Mr. BLUMENFELD. Oh, yes.

Senator TYDINGS. In Washington?

Mr. BLUMENFELD. Oh, certainly.

Senator TYDINGS. What happens then?

Mr. BLUMENFELD. We tell Mr. Morgan that we have a bad one and he is obligated to buy it back. If it is not fair on its face and people do not understand the nature of their obligation, or if they have, as I said before, remorse and have conjured up some reason, real or imaginative, for not wanting to deal, we don't want it and we say look, we did not buy something that wouldn't pay. Either you get it straightened out or we don't want it, and he would repurchase it.

I would guess over a period of these 4 years that I have been familiar with Mr. Morgan's activities, he has bought back upward of 100 such transactions, perhaps more. I am sure he could show you his canceled checks.

Senator TYDINGS. What percentage? Less than 10 percent?

Mr. BLUMENFELD. Oh, certainly less than 10 percent, but the number would be considerable, and most impressive, I think. I don't know what Mr. Morgan does with the deals after Atlas refuses to take them. Presumably he tries to collect them himself.

Senator TYDINGS. He said he had a few groups of lawyers in the District.

Mr. BLUMENFELD. Perhaps.

Senator TYDINGS. What percentage of your note holdings do you foreclose on?

Mr. BLUMENFELD. Well, there is a distinction between institution of foreclosure proceedings and the consummation of them. I would say that threats of foreclosure are quite common as a collection tool. Going so far as to post the property or institute foreclosure proceedings probably occurs in about 5 percent of the company's total portfolio.

The actual attainment of title by the foreclosure proceedings probably occurs in about 2 percent or less. We are not in the business of owning real estate. The equity that exists, or extensively exists, a man's home is his castle, is a very effective collection weapon. It isn't so much what the value of that property may be at the time of foreclosure under an action, it is what the man thinks he has—the equity, imagined equity. A man buys a house in 1955 with an FHA mortgage for $10,000; and pays it down to $7,000 in 7 or 8 years; and he thinks that the real estate appreciated to where that property is now worth $12,500; and he thinks he has got $15,000 equity. The psychology of it is that he isn't going to let that $5,000 equity be taken from him for the want of making a $50 or $60 payment, so that foreclosure to obtain title to the real estate and to reap a profit by resale is not the finance company's goal. It is really an effective collection tool and we only very reluctantly end up with the property because we have then got the problem of trying to sell it, and in many cases we have the problem of trying to refurbish it to make it salable.

Senator TYDINGS. Do you have any idea what percentage of foreclosures are forced to go through with it?

Mr. BLUMENFELD. Very nominal. I would guess 1 or 2 percent. We don't keep statistics on that. I think the company now, with 43,000 accounts, has an inventory probably somewhere in the neighborhood