April 11, 1975

Dear Ray:

In our breakfast conversation Wednesday, I neglected to make one point on the possible perverse effect of an unduly harsh disclosure requirement. If banks were required to disclose the amounts of loans on which interest is not currently being accrued, I believe the understandable tendency of bankers would be to avoid such situations.

This could lead to banking decisions that would be counterproductive for the lender, the borrower, and the economy. The essence of an effort to work out a loan problem is that the lender accept some flexibility in the terms of the contract in the interest of obtaining eventual repayment and maintaining a viable customer relationship. If, instead, bankers were to insist on strict adherence to current servicing schedules on all of their loans, the result could well be unnecessary bankruptcies and forced liquidations of assets by borrowers. Surely, such an outcome would not be in the interest of the investor community.

Sincerely yours,

Arthur F. Burns

The Honorable Ray Garrett, Jr.
Chairman
Securities and Exchange Commission
500 North Capitol Street
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JCP/NB:slc