

annual rate of interest in excess of 20% annually. It generally forbids anyone to engage in commercial lending without being duly licensed by the State. Violation of this law is liable to a penitentiary term of maximum 5 years.

In 1967 we attempted unsuccessfully to amend the law to include provisions making possession of loan sharking records illegal per se, and to compel licensing and control of acceptance and factoring companies. We also failed to have the criminal usury law also cover indebtedness. For example, our State law does not yet consider a gambling debt as being a loan. Consequently, a gambling debt converted into a juice debt, is not legally a violation of our criminal usury statute.

We were also unable to secure passage of still another amendment making it unlawful for even a licensed lending institution to charge more than 20% annual interest rate.

We also proposed that some business loans, now exempt from licensing, be compelled to charge no more than 20% annually.

RECOMMENDATIONS

I would recommend the following for your consideration:

(1) Draft a model, uniform criminal usury law for distribution to the Governor, legislative bodies, and Attorneys General of every State.

(2) Include in the model law the substance of the existing Illinois criminal usury law, a copy of which I will give you. A copy of the New York State Law would also be very helpful.

(3) Include the amendments we attempted to pass in the 1967 General Assembly. I also brought them with me.

(4) Study the advisability of provisions making violators, upon conviction, liable for treble damages based on amounts of money paid in excess of 20% annually.

(5) Passage of a federal law to provide financial assistance to state authorities, upon approval and certification by the United States Attorney for the appropriate federal, judicial district, in relation to state prosecutions for violation of criminal usury laws. Such financial assistance should be limited to subsistence, housing and transportation for complainants and their dependents, whenever such assistance is essential for a successful court prosecution and state authorities lack sufficient financing.

(6) Passage of a federal law making criminal usury a felony when a person or persons have travelled across state borders in furtherance of this activity. Perhaps an amendment could be made to the Interstate Travel in Aid of Racketeering statute.

I would add parenthetically that this would not be in lieu of responsibilities of state governments to enforce their own criminal usury laws, but rather supplemental thereto.

(7) Amend the Small Business Act to provide that recipients of Small Business Administration loans engaged in any phase of money lending activities, can not charge more than 20% interest annually, under penalty of imprisonment. Loan applications could include this requirement.

(8) Another amendment could be that any person, group or company convicted of criminal usury in state or federal court be ineligible to apply for or receive a loan from the Small Business Administration for the next 10 years.

(9) Local offices of the Small Business Administration should be encouraged to screen questionable loan applicants with federal and state law enforcement agencies.

(10) Section 8 of the Small Business Act provides for the dissemination of information concerning the managing, financing, and operation of small business enterprises. Perhaps it can be amended to include dissemination of information concerning criminal usury activities to encourage small business to apply for loans from the Small Business Administration rather than go to the juice racketeers.

(11) Section 7 of the Small Business Act provides for research grants. You may wish to amend this section to authorize such grants for studies of existing state usury laws.

In conclusion, juice or criminal usury racketeers seriously encroach upon small business men engaged in the legitimate field of money lending. Loan sharks deprive legitimate business of millions of dollars of income. Loan sharking is on the incline, with the accompanying threat of robbing more millions from more small business men.

The urgency to suppress the juice loan racket conforms with the policy of Congress, as expressed in Section 1 of the Small Business Act which states in part: