good. I don't reall any situations where we have ever suffered a total loss on our principal in an account that was real estate secured in Washington, the reason being, of course, real estate values here are quite good and we have a rough rule of thumb that there must be sufficient paper equity in a property to cover the principal, the cash price of the deal, so that if we were to purchase a deal for $2,000 that was written say at an 8 or 9 or even 10 add-on, having a gross balance of $2,800, $2,900, or $3,000, we would have to have at least $2,000 worth of equity, and those equities in the District of Columbia and the counties of Maryland and Virginia tend to hold up.

Senator TYDINGS. Do you have any idea of the average income of your borrowers or customers in the area?

Mr. BLUMENFELD. District of Columbia area?

Senator TYDINGS. Yes.

Mr. BLUMENFELD. Yes. We do an analysis of what we call a cash flow analysis at the time of acquiring a note to see that the debt servicing ability of the consumer is sufficient for what our experience has told us he needs in that area. It varies from area to area. In the South, for some reason, a cash flow of about $8 or $9 per week per person will enable a man to service his debt. You can't do it in Washington or in some of the higher cost-of-living areas. In Washington you need a cash flow of about $15 a head.

Now, we count an automobile, a wife and children. An automobile is roughly the equivalent of servicing another month, and as to net spendable income of the average it is about $110 to $120 a week, and that is not a considerable figure in this particular area.

Senator TYDINGS. Do you know what percentage of your customers in the Washington area are Negro?

Mr. BLUMENFELD. No, I wouldn't know that. I would have to guess a considerable portion of them, but we do not buy predominantly Negro. Some of the contractors that were mentioned in the earlier discussions obviously, the Monarch business, the Negroes who predominantly live in brick rowhouses were the obvious prospects for this type of sale.

Our experience with this type of receivable has been very, very good. Our bad experience came with things involved in referral picture to which you alluded before, such as the intercoms and water softeners, but that happens to be a fact of life in the business. The specialty items, or some reason, are producing a great deal of trouble, and or that reason we don't buy a great deal of them.

If it had not been for the fact that Mr. Morgan felt that the people selling these items were legitimate purveyors and the receivables were fair on their fact, I am quite sure that we wouldn't have bought them.

They cause more grief than actual dollar return to the finance company. You must realize that a $600 cash purchase price, even if it were written at a 12 add-on for 3 or 4 years, because it wouldn't justify 5 years financing, generates only $150 of finance charges and our cost accountants tell us that it costs $150 almost to set a deal up on the books.

Senator TYDINGS. Do you have any idea of the average discount or the amount that Mr. Morgan makes on each account he sends you?