

There really isn't any way that you can go much beyond that. We do telephone checkouts and they will not reveal those defenses because they may not necessarily be real.

Senator TYDINGS. So that your basic reliance is on the phone information which Mr. Morgan outlined in his testimony earlier?

Mr. BLUMENFELD. Plus, it is corroborated by our own home office personnel. We have, I guess our annual telephone bill is probably around \$150,000 a year. We make calls from our own office, even if the paper is purchased on a salaried employee or staff officer. There is another phenomena in the business in which a salaried employee could be bribed by a local contractor to take papers, so we have to be ever watchful that that situation doesn't occur, so we check even in situations where our own salaried people perform the functions that Mr. Morgan performs for us in Washington as an independent contractor.

Senator TYDINGS. How does that work after Mr. Morgan has sold the paper to the home office?

Mr. BLUMENFELD. Somebody will get on the phone from the office in Philadelphia and call the consumer, the account debtor and say, "We bought your note from whatever source it may have been," and go through the same thing that Mr. Morgan recited to you before in an attempt—

Senator TYDINGS. You do that with every single note?

Mr. BLUMENFELD. Yes; effectively every single note. It's a function, but sometimes the volume of business makes it impossible for us to have every single one checked out. This business doesn't, unfortunately, come in a smooth and level fashion. There are peaks and valleys of activity and we don't staff our acquisition force for the peaks of activity. The greater percentage of those deals which had already been checked at least once or twice by a broker such as Mr. Morgan—

Senator TYDINGS. Do you ever contact anybody for a credit report other than the customer whose note you are buying?

Mr. BLUMENFELD. Oh, certainly. Yes; we have learned that credit reports can be falsified. We wouldn't want to characterize anything particular.

Senator TYDINGS. Do you get an independent credit report on this?

Mr. BLUMENFELD. Yes. We employ young ladies in our home office who do credit checking just to verify that the credit information as given, or as listed, is accurate. It is a common phenomena for there to be a considerable discrepancy.

Senator TYDINGS. But you don't go out and get a private credit report on the individual?

Mr. BLUMENFELD. You mean purchased from another agency?

Senator TYDINGS. Yes.

Mr. BLUMENFELD. Oh, yes. Mr. Morgan would normally send a retailer or somebody's report to Philadelphia with the deal. Now, that is merely used as a jumpingoff point or as a guideline. The credit checkers in the home office will call some of those listed and try to get cross references to see that all of the outstanding obligations of the prospective debtor have been accurately stated.

Senator TYDINGS. Did you ever have a situation where a person says that he doesn't owe that money or it was an illegitimate transaction? Have you ever had such a situation?