of First Investor's plan holders who had become "inactive"—that is fallen behind in their payments—were reactivated by a follow-up technique employing a series of five letters. Interestingly enough, the average payment made by these plan holders on reactivation was almost twice the regular monthly payment under the plan.

The industry has achieved a great deal by the measures outlined above and should be given the opportunity to do more. We are confident that any problems in the industry can be solved by regulation, and we have always been eager and willing to cooperate in this endeavor.

Against the background of the facts I have described to you, I must say to you in all sincerity, and with the deepest respect for the integrity of the agencies of our Government, that the SEC proposal represents a complete abdication of its regulatory responsibility. It offers a drastic and simplistic solution for the task of effectual regulation which is the function and the obligation of the Commission.

More than 3 years ago, following the publication of the report of its special study which was transmitted to the Congress by the SEC, we filed with the Commission this extensive statement of our position, our problems, our measures for solving them, and the character and merits of our product and our performance. We concluded that presentation by this open invitation to the SEC:

> We do not believe—

And we mean that we do not believe—

> that our business is perfect. We are not so deluded as to think that it is beyond improvement. We are quite willing to discuss with the Commission any reasonable suggestions for improvement of our methods and operations.

We have been prepared, and we are still prepared, to cooperate sincerely and earnestly with the Commission in solving any regulatory problems that it think may exist. That presupposes, of course, that our business itself will continue to exist; and I am confident in that supposition because I am satisfied that the SEC has given you no sound reason to conclude that it should be destroyed.

Finally, let me conclude with an observation concerning the marketing of services, particularly financial services. It is axiomatic that in this and in every business and in every enterprise that higher compensation is one requisite for attracting and holding higher caliber personnel. In our business, this axiom is the key to better public service. The SEC has proposed a unique concept; namely, that we upgrade our sales force, the people to do the job on the firing line, by the device of reducing their compensation.

Thank you.

Mr. Moss. Mr. Day.

## STATEMENT OF J. EDWARD DAY

Mr. Day. Mr. Chairman and gentlemen, I appear here today as an expert witness retained by the Association of Mutual Fund Plan sponsors to support their opposition to H.R. 9510 and H.R. 9511 and particularly their opposition to the proposed abolition of the so-called front-end load.

My remarks will be devoted principally to the close analogy of the contractual plan sales and sales compensation pattern to the long-