

**HOMES FOR IMMIGRANTS:  
ETHNICITY AND THE SAVINGS AND LOAN  
INDUSTRY, 1880-1920**

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Historians have examined how immigrants assimilated into Progressive Era America from a variety of perspectives. One that has received little attention is how immigrants tried to become homeowners, and in particular the role the savings and loan industry played in achieving this goal. As part of my research which examines the history of the American savings and loan industry from 1831 to 1989, I found that in the late-nineteenth and early twentieth centuries, immigrants joined these associations in large numbers.<sup>1</sup> There are four reasons why ethnic Americans had such an important role in this industry. First, S&Ls, like many urban ethnic communities, were small neighborhood-oriented institutions that relied on social networking to attract members. Second, thrifts, recognizing the importance of language and trust to their immigrant membership, allowed open access to management and conducting meetings in native languages. Third, many immigrants were already familiar with the basic business concepts of savings and loans, since financial institutions similar to American thrifts operated in several European nations. Finally, ethnic Americans joined S&Ls because owning a home was a sign of good citizenship. Because there was a popular belief that a homeowner was a good American, immigrants joined as a way to prove their desire to become American. This became especially important in the 1910s when the Americanization efforts rose in force across the country. With millions of new immigrants moving to the Midwest beginning in the 1870s, this support was particularly strong, and cities like Minneapolis-St. Paul, Chicago, and Cincinnati provide good examples of how immigrants used thrifts to become true Americans. Before discussing these factors in detail, however, it is necessary to have a brief understanding of how and why the thrift industry appeared in the United States during the nineteenth century.

## Identifying the Role of Immigrants in Thrifts

The thrift industry began in the 1830s with the sole purpose of allowing people of limited means to become homeowners. Early thrifts were cooperatives that closely followed the operating practices of British building societies upon which they were modeled. People joined a thrift by subscribing to shares in the association, which they paid for over time in monthly installments. When enough money accumulated, a member could take out a loan to buy a home, with the loan amount limited to the face value of the subscribed shares. In essence, the loan was an advance on the unpaid shares. The member/borrower repaid the loan by continuing to make the same monthly share payment as well as loan interest. Because it took as long to pay back a loan as it did to pay for the shares, a period of between six and ten years, thrift mortgages were not only long term, but also amortizing. This was a major improvement over bank mortgages that were repaid interest-only with the full principal due at the end of a three-year term. Finally, as with other cooperatives, if an association made a profit the members received this as a dividend. To reinforce the habit of thrift, however, these funds were not paid in cash, but were credited to the share accounts. This meant members earned compound interest on their savings.<sup>2</sup>

Although the first loan ever made by a thrift defaulted, the overall success of these associations in helping their members acquire homes led to their steady expansion across the country. In 1894, the first federal government survey of the industry showed that more than 5,500 S&Ls were in existence, with nearly 40 percent located in and around the industrial centers of the East and Midwest. One important reason for this trend was that S&Ls were very popular with immigrants. This same study revealed that more than 10 percent of all thrifts had distinct ethnic origins and served German, Italian, Irish, Scottish, Polish, Hungarian, Serbian, Croatian, Yugoslavian, Lithuanian, Estonian, Latvian, and Russian communities. In some cities, ethnic thrifts were so numerous that they formed trade associations based on nationalities. S&L leaders recognized and approved the role ethnic Americans had in the industry's growth, noting that thrifts are "being rapidly carried forward among the foreign element which is truly for the good of the local community."<sup>3</sup>

There are several organizational characteristics that made immigrants want to join a thrift. One of these was that most urban S&Ls were small and usually served specific neighborhoods or communities. The average thrift in 1894 had just 300 members. Philadelphia had more than

500 thrifts, while Cincinnati and Chicago had 330 and 300 associations respectively. Similarly, the primary way someone learned about a thrift was by word-of-mouth advertising, a trait ideally suited to the tight-knit nature of ethnic communities. As a result, it was common to find large thrifts serving very small parts of a city. For example, a Bohemian association in Chicago with assets of more than \$5 million drew all its members from a neighborhood four miles long and one mile wide without the use of any outside advertising. A second organizational characteristic that helped immigrants participate was that most states did not require thrifts to meet strict requirements in order to receive a charter. Most states required just five members to form a thrift, and they also allowed the association to operate from almost any location. As a result, many ethnic associations began with only a handful of members and sometimes operated out of a local tavern, which was also often a center of neighborhood social activity.<sup>4</sup>

