

1 CHAIRMAN LILLEY: This has been very  
2 interesting. We have another witness. Mayor  
3 Whelan, we thank you. It has been a very revealing  
4 hour and a half. We appreciate it. You have  
5 helped us a lot.

6 THE WITNESS: Thank you for having invited me.

7  
8 CHARLES R. HOWELL, Commissioner of  
9 Banking and Insurance, sworn.

10 COMMISSIONER HOWELL: Mr. Chairman, would  
11 you like me to just tell you a few things that I  
12 can or would you rather ask me questions?

13 MR. FORTUNATO: I think it would be better  
14 if you would indicate to us in what area your  
15 department has been helpful.

16 COMMISSIONER HOWELL: Well, you probably have  
17 read and heard a fair amount about the problems  
18 of insurance in the riot area. I thought I might  
19 just bring you up to date a little bit on what the  
20 situation is now.

21 We had a meeting a couple weeks ago with  
22 representatives of about 25 of the insurance  
23 companies that do the greatest volume in New  
24 Jersey in this type of insurance, property, casualty.  
25 Prior to that we had asked them to hold off on any

1 cancellations or refusals to renew except in very  
2 unusual circumstances. I think they all pretty  
3 well complied with that. Then we put this plan  
4 before them where we asked them to continue to  
5 make a full market for insurance in these, not  
6 only riot areas but the deteriorated-center-of-  
7 city areas in a lot of the old cities in our  
8 state. And we suggested that they might do it  
9 through what might be termed a pool where each  
10 company would take risks proportionate to the  
11 amount of volume of business they did in the whole  
12 state so that every company would participate in  
13 it and no company would be asked to take more than  
14 its proportionate and proper share of the business.

15 MR. MEYNER: This would be like the assigned  
16 risk?

17 THE WITNESS: A little bit like that although  
18 it can't be worked exactly the same because risks  
19 vary so much in size and in automobiles you have a  
20 lot of single units, but it would be in some  
21 respects similar to that, with the idea that if  
22 after a little experience more rates either directly  
23 in those areas or perhaps through giving them a  
24 little break in some other areas were necessary  
25 we would try to cooperate with it.

1           They seemed to accept the proposal and the  
2 suggestion with a reasonably favorable mind  
3 although they made no commitments at the time.  
4 They did suggest that they felt that sooner or  
5 later some form of government back up would be  
6 needed to take care of the real calamity aspect  
7 of the program, in other words, other riots or  
8 that type of thing, either by the Federal or  
9 state government. There is one other possibility  
10 and that would be some kind of a tax free reserve  
11 that could be maintained for that specific purpose.

12           Also, incidentally, I think from discussions  
13 we have had with the lawfirm that represents  
14 Lloyd's in the British market recently we have  
15 been fairly well assured that they aren't going  
16 to run out on carrying some of the catastrophe  
17 aspects of this type of business. They did suggest  
18 that maybe the rate might have to be reevaluated  
19 but they were still interested in being in this  
20 market and would continue in it as far as they  
21 knew.

22           And I asked this group of people that came in  
23 before me, a representative informal committee,  
24 to consider the plan that we put in front of them  
25 and to come back to me some time this week to tell

1           how much of it they would buy and what they were  
2           willing to do. We were going to meet tomorrow  
3           but that has been put off until Friday. So I  
4           think by Friday we will have a fairly good idea  
5           of what they are willing to do. I am somewhat  
6           optimistic that they will cooperate in some  
7           workable way. I still have my fingers crossed a  
8           bit but I think something is on the verge of being  
9           worked out so that we can maintain a market for  
10          insurance in the area with the proper coverages  
11          with some reasonable premiums. But I will know  
12          better Friday. I think that's probably enough  
13          to be said on that topic unless some of you have  
14          questions at this point now.

15           MR. MEYNER: Did some of the companies cancel  
16          extensively?

17           THE WITNESS: There were very few, Governor.  
18          There was an isolated one here and there. We have  
19          maintained a man in an office in City Hall to  
20          take complaints and send them down to us. In  
21          very nearly all the cases we were able to convince  
22          them that they should either stay on the risk or  
23          renew. I don't say it was a hundred per cent but  
24          it was substantially in that category. I don't  
25          know how long that will last. Hopefully, of course,

1 if we can get this plan worked out with them  
2 that would put that type of thing at an end.

3 But there were some companies that were  
4 proportionately more heavily involved than others  
5 and naturally they're a little more apprehensive  
6 at the moment. But if this pool goes through that  
7 would help to remedy that type of situation.

8 Now, on the banking or financing side of my  
9 jurisdiction, there is not a tremendous story to  
10 be told. There was a meeting in which my Deputy  
11 Commissioner and our Chief Examiner of the Banking  
12 Bureau met with a group of bankers and someone  
13 from a credit union to try to evolve a plan where  
14 they would pretty much make a loan up to \$300  
15 to almost anyone who walked in if they were from  
16 the area and had some loss and didn't have a  
17 criminal record. But the mechanics and the way  
18 of doing that never seemed to be satisfactorily  
19 ironed out.

20 There was also a reported O.E.O. \$200 thousand  
21 guarantee fund in back of that and they hoped that  
22 the banks would come up with something additional.  
23 But something never clicked on that plan. I don't  
24 think it was the fact that the banks were totally  
25 unwilling to be involved in this type of a program

1 but the way it was set up just didn't seem to  
2 be too workable.

3 I understand also that the Prudential put  
4 up about \$30 thousand for emergency loans and  
5 so forth in this category. But today there are  
6 only about \$1800 of that which has been called  
7 on or used.

8 I talked to Malcolm Davis of the Fidelity  
9 Union recently to find out what they were doing and  
10 they are naturally or properly willing to make  
11 loans to their own customers as I suspect are  
12 National State, National Newark & Essex or the  
13 other banks in that same category.

14 CHAIRMAN LILLEY: Commissioner, in that area  
15 I recall at the time the situation and I have  
16 never fully understood. Apparently the community  
17 simply did not have to come to the banks.

18 THE WITNESS: That's what it looks like.

19 CHAIRMAN LILLEY: Do they have other sources?  
20 Are they high interest sources?

21 THE WITNESS: I hope not and I doubt it because  
22 I think other things were available to them in this  
23 situation. Some of them inevitably might have  
24 gotten some of these high interest boys but I  
25 haven't heard of any and I sort of doubt very much

1 has happened along that line.

2 a low COMMISSIONER LILLEY: I was very puzzled  
3 by it because everything would indicate money  
4 was needed.

5 THE WITNESS: You would think there would be  
6 a tremendous volume and demand. But maybe it has  
7 yet to come. In insurance settlements I think  
8 the latest reports I got was that about 55 per  
9 cent of the claims had been settled and we didn't  
10 have any complaints about the companies dragging  
11 their feet on the rest of it. But I would think  
12 the delay was occasioned by the fact that, oh,  
13 about 80 per cent of the claims were for stock  
14 and inventory and the loss of records and so  
15 forth made it difficult and made it take a lot  
16 longer time to assemble some reasonable basis  
17 on which to settle the rest of the claims. But I  
18 think they are progressing fairly satisfactorily  
19 and we have had very few complaints, if any, of  
20 people not getting the proper settlement.

21 MR. MEYNER: I understand through the  
22 Interracial Council for Business Opportunity  
23 apparently they have seen that S.B.A., the Small  
24 Business Administration opened up to a degree they  
25 hadn't opened up to before. I don't know whether

1 that followed through or not. Because they have  
2 a low interest rate and the terms are not the  
3 most difficult.

4 THE WITNESS: That was the impression I had,  
5 that they were sort of given their directive to  
6 be pretty lenient, to take some risks that they  
7 wouldn't take under ordinary circumstances. But  
8 I have no idea what volume of loans they have  
9 helped to arrange.

10 MR. MEYNER: I gathered also in our tour of  
11 the Newark area that some of the Negro places had  
12 kept people around and suffered less damage. There  
13 was one furniture store we visited where the  
14 fellow said he had maintained a constant alert  
15 and he didn't have very much damage.

16 THE WITNESS: I guess that was a factor too.  
17 And perhaps the ones, the Negro businesses and  
18 so forth, that would have needed the most help  
19 were the least damaged.

