

Loan Sharks Get Lashing From Legislature; Due to Get More

By CHARLES CHAPEL, Assemblyman, 46th District

During the 1955 session of the California State Legislature, I introduced my Assembly Bill No. 3192, which was probably the first anti-loan shark bill ever enacted in California. It became a law that year as part of the Business and Professions Code.

Two years later, in 1957, I introduced my Assembly Bill No. 1034, another bill to curb the activities of loan sharks, and this also became a law. It was necessary to enact this second law because the loan sharks had found numerous ways to continue their nefarious activities and still avoid violating either of the two laws I had authored and pushed through to final enactment.

Incidentally, both of these laws had the full support of the California Real Estate Assn., banks, savings and loan institutions, chambers of commerce, better business bureaus in many cities, employers, and labor unions.

THE TERM "loan shark" is the popular term for dealers in second mortgages and trust deeds who are unethical. Actually, there are many honest dealers in second mortgages and trust deeds but the dishonest operators were fleecing needy borrowers and eventually they also cheated people who bought the second mortgages and trust deeds as an investment.

Recently the newspapers have all carried stories of the conviction and sentencing to the penitentiary of "10 per centers." That is the current name for the individuals and organizations popularly called "loan sharks" when my bills were enacted into law in 1955 and 1957.

THE WAY the term "10 per center" originated is simple. The loan sharks openly advertised in reputable newspapers that they guaranteed to pay 10 per cent interest on money deposited with them by investors who would in turn receive second mortgages or trust deeds.

Naturally, people wondered how the loan sharks could afford to pay 10 per cent interest on invested money when the upper legal rate for interest in California is 10 per cent.

The answer is that the borrower in theory only paid 10 per cent interest in order to comply with the law, but he actually paid anywhere from 18 to 35 per cent. This was done by means of a series of special charges. There would be a charge for appraising his property, another for a title search, and several other items for "service charges." Furthermore, the borrower did not receive the face value of his loan.

FOR EXAMPLE, one man needed \$5,000 to pay surgeons, a hospital, and an undertaker because his wife had cancer, spent several weeks in a hospital, and died. He signed documents placing a second mortgage on his home because he had borrowed all he could with a first mortgage and no reputable lending institution would let him have money on a second mortgage.

He received about \$4,000 in cash when he left the office of the loan shark. He did not read the fine print in the documents he signed and assumed that he would pay only 10 per cent interest on the loan, but before he paid off the second mortgage he had to give the loan sharks \$7,000. This was in addition to the \$1,000 they had subtracted before he left their office. In this case, the unfortunate man paid about 200 per cent interest.

ONE OF THE tricks in the loan shark business is the "balloon payment." The borrower pays a comparatively low monthly amount to the loan shark for the first year or two and then, during the third year, he must pay a large sum. If he fails to pay the large sum, then the whole loan becomes immediately due and payable and if the borrower cannot produce the money, he

loses title to his home. Of course, in this case the loan shark must pay off the first mortgage to gain a clear title, but the loan shark figures on this at the time he makes the loan.

Labor and management supported anti-loan shark bills because the loan sharks would attach the wages of an employed person if he did not keep up his monthly payments. This irritated the employer who did not always understand the situ-

ation and sometimes discharged the employee as being an irresponsible person, especially if the employee had a responsible job calling for good character and financial stability.

WHEN DISCHARGED, the employee complained to his union and the union leaders complained to management. An investigation would follow and the discharged employee might or might not get his

job back, but in the meantime he was subjected to mental stress which did not contribute to his efficiency either on his old job or any new job he obtained.

The passage of my two pioneer laws regulating loan sharks or "10 per centers" did not cure the evil because the loan sharks developed new methods of evading these laws.

Since the enactment of my second law in 1957, there have been several other laws enacted for the same purpose, and I prophesy that the problem will be before the legislature again in 1963.

Friends Group To Meet Sunday

Marloma Friends Group (Quaker) will meet Sunday at the home of Mr. and Mrs. Robert Mayers, 2416 Alma, San Pedro. An unprogrammed worship will begin at 10:30 a.m., followed at 11 by a discussion on Friends' philosophy in foreign aid and technical assistance. A potluck luncheon will be served afterwards.

