

give servicemen information needed to make prudent use of credit—to know the terms of the credit contract and the cost both in dollar amount and annual rate. Such information enables servicemen to become self-educated, discourages deceptive practices of unscrupulous creditors, and alerts conscientious borrowers to avoid unwarranted extensions of credit. If the DoD contract and Certificate of Compliance are negotiated, only after the credit is granted and the borrower is obligated, then the advantages of full disclosure are lost and the Certificate of Compliance becomes merely a legalized mechanism for burdening the DoD with the collection of bad debts.

Specifically it is recommended that the privilege under Section X, B, 2 of completing the second Certificate of Compliance, which begins: "If Attachment A is *not* executed before the obligation was incurred . . .", should be limited to those situations in which servicemen were not in the military at the time the contract was signed, or the contract was dated prior to the effective date of the DoD Directive, July 1, 1966.

SUMMARY

The revised Department of Defense Directive Number 1344.7, which pertains to the issuance of credit to servicemen, was issued May 2, 1966, and it became effective July 1, 1966. The Directive prescribes conditions and procedures for creditors who deal with military personnel which must be observed if the help of the DoD is to be requested in collecting defaulting obligations. Those who do not elect to do business with servicemen are under no obligation to observe and follow the conditions and procedures as outlined in this Directive. Since the Directive has the potential of establishing a new standard for many creditors, it seemed appropriate that a study of local creditors bordering an army base be made to see if and how they were affected by the Directive.

Fort Riley was the army base selected. It lies eight miles southwest of Manhattan, Kansas, and extends to the city limits of Junction City, Kansas. It comprises 1,000,000 acres, and with a full division training, it becomes one of the larger cities in Kansas with a population of near 24,000.

Creditors Interviewed

All creditors presumed doing business with military personnel in Manhattan and Junction City were contacted. These creditors were classified according to the type of business in which they were engaged. The creditors consisted of banks, finance companies, new and used car dealers, furniture and appliance dealers, department stores, and mobile home dealers. The pawnshop brokers were interviewed in Manhattan, but not in Junction City. In Manhattan a total of 43 creditors were approached and 39 (90%) responded. In Junction City a total of 47 creditors were approached and 42 (89%) responded.

The creditors in Manhattan were interviewed during working hours between September 20 and October 24, 1966, and continued in Junction City between December 13, 1966 and January 19, 1967.

Approximately half of the creditors had heard Colonel John Jay Douglass, Staff Judge Advocate at Fort Riley, Kansas, explain the Directive either in Junction City August 17 or in Manhattan August 24, 1966. He used the same format and notes at both meetings. Copies of the Directive were made available to the creditors through the cooperation of the respective Chambers of Commerce.

Understanding of Directive

Forty percent of the Manhattan creditors had their first contact with the Directive through this interview. A larger proportion of the Junction City creditors (90%) had seen and were familiar with it. All creditors who were familiar with the Directive expressed some degree of understanding: "Completely" (44%), "generally" (17%), and "somewhat" (17%).

Proportion of Credit Business with Servicemen

The creditors in Junction City, with the exception of the banks, do a larger proportion of their business with servicemen than do the creditors in Manhattan. The banks in both cities proportionately do about the same.

Types of Credit Extended

Seven types of credit were cited by the creditors extending credit in Junction City, and ten types were cited by the Manhattan creditors. In both cities, of all the credit extended approximately two-thirds was installment credit, which included automobile papers, consumer goods loans, repair and modernizing loans,