but what would interest you most is the "sphere of operation" among the employees of one particular factory, department store or similar business organization. It has been tried out in Massachusetts in such spheres of operation, and it has succeeded admirably.

There is one formed among the employees of the Shepard Norwell Company, likewise the employees of Gilchrist Company, of Shuman's, of Leopold Morse, of the Boston & Maine Railroad, of Whiting & Son, milk contractors, and these have been running quite a time. One of shorter life is among the employees of Bird & Son, large paper manufacturers in East Walpole. Those are all doing a splendid work for the people, and on a strictly business basis. An industry with a fairly permanent force of from fifty employees upward is an ideal field.

A credit union is a banking institution. Each one is a bank in every sense of the word. A charter has to be obtained from the State Board of Bank Incorporation. A body composed of the State Treasurer and Receiver-General, the Commissioner of Corporations, and the Bank Commissioner, must be convinced that the field of operation is a promising one; that those who are organizing it are men who can be trusted to carry on the work in a proper way; that it looks as if there were people who would invest their money in such an organization, either to help on the cause or as a safe and profitable investment, and other people who could providently take advantage of the borrowing facilities offered.

There are two methods of investing, and only one of borrowing, and its value in furnishing investment facilities as compared with giving opportunities for borrowing is two to one, and that represents really the value of the association.

It is not primarily a lending association; it is primarily a thrift association. Some of the firms represented in your society are actually in this work now. The Dennison Manufacturing Company at Framingham started its credit union today. Another has been formed at the Waltham Watch Company's plant of which union I hold the incorporation papers in my office today.

A share is, as a rule, $5.00. That can be sold to members in installments of say 25 cents a week; sometimes more, sometimes less. Sometimes installments are in monthly instead of weekly amounts.

The share does not go on the dividend list until completely paid. The member can buy one share, or such number of shares as may be decided by the association itself. These shares draw dividends according to the earnings of the corporation, once a year, following the 31st of October.

That is the procedure with respect to the more permanent form of investment. But in addition to that each credit union is practically a savings bank, open only to its own members. You must be a stockholder in order to deposit money. This money so deposited is a separate fund, only so far as the accounting is concerned; it draws interest, once in three months, according to earnings, as decided by the board of directors of the corporation. This interest is always less than on the dividends on shares, because the depositor's money comes back to him sooner, and it is designed to attract the sums of money that a man is spending on cigars in excessive quantities, or any other wasteful habits. In one credit union of which I was the treasurer a man made a rule of coming in each week and putting in the deposit department every cent of his pay that he had left over from the previous week. These are the sources of income.

The outgo is by two methods. First, by loans to members. This may not look like a thrift organization, but it is. The Credit Union will not loan except for a thrifty purpose. That is the first duty of the Loaning Committee. The second duty of this same Committee is to decide that the loan is a safe one, and there is where the old line bankers would say it was at a great disadvantage compared with the other banking systems, but where, as has been proved it actually has a great advantage over them. It has the loosest system of credits of any banking system the world has ever known, but the record of two-thirds of a century has shown the lowest percentage of losses.

The Credit Committee has first to be satisfied that the would-be borrower needs the money, then second that the money will come back to the Union. It can accept anything in the way of security that it thinks safe; it can demand anything in the way of security that it considers necessary. This money, in Massachusetts, can be loaned at a rate not to exceed 12 per cent. The Bank Commissioner and the Supervisor of Loan Agencies have decided that as these are thrift societies, and have a limited membership, and as all those who are participants in the creation of the earnings, are participants in the division of the same; loans may be made on the basis of 12 per centum *deducted*.

Very few credit unions, however, charge that amount. I should say that the average rate where interest is deducted is in the vicinity of 8 per cent. Some unions, however, charge on balances, which I believe to be far the better way, and this practice is growing.

The Board of Directors can dispose of all money that is not loaned out to members in the same way that the Board of Directors or Investment Committee of a savings bank can dispose of the money of the savings bank depositors. The same securities are open to credit unions as to savings banks as an investment for funds not needed by their own members.

