

need for any tremendous increase in agents. Federal agents now working in different agencies are treating with people who are playing an important role in loan sharking.

The CHAIRMAN. On that point—is it your judgment that much of this money which these loan sharks use travels on an interstate basis—could it be considered in interstate commerce, so there would be some basis for a Federal statute?

Mr. SALERNO. Oh, yes. I do not believe we have any difficulty whatsoever in establishing a Federal jurisdiction—from the actual flow of the money across State lines, or being loaned to people who are engaged in interstate commerce at the present time.

I believe that a Federal loan shark statute would be a welcome weapon which lends itself to the strike force effort against organized crime and the coordinated program of Federal law enforcement.

One of the questions that often arises with regard to loan sharking is the one concerning collateral. The basic collateral is the physical and economic welfare of the borrower. Not all loan sharks are members of criminal organizations, but the fact that those who are can better employ fear is the factor which makes their operation so successful.

Other illegal competitors cannot duplicate this important factor to the same degree. The element of fear is what enables the loan shark to collect interest ranging from 85 percent per annum to several hundred percent per annum, and this from borrowers who have been classified as poor business risks by regular lending agencies. The fear of physical harm when the borrower knows that the money borrowed came from "the mob" is so successfully employed that the actual physical violence is seldom necessary. The fear has proven to be more than sufficient in most cases.

The very same fear affords an additional advantage. It prevents the borrower from being a complainant who will report the threat or the violence when it does happen. If law enforcers had to rely upon the number of people who have voluntarily come forward to report, it would be difficult to prove that loan sharking even exists as a major problem at any level of law enforcement. Most times the discovery arises as the result of some other related investigation.

Therefore it is recommended that some consideration be given to including in a statute a violation of law which can be established on the basis of written records alone, if they can be established to be loan shark records. A proper seizure of such records may not be accompanied by the identification of borrowers, or the testimony of the borrower may not be obtainable.

I have submitted to the committee for its files these two pages which are actual records kept by a loan shark himself. From the point of view of letting you see that the records can be very detailed and very extensive. These records were seized in a case which was prosecuted in the Commonwealth of Pennsylvania, successfully, I might add.

A cursory analysis of these records would indicate that the average balance maintained by the borrower was \$1,600—during a period of 3 years and 3 months. During that period of 3 years and 3 months, the borrower has made payments totaling more than \$33,000. At the end of the 3 years and 3 months, he still has reduced the principal only \$400. He borrowed \$1,600—\$1,600 an average balance. He still owes \$1,200, although he has made various payments totaling more than