20 CHAIRMAN LILLEY: The reason this caught my  
21 attention, amidst all of this trevail we had and  
22 nothing seemed to work, here is a case where someone  
23 was doing something right.

24 MR. GIBBONS: Have you had any complaints about  
25 the pawn shops in the area not paying off after the



1 riots?

2 THE WITNESS: No. To the best of my knowledge  
3 I think I would have heard of it if we had. No  
4 such complaint has come into our office.

5 MR. GIBBONS: Now about the small loan  
6 volume since the rioting in the small loan offices  
7 in the area? Are their loans up or down?

8 THE WITNESS: We haven't taken any reading  
9 of it yet. We get figures every so often but we  
10 haven't made any special effort to check on it.  
11 I would guess that they would be up a bit. But  
12 again, with the lack of demand for some of these  
13 other types of loans it might be that there  
14 isn't any unusual rise in their volume. They can  
15 lend up to \$1,000 under our new act that was  
16 passed last year. The rate is a little high. I  
17 wouldn't want to borrow that myself. But for  
18 certain people it apparently serves a need.

19 MR. LEUCHTER: Is that an area which we can  
20 explore now with the Commissioner or is there  
21 another line of questions that is already prepared?

22 THE WITNESS: Suppose I make a check on that?

23 MR. LEUCHTER: Specifically I wanted to ask,  
24 Commissioner, whether in your view, with the laws  
25 of this state on small loans whether the interest

1 rate in your opinion even though the maximum  
2 interest rates have been lowered, I believe, that  
3 at all would --

4 THE WITNESS: A little bit.

5 MR. LEUCHTER: Is it still in your opinion  
6 too high or is it satisfactory? Also in your  
7 opinion with respect to this whole field, let's  
8 say of consumer credit, which is different than  
9 the direct call loan, what role does this play  
10 in racial upset? We have run into quite a bit,  
11 the members of this committee in our tours, rather  
12 substantial criticism of the credit situation in  
13 the ghetto. Do you know anything in this area  
14 that you feel might be helpful to us?

15 THE WITNESS: Well, I think it's fair to say  
16 that as a rule ones who can least afford these  
17 high credit prices are the ones that have to  
18 resort to it. I think New Jersey is ahead of a  
19 number of other states in having set some caps on  
20 consumer finance in the used car and many other  
21 credit areas. But my opinion is they still verge  
22 on being a little high. But specifically in the  
23 small loan area I don't believe it can be determined  
24 that they are making fabulous and unusual profits.  
25 I think they are doing fairly well and I don't

1 think their risk is as high as sometimes they  
2 would like to make you think it is. By and large,  
3 and particularly compared with other states, I  
4 think we are doing about what we can there as far  
5 as small loan rates and ceilings.

6 We have some other legislation under  
7 consideration that may even lower things a little  
8 bit in some of the other consumer credit areas,  
9 sales finance and so forth, but nothing tremendous.  
10 Because probably consumer credit and installment  
11 sales has been the thing that has kept our economy  
12 going the way it has. Anything too drastic to  
13 interfere with that could be pretty rough on the  
14 country. But there are still abuses and excesses  
15 here and there that we are constantly trying to  
16 work on. WITNESS: Yes.

17 MR. LEUCHTER: If a man buys a hundred dollars  
18 worth of clothing for his family in a corner  
19 store on credit and finds after three months that  
20 the bill is now \$200 instead of \$100, is there  
21 any specific law that covers this or not?

22 THE WITNESS: Yes. If it's done through any  
23 type of financing plan there is a cap which I  
24 believe is in the area of 12 per cent that they  
25 can charge. of the other problem is that man

1 MR. LAUCHTER: Suppose it's no formal plan  
2 but just dealing head to head with a neighborhood  
3 clothier or grocer?

4 THE WITNESS: I think if it could be  
5 established that they were charging an excessive  
6 rate that we would have jurisdiction over it and  
7 take action.

8 MR. LAUCHTER: The alleged victim would have  
9 to file a complaint with your department?

10 THE WITNESS: That's right. And maybe we  
11 should advertise the fact a little more that  
12 people who feel that they are overcharged in that  
13 area have a place to come to register such a  
14 complaint. We do get a number of them.

