

Mafia Links to U. S. Business Unit Found

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NEW ORLEANS — Known underworld figures in this area have for years enjoyed a cozy relationship with the local office of the Small Business Administration and have been able to obtain loans easily, an investigation by the New York Times has found.

The relationship has resulted in millions of dollars in Federal funds going to persons with known Mafia backgrounds and their associates, to the consternation of law enforcement authorities concerned about underworld figures using legitimate businesses as fronts. The investigation included the checking of names of hundreds of loan recipients with local and Federal law enforcement officials, as well as with other authoritative sources here and elsewhere who are knowledgeable about Louisiana's underworld activities.

Interviews here with former employes of the S.B.A. and with persons who have had extensive dealings with the agency further corroborated the findings of The Times.

The agency is under investigation nationwide by at least a half-dozen bodies, including the Small Business Subcommittee of the House Banking and Currency Committee, the Federal Bureau of Investigation, the General Accounting Office and the Civil Service Commission. Allegations against the agency range from mismanagement of funds to political and financial corruption.

Regulations of the S.B.A. prohibit funds to persons with criminal records and to persons involved in underworld activity.

Repayments Ordered

Law enforcement and S.B.A. officials said that several underworld figures here had been prosecuted or ordered to repay the agency in connection with the receipt of millions of dollars worth of loans fraudulently.

They included Anthony Paul Marullo and John Labruzzo, who received \$100,000 each after Hurricane Betsy struck the area in 1965. Mr. Marullo has an extensive police record dating back to 1933 that includes charges of narcotics violations, theft of postal money orders and pandering.

More recently, loans went to Frank Occhipinti and John Campo, both long associated with underworld activities in New Orleans. Mr. Occhipinti is a cousin of Carlos Marcello, reputed underworld boss of the area.

Other loans have gone to Nofio Pecora, who got \$210,000, and Angelo and Jerome Comforto, who got \$15,000 each. They were also reported by law enforcement officials to be associates of Mr. Marcello.

After scandals following Hurricanes Betsy and Camille in the late 1960's and early 1970's, the S.B.A. ordered a shakeup in the New Orleans office. A new director, William F. Murfin, was transferred from Washington headquarters to conduct the cleanup. Several



persons were transferred to other S.B.A. offices and some loan officers and their duties were shifted within the local office.

The earlier scandals involved loans that exceeded \$1-million to persons with known underworld ties.

Mr. Murfin denied in an in-

terview that underworld figures any longer had easy access to loans through the New Orleans office; he said loans to Mafia members had been stopped.

Nevertheless, the investigation by The Times tended to confirm reports to members of the House Small Business Subcommittee that such loans were still being made and that underworld activity in connection with the S.B.A. had never ceased.

For example, Federal loans have gone to the following persons, identified by law enforcement authorities as either being a part of the underworld or associated closely with it:

James Dale Guidry and Gene Anthony Guidry, brothers, of nearby Galliano, \$325,000. The Liuzza family — Peter Nicholas and Vincent Sr. and Jr., \$200,000.

R. R. Martinez, \$72,000. Joseph Pete Giardina, \$20,000. Joseph John Arnone, \$10,000.

And such companies as the Port Marina in Lafayette, Club Villa in Harvey and the American Heritage Art Company in New Orleans.

Thomas S. Kleppe, S.B.A. administrator, and other officials have repeatedly denied the charges. Nevertheless, Mr. Kleppe has acted on some of the charges, dismissing several officials and prohibiting certain banks from handling agency loans.

The House Subcommittee will resume a public inquiry in March into the charges. One committee source said that investigators would present new findings of further corruption in more cities than the 22 it has already named so far. The number of cities where abuse of S.B.A. programs has been found is well over 30, a source said. This includes nearly every major city in the country.

Calls from 'Mafia Types'

In New Orleans, a former loan officer who asked not to be identified conceded that he had handled loans to underworld figures, a practice that he said his superiors were aware of. Further, he said that despite the cleanup by the S.B.A. some of the loan officers who had approved such funds were still on the New Orleans staff.

"I used to get phone calls from Mafia types saying they needed loans," the former loan officer said in an interview. "Some of their requests were approved over the phone." He continued:

"The requests ranged from

\$90,000 to a half-million dollars.

I was approached six times for loans by known underworld characters, and I know four of them were approved.

"I had some questions about the request and I moved too slow or turned them down. So these characters went over my head to my director, and they were approved. I remember one time the director came to me and chided me because he said those guys had complained about me."

The loan officer further said he had been offered bribes by underworld figures and was aware that others in the office had received similar offers. He said he had always refused to accept the offers.

He described his participation in a controversial request, which he said he turned down, that was decided in a typical underworld setting. The scene was a dark, abandoned building on Canal Street in downtown New Orleans.

"They [underworld figures] were putting heavy pressure on me to approve a loan for a deal they were involved in, and I was resisting," the former S.B.A. employe related.

"So this meeting was set up where we were to have a final go at it and talk things over. I took my gun with me and was prepared to shoot it out with them because I thought they were planning to kill me. They got the loan anyway."

More Traditional Businesses

Law enforcement officials in New Orleans said they had been disturbed about the easy access underworld figures had to Federal funds. The feeling was that the Federal money gave underworld figures the appearance of legitimacy.

"Typically, the mob uses the money to finance their front businesses," said Aaron Kohn, managing director of the Metropolitan Crime Commission, which keeps track of organized crime activity in Louisiana.

"These funds allow them not only to go into such traditional Mafia business fronts as motels, restaurants, night clubs and the entertainment field," he continued, "but they are now moving into new areas such as gift and specialty shops, land purchase, apartment building construction and even building nursing homes and breeding horses. And that concerns us.

"Even though they have plenty of capital, they can't afford to let it surface without a good reason that the Internal Revenue Service would buy. They're barred from banks, so they try to obtain legitimate funding from Federal agencies. They use any method they can to establish on the record a legitimate use for their illegitimate money."

In an interview, Mr. Murfin, the S.B.A. New Orleans director, said he believed the local office had been kept "pretty clear of Mafia influence," mainly by clearing each applicant through the Federal Bureau of Investigation, as required by S.B.A. regulations.

However, he acknowledged

that some bad loans might have slipped through.

One law enforcement official explained that in Louisiana "The mob is so much a part of the landscape historically that everybody takes it for granted that little is untouched by the underworld. As a matter of fact, the underworld and the rest of society here are so close that there is a thin line of demarcation."

From 124 to 65 Employees

The S.B.A. staff here was drastically reduced after the scandals. Mr. Murfin said there were 124 employes just before he took over in 1970, compared with 65 now handling five times the number of loans as then.

"But I don't know honestly how many of them were transferred because of the scandals," he said.

Mr. Murfin said that he had made some internal changes when he took over, such as transferring loan officers from processing to servicing loans.

Regarding the pervasive activity of the underworld here, Mr. Murfin commented:

"Louisiana may be the last of the really corrupt states. It has come a long way, but has a long way to go. I think we've improved our handling of requests from the Mafia set. I think we have fairly good controls now. There are no political loans and none of our loan officers are subjected to political pressures."

He added that loans were not turned down because "some one might know somebody who is crooked."

"We get a lot of reports like that, but usually it's by someone who doesn't want the competition to get a loan," he said. "We're a little more aware of the problem because of what happened in the past."