



Americans for Financial Reform
1629 K St NW, 10th Floor, Washington, DC, 20006
202.466.1885

Senator
U.S. Senate
Washington, DC 20515
March 25, 2015

Re: Oppose Inhofe Amendment 384 to Budget Resolution and other efforts to restrict Operation Choke Point

Dear Senator:

The undersigned civil rights and consumer organizations urge you to oppose Senator Inhofe's amendment 384 to the budget resolution, S. Con. Res.11, and any other restrictions on the Department of Justice's Operation Choke Point or bank regulator efforts to prevent money laundering for terrorists and drug dealers. DOJ's Operation Choke Point is focused only on banks that help scammers and other illegal activity. Separately, bank regulators enforce the Bank Secrecy Act by requiring banks and credit unions to comply with anti-money laundering rules when their customers deposit large amounts of cash. None of these efforts are aimed at gun dealers or any other legal businesses.

Operation Choke Point targets banks that help to process transactions despite clear evidence of fraud. All three DOJ cases filed to date confirm this: each one involved a bank knowingly facilitating illegal activity. CommerceWest Bank ignored explicit notice from other banks about fraud schemes targeting the elderly, allowing one of its clients to steal tens of millions of dollars from consumers' bank accounts. Plaza Bank's chief operating officer, who was secretly the part-owner of a payment processor, brushed aside warnings from the bank's compliance officer and allowed fraudsters unfettered access to the bank accounts of tens of thousands of consumers. Four Oaks Bank & Trust facilitated illegal payments for a Ponzi scheme, a scam operation targeted by the FTC, and illegal and fraudulent payday loans.

Amendment 384 would permit budget measures to curtail purported programs by bank regulators and Operation Choke Point to pressure banks to stop servicing the accounts of law-abiding firearms businesses. But Operation Choke Point has nothing to do with gun dealers. Not one of the voluminous DOJ documents produced in the House of Representatives' inquiry about Operation Choke Point mentioned a focus on gun dealers. DOJ's focus is entirely on banks that are complicit in payment fraud, which harms consumers and even other banks. According to NACHA, it costs a small bank \$100 to \$500 for each unauthorized payment challenged by its customers, compared to \$5 for a larger bank.

Gun dealers and others with cash-heavy businesses may be impacted by activities to enforce the

Bank Secrecy Act and the Patriot Act. The BSA has long required financial institutions to take steps to know their customers and to prevent the laundering of cash. Banks that have failed in these duties, like HSBC and BNP Paribas, have helped funnel funds to terrorists, drug cartels and other criminals. When regulators discover lax compliance with money laundering rules, they sometimes require banks or credit unions to close accounts until problems can be fixed, as they should. But bank regulators have made clear that banks with proper controls are not discouraged from serving any lawful business.

DOJ's Operation Choke Point and bank regulators' enforcement of the BSA protect the public from fraud, terrorism, drug dealers and other illegal activity. Congress should not hinder these critical activities in response to irresponsible press headlines.

Yours very truly,

Americans for Financial Reform
Center for Responsible Lending
Consumer Action
Consumer Federation of America
The Leadership Conference on Civil and Human Rights
National Association of Consumer Advocates
National Consumer Law Center (on behalf of its low income clients)
U.S. PIRG