15 MR. LAUCHTER: You do?

16 THE WITNESS: Yes.

17 MR. LAUCHTER: Do you have a staff sufficiently  
18 big to investigate such complaints?

19 THE WITNESS: Well, reasonably so. I guess  
20 all administrators feel that they never have  
21 quite the personnel that they need. But I must  
22 say that both the governors and the legislatures  
23 where we have really gone to them with what we  
24 have felt was an urgent need have cooperated.

25 But one of the other problems is that even

1           though they authorize us to go out and hire others  
2           it's not too easy to get them.

3           MR. LEUCHTER: Have you ever brought charges  
4           against, or obtained a cease and desist order,  
5           or whatever the proper legal procedure is, against  
6           any merchant in any ghetto in this state accused  
7           of high interest rates?

8           THE WITNESS: I am sure that we have had  
9           complaints where we have gotten readjustments.  
10          I don't know how far we have gone with a formal  
11          order. I suspect there may have been a few  
12          cases but they haven't been great in volume.  
13          I think we have tended more to approach it by  
14          getting proper rates restored.

15          MR. MEYNER: Would they be turned over to the  
16          prosecutor eventually?

17          THE WITNESS: In a number of cases we send  
18          a lot of referrals over to the Attorney General's  
19          office but the Grand Jurys are a little reluctant  
20          to indict after something has been corrected.

21          CHAIRMAN LILLEY: Comissioner, it has been  
22          brought to our attention by various people that  
23          perhaps society's view on arrest records with  
24          respect to the poor is wrong and perhaps testing  
25          with respect to employment is wrong. Do you have

1 any views pro or con about loan officers having  
2 feelings about Negroes that would deny them to  
3 the commercial or regular banking system for  
4 loans?

5 THE WITNESS: I did have a feeling for a  
6 number of years that, rightly or wrongly, they  
7 didn't feel that they could go for instance to a  
8 bank and get very great consideration. But I  
9 think that has started to change substantially  
10 and has vastly improved over what it was 12 or  
11 13 years ago when I first came into this position.  
12 I think a lot of things have changed for the  
13 better and there is still room for some improvement.  
14 But I think the change has been very good. Like  
15 employment of nonwhites lagged considerably for  
16 many, many years but the swing is in the other  
17 direction now and I think they are honestly seeking  
18 qualified Negroes for other than menial jobs,  
19 which is long overdue. But I think they are doing  
20 a good job now.

21 MR. CIBBONS: Commissioner, what has the  
22 Department's experience been in encouraging the  
23 formation and development of Negro mutual  
24 institutions?

25 THE WITNESS: Well, we have never been

1 discouraging of such efforts. One outstanding  
2 example though that came about was a total flop,  
3 a Negro savings and loan that I chartered here in  
4 Newark which got off to a wrong start despite  
5 all of our warnings and everything. They just  
6 made a lot of very poor loans. They tried to  
7 run it I guess as a sociological thing rather  
8 than a business enterprise and unfortunately they  
9 didn't have as good personnel as they might have  
10 had. The thing went sour and we had to arrange  
11 a merger with another savings and loan to take  
12 them over and bail them out. That was very  
13 discouraging to me. I had hoped and felt that  
14 I was perhaps doing something good and it turned  
15 out to be very bad.

16 I think there are a few credit unions that  
17 are doing a fairly good job with minority groups  
18 and largely composed and staffed of minority  
19 groups. But in so many instances their desires  
20 and their ambitions are lofty. And this applies  
21 to white credit unions too. They just don't  
22 have people with the competent business background  
23 to operate these institutions on a sensible basis.  
24 That doesn't apply to all of them. Some of them  
25 are fine.

1           MR. GIBBONS: To pursue this a little  
2 further, do you think that there is anything  
3 that the Department can do to encourage the  
4 development of Negro managed mutual institutions?  
5 Have you learned anything from the -- I guess it's  
6 the Bethany experience?

