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Laurance M. Hyde

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A SYMPOSIUM ON THE SMALL LOAN PROBLEM IN MISSOURI

LAURANCE M. HYDE*

INTRODUCTION

Interest rates and the regulation of the business of lending money is a matter of great public interest and importance. This is particularly true of small loans to people who have little or no financial resources and who may suffer grievously under oppressive rates and practices. The people of Missouri should have a special interest in this matter at this time. Our 1945 Constitution, by Section 44, Article 3, invalidated previous legislation regulating small loans. [*Household Finance Corporation v. Shaffner*, 356 Mo. 808, 203 S.W. (2d) 734 (1947)] The principal purposes of this new constitutional provision were to prevent any class of lenders from being given a monopoly or special privileges as to interest rates and to allow for competition among all lenders, as to charges, to keep down interest rates below the legal maximum.

This is an important change in the policy of this state, and how it will work must be demonstrated by experience. Although the field of regulation remains as to licensing those in the business of lending money, prescribing rules for their operations and fixing different maximum rates for different classes, kinds and amounts of loans, nevertheless, it has been a very difficult matter to formulate satisfactory legislation for this purpose. This has been shown by the efforts and debates in each General Assembly since 1945, which had not, prior to the 1951 session of the Legislature, produced a regulatory act. In some sessions both houses were unable to agree and some bills, upon which both houses agreed, failed to receive approval of the Governor. Such regulatory legislation has been enacted by the Sixty-Sixth General Assembly. Nevertheless, the studies included in this symposium are most timely and should be very helpful to give full information and background of the problems involved. Any new legislation must now be

*Judge, Supreme Court of Missouri.

tested by experience and must operate in the public interest or it will be repealed or amended.

Articles in this symposium emphasize the public interest involved. It is very much in the public interest to require fair charges to borrowers; that must be the consideration of highest importance. It is likewise in the public interest to permit charges which will insure the participation of legitimate business concerns in this field. Otherwise, the economic need cannot be fairly met. Private enterprise must be able to meet operating expenses and produce a fair return on capital used or the field will be left to conscienceless loan sharks. These articles show much of the history of the small loan business and the experience of companies engaged in the business. They also show the social need for loans of this class and the necessity of regulation. It is apparent that loans of various sizes, with different security, or no security, different plans of payment, and different types of borrowers, have different risk and expense factors and thus require different rates. These articles do not attempt to propagandize any particular solutions. They do very clearly point out the problems. Therefore, they should be of great interest to legislators, lawyers and business men and contribute much to an intelligent approach to and analysis of the operation of necessary new legislation in this field. Thus they promote the public interest.