan money to them secured

by the joint liability of all members, on condition that the locals accept as members only those out of employment. The directors were to be men familiar with the principles of cooperative banking, and it was hoped later to form a reserve bank to equalize the demand and the supply as is done in several European countries. The plan, however, was never carried out.

Somewhat over a year later, the Massachusetts Credit Union Association was incorporated by chapter 281 of the Acts of 1917, "to disseminate information in respect to the benefits of credit unions * * * to organize and assist in the organizing of credit unions; to make loans to credit unions at a rate not exceeding 6 per cent per annum; and generally to promote and assist credit unions." This association has been quietly at work spreading information through Massachusetts as best it could with the limited means at its disposal.

On May 31, 1919, at a meeting at the City Club in New York City, the Massachusetts and New York friends of credit unionism organized the National Association on Credit Union Banks to urge Congress to pass legislation authorizing the establishment of people's banks under national control, basing the national law on the experience in Massachusetts, New York, and North Carolina. On July 22, the Massachusetts Credit Union Association enlarged its board to aid in the extension movement and made plans for a vigorous extension of the work, but owing to a number of causes the movement has not as yet gained the headway desired.

PROPOSED UNIFORM LAW.

The national association suggests that, until Congress passes appropriate legislation, the laws of the States be made uniform. A draft of a proposed uniform law creating credit union banks in each State was issued by the national association June 1, 1920, which differed but little from the laws in the various States already described.

The principal deviations from those laws are as follows: The names of these associations are to contain the words "credit union bank,"¹² and the society is to be organized by eight residents of the State in which it is to be located; the par value of the shares is to be \$10; and the annual meeting is to be held in January. The compensation and duties of officers, the question of whether the corporation shall borrow money, the manner in which the funds of the corporation are to be invested, the conditions on which loans are to be made and repaid, the manner in which reserve funds are to be accumulated, and the manner in which dividends are to be determined and paid are all to be stated in the by-laws. The fiscal year is to correspond with the calendar year. The board of directors is to be allowed to act as a credit committee where the members so desire, and more power is to be given to the directors and the two committees. Fines for failure to meet payments on shares as due are not to exceed 1½ per cent a month; the rate of interest on loans is to be limited to the same amount; the society is to have the right to rediscount or borrow up to the amount of the capital, surplus, and reserve; to deposit the surplus funds in

¹² The commissioner of banks of Massachusetts, in his report for the year 1920, objects to the use of the word "bank" by credit unions, as "not in keeping with the policy of the Commonwealth."

credit union and other banks up to 10 per cent of the capital and reserve fund; and to invest in first mortgages for not more than six months at one-half their appraised value up to 20 per cent of the capital and funds. No society may be dissolved except on vote of four-fifths of the membership. The credit union is to be considered a savings bank for purposes of taxation; no State tax is to be levied on stock transfers, and no loans are to be made to nonmembers.

CHARACTERISTICS OF AMERICAN CREDIT UNIONS.

In Quebec, the rules governing credit unions are stricter and more easily enforced than in the United States, since the population there is more homogeneous. Credit unions there exist mainly among people of one nationality, who have lived in the same place all their lives, and who are thoroughly acquainted with one another, and are generally found in places where the details of a man's character and habits of life are well known to everyone in the community. It is easy, therefore, for the officers of the societies to pick their members more unerringly, and the proud boast that no one has lost any money through the credit unions in Canada is easily believable.

In the United States, however, outside of North Carolina, where many conditions exist similar to those in Canada, the societies are differently circumstanced. Those in New York and New England, with the exception of the few Jewish societies, are located in cities or villages where, because of the mobility of the population, the members generally have not been known to one another for any considerable length of time previous to their admission into the society. Hence, it is not surprising that in the United States there have been cases where nonmembers (depositors or banks) have lost money by the failure of a credit union. This rarely happens, however, with credit unions that have existed two or three years, for by that time they have accumulated enough reserve fund to offset losses from bad loans. Therefore great care and prudence have to be exercised in establishing a credit union, and also in granting credit to new members.

MEMBERSHIP.

Not every applicant for admission is received. The directors, acting as a committee on admission, carefully examine each candidate from the standpoint of character, honesty, integrity, moral habits, and his practice as to the payment of debts. One careless or slow in the fulfillment of pecuniary obligations is admitted only with reluctance, his social position or his peculiar relations to members or his desirability in other respects notwithstanding. If admitted, he obtains a loan only with difficulty; and is summarily disciplined for any infraction of the by-laws of the association.

All members can not be borrowers, nor can all members be lenders, nor should any one join expecting to obtain a high return of interest on his deposits or to obtain loans at less than a fair rate of interest. Some members join with no expectation of borrowing, but with the sole intention of aiding the movement and are content to receive savings-bank rates on their investment. Some join to receive reduced prices on articles bought through the society. Those, however, who join with the intention of borrowing find that the requirements of the credit unions are as stringent as those of the regular bank.

Banks loan on tangible collateral; credit unions loan on intangible collateral—character—and the collateral in the second case is as carefully scrutinized as in the first. In the former, the scrutiny is generally conducted by one man; in the latter, by several—the manager and the credit committee—and objection by any one of the scrutinizers is sufficient to prevent the granting of the loan. Furthermore, a subsequent review by a committee of three others may result in the loan being called in.

A borrower may generally obtain a loan of \$50 on his personal note, one over that amount requires the indorsement of two other members. This enables a man without ordinary bank credit to go to some one who knows him and obtain at regular rates of interest a sum of money so small that the ordinary bank would not care to bother with it. In fact, the credit union is organized for the benefit of the small borrower. Preference is always given to the one who wants to borrow the smaller sum and repay in installments. Though the loan is at regular rates, the dividends received by the borrower on his capital invested help to reduce the rate he is paying on the loan. Thus, the depositors receive larger dividends, and the borrowers borrow at lower rates of interest.

Membership in a well-managed credit union is in itself a certificate of good character. To avoid the possibility of admitting undesirable members carefully followed rules are necessary. The membership is confined to a small number of persons, one hundred or so, related to one another by some common bond—race, nationality, religion, occupation, residence within a restricted area, membership in a settlement house, village improvement association, church, club, lodge, labor union, grange, fraternal organization, school district, or employment in the same mercantile, manufacturing, or transportation company.

In Europe, the membership is generally composed of farmers, artisans, and small traders living in a parish, or members of the same cooperative organization. In Canada, the membership is generally resident in the same parish or provincial electoral district, and the parish priest is frequently the manager. In North Carolina, the members are usually farmers residing in a community or school district.

Below is shown for those societies in Massachusetts and New York for which information was secured the distribution in 1920 as to nationality and occupation of members. These figures are not mutually exclusive; that is, the same society may be counted twice, if information is available on both points. Thus, it may appear as one of the societies whose membership was prevailingly Italian and also as one the majority of whose members were employed by a public-service corporation. The figures do not include the credit unions of the Jewish farmers.

Prevailing nationality of membership.

	New York.	Massachusetts.
Jewish.....	1	18
French Canadian.....	2	15
Italian.....	3	3
Scandinavian.....	5	1
Finnish.....	4	1

Prevailing employment of membership.

Members employed by—	New York.	Massachusetts.
Government.....	6	3
City.....	7	4
Societies.....	15	5
Banks.....	11	1
Stores.....	8	11
Offices.....	12	1
Factories.....	9	8
Public-service corporations.....	10	3
Members of labor organizations.....	14	7

Thirteen of the New York societies and 23 of the Massachusetts societies are town, city, or community organizations.

In 1921, 51 of the credit unions chartered in Massachusetts were located in Boston, 30 were in the suburbs of Boston, and 34 were more than 25 miles from that city. In New York no urban credit unions are situated outside of Greater New York.

A limit is generally placed on the number of shares or amount of deposits allowed each member in order that no one may have a preponderating influence in the affairs of the society, or damage it by a sudden withdrawal of funds. As the object of the credit union is to stimulate saving, it accepts pennies from the poor and dollars from the well-to-do. In Canada, deposits of as low as a nickel are received and departments for school children are maintained. This is also true in regard to North Carolina credit unions.

LOANS.

Loans are made for productive purposes alone and as emergency arises, and never for frivolous or extravagant purposes. Therefore, a borrower must disclose the purpose for which the loan is desired, and this is probably the principal reason why credit unions are not more popular in this country. The average American objects to having others interfere with his private affairs, and if he wants a certain thing he feels capable of deciding for himself whether it is a luxury or a necessity, and he objects to laying his personal matters before intermeddling outsiders in order to borrow a little money. On the other hand, it is essential for the safety of the society that such facts be disclosed, that a severe penalty follow deceptions on the part of the borrower, and that the committee be held to strict accountability for their actions in loaning money contrary to the by-laws.

