

Jewish Free Loan Societies in the United States 1880's to 1920's

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Jewish law prohibits the charging of interest among fellow Jews. During the peak of Jewish immigration to the United States in the late nineteenth and early twentieth century, Jewish free loan societies were formed to offer interest-free loans to Jewish merchants to help them become established in the retail business community. These small Jewish immigrant businesses could not otherwise obtain loans from commercial banks. This financing practice is based on biblical principles, and also helped to combat prevailing anti-Semitism by demonstrating that Jews were not usurers and that they ensured the well being of their own people. The history of Jewish free loan societies has not been studied in the marketing literature. The purpose of this research is to trace the history of this unique financial service and describe the rise and fall of these free loan societies in the United States during the late nineteenth and early twentieth century.

From 1881 to 1928, nearly 2.5 million Jews entered the United States, with the overwhelming majority from Russia and other areas of Eastern Europe. Jews were the second largest immigrant group, after Italians, to make their way to the United States during this period (Gold, 1999). Jews brought with them a host of ethnic traditions including moderate educational credentials, a desire to quickly learn the language of their host country, and extensive ties with relatives and former townfolk (called *landsmanschaften*). Jews were also highly skilled workers, especially in manufacturing and in the textile and clothing industries in particular (Kahan, 1978). What they did not bring with them to the United States was the one thing they needed the most – capital. For many Jewish immigrants, access to capital from banks was virtually non-existent and bankers were unwilling to make loans to recently arrived immigrants who generally lacked collateral. Even within the Jewish community, many established German Jewish businessmen were dismayed by the cultural differences of the recently arrived Eastern European Jews and were unsupportive of their capital needs.

For immigrants at the low end of the economic ladder, free loan societies were their only source of capital. These associations provided the needed funds for peddlers so that they could buy merchandise for their small stands or push carts, or for small businessmen who had small grocery stores, drug stores, or clothing stores (Tenenbaum, 1989). The overriding purpose of Free Loan Societies was for borrowing for entrepreneurial purposes.

The principle of interest-free loans is based on biblical passages, rabbinic interpretations, and Jewish cultural traditions. The Old Testament as well as the Koran expressly condemns the practice of charging interest on loans and especially among the poor (Lewison, 1999). In Exodus 22:24, the passage reads, “If you lend money to my people, to the poor among you, do not act toward them as a creditor; exact no interest from them.” In Leviticus 25:35-37, the Bible states that you should not “exact from him (your kinsman) advance or accrued interest.” In Deuteronomy 23:20-21, the passage reiterates that “you shall not deduct interest from loans to your countrymen, but you may deduct interest from loans to foreigners.” Finally, in Ezekiel 18:13, the Bible declares that “if a man has lent at advance interest, or exacted accrued interest – shall he live? He shall not live!” These admonitions form the basis for the establishment of free loan societies.

Lending is also discussed in the Talmud, a written record of commentaries on Jewish law and ethics. Rashi (1040-1105), a medieval French rabbi, said that lending is preferred over giving charity, because there was no shame in the act of borrowing (Tennenbaum, 1989). Maimonides (1135-1204), a noted medieval rabbi and philosopher, established eight degrees of charity, the highest of which was to make a loan to a fellow Jew, to enter into a partnership with him, or to find work for him so that he will not depend on his fellow man.

The great influx of Jewish immigration in the late 1880's brought with it the institution of the Hebrew Free Loan Society, which is unique among American immigrant groups. The first Hebrew Free Loan Society was founded in Pittsburgh in 1887. That was followed by the founding of the

Hebrew Free Loan Association of New York City in 1892, with working capital of \$95 (<http://www.hfls.org/about-us/history>). The San Francisco Free Loan Society was founded by nine members in 1897 who decided to contribute 25 cents a month into a general fund. When “the fund reached \$50 they would make the money available in interest-free loans. The first loan was for \$10 to Jacob Goldberg. He repaid it in 10 months at \$1 per month” (<http://www.hflasf.org/history.html>). The Hebrew Free Loan of Detroit began in 1895 in the “back room of a shoemaker’s store. Ten men pledged \$50 each and began to lend out money, mostly to peddlers’ needing merchandise.” (<http://www.hfldetroit.org/history.php>). Loans were generally in the \$5 to \$25 range. The Los Angeles Free Loan Society and the Cleveland Free Loan Society were founded in 1904. Dozens more followed in cities like Atlanta, Phoenix, Philadelphia, and Dallas.

The American Jewish Yearbook has collected and published data on local Jewish organizations from 1899 to the present. In 1919-1920 yearbook, the three largest populations of Jews were in New York (1,500,000), Chicago (225,000), and Philadelphia (200,000). This self-reported directory includes 60 free loan societies in cities as small as Pawtucket, Rhode Island (population 500), to five independent organizations in New York City. The number of members in a free loan society range from 26 in Lawrence, Massachusetts to 900 in Providence, Rhode Island, where they also had two free loan societies (see below). Information sometimes includes the name of the free loan society, the year organized, the number of members, the officers’ names, a street address, and the income. The organizations were either named Free Loan Association or Gemilath Chesed Society. The latter name refers to the Jewish tradition of giving ‘acts of loving kindness’ without the anticipation of receiving anything in return.

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AMERICAN JEWISH YEAR BOOK

[Rhode Island

PROVIDENCE (Jewish pop. 15000)

CHAR. Gemilath Chesed N. E. Hebrew Free Loan Association, 376 North Main. Org. 1903. Pres., Alfred Finkelstein; Sec., Mendel A. Serge. Members, 900; income, \$3500.
Gemilath Chesed of South Providence. Org. 1905. Pres., S. Silverman; Sec., Samuel Newman, 17 Gay. Members, 250.

American Jewish Yearbook 1919-1920

In a series of articles written in the Yiddish newspaper *Der Tog* (The Day), P. Tannenbaum writes about the history of the Philadelphia Free Loan Association. A group of men “decided to create an institution in conformity with the noble Jewish mitzvah (good deed) of free loans, which would lend money to those who apply without charging interest. This was the guiding principle.” He refers to Mr. B.L. who is a presser in need of a loan and Mr. A.J.R., a storekeeper, who is an under signer for three borrowers. “Volumes are recorded of the troubles of every applicant.” According to the author, the Philadelphia Jewish Free Loan Association was absorbed into the Federation of Jewish Charities and in “the last year the institution made 396 loans totaling \$26,336.”

By the early 1920’s many Jewish businessmen were firmly established, so they could turn to banks, credit unions, and finance companies for more significant funding. Many Hebrew Loan Societies ceased to exist; or they were made constituent agencies of the Jewish Federation. The nature of the loans changed over time from small business loans, to helping widows and children in the 1930’s, to housing assistance to re-settle war refugees in the 1940’s, to helping Jews and eventually non-Jews in the 1950’s and beyond with financing a home, borrowing money for school, or paying medical bills.

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