

FRAUD ALERT

OIG Information Bulletin No. 4

BEWARE OF LOAN SHARKS!

The Office of the Inspector General would like to make you aware of a criminal enterprise known as Loan Sharking. Loan Sharking is defined as the practice of loaning out money at excessive and usurious interest rates and threatening extortion to get repayment.

California law allows parties to contract for interest on a loan primarily for personal, family or household purposes at a rate not exceeding 10% per year. Usury is the charging of interest in excess of that allowed by law. There are many exceptions to the general rules of usury. If you are interested in learning more, check out the California Attorney General's website at www.caag.state.ca.us.

Don't be a Victim of Loan Sharking!

Often, Loan Sharking occurs when borrowers have poor credit, or they'd prefer to not go through the process of applying for a loan. Loan Sharks ask few questions. The speed and certainty of Loan Shark money matters more than the high interest rate that is charged. A New York Times article stated that, "Loan Sharks often portray themselves as ordinary businessmen providing a service where their mainstream competitors fear to tread."

Loan Sharks will use any means to collect loan payments including hounding borrowers at their jobs. Also, it must be remembered that Loan Sharking is a criminal activity, and sometimes this activity will turn violent. The OIG advises that you stay away from it.

Law enforcement officials warn against getting involved in this risky business. For example, the New Jersey State Attorney General states, "Loan sharking is a disease that afflicts those in the community who are unable to secure loans through normal business channels. Once a person is in debt to a loan shark, there is no escape from the evil."