In Canada, most of the loans are made to enable the recipient to buy a pig, cow, or tools, to pay off a mortgage, or to quiet a usurer. Formerly, it was customary to buy farm animals and tools on the installment plan. Now the purchasers pay cash, borrowing the money for this purpose from the credit union and ending long shop credits. Among the Massachusetts credit unions loans have been made generally to pay the expenses of sickness, overdue taxes, bills for house repairs, back rent, or tuition for children in business schools; in North Carolina, they are almost entirely for purposes connected with the farm.

MANAGEMENT.

The real power of the credit union lies in the annual meeting, for there the committees and officers are chosen. The committees vary in number with the size and business of the society.

The board of directors is generally composed of those knowing most about business matters. On the credit committee are generally placed such men as are not likely to need a loan, for law and prudence forbid members of the credit committee to loan to themselves. Such join the society because of their interest in its success, and they realize the delicacy of the position they hold. They should be men with experience, prudence, and a good acquaintance with the character of the other members whose moral character is the guaranty for the repayment of the loan. The solvency of the credit union depends on the credit committee. The supervisory committee, which is the most important committee, should actually supervise and carefully examine all acts of the directors, officers, and credit committee, and not do it perfunctorily. It is, in effect, an auditing committee which in addition watches all transactions of the association and inspects its property as the representatives of the general meeting.

Generally the treasurer or the secretary is the manager of the credit union.

SURPLUS.

Only enough cash is kept on hand to meet daily requirements, the surplus, which protects the shares and savings against loss, being deposited to the credit of the society in chartered banks. A certain percentage of the profits is transferred to the reserve fund each year. This fund protects the shares and savings against possible loss, strengthens the system, is not to be drawn upon except according to the by-laws, and is not to be distributed nor kept idle, but is to be invested in sound enterprises, deposited in banks, or loaned to public bodies. It benefits depositors by increasing the net profits to be distributed on shares and benefits borrowers by reducing the rate of interest on loans. Here is the cooperative principle which is new in banking: The borrowers benefit by increased dividends because they own the shares. The reserve fund insures the continuance of the society.

On the other hand, a large reserve fund acts as a temptation to the members to dissolve the society in order to distribute the surplus among themselves as extra dividends and to reorganize. To prevent their acting on this temptation thus to distribute the accumulation of their predecessors made for the purpose of strengthening the credit union and to insure the permanency of their society, the Quebec law requires that, in the event of dissolution, the reserve fund of the society shall not be distributed among the shareholders but given for an object of public utility designated by the lieutenant governor in council.

CREDIT UNION EXPERIENCE IN AMERICA.

As before stated, the acts authorizing the establishment of credit unions have been passed in 11 States of this country, and in the Province of Quebec in Canada. In Wisconsin, South Carolina, Utah, and Nebraska no organizations have been formed under these acts. In Texas, two rural credit unions have been organized under the law. One of these dissolved before doing any business, and the other has never done any business. In Oregon also, two credit unions have been organized, both located in Portland. The first was suspended by the banking department, within a month after it opened, for adopting methods not approved by the department, and was later dis-

solved by action of the courts; the second never transacted any business after receiving its certificate of authority.

According to most recent reports available, in New Hampshire and Rhode Island, 2 associations had been granted charters in each State; in Massachusetts, 123 societies had been granted charters; in New York, 84; and in North Carolina, 43; besides the unincorporated Jewish credit unions in Connecticut and in New Jersey, in which States no legislation recognizing credit unions has as yet been passed.

QUEBEC.

In the Province of Quebec the reports of the cooperative people's banks were not printed until 1915, and no official figures are obtainable before that date. According to a statement made by Desjardins three banks had been organized by 1906; three more were organized in 1907; 11 in 1908; and 15 in 1909. The total number in existence in 1912 was 98, and in 1913, 122. In 1913 also, there were 19 such societies in the Province of Ontario. The following figures, taken from the Statistical Year Book of the Province of Quebec, show the number of societies in operation on December 31 of each year:

1915.....	91
1916.....	97
1917.....	95
1918.....	102
1919.....	103
1920.....	102

Of the 102 societies reporting in 1920, 1 was organized in 1901, 1 in 1903, 2 were organized in 1908, 15 in 1909, 6 in 1910, 6 in 1911, 11 in 1912, 20 in 1913, 17 in 1914, 2 in 1915, 12 in 1916, 4 in 1917, 2 in 1918, 3 in 1919, and 2 in 1920.

In the table below are shown the number of stockholders, depositors, and borrowers in those unions which furnished reports for the years 1916 to 1920. These figures do not include the unincorporated banks.

COOPERATIVE PEOPLE'S BANKS IN QUEBEC, CLASSIFIED BY NUMBER OF SHAREHOLDERS, DEPOSITORS, AND BORROWERS, ON DECEMBER 31 OF EACH YEAR, 1916 TO 1920.

[Canada. Province of Québec. Statistical year-books, 1917 to 1921.]

Class of member, and year.	Number of banks having classified number of members of each class.						Total.
	50 or under.	51 to 100.	101 to 250.	251 to 500.	501 to 1,000.	Over 1,000.	
Shareholders:							
1916.....	2	12	47	20	10	1	92
1917.....	2	8	46	23	10	1	90
1918.....	2	8	45	28	13	1	97
1919.....	3	7	39	37	12	1	99
1920.....	3	6	41	33	14	1	98
Depositors:							
1916.....	19	15	39	15	3	1	92
1917.....	13	19	33	20	3	2	90
1918.....	12	17	40	21	6	1	97
1919.....	9	18	38	26	7	1	99
1920.....	9	17	32	28	11	1	98
Borrowers:							
1916.....	44	24	20	3			91
1917.....	40	25	21	4			90
1918.....	41	24	26	5			96
1919.....	42	24	28	5			99
1920.....	35	29	29	5			98

In these credit unions the entrance fee is generally 10 cents, and shares are paid for at the rate of 10 cents a week. The table following gives the number of societies which paid specified rates of dividend on capital stock and of interest on deposits for each of the years 1916 to 1920:

COOPERATIVE PEOPLE'S BANKS IN QUEBEC, CLASSIFIED BY RATE OF DIVIDEND ON SHARE CAPITAL AND RATE OF INTEREST ON DEPOSITS PAID EACH YEAR, 1916 TO 1920.

[Canada. Province of Quebec. Statistical year-books, 1917 to 1921.]

Item and year.	Number of banks paying specified rate.										Total.	
	Less than 3 per cent.	3 per cent.	3½ per cent.	4 per cent.	4½ per cent.	5 per cent.	5½ per cent.	6 per cent.	7 to 7½ per cent.	8 per cent.		10 per cent.
Dividend on capital:												
1916.....		1	1	22	6	30	4	12	3			79
1917.....	1	1		23	7	35	2	14	5		1	89
1918.....	1			25	8	37	2	20	3			96
1919.....			1	16	7	43	4	21	4			96
1920.....				12	9	39	6	26	4	1		97
Interest on deposits:												
1916.....		54	17	10								81
1917.....		59	18	12								89
1918.....		60	18	18								96
1919.....		57	20	20	1							98
1920.....		53	21	24	1							99

¹ Including 2 banks which paid 3½ per cent.

² Including 1 bank which paid 3½ per cent.

The number of loans of each specified amount granted by the societies reporting are shown below:

NUMBER OF LOANS OF COOPERATIVE PEOPLE'S BANKS IN QUEBEC, CLASSIFIED BY AMOUNTS GRANTED EACH YEAR, 1916 TO 1920.

[Canada. Province of Quebec. Statistical year-books, 1917 to 1921.]

Year.	Number of loans of classified amounts.								Total.
	Under \$1.	\$1 and under \$10.	\$10 and under \$25.	\$25 and under \$50.	\$50 and under \$100.	\$100 and under \$500.	\$500 and under \$1,000.	\$1,000 and over.	
1916.....	82	806	1,883	2,417	2,575	2,972	313	153	11,201
1917.....	83	816	1,856	2,436	2,900	3,734	525	391	12,741
1918.....	122	869	1,934	2,883	3,763	3,744	612	366	14,293
1919.....	101	895	1,714	2,629	3,222	4,511	757	557	14,386
1920.....	156	915	1,822	2,601	3,551	4,680	894	678	15,297

In the two tables following are shown the number of banks having classified amounts of assets, deposits, and reserves on December 31, and their expenses for each year, 1916 to 1920:

COOPERATIVE PEOPLE'S BANKS IN QUEBEC, CLASSIFIED BY AMOUNT OF ASSETS AND DEPOSITS ON DECEMBER 31 OF EACH YEAR, 1916 TO 1920.

[Canada. Province of Quebec. Statistical year-books, 1917 to 1921.]

