

Mr. SALERNO. Analyzing how the client and the loan shark come to meet each other reveals an interesting pattern. At first there is a dependency on "word-of-mouth advertising," with the loan shark making it known through this medium that money is available. But then there is progress. Business cards are printed and distributed. Business offices are established and advertised as enterprises involved in something close to business factoring.

Finally there is discovered the use of agents to whom "finders fees" are paid for the promulgation of new business. Here there is a parallel to methods of operation which are employed in the illegal drug market. A person once addicted and "hooked," and now facing difficulty in paying for his supply of drugs is encouraged to find (or make) new clients, the benefit being that his purchases will become sizable and his own supply will be paid for by the "profit" he will make as a distributor. And so the addict-pusher is born.

This very same thing happens in loan sharking. A borrower who has difficulty in meeting the exorbitant interest rates (that is, 5 percent per week), will be offered a credit allowance of 1 percent per week for each new customer he can provide. If he can develop five new borrowers, each borrowing a sum equal to his own loan, he will get credit for all of his own interest, and the loan shark will have increased his interest income by 400 percent.

There was a documented case in New York where a bank loan officer was corrupted through the payment of a finders fee in the form of a single payment Christmas present of comparatively modest proportions. At the very same time that this official would deny credit to an applicant he would point out the loan shark (who operated within the four walls of the bank) as a person who might be able to help the desperate borrower.

Another line of progress that can be traced would show that loan sharks definitely parallel the functions of banks and other lending institutions. There have been evidences of money being borrowed from banks at regular rates of interest by people who then introduce the funds into the loan shark market. The ultimate step is arrived at (and it has arrived) when a proprietary interest or control of a bank is effected. There has been testimony before congressional committees of at least one bank failure which was contributed to by sizable loans made to persons connected with organized crime.

It is difficult to understand all of the ramifications of loan sharking by lifting it out of context and studying it in the abstract. A better understanding can be arrived at through consideration of its actual role as one of many illegal activities being operated by organized criminal groups. There is a flow of benefits from loan sharking to these other activities and a reverse flow back to loan sharking.

Loan sharking and gambling cannot be separated. Gambling is very often the medium by which the successful businessman (but unsuccessful gambler) is introduced to loan sharking. Case histories reveal that it was through loan sharking that a salesman was forced to take employment in a "bucket shop" operation in the securities field. Loan shark indebtedness forced an employee of a brokerage firm to attempt to sell stolen securities. A personality from the entertainment field is induced to steer affluent acquaintances into a "rigged" high-stakes dice game. There has even been an arrest of a drug pusher who had possession of loan shark records.