

Mr. MORGAN. This is after the job is done.

Senator TYDINGS. Right. Now, what do you do to check the legitimacy of the transaction itself, the paper of which you are handling?

Mr. MORGAN. We ask them at this time if the job is done, if they are satisfied, and if they understand what their monthly payments are. We do this, Senator, in every case. And I think that we are the only finance company in this area that does this.

Senator TYDINGS. Did you do it in the case of the paper from the Peoples—

Mr. MORGAN. Yes, sir.

Senator TYDINGS (continuing). Contractors, Inc.?

Mr. MORGAN. Uh huh. Did we do it then?

Senator TYDINGS. Yes.

Mr. MORGAN. Yes, sir. And I have something very interesting with me. Nathaniel Vaughn that appeared before your committee—is this the case you are referring to, Senator?

Senator TYDINGS. Excuse me; I did not hear you.

Mr. MORGAN. I said, Is this the case you were referring to, Nathaniel Vaughn? To give you an example, maybe, of some of the problems that we have on the other side, I quote from the Evening Star of Wednesday, December 13, 1967, a report of a hearing at which Nathaniel Vaughn appeared before your committee. Mr. Vaughn says:

The debts were incurred for home improvements that were thought to cost \$3,000. The work was never done, although Vaughn mistakenly signed a statement that it had been.

I bring your attention to the language, "Vaughn mistakenly signed the statement that it had been."

I saw Mr. Vaughn on television and this is precisely what he said. As it happened in this case, Mr. Binhem, who is the contractor, did not have a form of completion, and I would like to show you what Mr. Vaughn signed on a statement. In his own handwriting he wrote:

To Whom It May Concern:

This is to certify that the work done by Peoples Contractors is very satisfactory.

NATHANIEL VAUGHN.

Now, if he signed this mistakenly, he wrote it out before he signed it. We talked to Mr. Vaughn by phone, and I didn't bring our checkout sheet, but we spoke to him on the phone, or his wife, when this job was done, to verify the fact that it was done.

Now, I will be the first to admit to you that if the job is not done and the contractor somehow convinces him to sign this paper and then to lie to us on the phone, if we don't make a physical inspection, we do have a problem.

Senator TYDINGS. Well, I was not speaking specifically of Mr. Vaughn, but I was just wondering in the checking out the legitimacy of the Peoples Contractors, Inc., whether you can come across their practice of their falsifying FHA loan applications?

Mr. MORGAN. Are you talking about now an application by Peoples?

Senator TYDINGS. Well, now, as I understand it, you had indicated that you checked on the legitimacy of these transactions?

Mr. MORGAN. Yes.

Senator TYDINGS. And my question to you is: Peoples Contractors, Inc., is one of the firms which you dealt with and is now out of busi-