

B. Of these contractual cases, 75% are filed by what is commonly known as collection agencies ($\frac{2}{3}$ of the total cases filed).

1. That in over one-half of these case judgment was entered by default.

2. That in only 8% were the defendants able or willing to file an answer.

C. That 30% of the cases filed in the Los Angeles Municipal Court would be filed in the Small Claims Court, except that an assignee cannot sue in such court, nor will a writ of attachment be issued.

D. It is a fair conclusion that the results of the examination covered herein substantiates the article referred to by George Brunn for the San Francisco area.

(Mr. Elmore Whitehurst submitted the following articles for the record:)

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SCHLOCKMEISTER'S JUBILEE: BANKRUPTCY FOR THE POOR

By Ralph C. Brendes and Lawrence H. Schwartz

Editor's Note: Mr. Brendes and Mr. Schwartz are third year students at the University of Chicago Law School. Mr. Brendes is President of the Edwin F. Mandel Legal Aid Association and was a member of the Student Advisory Committee for the Law School's Conference on Consumer Credit and the Poor, November 14 and 15, 1965. A resident of Alton, New York, Mr. Brendes has a B.A. degree from Colgate University.

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This paper was originally written for a seminar on Legal Problems of the Poor and then presented at the Law School's Consumer Credit Conference.

The authors state: "The term 'Schlockmeister' defies precise translation. The authors are prone to refer to it as 'an old French word emanating from pre-Carolingian days'. In fact, the word has Yiddish origins and is best defined as 'Shoddy merchant', 'Shady operator', et cetera."

"At the end of every seven years you shall grant a release. And this is the manner of the release. Every creditor shall release what he has lent to his neighbor, he shall not exact it of his neighbor, his brother, because the Lord's release has been proclaimed."—Deuteronomy 15: 1-2

Every seventh year in Biblical times was called a "Jubilee Year." Today, those who are unable to budget their debt payments can find their "Jubilee" in the Bankruptcy Act. The Supreme Court has said that the purpose of bankruptcy is to relieve "the honest debtor from the weight of oppressive indebtedness and [to] permit him to start anew free from obligations and responsibilities consequent upon business misfortune."¹ As applied to the poor, however, bankruptcy does not seem to offer a bright prospect for effective relief. Two circumstances tend to restrict its effectiveness, particularly for the poor; one involves the reaffirmation of discharged debts by the bankrupt and the other relates to creditors' attempts to collect discharged debts on technical grounds.

The poor bankrupt attempting to survive the high cost of urban existence is sometimes forced back into debt shortly after going through bankruptcy; often he is peculiarly susceptible to the so-called "voluntary" affirmation. The unscrupulous loan company or furniture dealer whose debt supposedly was discharged in bankruptcy will approach the bankrupt and urge him to reaffirm his old debts in return for a renewal of credit or because it was not its credit practices which precipitated his bankruptcy. In no time the creditor has the bankrupt back in debt with the additional advantage of having a six year period in which to collect.²

Another side of the reaffirmation problem is the debtor who inadvisedly went through bankruptcy. The result here is the same as discussed above, in that little is accomplished beyond the loss to the bankrupt of the right to another bankruptcy for a period of six years.³ In a typical situation a "schlock" merchant will convince a debtor to go through bankruptcy, often recommending a shady lawyer

¹ *Williams v. United States Fidelity and Guarantee Co.*, 236 U.S. 549, 554-5 (1915).

² 11 U.S.C. § 35(c) (1964). We do not mean to imply that all reaffirmations are done involuntarily by the debtor. Some debtors for their own reasons do desire to reaffirm certain debts. (See p. 77.)

³ *Ibid.*