

checks. He would—if he gave out, for example, \$1,000, he would take 12 checks for \$100 each, dated 1 week apart. This had the benefit of there never having to be contact between him and the borrower again. The borrower would simply put \$100 each week into the checking account, and each week the loan shark knew that that one check was good, so they never had to meet each other again. This reduces any risk that he might have to run of constant contact. A good loan shark does not look like a milkman making the rounds each week—not at all. He seeks to minimize contact. And this is one of the ways he can do it.

He would then take a check, which might be made out to cash, for a hundred dollars—the next borrower—if he came along, and all those 12 checks were good, if he wanted to borrow \$2,000, the loan shark would add \$800 in cash, and give the next borrower the first borrower's \$1,200.

It has the name of the maker of the check on it. It may have the name of the second borrower. But the loan shark's name never appears on that check. So he has minimized any clear and immediate identification of himself.

Now, the question arises—

The CHAIRMAN. When he went in to cash the check, did the bank not require some identification at that point; did he not have to sign it?

Mr. SALERNO. No. Eventually he would try to pass the checks from one borrower to another. Of course he would be taking checks from the second borrower. Eventually he ends up with a great many checks which he now wants to convert to cash. He would use the medium of a check-cashing concern—one that goes to the bank every day with tremendous sums of checks, and gets tremendous sums in cash from a regular lending institution. He would have the checks endorsed in just about any old name. The check casher would put an identifying mark on the back of the check to know that these came from loan shark A let us say. If any of them should bounce, he would have to know who gave it to him. And he had a little identification mark up in the corner. This particular check casher was serving several loan sharks in this way. But that was their ultimate medium of depositing huge sums of checks, getting huge sums of cash out of regular lending institutions without drawing any unusual attention to them.

The CHAIRMAN. All right, sir.

Senator Nelson?

Senator NELSON. Is this a check-cashing service business of some kind?

Mr. SALERNO. Yes. There is usually a modest fee charged, 25 or 35 cents, to cash checks for different people who may be paid in check form.

Senator NELSON. Is this a legitimate business?

Mr. SALERNO. Yes, sir, it is.

Senator NELSON. But some of them also have associations with loan sharks?

Mr. SALERNO. Some of them do, yes.

Senator NELSON. Is the check-cashing organization the guarantor to the bank that the check is good?

Mr. SALERNO. Yes.

Senator NELSON. In other words, instead of the owner of the check endorsing it, the check-cashing agency itself stands behind the check,