

# THE DAILY CALLER

## Justice Dept. aims to cut ties between banks, payday lenders

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The Department of Justice has launched a behind-closed-doors initiative without the consent of Congress that aims to shut down payday lending companies, which the administration believes are engaging in predatory lending.

Under “Operation Choke Point,” federal prosecutors are trying to thwart payday lenders’ access to money by clamping down on banks who indirectly provide them funds through payment processors, The New York Times reports.

Without access to these funds, many payday lenders are unable to continue offering cash-stricken customers short-term loans.

According to federal officials, the Justice Department is considering civil and criminal actions against dozens of banks, sending out subpoenas to more than 50 payment processors and the banks that do business with them.

Government regulators say that banks deserve to be penalized because they are obligated under the Bank Secrecy Act to thoroughly examine both their customers and the companies their customers do business with to ensure that the parties are not engaging in unscrupulous activities.

Operation Choke Point sets a dangerous precedent by further expanding regulators’ authority and bypassing Congress, opponents say.

“We have given the Treasury and regulators endless power,” says Mark Calabria, the libertarian Cato Institute’s director of financial regulation studies.

Calabria says this initiative demonstrates the administration’s ability to act independently from lawmakers, “There is really no line here. This is the administration making major policy decisions without explicit legislative authority.”

Calabria explained that federal regulators are essentially able to choose which businesses they want to succeed or fail.

“We have given the government so much power over our financial system, the truth is they could put any of us out of business,” he said.

The initiative has also been scrutinized by lawmakers who were disturbed by the shadowy circumstances surrounding the investigation and the possible implications it could have on people in need of money.

In August of 2013, 31 lawmakers sent a letter to Attorney General Eric Holder and FDIC Chairman Martin Gruenberg detailing their concerns, “It has come to our attention that the DOJ and the FDIC are leading a joint effort that according to a DOJ official is intended to ‘change the structures within the financial system ... choking [online short term lenders] off from the very air they need to survive.’”

The letter continued, “We are especially troubled by reports that the DOJ and FDIC are intimidating some community banks and third party payment processors with threats of heightened regulatory scrutiny unless they cease doing business with online lenders. ... As a result, many bank and payment processors are terminating relationships with many of their long-term customers who provide underserved consumers with short-term credit options.”

As one of its first actions under the Operation Choke Point, the Justice Department filed a lawsuit this month against Four Oaks Bank of Four Oaks, N.C., for allegedly being “deliberately ignorant” that it was conducting business with shady merchants.