Usually this is an individual in a bank that is himself deeply involved with a loan shark, and is permitting them to do this, in order to get out from under.

More often than not, it is to cover up some embezzlement which has been taken from the bank, and the employee is unable to return it to the bank, because his investment or speculation did not work out. He needs immediately a certain amount of money to put back in, lest he be apprehended. He gets this from a loan shark, and then falls into the clutches of that loan shark. This of course parallels the difficulty of a public official. There was recently a reference in the paper to a loan shark which our office arrested last week who was one of the individuals who lent money to Mr. James Marcus, formerly the water commissioner of New York City presently under State and Federal indictment.

I give you that just as an example.

The CHAIRMAN. All right, thank you.

Now, we have Inspector Cottell. Are you ready to testify, sir?

Mr. COTTELL. Yes, sir.

The CHAIRMAN. All right. You may proceed.

STATEMENT OF LOUIS C. COTTELL, CHIEF, CENTRAL INVESTIGATION BUREAU, NEW YORK POLICE DEPARTMENT, NEW YORK N.Y.

Mr. COTTELL. Mr. Chairman, members of the committee, I bring you the best wishes of Commissioner Howard Leary, and his fervent hope that the New York City Police Department might be able make a meaningful contribution to the work of the committee. As for myself, I thank you, gentlemen, for the privilege of appearing before you.

Organized crime has often been referred to as an iceberg—a small portion shows above the surface, the major portion lies hidden in a cloak of secrecy, which we are just beginning to penetrate. Of all crimes engaged in by major crime organizations, loan sharking is in itself an iceberg on which literally thousands of small businesses have foundered. Today, loan sharking equals, if not surpasses, gambling as a source of revenue for the underworld.

In gambling, you need expertise; you need an office, you need runners, controllers, bank workers; you need an organization, which will give you access to the line; and the ability to lay off certain hits. In loan sharking, you need none of them. All you need is money—and money is readily available to the underworld.

The criminal hierarchy has a very simple organizational setup by which the money flows from the top to the ultimate borrower. The boss of a family will give his trusted lieutenant a sum of money to push out for him—"put it to work" is the term they use. It is then no longer any concern of his how the money is handled. He will thereafter receive a 1 percent a week "vigorish." Vigorish is the term used to denote interest on a usurious loan.

The lieutenant will then deal with several subordinate members of the organization, who are going to have the direct contact with the borrowers. For this, the second echelon will receive 2 to 2½ percent