

\$33,000. Of these payments, \$7,000 was interest and penalty charges in the period of 3 years and 3 months. The record is interrupted at the final point only because of the arrest of the loan shark.

Approximately halfway during this period of 3 years and 3 months, the loan shark has his own money totally out of the picture. All of the money that is being borrowed and paid back and forth for the remaining year and a half or more is now entirely the borrower's money and his interest, being borrowed back and forth. The point I am trying to make is that if a loan shark started with a loan of \$1,000, a year and half later he has totally recovered his out-of-pocket expenses. He is still earning interest rates of 100, 120, and 135 percent per annum. At the same time that this indebtedness is continuing, the original \$1,000 has been loaned somewhere else, and is earning an additional 135 percent. So that you can see why it is such a lucrative business.

At one point, on the first page, the upper right-hand box, alongside of the date of December 5, you will see a sum of \$1,000 borrowed, and the loan shark has written, "Due December 9." This in the vernacular is called a "shortie." It is a short-term loan put into the long-term running one of 3 years. This will only be for 4 days—from December 5 to December 9. The charge for the "shortie" is 2 percent for 4 days. Two percent for 4 days comes to 182 percent interest on that amount—he is charging \$20 on a thousand for 4 days' use of the money.

The CHAIRMAN. Being the devil's advocate for a moment, we do not know what the fellow borrowed the money for, for the 4 days, but could it be possible that if he ran a restaurant, and he could not borrow money—

Mr. SALERNO. I can enlighten you on that, Senator. The gentleman who was the borrower in this case did testify in this prosecution. He was a businessman. He was involved in the business of selling antiques. He is pretty good at elementary mathematics, and he was quite aware of the percentages that I have cited to you. He testified in court that he was aware he was paying a very high rate, but that his particular type of business, dealing in antiques, did not lend itself to obtaining loans of money for purchases and sales that he had to make in very short order from regular lending institutions. He felt that this was the only medium through which he could obtain moneys; he needed them immediately, on a short-term basis usually, and that he was willing to pay the rates of interest that I have indicated. He even agreed that this in a sense made the loan shark his partner, because sometimes the loan shark was enjoying as much profit from the transaction as the dealer was from dealing in antiques. But he took the feeling that 50 percent of something was better than a hundred percent of nothing. So he was a businessman, and that was the use that he described he was making of the money.

The CHAIRMAN. Did he know, for example, the man from whom he borrowed the money—he was not interested, of course, in how that man got the money. These fellows do not care, I presume, whether or not they deal with racketeers or gamblers, as long as they have the money.

Mr. SALERNO. It goes just one step beyond that. It is not only they do not care. Sometimes they have an awareness—they prefer not to be officially aware of it. They don't like to feel that they are borrowing