7           THE WITNESS: What I had learned there was,  
8 of course, most discouraging, but I think if the  
9 situation ever came about again I would still, if  
10 they had the proper people or reasonable people,  
11 encourage them. But I think we would almost have  
12 to sit over them like a mother hen or something  
13 to see that they operated on a sound businesslike  
14 basis. I'd be a lot harder to convince now than  
15 I was before. But I am still not reluctant. If  
16 you have competent people and competent personnel  
17 I would feel like encouraging you. But that one  
18 sad experience I think would still make me a little  
19 reticent.

20          MR. LEUCHTER: Could I pursue that question  
21 just one step further? What in your opinion could  
22 the Commissioner or your Department -- or it's  
23 rather I suppose state policy more than your  
24 department alone. What could the state do to  
25 encourage not only more Negro mutual institutions



1 but more Negro owned business? What could be  
2 done with a realization that we pour a lot of  
3 state and Federal moneys, that are actual public  
4 cost factors, to improve job training and improve  
5 housing, improve many things, and we don't expect  
6 a direct return from it? We feel this will uplift  
7 the Negro in society. What could be done in the  
8 banking field other than to operate on a straight  
9 business basis? On a straight business basis you  
10 might just as well have a white owned association.

11 THE WITNESS: It is probably true. But I  
12 think the banks are doing a few things now. I  
13 know that Fidelity Union cooperated with this  
14 organization you mentioned in helping them to get  
15 a start. They don't make loans. They give advice  
16 to Negroes who want to engage in business or are  
17 engaged in business.

18 MR. MEYNER: All three of the leading banks  
19 are interested in that Interracial Council For  
20 Business Opportunity and they have all made  
21 contribution.

22 THE WITNESS: That was my understanding.  
23 And I think, as I suggested before, they are at  
24 long last realizing that they have got to bring  
25 some of these people into participation in the

1 operation of their banks. That should help the  
2 situation tremendously. There have been a lot of  
3 gratifying instances. They're employing people to  
4 encourage Negroes to come to them with their  
5 problems, which they never did before until the  
6 last year or two. I think the situation is  
7 tremendously improved there.

8 Now, what the state or our department could  
9 do, it's kind of a tough question. I know Civil  
10 Service is starting this trainee program where  
11 they don't set up the high educational standards  
12 that normally would apply to Civil Service jobs.  
13 They are willing to break the line there and bring  
14 some people who have been dropouts even or haven't  
15 gone as high as the Civil Service jobs specifications  
16 would require to give them a chance to come in and  
17 learn a number of these, not really high level, but  
18 decent types of jobs in various state agencies.  
19 That's an experiment. I am hopeful that it will  
20 work. It may not work. But it certainly will  
21 work to some extent and it should be a little  
22 helpful there.

23 I have tried to encourage one or two of the  
24 newly chartered banks, not with any vast success  
25 so far, to put Negroes on their Board of Directors,

1 banks and savings and loans.

2 MR. LAUCHTER: Specifically, for example  
3 there have been many proposals in New Jersey in  
4 recent years -- there are some before the  
5 legislature right now -- to put New Jersey in  
6 competition with other states, to grant loans  
7 for industrial development at low interest rates.  
8 Pennsylvania has a fund in which, if you want to  
9 build a plant in Pennsylvania you can get 2 per  
10 cent state money. And we have lost a lot of  
11 industry, as you know, from New Jersey where some-  
12 body is dickering both with New Jersey and  
13 Pennsylvania to build a new plant and they build  
14 it in Scranton or Wilkes-Barre because they can  
15 get a great amount of money out of this  
16 Pennsylvania loan for 2 per cent. So the New  
17 Jersey state legislators over the past two years  
18 have introduced bills which would create a loan  
19 fund in New Jersey which would subsidize in effect  
20 the construction of new plants in New Jersey.  
21 If we can subsidize low interest loans in theory  
22 to attract new industry to New Jersey can't we have  
23 a low interest rate fund say to encourage the  
24 poor to go into business themselves? I am throwing  
25 this general area out to you.

1 THE WITNESS: It's worth a look. I think  
2 substantially a lot of that is being accomplished  
3 through S.B.A. and a number of Federal agencies,  
4 but perhaps we should think about the state doing  
5 a little more in that direction too. I think it  
6 might be a good investment. But so many people,  
7 unless they have had the proper training and some  
8 resources, they are the casualties even in the  
9 very small business enterprise that it's a risky  
10 type of program. But for the state to try it,  
11 perhaps invest a few hundred thousand dollars  
12 or a million dollars in it, might be all right.  
13 But I am a little skeptical as to whether it, in  
14 the long run, would be a major solution to anything.