Item and year.	Number of banks having classified amounts.						Total.
	Under \$500.	\$500 and under \$1,000.	\$1,000 and under \$10,000.	\$10,000 and under \$50,000.	\$50,000 and under \$100,000.	\$100,000 and over.	
Assets:							
1916.....		1	32	51	9	1	94
1917.....	1	1	24	50	12	4	92
1918.....	1	1	20	59	10	6	97
1919.....	1	1	10	57	20	10	99
1920.....		1	10	52	20	16	99
Deposits:							
1916.....	3	4	23	44	12	8	94
1917.....	5	6	16	40	13	12	92
1918.....	4	1	18	44	16	13	96
1919.....	3	3	15	61	10	6	98
1920.....	2	3	17	52	15	10	99

COOPERATIVE PEOPLE'S BANKS IN QUEBEC, CLASSIFIED BY AMOUNT OF RESERVE ON DECEMBER 31 AND OF EXPENSES EACH YEAR, ENDING DECEMBER 31, BY YEARS, 1916 TO 1920.

[Canada. Province of Quebec. Statistical year-books, 1917 to 1921.]

Item and year.	Number of banks with classified amounts.						Total.
	Under \$100.	\$100 and under \$500.	\$500 and under \$1,000.	\$1,000 and under \$10,000.	\$10,000 and under \$50,000.	\$50,000 and over.	
Reserve:							
1916.....	6	33	26	22	.....	.....	87
1917.....	14	28	14	31	.....	.....	87
1918.....	10	31	20	33	1	.....	95
1919.....	5	30	22	41	1	.....	99
1920.....	3	20	22	50	2	1	98
Expenses:							
1916.....	46	37	5	4	.....	.....	92
1917.....	41	40	7	1	.....	.....	89
1918.....	40	39	11	2	.....	.....	92
1919.....	28	36	9	4	.....	.....	77
1920.....	29	29	10	9	.....	.....	77

The general statistics of operation for the Quebec cooperative banks reporting are shown in the table below. These figures and similar figures for credit unions in the United States can not be checked from year to year, since old unions having dissolved and others having been formed, the data do not cover indential societies.

STATISTICS OF OPERATIONS OF COOPERATIVE PEOPLE'S BANKS IN QUEBEC, 1915 TO 1920.

[Canada. Province of Quebec. Statistical year-books, 1917 to 1921.]

Year.	Number of banks reporting.	Number of members.	Number of depositors.	Number of borrowers.	Number of loans granted.	Share capital—		
						Paid in during year.	Repaid during year.	As of Dec. 31.
1915.....	91	23,614	13,696	6,728	8,933	\$132,222	\$63,088	\$715,336
1916.....	94	25,028	15,613	6,696	11,201	118,196	61,733	770,944
1917.....	93	25,669	18,997	7,458	12,741	146,507	72,220	237,592
1918.....	98	27,593	20,672	8,056	14,293	132,006	66,405	907,857
1919.....	100	29,795	23,451	9,148	14,386	188,236	74,853	1,034,302
1920.....	100	31,029	26,238	9,213	15,297	230,816	75,998	1,199,170

STATISTICS OF OPERATIONS OF COOPERATIVE PEOPLE'S BANKS IN QUEBEC, 1915 TO 1920—Concluded.

Year.	Deposits—			Loans—		
	Received during year.	Repaid during year.	As of Dec. 31.	Made during year.	Repaid during year.	Outstanding, Dec. 31.
1915.....	\$2,706,304	\$2,496,407	\$1,141,528	\$1,549,760	\$1,270,848	\$1,684,651
1916.....	3,543,463	3,142,982	1,552,390	1,771,247	1,423,445	2,039,179
1917.....	4,751,518	4,147,160	2,116,055	2,328,940	1,796,574	2,534,135
1918.....	5,763,881	5,382,652	2,513,406	2,546,741	2,195,190	2,901,518
1919.....	8,453,537	7,297,027	3,682,051	3,643,169	2,590,283	3,976,941
1920.....	10,529,629	9,667,921	4,558,053	4,265,367	3,071,339	5,181,392

Year.	Entrance fees received during year.	Reserve fund, Dec. 31.	Dividends paid.	General expenses for year.	Total receipts for year.	Assets, Dec. 31.	Balance on hand, Dec. 31.
1915.....	\$3,332	\$68,337	\$27,593	\$11,994	\$4,490,953	\$2,027,728	\$318,444
1916.....	3,089	94,920	31,563	16,230	5,534,246	2,540,880	478,464
1917.....	3,769	119,436	35,206	17,589	7,316,298	3,227,579	672,365
1918.....	3,948	153,585	38,124	22,489	8,956,729	3,765,144	839,843
1919.....	5,884	200,365	64,702	27,867	12,319,235	5,114,380	1,107,345
1920.....	6,642	252,627	55,661	45,105	15,260,726	6,306,965	1,034,910

MASSACHUSETTS.

In Massachusetts credit unions from the beginning have reported to the bank commissioner of the State, and the following statistics are based on the reports of that official. Altogether 123 different credit unions have been chartered in Massachusetts, of which 81 were in operation on October 31, 1921; 19 had not begun to do business; 5 were in the possession of the bank commissioner, awaiting final liquidation; 2 had been liquidated by the bank commissioner; and 16 had been dissolved in conformity with the laws, of which number 2 had transacted business for but a short time and had closed without ever reporting to the commissioner. The following table shows the number of credit unions reporting each year:

1910.....	2
1911.....	17
1912.....	26
1913.....	34
1914.....	45
1915.....	47
1916.....	53
1917.....	56
1918.....	59
1919.....	60
1920.....	64
1921.....	81

Of the 81 credit unions reporting in 1921, 2 were organized in 1910, 6 in 1911, 7 in 1912, 6 in 1913, 12 in 1914, 11 in 1915, 4 in 1916, 7 in 1917, 5 in 1918, 2 in 1919, 4 in 1920 and 15 in 1921. Of the 13 that were organized and have since dissolved, 2 were operated for less than one year, 3 for one year, 1 for two years, 5 for three years, 4 for four years, 2 for five years, and 1 for seven years.

The largest number of credit unions chartered and opened in any one year was in 1921, and the largest number of dissolutions occurred in 1915. The years 1914, 1915, and 1921 were the only years in

which any unions were taken over by the bank commissioner. A greater number of societies were organized and opened prior to 1915 than since, and the net increase in the number of such organizations was slow from 1915 to 1921.

The entrance fees charged in the societies reporting range from nothing to \$5.

The most common par value of shares is \$5, though the value ranges, in the societies reporting, from \$2 to \$5. In all but three societies these shares may be paid for in installments. The maximum number of shares that one member may hold ranges in the different credit unions from 2 to 1,000, though in 20 societies the number is unlimited.

A member may borrow a sum varying, among the different societies, from \$50 to \$8,000. In 17 societies there is no fixed limit. If the amount of the loan is less than the share capital owned, generally no collateral is required. Acceptable collateral consists of paid-up life insurance, the deposit of a savings-bank book or a note indorsed by one or two members, according to the circumstances. Stock-market securities or real-estate mortgages are generally accepted as security on loans up to 60 per cent of their market value. For the loan the member pays a maximum rate of interest of from 6 to 12 per cent, the latter being the rate charged by 30 societies. In Boston, two-thirds of the societies charge 10 or 12 per cent; outside of Boston, two-thirds charge less than 10 per cent.

The table below shows the number of credit unions having each classified number of shareholders and of borrowers on October 31 of each year, 1910 to 1921:

CREDIT UNIONS IN MASSACHUSETTS, CLASSIFIED BY NUMBER OF SHAREHOLDERS AND BORROWERS ON OCTOBER 31 OF EACH YEAR, 1910 TO 1921.

[Massachusetts commissioner of banks. Part II of annual reports, 1910 to 1921.]

Class of member, and year.	Number of credit unions having classified number of members of each class.						Total.
	Less than 50.	51 to 100.	101 to 250.	251 to 500.	501 to 1,000.	1,000 and over.	
Shareholders:							
1910.....		1					1
1911.....	2	10	5				17
1912.....	3	12	8	3			26
1913.....	9	10	11	4			34
1914.....	14	12	13	5	1		45
1915.....	11	13	13	6	4		47
1916.....	15	10	13	8	6	1	53
1917.....	11	5	24	10	4	2	56
1918.....	11	5	22	13	4	4	59
1919.....	10	8	16	9	13	4	60
1920.....	9	9	15	12	12	7	64
1921.....	14	12	22	11	14	8	81
Borrowers:							
1910.....		1					1
1911.....	11	2					13
1912.....	17	6	2				25
1913.....	20	6	4				30
1914.....	29	6	5				40
1915.....	28	11	3	3			45
1916.....	29	13	8	2			52
1917.....	25	16	9	4			54
1918.....	20	17	11	5	2		55
1919.....	21	16	10	8	3		58
1920.....	24	14	16	7	2	1	64
1921.....	37	12	20	7	4	1	81

Deposits are generally received in amounts from 10 cents up. The maximum amount that may be deposited by any one member varies from \$100 (in one society) to an unlimited amount (in 36 societies). The credit union in New Bedford accepts deposits from school children. These deposits draw interest from the first of each month. Five credit unions do not receive deposits. Interest is paid semiannually. The table below shows the number of credit unions which paid each specified rate of dividend on share capital and of interest on deposits in each of the years, 1910 to 1921:

CREDIT UNIONS IN MASSACHUSETTS, CLASSIFIED BY RATE OF DIVIDEND ON SHARE CAPITAL AND OF INTEREST ON DEPOSITS PAID EACH YEAR, 1910 TO 1921.

