

Senator TYDINGS. Insofar as protection, as the holder-in-due-course, Atlas Associates of Delaware would be a holder of papers in due course?

Mr. BLUMENFELD. I would hardly think so. I might comment on that because you and Mr. Morgan exchanged some views about the desirability or the effect of the removal of the holder-in-due-course concept in your particular bill. I think the Atlas has systematically gone about destroying itself from its position as a holder-in-due-course by virtue of the many activities that it performs in trying to assure itself that the paper was fair on its face.

I think by causing investigations to be done into the circumstances giving rise to the signing of the note and the deed of trust and the contract, going through rather extensive rechecking after the acquisition of the note before the first payment could become possibly due that we really have destroyed our position as a holder-in-due-course.

I can't picture our being able to carry the day in any court saying we are without knowledge of any defenses or defects, because we certainly do gain that knowledge, and we haven't really placed any great store in the position of being a holder-in-due-course.

So, I would tend not to be so alarmed by the presence of that provision in your bill because I don't think it is taking away from the finance company any great protection that it had before.

I might interject that I would be happy to see some kind of provision which would make it incumbent upon finance companies to actually perform the so-called checkouts or rechecks. I think that would be much more effective in trying to deal with the general problem of protecting the consumer through legal refinements, which I am sure you realize are a matter of mechanics and sometimes become quite weighty. I think the pragmatic approach might be much more effective.

As Mr. Morgan said, and it was not a glib statement, no finance company is interested in purchasing a receivable which is not going to pay, nor do we want the dubious privilege of asking a trustee to post a property for sale. We are not in the real estate business and we don't want to own property in Washington, and the existence of a real estate lien as security is merely as a collection tool. Any finance company operates on the premise that the obligor notes the advice, can pay and will pay and in the absence of that can probably be made to pay by the exercise of leverage.

The same situation pertains to mortgages. If you don't pay, a foreclosure may cause you to pay. Of course, you may lose the property. The history of our foreclosures in this particular jurisdiction is very nominal, and I might say, so is the case throughout the country.

Senator TYDINGS. Paper that you acquire from Mr. Morgan in the District—do you check out the sources of any of his paper?

Mr. BLUMENFELD. You really don't have to do that because at a certain point the cost of going through a really exhaustive analysis into the financial responsibility and integrity of each individual contractor would become prohibitive. We rely heavily on a brokerage situation such as Mr. Morgan's, that he will sift down, find the marginal operators, as you characterized them, people who might be guilty of generating paper that isn't collectable soon will emerge like oil will float to the top, and we are not interested in buying their paper. The paper that we purchase in other areas through our own salaried em-