

you are speaking of that were sold to Atlas, when they received their payment book, with the payment book is a letter which again spells out the fact that Atlas had purchased a note and deed of trust in this amount of money, which is a gross figure, and at the bottom of the letter, in bold print, it says, "If you have any questions concerning this transaction, please contact us." So we——

Senator TYDINGS. How many of the people whose paper you buy have completed the 12th grade of high school, Mr. Morgan?

Mr. MORGAN. Oh, I think a great many of them, sir.

Senator TYDINGS. Do you think as many as 50 percent?

Mr. MORGAN. Oh, more than that, I would say.

Senator TYDINGS. I question that. Did you check out Allied Enterprises when you were doing business with them, to see whether or not they were involved in any fraudulent misrepresentations?

Mr. MORGAN. Yes, sir. I checked the deals, sir. I am talking about the individual deals. As far as the contractors themselves, I don't recall that I checked Allied before I did business with them; no.

Senator TYDINGS. Do you ever check a contractor to find out whether he had a legitimate business?

Mr. MORGAN. No, sir. Generally not, because most of the contractors in town I know. I mean, I have been in this business for around——

Senator TYDINGS. Now, those contractors which I read out to you and whom you indicated at one time provided you with at least half of your paper, they are out of business now; right?

Mr. MORGAN. Yes, sir.

Senator TYDINGS. And a number of them are either under indictment or have had their officers convicted for charges involving fraud, misrepresentations of one type or another?

Mr. MORGAN. I don't know that, Senator. You are telling me——

Senator TYDINGS. Well, I just mentioned Peoples Contractors, Inc., United Home Enterprises, Allied Enterprises. I think you are familiar with Monarch Construction Co.?

Mr. MORGAN. Yes, sir; but I didn't know that anyone was under indictment except Mr. Cedarloff—I really did not.

Senator TYDINGS. Under indictment or charged by the Federal Trade Commission.

Mr. MORGAN. This, of course——

Senator TYDINGS. And as a matter of fact, you do not really look into the type of business whose paper you buy? You are concerned with whether or not you have got those papers signed and whether you have the deed of trust recorded, and insofar as the company itself is concerned, you do not care how they get the people to sign that paper, do you?

Mr. MORGAN. No, sir; that's not true. We would be, I think, more than foolish if we bought paper with good money that we knew from the inception would not pay. I mean, this doesn't make——

Senator TYDINGS. You have got your deed of trust.

Mr. MORGAN. Yes, sir; but even that, if there is a fraud, and even considering your bill, if there is a fraud in the inducement of any of these the trust is vitiated. The trust cannot stand if there was a fraud, if these people have induced them to sign fraudulently, or forged their names, our trust is no good. If we knew this, Senator, we certainly wouldn't buy the paper.