

Some Merchants Victimize The Disadvantaged

WASHINGTON -- Mr. and Mrs. George W. Lowry live in the Negro ghetto of the nation's capital. Their income hovers around \$600 a month, and they paid a total of \$400 including financing charges, for a used combination phonograph and television set that they thought was new. The set was on the blink a month after the purchase, they said. A recent check showed that a new set of the same brand with full warranty could be purchased for \$244 cash.

The Lowrys bought their set from a furniture store in an area hard hit by looting and burning. The store's cost of the set was \$90.

Gwendolyn Sellman, whose husband is an \$80-a-week bartender, paid \$313 for a sofa and chair set. The sofa started to collapse less than a month after purchase. A good sofa is available in Georgetown for \$199.

The whole price was less than \$70 for the five-piece sofa-bed suite.

A drab sun-bleached dæron and rayon suit, without label, was offered for \$90 by a credit clothing store. A leading men's store on posh Connecticut Avenue was selling English wool suits for the same price that day.

The practices mentioned here are not unusual. Nor are the stores. In every major town in America, everywhere they operate in much the same way.

These are not the stores that middle-class housewives usually patronize. And they don't sell the same way as do stores that serve the general market. Prices, for instance, almost always are for the item including financing charges. Cash sales are not encouraged.

State Trims Road Mowing

LANSING -- The Department of State Highways has started trimming its roadside grass and weed control program in an effort to cut spending by \$500,000 in the fiscal year ending June 30.

"Our 1967-68 budget calls for reduced maintenance expenditures and this program can be reduced without disrupting essential public service," said John P. Woodford, deputy state highway director.

The Department spent \$1.7 million in fiscal 1966-67 for grass and weed control along 9,200 miles of state highways. The 1967-68 budget allocates \$1.2 million for this purpose.

All but essential mowing is being delayed until July 1 when operations will be limited to two complete cuttings a year in the northern 40 counties and a maximum of three annually in the southern 43 counties. Mowing will also be limited in most instances to within 15 feet of the shoulder.

Previously, state roadides have been mowed an average of three or four times a year, generally to the right-of-way line.

Essentially unaffected by the program cuts are urban parkways, depressed freeways and other areas where grass should be cut more often for safe highway operation.

Brides Must Remember Changes

Before her wedding day, a young woman should tell a few people other than her guests about this important event in her life.

High-credit stores sell mainly to poor people, and are usually in poor neighborhoods. Their sales (at least 92.7 per cent of them) are on credit, whereas general-market stores do about 28.5 per cent of their trade on credit, according to a recent Federal Trade Commission (FTC) study of high-credit stores.

Because these stores deal mainly with the poor, they do only 16 per cent of the city's total retail credit business, but the way they do it causes great concern. Experts in urban matters feel that their methods aggravate the plight of the poor.

What these stores offer is convenience to people who cannot afford to pay cash for what they need or who, for various reasons, cannot or will not buy at general-market stores, using charge accounts.

"They are paying," one lawyer familiar with the situation says, "a poor tax, it's that simple."

The FTC's study points out that, in general, poor people pay more for inferior merchandise.

The merchants, when they will talk about it, defend their pricing and sales methods. They have to charge so much, they say, because they have to cover the high rate of loss incurred from bad debts.

A typical criterion for extending credit is, whether a prospect has been employed a year, how many other debts he has, how many mouths he has to feed with how much income, or other measures of his ability to pay are rarely examined. When, as often happens, the store payments are not met, the creditor can repossess the goods, sue the buyer for the unpaid balance of the debt, and garnish his salary. The latter could cost the debtor his job. The item usually is sold again after repossession.

It began in May of 1955, Annie Lee Lowry remembers. She was home with her five children when a salesman came to the door.

"Mrs. Lowry had not planned to buy a bedspread. She didn't need one. But a spread for only \$1 a week.

It always starts that way. It had that subtle rhythm of a changing tide. Just a little at a time, Mrs. Lowry could not have foreseen then the day when she and her husband would owe the merchant more than \$500 dollars.

George Lowry's take-home pay from his job as a cook at a drive-in restaurant was \$66 a week. The rent was about \$40 a month, Mr. Lowry now says. "A dollar. Why, anybody figures he can get a dollar anywhere."