[Massachusetts commissioner of banks. Part II of annual reports, 1910 to 1921.]

Item and year.	Number of credit unions paying specified rate.								Total.	
	Under 3 per cent.	3 and under 4 per cent.	4 and under 5 per cent.	5 and under 7 per cent.	7 and under 10 per cent.	10 and under 15 per cent.	15 per cent and over.	None.		
Dividends on share capital:										
1910.....									2	2
1911.....		1	1						15	17
1912.....			2	1	2	1	1		19	26
1913.....	1	1	3	3	4	3	2		17	34
1914.....			4	6	2	3	3		27	45
1915.....		1	4	9	4	7	1		21	47
1916.....		2	4	14	9	5			19	53
1917.....			9	16	11	4			16	56
1918.....		1	6	22	11	2			17	59
1919.....		2	3	25	16	1			13	60
1920.....			2	25	21	4			12	64
1921.....	2	2	2	20	18	7			30	81
Interest on deposits:										
1910.....				1					1	2
1911.....		4	1	1					11	17
1912.....		5	6	4					11	26
1913.....		6	7	8	1				12	34
1914.....		7	11	12					15	45
1915.....		6	11	13	2	2			13	47
1916.....	1	2	16	15	2				17	53
1917.....		5	20	19					12	56
1918.....		4	15	25					15	59
1919.....		3	15	27	1				14	60
1920.....		3	15	30					16	64
1921.....	1	1	14	32	3				30	81

Each credit union prints its own literature, and many of them have issued literature explaining the work of the credit unions in general and of themselves in particular. The Progressive Workman's Credit Union of Malden supplies its members with coal at a reduction of 50 cents a ton, and with furniture, rugs, and carpets at reduced rates. The Revere Credit Union furnishes coal at a reduction of 25 cents a ton and has made arrangements with several reliable firms to sell clothing, furniture, and household commodities to its members at reduced rates. The Beverly Credit Union loans on second mortgages to help members buy homes. The Industrial Credit Union of Boston makes loans to buy furniture, get discounts on bills, and to buy coal, flour, and sugar in quantities.

During the war, the credit unions were used to aid in the floating of Liberty bonds. To-day they own in their corporate capacity nearly \$100,000 worth of these bonds, besides having made loans to members up to the face value of their individual holdings in order to prevent their selling their bonds at a loss.

In the table below is shown the number of credit unions having each classified amount of assets and deposits on October 31 of the years 1910 to 1921:

CREDIT UNIONS IN MASSACHUSETTS, CLASSIFIED BY AMOUNT OF ASSETS AND DEPOSITS ON OCTOBER 31 OF EACH YEAR, 1910 TO 1921.

[Massachusetts commissioner of banks. Part II of annual reports, 1910 to 1921.]

Item and year.	Number of credit unions having classified amount.						Total.
	Less than \$500.	\$500 and under \$1,000.	\$1,000 and under \$10,000.	\$10,000 and under \$50,000.	\$50,000 and under \$100,000.	\$100,000 and over.	
Assets:							
1910.....			1				1
1911.....	2	7	8				17
1912.....	5	2	17	2			26
1913.....	5	1	19	9			34
1914.....	8	5	21	11			45
1915.....	4	4	25	13	1		47
1916.....	4	5	24	18	1	1	53
1917.....	5	3	27	13	6	2	56
1918.....	4	5	25	16	5	4	59
1919.....	4	1	24	18	7	6	60
1920.....	4	3	16	26	5	10	64
1921.....	5	4	30	27	5	10	81
Deposits:							
1910.....		1					1
1911.....	10	3	1				14
1912.....	10	3	8				21
1913.....	11	7	10				28
1914.....	16	3	11	2			32
1915.....	13	8	7	4	1		33
1916.....	14	7	14	5		1	41
1917.....	15	9	11	3	4	1	43
1918.....	14	5	15	5	2	3	44
1919.....	9	6	15	6	1	5	42
1920.....	8	4	23	6	1	8	50
1921.....	11	6	22	10	1	7	57

The table following shows the number of credit unions which had each classified amount of reserve on October 31 and of expenses of operation for the year ending on that date, during the years 1910 to 1921:

CREDIT UNIONS IN MASSACHUSETTS CLASSIFIED BY AMOUNT OF RESERVE ON OCTOBER 31 AND OF EXPENSES FOR EACH YEAR ENDING OCTOBER 31, BY YEARS, 1910 TO 1921.

[Massachusetts commissioner of banks. Part II of annual reports, 1910 to 1921.]

Item and year.	Number of credit unions with classified amounts.					Total.
	Less than \$100.	\$100 and under \$500.	\$500 and under \$1,000.	\$1,000 and under \$10,000.	\$10,000 and under \$50,000.	
Reserve:						
1911.....	2	1				3
1912.....	6	4				10
1913.....	12	4	3			19
1914.....	11	8	6			25
1915.....	14	10	4	3		31
1916.....	19	15	4	6		44
1917.....	19	18	5	10		52
1918.....	13	20	5	15		53
1919.....	7	20	4	17	1	49
1920.....	5	23	8	15	2	53
1921.....	17	16	10	21	3	67
Expenses:						
1910.....	1					1
1911.....	13	4				17
1912.....	18	9				27
1913.....	19	9	2	2		32
1914.....	21	14	4	2		41
1915.....	23	17	3	2		45
1916.....	25	20	3	3		51
1917.....	22	22	6	4		54
1918.....	20	23	8	6		57
1919.....	22	21	7	8		58
1920.....	20	19	7	16		62
1921.....	29	16	12	21		78

The growth of the credit-union movement in Massachusetts since 1910 is shown in the table below, which gives miscellaneous statistics of operation of these societies:

STATISTICS OF OPERATION OF CREDIT UNIONS IN MASSACHUSETTS, 1910 TO 1921

[Massachusetts commissioner of banks. Part II of annual reports, 1910 to 1921.]

Year.	Number reporting.	Number of members.	Number of shares held.	Number of borrowers.	Share capital—		
					Paid in during year.	Repaid during year.	As of Oct. 31.
1910.....	1	105	984	64	\$1,745	\$75	\$1,670
1911.....	17	1,623	4,780	348	19,074	1,648	19,623
1912.....	26	2,862	14,983	752	54,820	10,830	64,910
1913.....	34	4,577	21,872	1,560	92,392	37,018	120,284
1914.....	45	6,149	31,953	2,109	126,879	69,506	177,657
1915.....	47	7,846	47,131	2,887	154,664	59,373	252,218
1916.....	53	11,418	93,042	3,623	283,270	97,201	436,164
1917.....	56	14,821	128,143	5,883	303,940	147,085	593,026
1918.....	59	17,636	153,033	4,587	446,220	165,809	874,542
1919.....	60	22,987	251,366	7,872	831,761	339,399	1,372,322
1920.....	64	29,494	348,206	9,621	1,100,758	538,557	1,938,844
1921.....	81	32,226	373,656	12,180	1,008,156	805,536	2,132,269

Year.	Deposits—			Loans—			Entrance fees received during year.
	Received during year.	Repaid during year.	As of Oct. 31.	Made during year.	Repaid during year.	Outstanding, Oct. 31.	
1910.....	\$798	\$103	\$606	\$4,889	\$3,145	\$1,743	\$99
1911.....	7,007	3,812	5,155	30,223	14,033	19,036	448
1912.....	32,425	15,559	21,948	134,771	84,762	68,332	683
1913.....	75,856	47,496	50,308	287,762	209,497	146,598	1,088
1914.....	91,540	62,956	78,892	371,353	293,591	224,360	867
1915.....	148,429	81,762	143,592	501,349	340,817	262,430	1,366
1916.....	338,741	153,116	328,103	831,544	540,545	652,386	1,391
1917.....	519,945	286,085	561,962	1,095,778	754,818	993,345	2,810
1918.....	837,360	421,774	978,495	1,477,215	913,562	1,555,088	3,255
1919.....	1,116,952	853,355	1,239,515	2,153,842	1,413,878	2,295,832	4,339
1920.....	1,770,971	1,229,217	1,784,581	3,311,699	2,284,918	3,323,410	7,402
1921.....	1,516,892	1,645,740	1,586,873	3,003,765	3,042,699	3,314,370	8,006

