both borrower and lender from overcommitment. But lender prudence, as we all now know, has turned out to be an illusion. You hardly ever hear the term used anymore. As for the practice it referred to, when 36-month auto loans became standard, any residual traces of lender prudence had evaporated. The fly-now, pay later era began in earnest.

But, then, how do lenders loan? They say they base their loans on the character of the borrower. Now that's a pleasant idea. It conjures up the figure of a friendly town banker looking a borrower straight in the eye and recognizing in a needy supplicant the sturdy, honest will of a Horatio Alger, Jr., hero. What actually happens, however, is that lenders holding consumer notes don't look into borrowers' eyes; they look at their handwriting. And the signatures giving commercial value to the paper are executed where goods are displayed and sold and where a salesman, on commission often, supplies first the pressure, then the pen. Today's borrower, as a matter of fact, often doesn't consider himself such at all. He is simply a buyer, a buyer on time. So what lenders really mean when they talk about a borrower's character is his credit rating, and that depends on a commercial service called credit checking, which is admittedly staggering into ineffectualness. The burden of trying to keep tabs on the ability to pay of some 25 to 40 million borrowers who are, month by month and day by day, pursued by a veritable army of credit granters has stumped us even in this computer age.

Just view the multiplicity of credit offered. In addition to instalment credit for autos and other durables, for jewelry, for tires, for furniture, and for home repairs, there are credit cards for both goods and services; there is revolving credit for all soft goods; there is the combination of credit card plus revolving credit offered by commercial banks (this is sometimes called a check-credit plan); and recently banks have inaugurated a new type of billing service for small retailers that opens up to every side street shop facilities for selling goods on credit. Now the hardware store, the drug store, dress shop, florist, beauty shop, sporting goods outlet, dry cleaner, toy store, TV repair shop, and stationer have joined the car dealer, discount house, furniture retailer, department store, appliance dealer, mail order house, house-to-house distributor, credit jeweler, gasoline station, book club, record club, hotel, restaurant, bus line, railroad, funeral parlor, and airplane company in the business of creating interest-bearing debt. Food is almost the only significant exemption in this onrush. Nearly all other goods and services, displayed from millions of counters and promoted by billions of advertising dollars, now provide eagerly promoted opportunities to borrow as you buy.

Is it surprising that credit checking flounders and that when a bankrupt lists his debts for the courts that list looks nothing like the record on the debtor to be found on file in the local credit bureal. This does not mean that borrowers are attempting and succeeding in a wholesale deception of lenders. Any commercial debt adjuster (whose job is to try to counsel debtors into solvency and who is paid a high fee by the over-committed family for the service) will tell you that, without exception, every client fails to remember all of his debts, try as he will. After all, there are sometimes as many as twenty creditors involved. And lenders themselves also withhold credit information from a credit rating bureau for their own reasons. Most bankrupt families, for example, list in their debt declarations loans in at least three different small loan companies—loans which a credit rating based on reliable credit checking would have forestalled. But the small loan companies of a given community frequently don't exchange borrower information with each other because, as they know all too well, one small loan leads to another, and the first lender does not want to make it easy for a second loan company, a competitor, to horn in. So loan companies hoard information on their own customers. And a large department store, depending on 90-day credit from suppliers for its stock, is not apt to rush bad news about the condition of its revolving credit accounts out to gossipy trade through a credit bureau, to which, of course, the store's own creditors also have access, So lenders themselves undermine the credit checking upon which they say they rely. Thus, for a number of reasons, credit checking as an effective bar to overcommitment is becoming, like lender prudence, a thing of the past.

Except for a few instances, lenders seem to be getting along fine. How do they do it? Different kinds of lenders have different angles and some have better ones than others. Let's take banks and sales finance companies first. They do the lion's share of the consumer credit business and they *do* an ingeniously devised hedge