The most important organizational characteristic that endeared thrifts to ethnic Americans was the reliance on mutual cooperation for success. Since these members usually knew each other, immigrants who joined a thrift generally felt more comfortable with their financial dealings. Similarly, to help them feel less like “strangers in a strange land,” ethnic thrifts conducted meetings and printed documents in the immigrants’ native languages. Finally, by helping to turn immigrant tenants into homeowners, thrifts increased the stability of the local communities. According to one Polish thrift executive, “the work of the [thrift] is more on the line of a social organization. Perhaps it is the fact that the members know personally their own officers which they have chosen . . . that gives them so much confidence in the [association].” This need for trust cannot be overestimated, since unscrupulous businessmen who relied on the financial ignorance of immigrants often preyed upon new arrivals to fleece them of their savings. In contrast, officers in ethnic associations worked to make sure their members understood how the association worked, and even tried to avoid foreclosing on a home if the immigrant borrower fell on hard times.<sup>5</sup>

The third reason why there was a close connection between immigrants and thrifts was that many ethnic-Americans were familiar with similar associations in Europe. Several East European countries had traditions of using cooperatives to help people of limited means acquire homes. In Poland, *People’s Banks* were popular mutual-aid cooperatives, and in the Province of Posen more than 141,000 working-class Poles entrusted \$87.7 million in assets to these banks. Germany also had a very strong history of cooperative finance, including the Housewives Societies (*hausfrauen ver-*

*eins*) and Friendly Societies for Building (*Baughensschaften*) that had operated since the mid-nineteenth century. These societies were so popular with the German working class that by 1914 more than 1,400 were in operation throughout the country. Similar examples of this type of home financing system existed in countries like France, Denmark, and Sweden. Finally, like the American thrifts, the business practices of these European associations were based on the British system of cooperative home finance.<sup>6</sup>

### **The Role of “Americanization” in Thrifts**

One of the most important reasons why ethnic Americans joined a thrift was to assimilate into American society, especially as the movements to “Americanize” immigrants took shape. Between 1873 and 1910 more than nine million immigrants from southern and eastern Europe emigrated to America. These people have been called the “new immigrants,” and their presence helped fuel the growth of the nation’s expanding industrial cities. Living in crowded tenement houses, which the National Americanization Committee considered an “un-American standard of living,” and often lacking formal education, new immigrants were seen by some as threatening to change the American way of life and its value system, however defined. According to one observer, “the greatest danger . . . upon our country’s future prosperity is the emigration to our shores of thousands upon thousands of the ignorant lower classes of the old world.”<sup>7</sup>

To address this perceived problem a number of campaigns to “Americanize” immigrants took shape in the early twentieth century. Reaching its height in the 1910s, this movement took a variety of forms, ranging from organized civic groups like the YMCA to individual efforts like settlement houses. Savings and loans were also involved in the effort, and by the 1910s non-ethnic associations were actively encouraging immigrants to join as members. The thrift trade association advised that “special efforts must be made to secure the foreign element as members,” since “every time you make a home you make a citizen.” To accomplish this, it recommended printing leaflets in foreign languages, and even placing ethnic Americans on their boards to represent that segment of the membership.<sup>8</sup>

Ethnic thrift leaders recognized the potential of their associations in the Americanization effort, and in the 1910s began to stress how eager immigrants were to own homes and improve their lives. As one German thrift executive noted “to a citizen of German extraction, the idea of owning a home is something for which he will sacrifice every pleasure and enjoyment,” while

a Chicago thrift president boasted, “we Bohemians believe home owning is the highest test of citizenship.” Similarly, by encouraging immigrants to develop habits like systematic savings, thrifts instilled proper “American” values and morals. A Polish thrift officer noted that “our organizations help to make better citizens, and greatly add to the wealth and prosperity of our nation. During World War I, these associations reinforced their standing as “good Americans” by participating in patriotic movements, including Liberty Bond drives. Ethnic thrifts often subscribed to these government notes as a way to show that “we do our bit.”<sup>9</sup>

