

and the bank, relying upon their reputation, would go to the check-cashing agency to collect in the event there were not sufficient funds to pay that check. Is that the way it works?

Mr. SALERNO. That is right. And that is why the check casher himself would have to have a little identification code on the back of the check to remember which loan shark he had gotten it from, so he could go back to him if the check should be without sufficient funds.

Senator NELSON. When you say identification on the back of the check, are you referring to a pencilled note?

Mr. SALERNO. Yes. It might be a little "c" in a circle. It might be two little "xx's" in a specific part of the check. It is a little code of his own.

Senator NELSON. If a businessman had borrowed from a loan shark, and if the businessman's records were confiscated, could you then trace it back to the loan shark by going through the cashing agency, and the identification on the back of the check?

Mr. SALERNO. Yes, you could. If you could establish which code related to which loan shark. You would have to establish a relationship between the two. If you had the testimony of the man who uttered the check, you really would not need very much of anything else—if you had his testimony.

Senator NELSON. Thank you.

The CHAIRMAN. Thank you very much, Mr. Salerno.

Senator Hatfield?

Senator HATFIELD. Mr. Salerno, in the first part of your testimony you indicate that there has been new legislation in two States, New York and Illinois. Could you give us an evaluation of what kind of results have occurred following the passing of this State legislation? How effective it has been?

Mr. SALERNO. Yes. In my own opinion, it has not been as effective as I had hoped it would be.

I do believe that there are some understandable reasons for this. I think it kind of serves to point out that you just cannot pass a law, and all by itself gain the full effectiveness of that law. For example, one of my feelings is that the new statutes, and how they could be enforced, have never been properly introduced into police training widely enough. I find any number of people in law enforcement, in the State of New York, for example who are not aware. I have actually known of searches being conducted pursuant to a search warrant where someone may be intent on looking for narcotics, let us say, and they are throwing away all these worthless papers, getting them out of the way to look for that narcotic, and they do not realize they are looking at loan shark records. If they were aware of that, they could go back to the court and obtain a search warrant for loan shark records, and come back and effect a case.

One of the reasons I believe that the statute has not been effective is that one—I do not think it has been introduced into the police training sufficiently, so that you have a new law and not enough awareness about how to develop such a case. The operations of a loan shark, as I have described them to you so very briefly this morning, may very well give you gentlemen of this committee a better idea of how loan sharking operates than some people in law enforcement may have.