Mrs. Lowry signed a piece of paper and the thing was hers. The price was \$33 for the blue chenille spread and two matching pillows. It seemed a bargain.

She didn't see the salesman for a while, she said, maybe a few months. Meanwhile, a collection man was coming for her weekly dollar. She paid him faithfully.

The salesman came back a little later with a linen bundle, and there were other items; the weekly tide was rising, slowly.

George and Annie Lee Lowry took the plunge in November, 1955. The salesman showed Mrs. Lowry a picture of a "home entertainment center."

Television set, AM-FM radio, a stereo phonograph. They owed only \$42 at that time.

Mrs. Lowry pondered the picture of the set--and she liked it. She and her husband talked it over. Their payments would go up to \$7 a week--\$7 out of \$66 with seven months to feed. George Lowry wasn't so sure.

On credit, the sales contracts provide that no single item is paid until all have been paid for.

Eventually, George and Annie Lee Lowry received their television-phonograph set, with the aid of the neighborhood legal services project. The sofa-bed was useless by then because it had deteriorated.

The lawyer who worked on the Lowrys' defense said afterward: "The tragedy is that such cases as this happen every day."

These high credit stores rely heavily on impulse buying. They also rely to a considerable extent on customers' ignorance of the market and the value of merchandise. As the FTC's study pointed out, there is little competition between the high-credit stores.

Prices can be astronomical. Lawyers, social workers, and anti-poverty workers have tried to find out why the poor willingly pay so much for inferior goods.

William O'Brien, who runs a credit union program for the Department of Health, Education, and Welfare, says the answer is psychological.

"That man in the credit stores treats people like princes," he said. "He makes a man feel like he's worth something

when he is being sold. If that man went downtown to a department store in the old clothes he has, he feels he would be rejected."

There is, for many poor Negroes, a psychological barrier to "downtown."

The second floor of the New York Jewelry Co. looks something like a bargain basement. And the eagerness of the salesman to sign up the customer encourages the belief that it's easier on the customer to buy on credit.

Neither appearance is a true one, according to charges brought by the staff of the Federal Trade Commission that New York Jewelry's prices are

unconscionably high and that it uses "easy credit" to obtain these prices. The staff was not upheld by a trial examiner and the issue is before the full commission.

Although New York Jewelry is only one of several stores facing FTC charges, the commission has studied all of Washington's high-credit stores.

According to the FTC's study, at some stores, credit sales constitute 100 per cent of their business.

STIPES SELL DEBT

In effect, the FTC found what the stores sell is debt, not merchandise.

The FTC's study of the district, importantly, was used extensively by the National Advisory Commission on Civil Disorders in its discussion of credit practices.

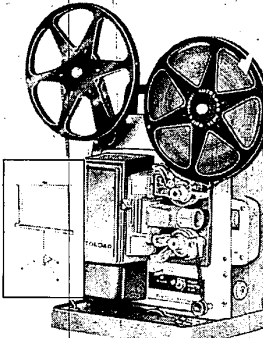
Federal Trade Commission records indicate these are some of the more common methods of these easy credit stores:

- Inducing customers to sign blank contracts.
- Obtaining signatures on contracts by tolling reluctant customers that they are signing receipts for merchandise left only for "free home trial."
- Refusing to disclose the full price of merchandise, telling the customer only how much he must pay each week.
- Selling used merchandise, saying it is new.

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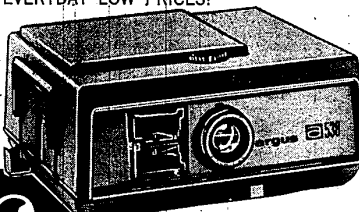
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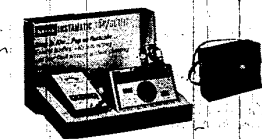
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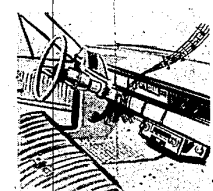
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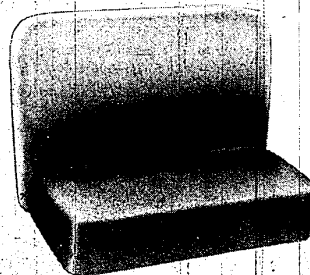
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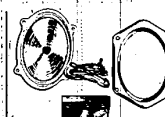


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