15 MR. GIBBONS: Commissioner, has the Department  
16 given any consideration to a pooling arrangement  
17 whereby low down payment home mortgages could be  
18 granted to the poorer persons?

19 THE WITNESS: I don't think we have given any  
20 special consideration to it. Of course, all of  
21 our lending institutions are limited by Statute  
22 as to the down payment and the percentage of  
23 purchase price that they can lend.

24 MR. GIBBONS: Would you say this is a deterrent  
25 to Negro home ownership?

1           THE WITNESS: Yes.

2           MR. GIBBONS: Has anyone in your department  
3 explored the possibility of legislation which  
4 would encourage low down payment home mortgages?

5           THE WITNESS: I would say no, except in the  
6 past several years we have reduced the down  
7 payment requirement for all of our financial  
8 institutions that take mortgages and have made it  
9 a lot easier for home purchase with a relatively  
10 small down payment. Now, maybe you can go a  
11 little farther than that but we have, on the other  
12 end of the coin, of course, a great responsibility  
13 to maintain the soundness of our financial  
14 institutions, and unless there was some guarantee  
15 back of this type of lending it could be pretty  
16 risky, although I think it is very socially  
17 desirable.

18           MR. LEUCHTER: While we have a witness here  
19 I don't want to have a colloquy with you. How is  
20 it that in the more rural areas of the state such  
21 as southern New Jersey F.H.A. home purchase  
22 programs are in considerable use and taken advantage  
23 of by many families along the same lines as you have  
24 suggested but apparently not in the urban areas?  
25 I know of an entire housing project in our community

1 which has just been sold out of more than a  
2 hundred homes with down payments of no more than  
3 \$200. F.H.A. financed the homes selling for  
4 somewhere between \$11,000 and \$12,000 with a  
5 \$200 down payment. This is well within the reach  
6 obviously of many families who are now in the  
7 urban ghettos. Any of these programs which are in  
8 use in the rural areas of the state, are they  
9 applicable to the cities?

10 MR. GIBBONS: I doubt if they would be because  
11 the land cost would be much higher. But I think  
12 we would have to have somebody more expert than  
13 anybody here to give an opinion. That gets into  
14 real estate economics.

15 THE WITNESS: I suppose the actual lending  
16 institutions that might resort to F.H.A. and  
17 V.A. financing perhaps are a little more disposed  
18 to lending South Jersey semi-rural and suburban  
19 areas than they would perhaps in the center of  
20 our large cities just because of the problems  
21 the large cities have now. I don't know that that  
22 has motivated anyone but it just might be a thing  
23 where it applies and perhaps with some persuasion  
24 and guidance they might do a little more in some of  
25 these other areas.

1 never start. MR. GLEBONS: Commissioner, we have  
2 of the for another witness waiting. Unless there are some  
3 to be the specific questions, I want to thank you very much  
4 in on behalf of the Commission for giving us your  
5 immediate time. I hope you make the resources of your  
6 have made Department available to our office.

7 unified approach JUDGE WACHENFELD: If you can get us some  
8 Now, information about those Small Business  
9 many separate Administration loans that would also help us.

10 particularly in the youth areas, the vocational areas, and  
11 MAYOR LAWRENCE F. KRAMER,  
12 sworn.

13 EXAMINATION BY MR. PORTUNATO:

14 Here Q I would like to start you off with two questions  
15 and I think that will be a good launching point, namely:  
16 What is your general approach to the problem of civil  
17 disorders and why didn't Paterson have a riot this summer?

18 A Well, Bishop, gentlemen, good morning. I'd like  
19 you to know at the outset that Paterson has no magic formula,  
20 we have no ten easy steps to the cure that America and  
21 particularly this panel is searching for. I would be  
22 delighted to tell you about the kinds of things we have  
23 been doing in Paterson. But as I say, I want to set them  
24 out correctly, that we are about the activities of trying  
25 to see that problems are eliminated by making sure that they