

Mrs. SULLIVAN. Yes; that is already inserted in the record. Thank you very much.

Now we will hear from Mr. Moriarty.

Mr. MORIARTY. Madam Chairman, as Mr. Jackson said, I am one of nine referees serving in the U.S. District Court for the Central District of California.

I served in the Department of Justice for some years, ending up as chief assistant U.S. attorney for the southern district of California. My entire legal career has been in the service of Federal Government.

Since becoming a referee in 1963 I have devoted a considerable amount of my free time, which is not very much to helping the neighborhood legal services and the Legal Aid Society in working with the unfortunate people who cannot even afford to pay for the services of an attorney.

In the 4½ years that I have served as a referee I have handled 8,210 bankruptcy matters. Of this number, approximately 90 percent, or roughly 7,500, have been what may be referred to as straight bankruptcies filed by wage earners. It is my understanding that it is in this area that the committee is most interested. It has been my experience that most persons seeking the protection of the Bankruptcy Act come before the courts because of excessive medical bills, lack of employment, domestic discord, easy credit, and other factors. While it may sound strange, we had a very nasty experience several years ago in which certain debt consolidating firms, or proraters, actually caused a number of persons to come to the bankruptcy court for aid.

They would bring these people in, charge them \$300, give them a pro forma-type budget, and say this is what you are supposed to do. Eventually all of them ended up in the bankruptcy court to get relief, including the \$300 they owed the prorating firm. So you never can tell what is going to bring a person to bankruptcy.

Basically it is the ones that I set forth.

I am sure that each member of the committee is well aware of the series of articles written by Miss Miriam Ottenberg, which appeared in the Washington Star within the last 6 months. This series of articles dealt with the vicious procedures used by many debt-consolidating firms.

Mrs. SULLIVAN. She has done an excellent job of bringing these issues to the public's attention.

Mr. MORIARTY. California, and particularly the central district of California, which encompasses the metropolitan area of Los Angeles, has been referred to as the bankruptcy capital of the world. The figures support this dubious honor.

You heard some of my colleagues refer to the great number of bankruptcies we have. I don't mean to be defensive but these figures give us this dubious honor. Referee Bare has a long way to catch up with us but I hope he never does.

But the figures do not tell the entire story. It has long been the practice of the State of California, dating back to the days immediately following World War I, that persons, particularly servicemen, were encouraged to come and settle in California and were given certain tax incentives on their residential property. This policy has continued to this day. With the conclusion of World War II many of our