Year.	Reserve fund, Oct. 31.	Dividends paid.	General expenses for year.	Total receipts for year.	Total resources Oct. 31.	Cash on hand Oct. 31.	Investments. ¹
1910.....			\$62	\$5,923	\$2,449	\$705	
1911.....	\$248		1,247	43,122	25,942	6,037	
1912.....	1,150		2,678	187,607	91,510	23,139	
1913.....	3,495		5,692	417,980	180,923	34,130	
1914.....	6,147	\$8,336	10,582	571,059	269,431	44,337	
1915.....	7,768	13,383	11,994	726,568	418,026	49,103	\$5,033
1916.....	15,395	13,242	13,441	1,237,093	808,350	124,311	30,350
1917.....	27,330	19,697	16,959	1,792,283	1,235,756	161,017	73,988
1918.....	42,407	25,164	21,795	2,498,696	1,962,566	276,726	115,119
1919.....	64,335	29,656	29,862	3,862,948	2,769,948	260,258	207,175
1920.....	97,910	60,745	49,473	5,723,109	3,966,278	323,717	294,794
1921.....	140,482	83,507	61,826	6,396,949	4,047,173	276,599	438,372

¹ Mainly Liberty bonds, Federal certificates of indebtedness and acceptances.

NEW YORK.

In New York the development has been slightly different from that in Massachusetts. In the latter State credit unions have been organized along racial and trade-union lines in factories, towns, and villages, while in New York they have developed mainly in stores and offices in New York City. The following statement shows the number of credit unions reporting each year:

1914.....	2
1915.....	14
1916.....	29
1917.....	39
1918.....	41
1919.....	49
1920.....	68

Of the unions furnishing reports in 1920, 3 were organized in 1914, 8 in 1915, 10 in 1916, 6 in 1917, 7 in 1918, 15 in 1919, and 19 in 1920.

Entrance fees range from 5 cents to \$7.50, 10 cents, 50 cents, and \$1 being the more common rates.

The par value of the shares of the societies reporting varies from 50 cents to \$25, the most common value being \$5.

The maximum rate of interest charged ranges from 6 to 12 per cent, the latter being the most common rate.

The number of credit unions having each classified number of shareholders, depositors, and borrowers is shown below:

CREDIT UNIONS IN NEW YORK, CLASSIFIED BY NUMBER OF SHAREHOLDERS, DEPOSITORS, AND BORROWERS, ON DECEMBER 31 OF EACH YEAR, 1914 TO 1920.

[New York superintendent of banks. Annual reports, 1914 to 1920.]

Class of members, and year.	Number of credit unions having classified number of members of each class.						Total.
	50 or less.	51 to 100.	101 to 250.	251 to 500.	501 to 1,000.	Over 1,000.	
Shareholders:							
1914.....		1	1				2
1915.....	3	3	5	2	1		14
1916.....	8	5	7	5	2	1	28
1917.....	11	2	14	6	4	2	39
1918.....	6	8	14	10	1	2	41
1919.....	5	6	19	15	1	2	48
1920.....	6	14	20	15	10	3	68
Depositors:							
1914.....	2						2
1915.....	6						6
1916.....	10		2	1			13
1917.....	14	2	3	1			20
1918.....	11	1	2	2			16
1919.....	19	1	2	2			24
1920.....	19	2	3	1	3		28
Borrowers:							
1914.....	2						2
1915.....	8	2	2	1			13
1916.....	14	5	8		1		28
1917.....	14	9	8	4	2		37
1918.....	12	10	10	4	2		38
1919.....	13	14	13	6	1		47
1920.....	20	12	19	10	2	1	64

The table following shows the rate of dividend paid on share capital and of interest paid on deposits by the societies during the years 1915 to 1920:

CREDIT UNIONS IN NEW YORK, CLASSIFIED BY RATE OF DIVIDEND ON CAPITAL STOCK AND OF INTEREST ON DEPOSITS PAID EACH YEAR, 1915 TO 1920.

[New York superintendent of banks. Annual reports, 1915 to 1920.]

Item and year.	Number of credit unions paying classified rate.						Total.
	Less than 3 per cent.	3 and under 5 per cent.	5 and under 7 per cent.	7 and under 10 per cent.	10 and under 12 per cent.	12 per cent and over.	
Dividend on share capital:							
1915.....		1		1		1	3
1916.....		1	3	4	1		9
1917.....		2	3	5	3	1	14
1918.....	1	3	8	10	2		24
1919.....		2	3	5	3	1	14
1920.....	2	6	14	13	3	4	42
Interest on deposits:							
1915.....		3					3
1916.....		6		1			7
1917.....		9	3				12
1918.....		7	2				9
1919.....		9	3				12
1920.....		11	8		2		21

The classification of the societies according to the amount of assets and deposits on December 31 of the years 1914 to 1920 is given below:

CREDIT UNIONS IN NEW YORK, CLASSIFIED BY AMOUNT OF ASSETS AND DEPOSITS ON DECEMBER 31 OF EACH YEAR, 1914 TO 1920.

[New York superintendent of banks. Annual reports, 1914 to 1920.]

Item and year.	Number of credit unions having classified amount.						Total.
	Less than \$500.	\$500 and under \$1,000.	\$1,000 and under \$10,000.	\$10,000 and under \$50,000.	\$50,000 and under \$100,000.	\$100,000 and over.	
Assets:							
1914.....			2				2
1915.....		2	11	1			14
1916.....		3	19	7			29
1917.....	1	1	22	14	1		39
1918.....	2	3	17	16	3		41
1919.....	2	1	13	26	5	2	49
1920.....	4	1	16	32	12	3	68
Deposits:							
1914.....	1		1				2
1915.....	2	2	2				6
1916.....	3	4	3	1			11
1917.....	9	3	6	2			20
1918.....	6	1	7	2			16
1919.....	9	2	8	2			21
1920.....	8	2	10	6		1	27

The distribution of the credit unions of New York according to the amount of reserve on December 31 and the expense of operation for

the year ending with that date for the years 1914 to 1920 is shown in the table following:

CREDIT UNIONS IN NEW YORK CLASSIFIED BY AMOUNT OF RESERVE ON DECEMBER 31 AND OF EXPENSES DURING EACH YEAR ENDING DECEMBER 31, BY YEARS, 1914 TO 1920.

[New York superintendent of banks. Annual reports, 1914 to 1920.]

Item and year.	Credit unions having classified amount.				Total.	Item and year.	Credit unions having classified amount.				Total.
	Less than \$100.	\$100 and under \$500.	\$500 and under \$1,000.	\$1,000 and under \$10,000.			Less than \$100.	\$100 and under \$500.	\$500 and under \$1,000.	\$1,000 and under \$10,000.	
Reserve:						Expenses:					
1914.....	1				1	1914.....	2	6			2
1915.....	5	4	1		10	1915.....	3	6	1	1	11
1916.....	10	12	3	1	26	1916.....	13	10	3		26
1917.....	11	14	8	3	36	1917.....	14	20	2	2	38
1918.....	7	16	6	5	34	1918.....	11	21	4	4	40
1919.....	5	21	6	12	44	1919.....	10	21	9	8	48
1920.....	5	21	10	22	58	1920.....	10	23	11	21	65

General statistics of operation for the years 1914 to 1920 are shown below:

STATISTICS OF OPERATION OF CREDIT UNIONS IN NEW YORK, 1914 TO 1920.

[New York superintendent of banks. Annual reports, 1914 to 1920.]

