



July 24, 2014

The Honorable Blaine Luetkemeyer  
U.S. House of Representatives  
2440 Rayburn HOB  
Washington, D.C. 20510

***Re: H.R. 4986, the End Operation Choke Point Act of 2014***

Dear Rep. Luetkemeyer:

On behalf of the American Financial Services Association (AFSA) and our more than 350 members, I write in support of your legislation, H.R. 4986, the End Operation Choke Point Act of 2014. AFSA is the national trade association for the consumer credit industry, protecting access to credit and consumer choice. Our members include consumer and commercial finance companies, auto finance/leasing companies, mortgage lenders, mortgage servicers, credit card issuers, industrial banks and industry suppliers.

We applaud your efforts to provide a safe harbor for banks and credit unions legally providing legitimate businesses with access to critical financial services as well as a vehicle to end what is a dangerous and unprecedented use of bureaucratic authority.

### **Operation Choke Point – An Ill-advised and Politically Motivated Campaign**

The ongoing Department of Justice (DOJ) investigation, known as Operation Choke Point, was initiated as a means to root out fraud and protect consumers. As Chairman Goodlatte said in his opening statement at the July 17, 2014 hearing – *Guilty until Proven Innocent? A Study of the Propriety & Legal Authority for the Justice Department’s Operation Choke Point* – “there is no dispute that consumer fraud is a real phenomenon. Approximately 10.8 percent of American adults fell victim to it in 2011. DOJ should enforce the law vigorously on the villains who prey on our most vulnerable.

“There is also no dispute that Operation Choke Point is cutting off some fraudster access to the banking system.

“The bipartisan concern is that there is an unacceptable level of collateral damage.”<sup>1</sup>

Indeed, the unintended consequences of Operation Chokepoint indicate banks are ending relationships with legitimate businesses in industries this overbroad DOJ investigation has labeled as “high-risk” or “undesirable,” rather than actually documenting fraud in a case by

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<sup>1</sup> *Guilty until Proven Innocent? A Study of the Propriety & Legal Authority for the Justice Department’s Operation Choke Point*, Chairman Goodlatte’s opening statement, House Judiciary Committee, Subcommittee on Regulatory Reform, Commercial and Antitrust law, July 17, 2014.

case basis in the industry. Moreover, the rationale used for pressuring banks to end their relationships with licensed businesses appears to coincide with the Administration's political agenda.

Some of the industries deemed as "high-risk" by the DOJ and the bank regulators that they are working with include gun dealers, check cashers, telemarketers and firearms/fireworks vendors, and in one case, a business that leases land to coal mining companies. Allowing federal bureaucrats to pressure banks to remove legitimate businesses from the U.S. banking system based on a political agenda is the 21<sup>st</sup> century's version of a financial witch hunt.

### **Traditional Installment Loans as Collateral Damage**

AFSA's own membership has felt the sting of the broad and dangerous approach the DOJ is taking. We are seeing banks pressured to end relationships with legitimate businesses that offer traditional installment loans – the safest, most responsible, affordable and time-tested form of small-dollar credit available to Americans.

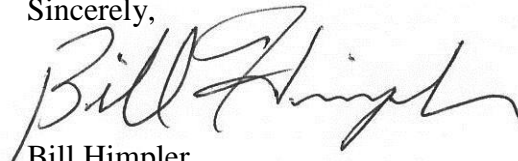
Traditional installment loans provide borrowers with three very distinct and important features –

- 1) The loans are structured to help borrowers meet a financial need that can be met within the borrower's budget;
- 2) Borrowers repay the loan in equal monthly payments and the loans are fully amortizing, meaning that part of each payment pays down the principal as well as the accumulated interest; and
- 3) The loans provide borrowers the opportunity to build a positive credit history.

### **Conclusion**

We support efforts to combat fraud and protect consumers, but Operation Choke Point has become a politically motivated endeavor that is empowering federal bureaucrats to pressure banks to push legitimate businesses out of the banking system and that must end. Thank you for your leadership in sponsoring The End Operation Choke Point Act of 2014. We look forward to working with you on this issue. Please contact me at 202-466-8616 or [bhimpler@afsamail.org](mailto:bhimpler@afsamail.org) with any questions.

Sincerely,



Bill Himpler  
Executive Vice President  
American Financial Services Association