The work of ethnic thrifts and those who solicited immigrants as members did receive recognition by others involved in the Americanization effort. The president of the Kalamazoo Chamber of Commerce said the best way to Americanize aliens was to form building and loans for them so they can learn how to manage their own finances and own their own homes. Governor Woodrow Wilson of New Jersey noted that the real significance of these associations was its “moral influence on members. It is a movement for the conservation of the character of citizenship.” New Jersey Chamber of Commerce president George Viehmann spoke for many when he said there was “no greater force for the Americanization of the immigrant than is being exerted by the building and loan association.” He also noted that immigrant homeowners “take a taxpayer’s interest in good government and politics.”<sup>10</sup>

### **Examples of the Ethnic-American Thrift**

Although nearly every major industrial city had ethnic thrifts, Minneapolis-St. Paul, Chicago, and Cincinnati provide some of the best case studies. By the 1880s, the Twin Cities of Minnesota had over fifty thrifts, many of which were organized by “new immigrants.” These included German, Scandinavian, and one where “none but Catholics are eligible for membership.” These associations were so successful in promoting home ownership among the working class that when people asked where the poor people lived they were surprised to learn that the “picturesque and roomy cottages with bits of lawn are the homes of workingmen.” While obtaining a comfortable home was the main result of membership in ethnic thrifts, an equally important product was “their social and moral value in counteracting the tendency to wider divergence between rich and poor, and to the development of a proletariat class.”<sup>11</sup>

Chicago had one of the broadest collections of ethnic S&Ls, reflect-

ing its diverse population. Over 120 thrifts served only Bohemian residents, while 52 associations had Polish ties. One Polish S&L executive attributed the success of these associations among the working class to the importance of word-of-mouth publicity and common language, familiarity with management, and the modest monthly savings requirements. Another leader boasted that “[thrifts] have contributed in no small measure to Americanize the thousands of aliens who have come from different parts of the world to make Chicago their home.”<sup>12</sup>

Cincinnati also had a large number of associations, many of which served its large German population. According to one observer, “Germans seem to adopt to the [thrift] more readily than any class of residents,” which may account for why there were nearly six thrifts in each square mile of the city. Finally, the 1894 federal survey showed that over 20 percent of Cincinnati’s thrifts were ethnic institutions, and its leaders acknowledged that these associations encouraged “not only the assimilation of the immigrant population, but inculcate anew the spirit which prompted the early pioneers of America in the pride of the home.”<sup>13</sup>

## **Conclusions**

The American savings and loan industry began in 1831 as a way to help wage-earning working-class men and women become homeowners through thrift and mutual cooperation. The industry expanded significantly during the 1880s as increasingly crowded urban conditions led thousands of these people to pursue the dream of owning a home. An important reason for this growth was the active participation of immigrants as both thrift members and organizers. One reason for their involvement was because S&Ls were neighborhood organizations that relied on networking skills to attract members. Thrifts also generated trust from immigrants by allowing open access to management and conducting meetings in their native language. Likewise, many immigrants were familiar with American S&L practices since similar financial institutions could be found in several European nations. Finally, membership in an ethnic thrift was a way for immigrants to prove their citizenship, especially during World War I when “Americanization” movements formed across the nation. These practical and intangible factors all contributed to the decisions by ethnic-Americans to join a savings and loan.

## NOTES

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1. Between 1831 and the 1930s, the most common term describing a savings and loan was "building and loan" or "thrift."

2. Edmund Wrigley, *The Working-Man's Way to Wealth* (Philadelphia, J.K. Simon, 1872), 12-20; Seymour Dexter, *A Treatise on Cooperative Savings and Loan Associations* (New York: D. Appleton and Co., 1889), 26-42; Henry Rosenthal, *Cyclopedia of Building, Loan and Savings Associations* (Cincinnati: American Building Association News Publishing, 1923), 114-7, 143-9; Robert Reigel and Russell Doubman, *The Building-and-Loan-Association* (New York: J. Wiley and Sons, 1927), 6-10.