Year.	Number reporting.	Number of members.	Number of shares held.	Number of depositors.	Number of borrowers.	Number of female members.	Share capital—		
							Paid in during year.	Repaid during year.	As of Dec. 31.
1914.....	2	193	4,562	34	57	41	\$6,031	\$673	\$5,358
1915.....	14	2,404	25,643	101	1,142	356	54,034	6,040	53,314
1916.....	29	5,930	58,494	808	2,818	796	125,521	26,568	152,405
1917.....	39	9,614	101,442	1,436	5,103	1,466	252,436	84,020	332,509
1918.....	41	9,060	108,414	1,162	5,125	1,491	225,009	104,653	447,332
1919.....	49	11,799	161,274	1,257	5,891	1,706	562,205	118,956	925,742
1920.....	68	22,490	312,938	3,619	11,537	3,442	1,074,121	245,651	1,773,315

Year.	Deposits—			Loans—			Total amount repaid.
	Received during year.	Repaid during year.	As of Dec. 31.	Made during year.	Repaid during year.	Outstanding Dec. 31.	
1914.....	\$2,111	\$1,286	\$825	\$2,183	\$748	\$1,434	\$26
1915.....	13,356	9,701	4,479	106,096	58,304	49,768	1,080
1916.....	75,685	51,322	28,843	303,798	202,403	150,623	1,993
1917.....	125,396	100,937	53,633	823,716	644,797	319,869	4,205
1918.....	93,255	96,327	50,390	1,032,678	929,796	424,170	2,208
1919.....	144,901	121,454	73,845	2,239,540	1,735,388	994,968	4,956
1920.....	451,938	255,369	271,003	4,511,798	3,594,579	1,960,735	12,242

Year.	Reserve fund, Dec. 31.	Dividends paid.	General expenses for year.	Total receipts for year.	Total assets, Dec. 31.	Balance on hand, Dec. 31.	Investments in bonds.	Borrowed money.
1914.....	\$28		\$96	\$9,009	\$6,297	\$3,755	\$1,015	
1915.....	1,087	\$845	2,799	143,605	68,758	15,119		\$3,000
1916.....	5,779	2,219	5,108	458,866	195,981	29,834	29,890	12,395
1917.....	13,266	5,857	9,753	465,367	465,367	74,205	68,428	16,610
1918.....	19,958	14,736	13,282	568,034	568,034	84,232	52,874	21,608
1919.....	36,822	25,266	27,570	1,153,505	1,153,505	88,688	60,003	55,486
1920.....	74,623	49,770	66,629	5,796,152	2,203,871	155,078	163,312	50,786

In New York, as in Massachusetts, the complaint is that it is very difficult to find efficient persons who are willing to serve as officers. Few are willing to keep the books in the manner prescribed by the bank officials, who are often too rigid in their requirements and look at all questions from the standpoint of the banking department. The department does not have sufficient funds to warrant a separate supervision of the credit unions. On the other hand, large corporations often furnish accommodations for the credit unions organized in their establishments and frequently provide the help needed to manage them. As an illustration of the number of applications for credit union charters refused, the banking department of New York states that in 1918 the number of such charters granted was 7; the number refused, 11.

NORTH CAROLINA.

The situation in North Carolina is different from that in New York or Massachusetts. In the two Northern States the credit unions are in cities and villages, grouped by communities, nationalities, churches, societies, races, and industries, and have a large membership. In North Carolina, with one possible exception, the credit unions are composed almost entirely of farmers. In Massachusetts and New York the credit unions are considered a form of banking institution and are placed under the supervision of the banking department of the State in which they are located. In North Carolina the credit unions are considered agricultural cooperative credit associations and are placed under the cooperative care and direction of the agricultural interests of the State—the North Carolina State College of Agriculture, the North Carolina State Department of Agriculture, and the Bureau of Markets and States Relations Service of the United States Department of Agriculture, under the title of "State Cooperation in Marketing Work in North Carolina."

In New York and Massachusetts the banking departments have done little to encourage the formation of credit unions beyond sending literature to inquirers. In North Carolina, most of the time, a superintendent of cooperative associations and credit unions in the Division of Markets and Rural Organization has been supported at State expense to care for the credit unions. In the two Northern States the establishment and general direction of credit unions has been left largely to private initiative. In North Carolina the superintendent has been alert to organize a credit union wherever in his opinion its presence was advisable. In the Northern States the banking department explains what is necessary to form a credit union, sends the proper blanks and on their return approves or disapproves the acts of the formers of the credit union. In North Carolina the superintendent sends blanks, and when the community is ready to organize the credit union he is present in person or by deputy with blank forms and suggested by-laws, and sees that the papers are properly prepared at the time. In New York and Massachusetts the banking department makes annual examination of the books of each credit union and receives an annual report which is printed as a part of the annual report of the department. In North Carolina each credit union makes a monthly report to the superintendent, and if an official

has difficulty in preparing his report the superintendent goes or sends a deputy to clear up the difficulties.

In Massachusetts and New York the superintendent of the banking department is concerned mainly in seeing that the statutes relating to credit unions are properly observed. In North Carolina the superintendent suggests to the credit unions what to do. In the Northern States copies of the annual report of the banking department are printed and circulated, anywhere from a few months to a year after the individual reports are made, with a short general résumé of the work done by the credit unions during the year, closing with recommendations to the legislature of additional legislation desired to be passed, which is almost always in the line of regulation. In North Carolina prior to November, 1920, copies of these monthly reports were sent to each credit union within a month after they were made, with words of commendation to those that made the best record, words of encouragement to those needing it, advice to the newly organized, and an account of any new work undertaken, planned, or completed.

A strong argument used to increase membership in the credit unions in Massachusetts and New York is that they are organized to enable their members to avoid the loan sharks, in North Carolina to avoid merchant credits. In the Northern States loaning money to members for individual spending is the principal business of the credit union. In North Carolina the cooperative buying of farm supplies in large quantities at wholesale prices and the distribution of them among the members at cost, allowing them time in which to make payment, constitutes an important part of the society's activities. Members often save 50 per cent on such purchases. Fertilizers and seeds are the articles commonly handled, but hay, cotton seed, meal, tin cans for canning, and sugar, when selling for a high price, have been so bought. The Valdese credit union, two-thirds of whose members are employed in the cotton mills, loans money to members to enable them to buy for cash at the cooperative store in the village. One union one year operated a Christmas savings fund. Junior savings clubs composed entirely of children are connected with several credit unions. Deposits are received from nonmembers.

Several of these credit unions are composed of negroes. By the end of 1919 there were 13 such located in two adjacent counties.

Three meetings are generally required to form a credit union in North Carolina. At the first interest is aroused and information spread, the superintendent of cooperative associations or a deputy generally being present and acting as the prime mover. At the second an organization committee is appointed, directors and credit and supervisory committees are elected, care being taken to have the directors represent the various neighborhoods of the district to be covered by the credit union, to have every interest in the section represented, to select as members of the credit committee persons acquainted with each neighborhood, and to include in the membership of the society at least one person well known to the regular bank in the community and in good standing with it. At the third meeting the by-laws are adopted and forms and books arranged for. A local bank is selected as depository. Farmers are organized by school districts,

and all the earlier credit unions in North Carolina were organized by a few farmers and the school-teacher of the district. The organization meetings were held in the schoolhouse and stock was liberally subscribed for by the teachers and school children. The teacher is generally elected treasurer and devotes a few hours one day a week to the work of the credit union, receiving therefor \$50 a year.

The following table shows the number of societies reporting each year:

1916.....	8
1917.....	14
1918.....	17
1919.....	31
1920.....	33
1921.....	22

Of the unions reporting in 1921, 4 were organized in 1916; 2 in 1917; 2 in 1918; 10 in 1919; and 4 in 1920. Of the 21 that were organized and have since been dissolved, 2 were operated less than one year; 5 for one year; 7 for two years, 4 for 3 years, and 3 for five years.

The par value of the shares is generally \$10. Deposits left for a year generally draw interest at the rate of 4 per cent. Dividends are usually limited to 6 per cent, and the rate charged on loans is generally 6 per cent.

The table below shows the number of credit unions in North Carolina having each classified number of shareholders, depositors, and borrowers on December 31 of the years 1916 to 1921:

CREdit UNIONS IN NORTH CAROLINA, CLASSIFIED BY NUMBER OF SHAREHOLDERS, DEPOSITORS, AND BORROWERS, DECEMBER 31¹ OF EACH YEAR, 1916 TO 1921.

[North Carolina superintendent of credit unions. Monthly reports, 1916 to 1920.]

Class of members, and year.	Number of credit unions having classified number of members of each class.				Total.	Class of members, and year.	Number of credit unions having classified number of members of each class.				Total.	Class of members, and year.	Number of credit unions having classified number of members of each class.				Total.
	25 or under.	26 to 50.	51 to 100.	101 to 130.			25 or under.	26 to 50.	51 to 100.	101 to 130.			25 or under.	26 to 50.	51 to 100.	101 to 130.	
Shareholders:						Depositors:						Borrowers:					
1916.....	1	5	2	.....	8	1916....	7	.....	.....	.....	7	1916....	7	.....	.....	.....	7
1917.....	7	4	3	.....	14	1917....	7	2	1	.....	10	1917....	12	1	.....	.....	13
1918.....	6	5	5	1	17	1918....	11	2	2	.....	15	1918....	11	2	.....	.....	13
1919.....	12	13	5	1	31	1919....	15	2	2	1	20	1919....	18	1	.....	.....	19
1920.....	7	19	6	1	33	1920....	17	3	2	1	23	1920....	20	2	.....	.....	22
1921 ²	2	9	7	2	20	1921 ² ..	8	2	1	1	12	1921 ² ..	15	3	.....	.....	18

¹Oct. 31, of 1920.

