

this committee regarding a serious problem with which we are confronted today, the steadily increasing activity of loan sharks throughout the United States.

Loan sharking, which is the lending of money at a usurious rate of interest, is not now a violation of Federal law. The Federal Government's interest in this activity stems from the significant role loan sharking plays in organized crime. By organized crime, I am referring to criminal syndicates which have national and international ties and which conduct their illegal activities on a daily basis over an extended period of time, in an atmosphere of relative safety.

For the most part, when I refer to organized crime, I am referring to the largest criminal organization in the United States, Cosa Nostra, which in order to put its illgotten gains to work engages in substantial loan-sharking activity.

There are no Federal usury laws; and thus, there is no direct jurisdictional basis on which to predicate a Federal investigation into loan sharking. We have, however, looked into loan-sharking activities particularly as they relate to the activities of Cosa Nostra, but only for intelligence use, but to uncover possible violations of the Federal income tax laws and the interstate extortion statutes.

It has not been a very profitable venture. In terms of extortion, if the facilities of commerce are used, and if there are threats of force and violence employed in the collection of money, we perhaps have a violation of the several Federal extortion statutes. I regret to say, while there have been some few successes, this has not been a very profitable venture. Our intelligence information indicates that the loan shark has gained a foothold in the legitimate business community. Those businessmen whose credit ratings are unsatisfactory or who are without adequate collateral are easy prey for the loan sharks who are only too willing and too able to make loans to substandard risks. The loan shark is quite ready to take over the debtor's business upon his default in his payments of either the principal or the outrageous interest charged.

It is difficult to estimate the total amount of money placed out on loan by loan sharks. One individual apprehended had notes on his person which reflected he had several hundred thousand dollars out on loan at a given period of time. But, by and large, I think the estimates are largely guesses, based upon insufficient data.

I do not know any way that we can correct this.

Whether or not there ought to be a Federal usury statute is a problem with which I have a great deal of difficulty.

The scope of a Federal usury statute would take Federal Government investigative processes far and wide. I think, at least from my own point of view, that that responsibility should be left to the States.

On the other hand, I am vitally interested in additional jurisdictional predicates that will enable us to move into the money-lending activities of organized criminal syndicates.

In New York City alone—and when we refer to New York, it is only because they have been very helpful to all of us—we have identified over 120 individuals in Cosa Nostra who are engaged in loan-sharking activities. For all practical purposes, however, our efforts stop there. We have had some surveillance of loan sharks that I must just describe for you. After we identified the loan sharks, we would place them under surveillance, we would observe everyone they come in contact