

APPENDIX A

EXPERIENCE OF THE HARMON FOUNDATION IN STUDENT LOANS

During the three and one-half years of operation in student loans, the Harmon Foundation has passed from the uncertain shoals and depths of a rocky sea-coast of theory, hope and conviction, to the clearly defined harbor of certainty as to the practicability of making business loans to college students with character as the basis of security.

Within this period nearly one thousand loans averaging about \$170 have been made to men and women in forty-one affiliated colleges. Of this number payments on approximately three hundred fifty have become due, which have been or are being liquidated in accordance with the arrangements provided for installment payments of \$10 a month. The trend so far has shown conclusively that it is the plan of easy installments that appeals to the average student borrower. While a few have anticipated payments and made early settlement, thus cutting down the interest, the very large majority pay the required amount month by month.

Repayment, of course, is the gauge by which the plan is being, and will continue to be tested. Now, well into the second year of repayments the litmus paper remains essentially blue. The reliability of student character in connection with financial obligations is fundamentally sound. Experience has shown that the great need at present is systematic training in promptness, and a healthy respect for due dates. Far too many of the borrowers have an idea that paying an installment at the end of the month is as satisfactory as having it in on the first when it is due. The Division of Student Loans considers, therefore, that a very important part of its work is the requirement of strict adherence to all details of the loan agreement as preparation for later contact with business organizations that are operating for financial return rather than education and public service.

The Division of Student Loans was not started in a superlative expectation that return on all loans would be one hundred per cent. perfect both from the point of view of money and time. Although for the sake of the individual borrower it was hoped that no one would fail to follow the conditions of his agreement, those who have slipped from grace, even temporarily, have unwittingly furnished the working material for the experimental laboratory in which to test and demonstrate the strength of the collection procedure.