

Mr. BLUMENFELD. Atlas Credit Corp. was also publicly owned and traded on the New York Stock Exchange, and was effectively controlled by the Woljen family, who owned I would estimate about 35 percent of the authorized issued and outstanding stock. About 65 percent of the stock was in the hands of the public.

Senator TYDINGS. And Atlas Credit Corp. owned, I gather, Atlas Finance?

Mr. BLUMENFELD. That is correct.

Senator TYDINGS. And after the new holding company was formed, control over Sunasco resided in the Woljen family and resides there today with effective control?

Mr. BLUMENFELD. It does effectively reside there, but until quite recently it would be correct to say that control was in a stalemate between Sterling interests and the Woljen interests. There was an even division of the board of directors with one so-called swing man who was presumably impartial or objective. This was part of the negotiations giving rise to the merger. The executive committee was just about an even division, and the officers of Sunasco came 50 percent from Atlas Credit and 50 percent from Sunset.

Senator TYDINGS. Under the new holding company operations were the individual component parts, run pretty much by the same people that ran them prior to the merger?

Mr. BLUMENFELD. Yes; I would say that that is a fair statement.

Senator TYDINGS. You came to Atlas Credit in 1964?

Mr. BLUMENFELD. April of 1964.

Senator TYDINGS. Would you describe Atlas generally? What it does, and the companies of which you are executive vice president?

Mr. BLUMENFELD. Then or now, sir?

Senator TYDINGS. Then and now.

Mr. BLUMENFELD. When I came with the company, it was primarily known as a real estate-oriented finance company. It purchased home improvement receivables secured by liens on real estate in probably 35 or 40 jurisdictions throughout the United States, and it also purchased debt consolidation receivables as distinguished from home improvement receivables and builders' first mortgages on home improvements.

There was a certain small percentage of specially financed business such as the water softeners, intercoms, things like that, and had an annual volume of business perhaps in the area of \$10 or \$12 million. It had totals outstanding in the receivables portfolio of probably \$40 to \$50 million.

The growth of the company was quite steady from the period of 1964 through 1966, because of its ability to leverage on its net equity because of good results that it had produced and this specialty finance business and home improvements finance business.

Until 1965 and 1966, the volume of new business was probably about \$45 million per year. Starting in the early months of 1966, we went through a phenomenon known as the tight-money situation. A finance company leverages on its capital funds normally at the ratio of 7 or 8 times. That is its equitable funds. It sells subordinated debtors either publicly or privately, and then it borrows at the ratio of about three times that borrowing base from banks, names of which would be familiar to all of you, and from institutional investors of insurance companies.