²Annual report.

The distribution of the credit unions with regard to the amount of assets and deposits on the last day of each year, 1916 to 1921, is given below:

CREDIT UNIONS IN NORTH CAROLINA CLASSIFIED BY AMOUNT OF ASSETS AND DEPOSITS, DECEMBER 31¹ OF EACH YEAR, 1916 TO 1921.

[North Carolina superintendent of credit unions. Monthly reports, 1916 to 1920.

Item and year.	Number of credit unions having classified amount.				Total.	Item and year.	Number of credit unions having classified amount.				Total.
	Less than \$500.	\$500 and under \$1,000.	\$1,000 and under \$10,000.	\$10,000 and under \$30,000.			Less than \$500.	\$500 and under \$1,000.	\$1,000 and under \$10,000.	\$10,000 and under \$30,000.	
Assets:						Deposits:					
1916.....	2	3	3	.....	8	1916.....	6	1	.....	.....	7
1917.....	6	3	5	.....	14	1917.....	6	1	4	.....	11
1918.....	9	3	5	.....	17	1918.....	10	1	4	.....	15
1919.....	12	7	10	2	31	1919.....	12	1	5	2	20
1920.....	13	5	13	2	33	1920.....	15	1	5	2	23
1921 ²	4	6	10	2	22	1921 ²	7	.....	3	2	12

¹Oct. 31, of 1920.

²Annual report.

The meager general statistics of operation available are given in the table below:

STATISTICS OF OPERATION OF CREDIT UNIONS IN NORTH CAROLINA DECEMBER 31,¹ 1916 TO 1921.

[North Carolina superintendent of credit unions. Monthly reports, 1916 to 1920.

Year.	Number reporting.	Number of members.	Number of depositors.	Number of borrowers.	Share capital.	Deposits.	Loans.	Borrowed money.	Cash in banks.	Assets.
1916.....	8	322	100	45	\$2,172	\$3,771	\$4,031	\$700	\$3,018	\$7,224
1917.....	14	539	187	119	4,907	9,324	10,217	1,978	6,312	17,174
1918.....	17	783	299	144	7,978	14,175	17,779	3,200	7,530	27,465
1919.....	31	1,171	383	139	15,964	53,288	39,479	4,294	32,064	79,707
1920 ²	33	937	367	129	12,520	35,386	45,757	7,247	10,312	58,101
1921 ³	22	1,002	302	290	18,675	45,758	84,153	19,488	3,511	90,819

¹Oct. 31, of 1920.

²10 months only.

³Annual report.

The question is asked: Why have the North Carolina credit unions attained success while rural credit unions elsewhere do not seem to flourish? There are several reasons. The foremost is the care and direction that have been given to societies in that State, the oversight by the superintendent of credit unions, the caution with which he has established them. The Jewish agricultural credit unions in the North have been composed entirely of farmers, with the secretary-treasurer too often living in a part of the district inconvenient of access to the other members. Purely agricultural unions with no member resident in a village find it difficult to obtain a secretary-treasurer who can afford during the busy season to give even a few hours one day a week to the interests of the credit union. In North Carolina, the secretary-treasurer is generally resident in the village or in a central portion of the district and therefore conveniently located. Again, in North Carolina, credit unions have devoted most of their energies to buying cooperatively for their members, who

are given time in which to pay for the articles which they have bought. The Jewish credit unions loan money to members to spend for various purposes, and too often the latter find it difficult to repay the amount when due. In other words, short-term loans are apt to develop into long-term loans, to the detriment of new would-be borrowers. Finally the North Carolina credit unions have featured their savings departments.

NEW HAMPSHIRE.

Under the New Hampshire credit union act of 1921,¹³ one society has been organized in Manchester, but no report in regard to it has as yet been printed.

The credit union chartered by special act in 1909 as the St. Mary's Cooperative Credit Association became, by chapter 339 of the Acts of 1917, La Caisse Populaire Ste. Marie. By the terms of the charter, membership is confined to residents of Manchester, and the members are French-Canadian workers in the cotton mills. There has been very little change in the officers and membership of committees from the date of the organization. The capital stock is limited to \$100,000; this is the only credit union in the United States whose capital is so limited.

The table below shows, as far as the information is available, the growth of this society since 1910:

STATISTICS OF OPERATION OF THE CREDIT UNION IN NEW HAMPSHIRE, 1910 TO 1921.

[New Hampshire bank commissioners. Annual reports, 1910 to 1921.]

Year.	Number of members.	Number of shares held.	Share capital—			Deposits—			Entrance fees received.	Reserve fund, outstanding June 30.
			Paid in during year.	Repaid during year.	Out-standing June 30.	Received during year.	Repaid during year.	As of June 30.		
1914.....		2,982								
1915.....		3,677								
1916.....	1,182	4,205								
1917.....	1,409	4,693								
1918.....	1,516	5,035	\$3,954	\$2,229	\$25,191	\$196,707	\$130,807	\$216,217	\$191	\$2,926
1919.....	1,580	5,745	5,402	1,912	28,681	331,178	205,341	342,053	258	3,804
1920.....	2,349	6,495	6,417	2,620	32,478	659,267	459,415	541,905	311	4,926
1921.....	2,938	6,658	4,585	3,770	33,293	679,034	549,320	671,618	226	6,413

Year.	Dividends paid.	Loans—			General expenses for year.	Total receipts for year.	Total assets, June 30.	Balance on hand, June 30.	Investments in bonds.
		Made during year.	Repaid during year.	As of June 30.					
1910.....						\$12,965			
1911.....						15,144			
1912.....						\$25,056	23,720		
1913.....						25,710	36,279		
1914.....						74,325	62,497		
1915.....						132,972	100,022		
1916.....						175,739	137,738		
1917.....						202,863	180,221		
1918.....	\$1,113	\$23,306	\$20,747	\$211,583	\$1,495	243,407	251,377	\$9,794	\$29,000
1919.....	1,202	143,342	57,217	297,708	2,017	422,732	383,906	11,198	74,000
1920.....	1,372	205,110	85,539	417,280	3,903	803,400	598,627	12,648	162,700
1921.....	1,494	156,036	87,096	486,310	5,718	861,976	735,894	23,884	223,700

¹³ Acts of 1921, ch. 40.

RHODE ISLAND.

The first credit union in Rhode Island was incorporated under the general law of the State on March 9, 1915, and began business April 1, of that year. There has been practically no change in the officers and membership of the committees since the organization of the society. The membership is composed mainly of the French Canadians in the mills at Central Falls. A second credit union composed of telephone workers in Providence was incorporated March 30, 1920.

The maximum number of shares any member may hold is 200 in the first society and unlimited in the second; the maximum amount anyone may deposit is \$5,000 and \$250, respectively, and the interest on deposits, 4 and 5 per cent, respectively.

The following table gives statistics of the first society in Rhode Island 1915 to 1919, and of both in 1920, similar to those already given in other States:

STATISTICS OF OPERATION OF CREDIT UNIONS IN RHODE ISLAND, 1915 TO 1920.
[Rhode Island bank commissioner. Annual reports, 1915 to 1920.]

Year.	Number of members.	Number of shares held.	Number of borrowers.	Share capital—			Deposits—			Reserve fund, Dec. 31.
				Paid in during year. ¹	Repaid during year. ¹	As of Dec. 31. ¹	Received during year. ¹	Repaid during year. ¹	As of Dec. 31. ¹	
1915.....	212	435	28							
1916.....	384	1,043	68	\$5,503	\$407	\$5,096	\$155,065	\$71,020	\$84,045	\$63
1917.....	1,033	2,804	117	11,556	2,749	13,903	256,975	206,157	134,864	616
1918.....	1,354	5,045	158	17,501	6,049	25,355	534,085	402,703	266,246	1,411
1919.....	1,505	7,526	189	25,447	13,447	37,355	887,092	782,948	370,390	2,900
1920.....	2,016	12,796	363	90,539	25,850	64,689	1,949,787	1,402,793	546,993	1,001

Year.	Dividends paid.	Loans—			Entrance fees received.	General expenses for year.	Total receipts for year.	Total assets, Dec. 31.	Balance on hand, Dec. 31.	Liberty bonds.
		Made during year. ¹	Repaid during year. ¹	Out-standing Dec. 31. ¹						
1915.....							\$22,110			
1916.....	\$127	\$75,034	\$12,735	\$62,299	\$116	\$1,613	\$177,603	90,469	\$26,715	
1917.....	730	103,012	31,028	134,283	299	4,529	400,912	151,992	16,399	
1918.....	1,383	191,366	99,686	225,963		7,487	858,310	296,849	53,039	\$16,706
1919.....	2,180	256,394	157,638	324,719	247	4,844	1,390,160	439,225	107,360	16,700
1920.....	3,080	671,011	242,586	428,425			2,301,347	607,441	114,199	17,250

¹ Information furnished direct to the Bureau of Labor Statistics by the societies.