3. Carroll Wright, *Ninth Annual Report of the Commissioner of Labor, Building and Loan Associations*, (Washington, D.C.: USGPO, 1894), 291, 323; "Organization of Associations Among Foreigners," *American Building Association News* (hereafter cited as *ABAN*) 30 (January 1910): Quote 187.

4. Wright, *Ninth Annual Report*, 291; "Monthly Dues," *ABAN* 22 (November 1903): 244; "Loan Associations for Store Workers," *ABAN* 31 (September 1911): 391; Joseph Sundheim, *Law of Building and Loan Associations* (Philadelphia: Smith-Edwards Co., 1922), 33-9; "Irish-American of Buffalo," *ABAN* 29 (March 1909): 127; "Tavern Societies," *ABAN* 29 (April 1909): 149.

5. Albert Wachowski, "Polish United Building and Loan Associations," *ABAN* 31 (December 1911): 492-3; Upton Sinclair, *The Jungle*, (New York : The Jungle Publishing Co., 1906).

6. Mary Hinman Abel, "Housekeepers' Clubs in Germany," *Financial Review and American Building Association News* (hereafter cited as *FRABAN*) 12 (June 1893): 90; "The Housing Question in Germany," *ABAN* 24 (December 1905): 235; "The International Aspect of Home Financing Institutions," *ABAN* 53 (August 1933): 359, 385-6.

7. Edward Hartmann, *The Movement to Americanize the Immigrant*, (New York, AMS Press, 1967), 8; "Better Tenement Houses," *FRABAN* 15 (December 1896): 27; "Competition to House Immigrants," *ABAN* 36 (May 1916): 207; F.P. Cleveland, "Homes" *FRABAN* 15 (July 1896): Quote 5.

8. Hartmann, *Movement to Americanize the Immigrant*, 8-11; Gerd Korman, *Industrialization, immigrants, and Americanizers; the View from Milwaukee, 1866-1921* (Madison, State Historical Society of Wisconsin, 1967), 117-20; "Benefits of Building and Loan Associations," *ABAN* 35 (November 1915): 500; *ABAN* 35 (December 1915): 519; "Americanization," *ABAN* 37 (March 1917): Quote 103.

9. Gustav Wexner, "Future of Building and Loan Associations," *ABAN* 19 (February 1900): Quote 38; "Monthly Dues," *ABAN* 22 (November 1903): Quote 244; Albert Wachowski, "Progress of the United Polish-American Building and Loan Association of Chicago," *ABAN* 37 (February, 1917): Quote 70; "Building and Loan Associations Doing Their Bit," *ABAN* 37 (September, 1917): Quote 391.

10. "Thrift and Building and Loan Associations," *ABAN* 37 (January 1917): 16-17, Quote 16; "Makes Good Citizens," *ABAN* 38 (February 1918): Quotes 53; *ABAN* 36 (May 1916): Quote 195.

11. Albert Shaw, *Cooperation in a Western City* v. 1 no. 4 (Baltimore: American Economic Association, 1886), 278-90 Quote 279; Albert Shaw, *History of Cooperation in the United States* (Baltimore: Johns Hopkins University, 1888), Quote, 296.

12. Albert Wachowski, "The Polish Nationality and Their Building and Loan Associations," *ABAN* 29 (January 1909): 24-5; John Novak, "The Bohemian League of Building and Loan Associations of Chicago," *Proceedings of the Twenty-Third Annual Meeting the United States League of Local Building and Loan Associations* (Cincinnati: American Building Association News Publishing, 1914), 278-9; Albert Wachowski, "The Polish Building and Loan Associations," *ABAN* 29 (January, 1909): 24-5; H. Morton Bodfish, *History of Building and Loan in the United States*, (Chicago: United States Building and Loan League, 1931), Quote, 377.

13. *Ohio Savings and Loan League: A Century of Service* (s.l.: s.n., 1988), 5; Wade Ellis, "The American Home," *Proceedings of the Fifteenth Annual Meeting of the Ohio Building Association League*, (Cincinnati: American Building Association News Publishing, 1903), 22-4 Quote 23; George Thomas, "The Building and Loan Association and the Foreigner," *Proceedings of the Twenty-Fifth Annual Meeting of the Ohio Building Association League*, (Cincinnati: American Building Association News Publishing, 1913), 27-30.