

Mr. GUNTHER. I am talking on behalf of the combined banks here. I might say that out of that \$42 million in retail discount paper they hold, that about \$14 million of it is without recourse, and two-thirds of it is with recourse.

Senator TYDINGS. But even of that \$14 million without recourse, is that not with longstanding accounts of consumers having substantial balances in your own bank?

You say that in your bank you do not have those. With others, however, from practical banking experience, would you not unless you have a longstanding business relationship with them, require recourse?

Mr. GUNTHER. We would. Some of the banks buy without recourse, and, probably, do set up reserves out of the discount factor, and, perhaps, are pretty well protected in that way.

Senator TYDINGS. So that, actually, in this case, the purchaser of the paper is protected?

Mr. GUNTHER. With or without recourse, the bank should have the right, as a holder in due course, to proceed against the maker of the note.

Senator TYDINGS. Regardless of how much is involved?

Mr. GUNTHER. I would say that the law now contains adequate remedies for the buyer against the seller. A reputable neighborhood seller of hard goods may discount \$100,000 worth at a bank and have a net worth of \$25,000. Obviously, he would not be good for all of the paper that he discounts, but the occasional notes that goes bad he, presumably, could take it up.

Senator TYDINGS. Could you give me a breakdown of the \$42 million: how much of it is good with recourse—that is, with recourse and how much is without recourse, and then a breakdown of the balance of \$14 million, how much they require as a reserve balance?

Mr. GUNTHER. I think we can obtain that information for you, but I do not have it available here.

Senator TYDINGS. That would be very helpful, Mr. Gunther.
(The information follows:)

SECURITY BANK,
Washington, D.C., February 16, 1968.

Hon. JOSEPH D. TYDINGS,
Chairman, Subcommittee on Business and Commerce, Senate District Committee,
U.S. Senate, Washington, D.C.

DEAR SENATOR TYDINGS: In the course of my testimony for the District of Columbia Bankers Association before your Subcommittee, December 12, 1967, on S. 2589, I mentioned that the Washington banks hold approximately \$42,413,000 of retail paper discounted. This is exclusive of automobile paper. Several of the banks have found it difficult to supply an additional breakdown of this figure, but applying the percentages reported by banks of over \$33,000,000 of such paper, it appears that approximately \$9,000,000 is with recourse to dealers, with the remainder (\$33,413,000), without recourse to dealers.

I trust that this information will meet your request for a further breakdown.

Sincerely yours,

FRANK A. GUNTHER,
Chairman, Law and Legislative Committee for the District of Columbia Bankers
Association.

Mr. GUNTHER. "Section 6.105—Recovery of Deficiency Prohibited": If the proceeds of the sale of repossessed property are not sufficient to retire in full the indebtedness incurred in connection with