JEWISH CREDIT UNIONS.

The credit unions established by the Jewish Agricultural and Industrial Aid Society, following the year 1911, remain to be considered. These were 19 in number and were established as follows: Massachusetts, 1; Connecticut, 5; New York, 8; and New Jersey, 5. Three of them were organized in 1911, 5 in 1912, 9 in 1913, 1 in 1914, and 1 in 1915. These were all farmers' organizations, the only American agricultural credit unions outside of North Carolina. Except the one in Massachusetts, all these credit unions were organized as voluntary associations. Four of those in New York were later (1916) incorporated under the New York law which was passed after their

organization. No Jewish credit unions have been established since 1915, though several requests for assistance have been received. Though the Jewish Agricultural and Industrial Aid Society has lost no money through its credit unions it can not be said that the experiment has been an unqualified success. In 1915, the membership of one of the credit unions of New Jersey decreased so greatly that it seemed advisable that the indebtedness to the parent society should be reduced. Seven of the societies have declared a dividend: One of 4 per cent a year for 2 years, 1 of 1½ per cent, 1 of 5½ per cent, 1 of 6½ per cent, 1 of 7½ per cent a year for 4 years, 1 of 8 per cent, and 1 of 8.4 per cent a year for 5 years, each society repaying to the parent society an amount equaling that paid to its members in dividends.

The society in its annual reports issued statistics showing the progress of its credit unions, 1911 up to 1916, but has issued none since then. Three of the Jewish credit unions in New York that were incorporated in 1916 failed, within two years, to live up to the laws of the State, and were closed up; 2 of the unincorporated credit unions also went into liquidation. All of them paid their obligations in full and left a dividend to the stockholders. It is hard for farmers to observe all the rigid regulations required of banks.

The form of these organizations is that of the Raiffeisen societies in Germany. Membership is open only to members in good standing in the local Jewish Farmers' Association. The board of directors consists of seven elected members, of whom four—president, vice president, secretary, and treasurer—constitute a credit committee, in complete charge of granting loans, and the remaining three members constitute a supervisory committee, to audit the books and supervise the acts of the credit committee. Appeals from either committee lie to the membership in general assembly. No loan is granted for longer than six months nor for more than \$100. Interest is paid at the rate of 6 per cent. Each credit union raises \$500 through the sale of shares to members and the Jewish Agricultural and Aid Society loans it \$1,000 at 2 per cent. The last one organized however, received a loan of only \$500, as the parent society desired the organizations to become more self-reliant.

The membership in each credit union is less than 50. The yearly expenses of the credit unions have been small, more than 50 per cent having spent less than \$100 for operation during each of the years 1913 to 1915.

The following table shows for those years for which figures are available the statistics of operation of the Jewish credit unions:

STATISTICS OF OPERATION OF JEWISH CREDIT UNIONS, 1911 TO 1916.

[Jewish Agricultural and Industrial Aid Society. Annual reports, 1911 to 1918.]

Year.	Number reporting.	Number of members.	Number of shares held.	Number of loans made.	Loans.			Reserve fund, Sept. 30.	General expenses for year.	Total assets, Sept. 30.	Total Liabilities, Sept. 30.
					Made during year.	Repaid during year.	Out-standing, Sept. 30.				
1911.....	3	84	308	66	\$4,460	\$1,179	\$3,281	.....	.....	.....	.....
1912.....	8	240	844	276	18,915	11,131	11,065	\$426	.....	\$12,649	\$12,223
1913.....	17	517	1,833	661	50,250	38,506	22,809	.....	\$727	27,488	26,170
1914.....	18	536	1,864	.....	.....	.....	26,154	249	1,458	29,579	27,408
1915.....	19	573	1,983	.....	.....	.....	28,681	309	2,093	31,853	28,612
1916.....	19	564	1,932	.....	.....	.....	27,236	386	2,886	31,493	27,659

COMPARATIVE STATISTICS.

Although the laws of eleven States and the Province of Quebec which have legislated with regard to credit unions are similar, comparison of the associations organized under them is not altogether satisfactory because of the difference in methods of organization and reporting. In order, however, to give some idea of the development of the credit-union movement in the various States, the following table showing averages for the latest year reported based on the detailed figures already given has been computed.

COMPARATIVE AVERAGE STATISTICS OF CREDIT UNIONS IN AMERICA.

Item.	Province of Quebec (Dec. 31, 1920).	Massachusetts (Oct. 31, 1921).	New York (Dec. 31, 1920).	North Carolina (Dec. 31, 1921).
Number of credit unions	100	81	68	22
Average number of members per society	310	398	331	46
Average increase in membership per society during year	12	34	90	3
Average number of depositors per society	262	.....	53	14
Average number of borrowers per society	92	150	170	13
Paid in share capital:				
Average per society	\$11,991.70	\$26,324.31	\$26,078.21	\$848.86
Average per member	30.86	66.17	78.85	18.63
Deposits:				
Average per society	45,580.53	19,591.02	3,985.43	20,807.18
Average per member	146.89	49.24	12.05	45.67
Average per depositor	173.72	.....	74.89	151.52
Loans outstanding:				
Average per society	51,813.92	40,918.15	28,834.34	3,825.14
Average per member	166.99	102.85	87.18	83.98
Average per borrower	197.48	272.12	169.09	290.17
Average amount of entrance fees received during year..				
per society	66.42	98.84	180.03	.....
Average amount of reserve per society	2,528.27	1,734.35	1,097.40	.....
Average yearly expense per society	451.05	763.28	979.84	.....
Average yearly receipts per society	152,607.26	78,974.68	85,237.53	.....
Average assets per society	63,069.65	49,940.41	32,409.87	4,128.14

It appears from the above table that in none of the States has the credit-union movement, as indicated by number of societies, developed to the extent that it has in Quebec. The smallest number of societies is found in North Carolina, as would be expected from the fact that the movement is newest there. Massachusetts has the largest societies, averaging 398 persons, but the greatest growth per society is found among the credit unions of New York.

The Massachusetts societies are the most heavily capitalized and have also the largest average amounts of loans outstanding while the Quebec societies lead in deposits. The average expense of the Massachusetts societies is smaller than those of New York. In Massachusetts about two-thirds of the credit unions receive deposits, in New York less than half, and in North Carolina three-fourths.

CONCLUSIONS.

Experience has shown that the passage of enabling acts is not enough to promote the growth of credit unions, that general education in cooperation is needed, and that all ideas of the credit-union movement based on philanthropy should be dismissed from mind and the credit unions operated on a strictly business basis.

So long as the members of committees are chosen carefully and without sentiment and the rules laid down in the statutes are strictly

observed by the leaders of the societies the latter can hardly be otherwise than successful. One weakness that has appeared in many unions is a tendency to allow their control to pass into the hands of one or two members.

The following points are given as embodying the practice found by experience to be desirable. While they may seem to be minor matters, it should be borne in mind that in a society operating on such a small scale as the credit union, too much attention can not be given to details.

The qualifications of the manager are of prime importance, since all the business of the credit union is to pass through his hands. Essential characteristics of the manager are competence, caution, rigidity in the observance of the details of the by-laws, and firmness in refusal to depart from the rules, for such departure will lead to abuses and to the ultimate failure of the credit union. His function is also to point out abuses and negligence with courtesy and firmness. It is essential that he know the character, reputation, and solvency of members.

It has been shown that allowing any borrower to be in default for even a single day invites carelessness, and sooner or later leads the credit union to financial embarrassment. Because of the small amount of the funds and the many requests for loans the credit committee must rely on rigid regularity in reimbursement. Punctuality in payment at maturity is necessary in order that others may be accommodated and the credit union insured a constant inflow of funds.

It has been found desirable that members should not be allowed to withdraw while they are borrowers, indorsers, or guarantors, and that forfeiture of membership should follow failure to pay fines or dues for more than three months. The indorser should invariably be held liable in default of the maker of the note.

Safety is insured by the transference to the reserve fund of 10 per cent of the profits, or better, 20 per cent for the first year or two, until an amount double the maximum liabilities represented by the shares is accumulated.

The determination of the rate of interest to be paid on deposits is important, for if the rate paid by the society is more than 1 per cent in excess of the rate paid by the savings banks in that locality, the credit union may find itself in possession of more deposits than it can use advantageously and there will be a surplus on hand not drawing interest and inviting speculation.

Central agencies to diffuse information, to point out the benefits of the plan, and to assist in the formation and supervision of credit unions have been found helpful to the movement in other countries and might be so here.

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