Those interested in attending are asked to inform the hosts before Sunday.

Classes in Reading Set For Summer

Summer session enrollments for a special co-educational course in "Speed Reading" are now being taken at Marymount College, Palos Verdes Estates, Mother M. du Sacre Coeur, president, has announced.

Reading specialist Dan Rosenwasser said the course was being offered during the summer months in order to serve those persons who are unable to make the necessary arrangements during the regular school terms.

"We feel that persons of

any age have numerous opportunities open to them through marked increases in their reading speed and comprehension," Rosenwasser explained.

"Students are able to do their homework faster, and understand their assignments better, while gaining additional time for recreation."

"ADULTS can increase their pleasure reading or, as in cases of numerous business executives who take our course, cut down on the time

spent reading various documents, thereby increasing the time which can be spent on other projects."

The Dan/Ro System, now in its sixth year of operation, is recommended by leading educational institutions and prominent Southern California business firms.

The summer session will begin on June 25. Complete details may be obtained from the director of summer sessions, Marymount College, Palos Verdes Estates.

SEGO CAN
MILK
SMALL CAN **5** ea.

Pillsbury Flour
5 LB. BAG **39**^c

DAILY DIET
DOG FOOD
1-LB. CAN **5** ea.

CIRCUS
PEANUT BUTTER
1-LB. JAR **45**^c

QUALITY MEATS
ROUND STEAK
Full-Cut - Bone-in **79**^c lb.

Thick Cut **Swiss Steak** **75**^c lb.

M.J.B. COFFEE
REGULAR or DRIP GRINDS **63**^c lb.
INSTANT COFFEE - 6-oz. **79**^c

RUMP ROAST **75**^c
BONE-IN
FARMER JOHN - SKINLESS **SAUSAGE** 1/2-LB. PKG. **25**^c

FRESH GROUND **ROUND STEAK** **79**^c lb.
BOLOGNA BY THE PIECE **39**^c lb.
SLICED 45c lb.

CAMPBELL'S
TOMATO SOUP
10 1/2-OZ. CAN
3 For 33^c

Milani's Italian Dressing
8-oz. Bottle **2 FOR 39**^c
1/2 PRICE SALE

FARMER JOHN **TABLE BRAND BACON** **49**^c lb.

ORANGE JUICE
Treesweet 46-oz. Can **2 FOR 89**^c

SPAGHETTI SAUCE
LAWRY'S PKG. **2 FOR 39**^c

Fresh Fruits & Vegetables
Large Selected NEW CROP WHITE ROSE **POTATOES** **8** lb. Cello Bag **35**^c

White King "D"
GIANT SIZE **59**^c

AIR FRESHENER
GLADE MIST **49**^c
7-oz. Can

Sweet Juicy Florida Valencia **ORANGES** **10**^c lb.

ITALIAN SQUASH
Extra Fancy Garden Fresh **2 lbs. 25**^c

NIAGRA - INSTANT LIQUID
SPRAY STARCH **59**^c

SEGO LIQUID DIET 29c
C & H SUGAR - 5-lbs. 51c
CALO CAT FOOD - 8-oz. 3/31c
DOLE SLICED PINEAPPLE 39c
FRADELIS FROZEN DINNERS 59c

LONG GREEN - FRESH **CUCUMBERS** **2 For 15**^c

GERBER'S STRAINED **BABY FOODS**
New Glass Jars With TWIST OFF LIDS . . . **3 FOR 33**^c

NABISCO GRAHAM CRACKERS - lb. 37c
SUNSHINE HYDROX - 6-oz. 25c
SCOTTOWELS - Jumbo Size 33c
SCOTTIES FACIAL TISSUE - 400 Count 25c
SCOTTISSUE BATH TISSUE 2/25c

DELICATESSEN DEPT.
GOLDEN CREME 2-LB. LOAF **CHEESE SPREAD** **59**^c lb.
OR NATURAL SWISS **CHEESE**
5-OZ. PKG. **4 FOR \$1**

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