

CO-OPERATIVE CREDIT UNIONS IN NORTH CAROLINA

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THE Land Bank Law passed by Congress in 1916 and the Land and Loan Association Law of the North Carolina Legislature in 1915 cover long-term loans upon land mortgages at low rates of interest. These laws aid the owners of land for the most part.

The North Carolina Coöperative Credit Union Law covers short-term, personal, credit loans, and it was planned to aid the 1,136,000 people in North Carolina who own no land.

CREDIT-UNION LAWS IN THIS COUNTRY

Coöperative credit unions were authorized by law in Canada, Province of Quebec, in 1900; in Massachusetts, 1909; in Wisconsin, 1911; in Texas, 1913; in New York State, 1914; and in North Carolina, 1915. The recently enacted laws upon (1) Credit Unions, (2) Coöperative Enterprise, and (3) Land and Loan Associations put North Carolina in the forefront of progress in this new field of legislation.

THE NORTH CAROLINA IDEA

Credit-union laws in American States show progressive and more or less successful adaptation to local conditions and necessities. But, so far, the North Carolina law is the best of them all. It not only gives to credit unions the sanction of law; but it creates a superintendent of coöperative associations and credit unions, with such assistants as may be necessary, whose business it is to conduct a campaign of education and promotion, to visit interested localities upon request, to organize coöperative groups, to furnish all necessary legal and business forms, to supervise and, once a year or oftener, to audit the accounts of such associations. This officer belongs to the Division of Markets operating under the joint committee of the State Board of Agriculture and the A. and E. College. His salary comes from funds of this committee and levies no additional burden upon the taxpayers of the State.

GUARANTEES OF SUCCESS

In other States credit unions have been what Mrs. Wiggs called "ash-barrel babies." They have come into being in chill atmospheres, and have lacked the fostering care of friendly hands. But in North Carolina coöperative credit unions are the special charge and concern of the State Agricultural Department and the State College of Agriculture and Engineering. They are sheltered under a hospitable roof.

FEW RURAL CREDIT UNIONS IN THE UNITED STATES

Because the laws in other States require no such friendly State department to promote, organize, and supervise the credit unions they authorize, the movement has so far made little headway among the farmers. Wage-earners and people on small salaries in the towns and cities have organized under these laws—some thirty-five in Massachusetts, perhaps; but in the country regions credit unions in America are few.

It is another story in North Carolina. Already there are thirty farm credit unions—more than in all the rest of the United States.

SANE, SAFE BUSINESS ENTERPRISES

The Jews are keen, competent business people. And Jewish farmers have been the first country people to organize rural credit unions in America—18 unions, with 547 members, in four States. In 1913 their total capital was \$10,000; but the members themselves, loaned during the year, \$73,624. The borrowers paid only 6 per cent upon their loans, and the 18 unions earned 13½ per cent upon the capital invested. When Jews try out a business proposition and find it sane, safe, sound, and practicable, little room is left for argument or doubt.

WHAT CREDIT UNIONS ARE

In a word, coöperative credit unions are saving and mutual-loan associations. They operate upon the capital accumulated by the thrift of the members and increased by the business management of the associations. The operating capital and guaranty funds are created by payments on membership shares, by deposits received, by profits on loans to members at a low rate of interest, by interest on reserve and guaranty funds deposited in banks on savings accounts, by the profits arising from the compounding of interest in the business of small, low-rate, short-term loans to members; by entrance fees and transfer fees; and by fines and penalties.

They are self-financing, mutual-aid organizations, which encourage and reward thrift and capitalize the character of their

membership. They are not organized to make profits but to guarantee low rates of interest to members of meagre means. They are not banks. Banks, says Mr. John Sprunt Hill, are aggregations of money; credit unions are aggregations of men.

PRINCIPLES OF ORGANIZATION

All members share equally in privileges and ratably in profits. The one-man-one-vote principle is fundamental. Profits are rated (1) according to holdings of paid-up shares, and (2) according to the business the coöperators do with the unions. In voting, each member has one vote, no matter how many shares he owns. The liability of members is the usual liability under the banking laws of North Carolina, not the unlimited liability, joint and several, of credit unions in the Old World countries.

WHO MAY ORGANIZE

Seven persons or more in any neighborhood, district, or establishment may organize—farmers, clerks, mechanics, anyone. Successful operation requires at least twenty-five members. The larger the membership the greater the chances of success, provided the members know intimately one another's character, reputation, and needs. Identity of occupation, interest, location, or association is necessary. Members must have good moral character and a reputation for industry, honesty, and sobriety.

MEMBERSHIP SHARES AND FEES

Membership shares are small, from \$5 to \$25 at the will of each union. They may be paid for upon an installment plan. Entrance fees are 10% or so per share, according to the value of the share. Shares, fees, and fines are all small, because the members of credit unions are people of small means with slender chances to save, who from time to time need to borrow small sums for brief periods for productive purposes or to meet sudden needs.

Usually under such circumstances, the daily wage-earner or the man upon small salary, or the landless tenant, or the homeless man, is without credit of any sort or he must pay impossible interest rates for money. These various classes with their families number 1,136,000 people in North Carolina; and they need to establish their own credit, that is to say, financial and moral trustworthiness, upon the basis of thrift and character. There is, indeed, no other basis of credit, which means ability and willingness to pay what is due exactly when it is due.

SMALL BEGINNINGS

The capital such people can create in the beginning will be

small: But, as the Scotch proverb says, "Many a nickle makes a muckle." For instance, in 1913, a thousand banks in the United States collected \$40,000,000 in pennies from the children's Christmas clubs.

The Good Book warns us not to despise the day of small things. The year the Great War began there were 65,000 coöperative credit unions in Europe, with 15,000,000 members and an annual business of some \$7,000,000,000. It has taken 66 years to develop the strength of such organizations in the Old World countries; but in North Carolina, with the active campaign of promotion provided by law, coöperative credit unions can develop great strength in a very few years.

THE NECESSITY FOR CREDIT UNIONS

The farm regions of the South need to be, in far larger measure, self-feeding and self-financing. Both are fundamental necessities if we are ever to accumulate wealth in the countryside and achieve permanent farm prosperity. In an average year we produce \$1,000,000,000 of wealth in our cotton crop alone; but we send some \$900,000,000 out of the South every year for imported feed and food stuffs. It is a spendthrift system; it is economic insanity, says Hon. Clarke Howell. And truly he is right about it.

In proof, look at the per capita wealth of the people of our country regions. It ranged from \$280 in Alabama to \$829 in Oklahoma in 1910. These figures are pitifully small when compared with the per capita wealth of the country population in the country at large—\$994; \$2555 in Illinois, or \$3685 in Iowa. In taxable wealth the whites of North Carolina were worth only \$844 apiece in the census year, or \$31 less than in 1860—in Georgia, \$123 less.

But the change in our crop systems must be made gradually, and just as gradually we must become self-financing in our farm regions. The long-term, land-bank law passed by Congress offers relief for the land-owning farmers; the State credit-union laws offer relief to farm tenants and city wage-earners.

A WAY OF ESCAPE

The McRae Credit-Union Law in North Carolina offers relief for our landless, homeless multitudes. If they would be free of crop-lien thralldom and time-credit prices, a beginning must be made in thrift; and small savings by industrious, sober people of good character must be assembled and managed in business-like ways under the guidance of friendly authority. Coöperative credit unions, in North Carolina are organized, standardized, conducted under guidance, supervised, and audited under the laws of the State.

We need the discipline of thrift. We need what the New England Yankees have. For instance, the bank-account savings of New Hampshire alone are larger than the sums deposited on savings accounts in banks of all sorts in the entire South. There are savings banks in the South and savings departments in almost every bank; but not a single mutual-savings bank in any Southern State. We have joint-stock banks, but not mutual-savings banks. Strange, but so it is. Hence the necessity for coöperative credit unions. These are savings and mutual-loan associations, and they are needed in this and every other Southern State.

CAROLINA CREDIT UNIONS

Such credit unions are making notable headway in North Carolina. The first one was organized at Lowe's Grove, Durham County, Dec. 10, 1915, with twelve members. On the twelfth day of the following January this credit union had 26 members, had received \$255 paid in on shares, and had total resources of \$1602.

In his statement of Feb. 29, 1920, the State superintendent of coöperative enterprise shows that there are now 30 credit unions in North Carolina, with 1198 members. They have paid in \$16,728 on shares, \$52,119 on deposits, and their total resources are \$87,179. All this in four years. What will the totals be in the next forty years?

Feedstuffs, fertilizers, and seed are bought coöperatively by these credit-union coöperatives. The farmers' money is loaned among themselves for farm improvements and equipment. The total interest rate charged is six per cent, and interest at four per cent is paid to depositors for the use of their money.

These farmer-coöperators do more than mere borrowing and lending. They learn to trust one another and to deal sagaciously with one another and with outsiders according to approved methods of business. These credit unions are making business men out of our farmers. They learn how to save and assemble resources, how to organize a credit machinery, and how to market credit among themselves. They learn the value of accounting, of keeping track of what they earn and what they spend. The whole family gets into habits of industry and thrift. The whole neighborhood develops social virtues and habits. Group life grows and flowers graciously in coöperative credit communities. If you doubt it move about a little in the Lowe's Grove or Valdese communities.

NEGRO CREDIT UNIONS

Four of our 30 credit unions in North Carolina— the Piedmont

Franklin, Cleveland, and Gold Hill Unions—are composed of 161 Negro coöperators all told. On Feb. 20, 1920, their total payments on shares amounted to \$1355.15, their deposits to \$520.15, their loans to \$1015.95, and resources to \$1095.90. But their depositors numbered only 7 and their borrowers only 20, —which means that the colored people, like all coöperators everywhere, are beginning timidly. Deposits and loans are the basis of dividends in a banking business. Both are evidences of faith, and both increase as coöperators try out cautiously the credit machinery they have established—as they know one another better and trust one another more. We walk by faith in business just as certainly as we do in religion, and an absence of faith means alike no business and no religion.

A coöperative credit union with no depositors and no borrowers, as at Gold Hill, has no business basis and no excuse for existence. It would earn no dividends for its coöperators in a thousand years. The Piedmont Union, with three depositors and fourteen borrowers is moving off properly. The union with the most members, the most depositors, the most borrowers, the largest deposits and the largest loans is the union that will of course earn the largest dividends.

However, the assembling of resources and the marketing of credit is a hard lesson slowly learned everywhere. The beginning the Carolina Negroes have made is distinctly creditable. If they rise to their opportunity, the number of farm-owning Negroes will quickly rise from a third of the Negro farmers, as at present, to a full half or two-thirds within a generation in North Carolina.

I BELIEVE thoroughly, as everyone knows, in education—in all phases of education. I believe as well in all the learned and useful professions. But somehow, I feel that the Negro, like the rest of mankind, must learn to work out more of his problems along business lines than he has in the past; he must learn, as other races have learned, that a great deal of the so-called race problem can and must be worked out at six per cent.

—*R. R. Moton*