There are three distinct bodies charged with the control of the affairs of a Credit Union. First is the Board of Directors consisting of from 5 to 15 members, elected by the members of the Union at their annual meeting, usually for a term of three years, one-third of the members of that Board dropping out each year. The Board of Directors elects the president, vice-president, clerk and treasurer from its own membership, and performs, I should say, the usual duties of such a body. All business not transacted by the members at the annual meeting is left to the Board of Directors except such duties as are specifically in the hands of the Credit Committee and the Supervisory Committee.

The Credit Committee is the second governing body and is usually composed of three to five members, elected for three years, an equal number, as far as possible, dropping out each year. In speaking of loans I have already outlined its duties which need not be repeated.

The third body, the Supervisory Committee is composed of three members, all elected for one year, and represents the members when the members are not in session. It overlooks the work of the Credit Committee, the Supervisory Committee, and the other officials. It must see to the auditing of the accounts of the treasurer, see that the notes are made out correctly, that the business is being conducted in first-class shape, and that all cash and securities are on hand and properly cared for. The powers of the members of this committee are very extensive. They cannot say to the Credit Committee—Do this or do that; but they can say—You ought to do this or you ought to do that. And if the Credit Committee or the Board of Directors keep on doing this thing or not doing that thing which they have mentioned, they can say, "You gentlemen must sit down and we will talk the matter over with the members.". They can suspend any or all of the Board of Directors and any or all members of the Credit Committee, but must call meetings of the members of the Association to decide who is right and who is wrong. This Committee is the safety of the organization.

We have in this way established a method of teaching men systematic saving of their money and we have provided the agency for doing this at their elbows. A Credit Union member does not have to go to a savings bank and stand in line and see a man in front of him depositing $100, and a woman behind him putting in $50, when he has only a $5 bill—it makes him feel insignificant and of very small account. But the treasurer of this credit union is a man he knows and he is not ashamed to deposit a quarter or a dime. The encouragement to saving is constant.

Then when he needs money for a proper purpose, he can get it without loss of self-respect and without being robbed. For instance, in the middle of the summer the price of coal is at its lowest and he can purchase it at an amazingly lower price compared with what he has to pay in small lots bought in the winter time. He can borrow this money from his Credit Union and he will find that no matter how much interest they charge, he will save quite a percentage of his money by that transaction. Further, the coal is in his house and so far as he is concerned he doesn't care if in the winter time it does go to $12 or $20 a ton.

There are times of sickness when an operation or a visit to a hospital is necessary,—or a trained nurse, and you all know how costly that is. These experiences all come to different people at different times of life and the Credit Union, where they are known and their reputation is good, is the place where they can go and get the needed money. And some of this money which they are paying out as interest on their borrowings comes back after the 31st of October in the shape of dividends on their stock.

And now comes a point which probably you, as efficiency men, can understand far more readily than people from the ordinary walks of life who have not studied economies. The question is frequently asked: How can an organization which is loaning its money out and charging 8 or 10 per cent pay a dividend of 12 or 16 per cent? And yet they have done it. It is simply this: When the money is loaned in a Credit Union it commences to come back the next week. The loans are repayable in small installments. The money is loaned out one week, and it commences to come back next week and this payment is loaned again to another man. One Credit Union organized three years ago commenced to deduct 12 per cent from its loans. That amounted to 28.8 per cent on the money that the man had the use of, and for about six months they loaned all their money at that rate. They found they were coining money. They dropped it to 10 per cent. At the close of the fiscal year they declared a dividend of 12 to 14 per cent and they cut down their rate to 8 per cent. At the last meeting, which I attended, they declared 14.5 per cent dividend and again cut down the interest rate to 6 per cent deducted, and they expected to reduce it again next year.

There is this vast difference between one of these societies and outside loan companies: The loan company is interested only in the profits. The Credit Union members are banded together and they are interested not only in the profits but also in the benefits which they can give to their fellow members. The desire of a Credit Union is always to furnish its funds to members who are compelled to borrow, at the lowest rate at which they can be loaned and give a decent dividend on the money invested. They charge