

# CONVERGENCE

*The Christic Institute*

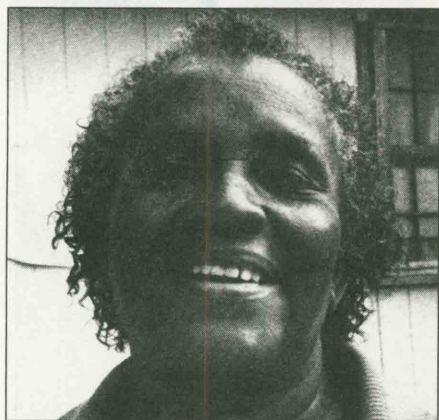
Fall 1990

One Dollar

Washington, D.C.

## S&Ls funded covert operations

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*Covert warriors used  
savings institutions  
to launder money*

By RICK EMRICH

Fearful of the wrath of angry voters, politicians are rushing to minimize the fallout from the savings and loan scandal and to fix blame for the mess on anyone but themselves.

Republicans and Democrats alike were courted by S&L interests and pushed hard to deregulate the industry, ushering in what may become the biggest financial crisis in United States history. George Bush, who chaired the Reagan-Bush Administration's Task Force on Financial Regulation, was the executive branch's chief proponent of deregulation.

Many of these same politicians are now demanding a full investigation of the fraud, mismanagement and insider dealing which brought down the thrift industry.

However, politicians and the news media have almost entirely ignored evidence that covert operators, many of them part of Richard Secord's *contra* support enterprise, used thrifts and other Federally insured financial institutions to fund congressionally prohibited paramilitary operations, leaving taxpayers to pay the bill when the institutions failed.

The evidence suggests that S&L deregulation made it easy for the Secord enterprise to exploit the industry to fund its illegal *contra* resupply operation through sources outside Congressional control.

### Uncovered evidence

In late 1988 Christic Institute investigators uncovered evidence that drug traffickers used dozens of thrifts in several southwestern states to launder cocaine profits destined for the illegal *contra* war in Central America. In February 1990, the link between S&L embezzlers and the *contra* war was publicly exposed by *Houston Post* investigative reporter Pete Brewton. Since then, the *Post* has published a series of reports by Brewton detailing evidence that "at least 27 failed financial institutions—25 S&Ls and two banks—had links to C.I.A. operatives or to organized crime figures with links to the C.I.A."

Each of these financial institutions made "substantial loans" to individuals with links to the C.I.A., organized crime or both, the *Post*

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