

THE PARISH CREDIT UNION

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HE story of most workers is one of a hand to mouth existence. When any unusual demands are made upon their finances, they are forced to resort to borrowing. Since the ordinary commercial banks cannot afford to bother with these trivial loans, the would-be borrower is compelled to accept the terms of such lenders as he can find.

The centuries-old Shylocks, known aptly today as loan-sharks, find that they can make small loans to these needy borrowers, demanding in turn exorbitant rates of interest. Once within the clutches of these sharks, it is an exceedingly difficult matter to free oneself. The three and a half per cent a week charged by the loan-sharks does not seem so exorbitant to the victims at the outset. But in three months the rate of interest amounts to forty-two per cent on the hundred borrowed. Where the borrower is earning a salary of twenty-five dollars a week or even less, he finds that all he is able to do is to pay the interest, without even attempting to pay up the principal. Many borrowers remain in debt to the loan-sharks for years, paying them interest at the rate of a hundred and fifty to two hundred per cent; paying off the indebtedness many times over, but never getting free from the initial debt.

The loan-shark business has finally become so bad that a prominent social service organization, the Russell Sage Foundation, has embarked upon a campaign to abolish this age old nefarious practice.¹ The Foundation has come to the conclusion that in most parts of the country it is necessary to allow many money lenders who are making small loans up to three hundred dollars, to charge from thirty-six to forty-two per cent a year, to encourage them to do their lending within the law. When the state laws permit the money lenders to charge only eight, ten or twelve per cent, the Shylocks carry on the business outside the law at rates amounting to several hundred per cent. In order to remedy this condition the Russell Sage Foundation

¹ cf. *Social Work Year Book*, 1929, Vol. 1. pp. 408-410.

is endeavoring to get the state laws changed and thus permit lenders to charge three and a half per cent a month or forty-two per cent a year on small loans. To the average man forty-two per cent a year sounds like usury, even if the plan has the backing of a philanthropic organization. The argument in justification of this high rate is that the expense of looking up the credit of the borrower and sending out agents to collect the interest payments is so great that there is not enough left to encourage money lenders to lend under forty-two per cent.

Another institution that has been fighting the loan-shark evil in recent years is the credit union. The credit union is a group of people who save their money and lend it out to members of their own group at low rates of interest. The members of the group who save get from six to ten per cent on their savings and the members who borrow pay from seven to twelve or fifteen per cent interest. The difference between what the borrowers pay and the lenders receive is used in paying the expenses of the credit union and in making allowances for the fact that not all of the funds of the credit union are loaned out all of the time.

These credit unions are descended from the "peoples' banks" which have been in existence in Europe for three quarters of a century.² They were originally founded in Germany but they have spread to Italy and France and many other countries. They enable the poor to make small savings which can be loaned out on reasonable terms to people of their own class. In many places of Europe these "peoples' banks" or coöperative savings societies have been organized in Catholic and Lutheran parishes with very satisfactory results.

It was because of the success of these "peoples' banks" in the parishes of Europe that Alphonse Desjardins of Quebec brought this form of popular bank to America. After studying the various types of "peoples' banks," Desjardins started such a bank in the city of Levis, not far from Quebec. This was in 1900, and by 1931 one hundred and eighty-three of these popular banks had been organized in the Catholic parishes throughout the Province of Quebec. In recognition of his work with the "peoples' banks" Desjardins was knighted by the Pope.

In 1910 Desjardins organized in St. Mary's parish, Manchester, New Hampshire, one of these popular banks. Other French Canadian parishes in New England adopted this economic innovation and

² "The first experimental credit union was organized in Germany in 1848." *An analysis of the Parish Credit Union Development in the U. S.* Boston, Mass., Oct., 1931.

its fame and success extended. Soon a new name was invented for this type of credit system. It is now known throughout the United States as the "Credit Union." There are now 1650 credit unions in the United States. These credit unions are organized within groups of employees of factories, mills, railroad workshops and the like.

Five years ago the Catholic Rural Life Conference began to make a study of the credit unions at its annual meeting. Several pastors volunteered to start credit unions in their parishes as a sort of experimentation in this new banking institution. Now each year at the annual meeting of the Conference there is a day given over to the study of the parish credit unions. Speakers who have specialized in the credit union work lead the discussions and pastors and laymen from the parishes that have introduced the parish credit union as well as other priests and laymen take part in the discussions. The merits of credit unions in general and of parish unions in particular are presented at these meetings. Experiences are exchanged and objections are presented and answered. After each Conference pastors go back to their parishes and start credit unions or bring back new zeal with which to keep the already established parish credit unions running smoothly. At the present time fifty or more of these parish credit unions have been formed and the opinion seems to be unanimous that they have an important task to perform and are well adapted to perform it.

The particular organization which is charged with the work of spreading knowledge of the parish credit union is the Parish Credit Union National Committee. It is formed under the auspices of the National Catholic Welfare Conference located in Washington, D. C. It is in charge of the Parish Credit Union Institute, which is the name given to the one day program of the Catholic Rural Life Conference.

The close coöperation of these conferences arises from the fact that Reverend Edwin V. O'Hara (who is now Bishop of Great Falls, Montana) was the director of the Rural Life Bureau in the National Catholic Welfare Conference and at the same time was the Executive Secretary of the Catholic Rural Life Conference. Until he was made Bishop he was also chairman of the Parish Credit Union Committee. The present chairman is his brother, Dr. Frank O'Hara, of the Department of Economics of the Catholic University of America. The Parish Credit Union National Committee works in close coöperation with the Credit Union National Extension Bureau of Boston. This latter Bureau is supported by Mr. E. A. Filene, a