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REDACTED VERSION OF DOCUMENT SOUGHT TO BE SEALED PURSUANT TO STIPULATED PROTECTIVE ORDER

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UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF CALIFORNIA

SAN DIEGO DIVISION

IN RE: BANK OF AMERICA CALIFORNIA UNEMPLOYMENT BENEFITS LITIGATION	Case No. 21-MD-02992-GPC-MSB **DECLARATION OF MICHAEL J. LETSON IN SUPPORT OF DEFENDANT BANK OF AMERICA, N.A.'S MOTION FOR PARTIAL SUMMARY JUDGMENT** Date: April 17, 2026 Time: 1:30 p.m. Ctrm: 12A – 12th Floor Judge: Hon. Gonzalo P. Curiel FILED PROVISIONALLY UNDER SEAL PURSUANT TO STIPULATED PROTECTIVE ORDER

I, Michael J. Letson, hereby declare as follows:

1. I am employed by Defendant Bank of America, N.A. (BANA) as Managing Director in Global Financial Crimes (GFC) leading Surveillance and Complex Investigations, and have served in this role since May 2023. Prior to that, I led Detection and Complex Investigations from May 2023 to June 2024, and I served as Head of GFC's Financial Crimes Analytics from February 2019 through May 2023.

2. I make this declaration based upon personal knowledge and belief, upon BANA's records maintained in the ordinary course and scope of business, and upon information gathered from other BANA employees within the scope of their responsibilities. If called to testify as to any of the matters set forth in this declaration, I could and would competently testify thereto.

3. In my role as Managing Director, I manage the GFC business operations group at BANA whose mission is to lead the efforts of the institution to detect and deter criminal misconduct and fraud and support compliance with the Bank Secrecy Act and anti-money laundering (BSA/AML) obligations. Based on my various positions at BANA, especially my current and prior roles with GFC, I am familiar with—and in many instances developed, directed, or implemented—BANA's fraud detection capabilities and efforts, including its use of anti-fraud strategies. Through 2020 to early 2023, I was directly and personally involved in BANA's response to fraud, money laundering, and other crimes specifically targeting BANA's prepaid cards issued as part of State unemployment insurance (UI) programs, including California's Employment Development Department (EDD) UI program.

4. In my role at BANA, I am familiar with BANA's BSA/AML responsibilities, including BANA's obligation as a national bank to detect, to report, and to take reasonable steps not to permit fraud or attempted fraud using BANA's products and systems.

BANA's Fraud Prevention Responsibilities and Strategies

5. As a national bank, BANA has a statutory and regulatory obligation to take efforts not to permit BANA's products and systems—including BANA UI prepaid cards—from being used as instruments of fraud, money laundering, other criminal activities. Under the BSA and other anti-money laundering laws, regulations, and guidance, this includes the requirement to monitor transactions and to report on suspicious financial activity. [redacted]

6. [redacted]

7. Any fraud strategy can impact persons whose card activities or observable characteristics appear to be fraudulent or suspicious but are not, in fact, fraudulent for a particular cardholder. In my experience, it is never BANA's intention to inconvenience valid benefits recipients; however, no fraud strategy is 100% effective at identifying only fraudulent activity. That is in the nature of reasonable strategies (like the Claim Fraud Filter (CFF) described below), which are an important tool used for fraud deterrence across the American economy.

8. At all times when assessing and implementing fraud strategies across all of BANA's products (including UI prepaid cards), [redacted].

9. As a reasonable control to help keep the Bank from being used as a means of fraud, BANA has historically used and continues to use [redacted].

BANA's Observations of Fraud During the Pandemic

10. Throughout the pandemic, in compliance with its obligations under the BSA, [redacted]. FinCEN is a bureau of the Department of the Treasury. FinCEN is the primary federal authority responsible for safeguarding the financial system from fraud and other forms of illicit use; for collecting, and analyzing and disseminating financial intelligence; and for implementing and enforcing BSA and

AML requirements. FinCEN is the United States partner with other countries' similar agencies that coordinate in the detection and investigation of financial crimes worldwide. [redacted].

11. Starting in Spring 2020, BANA observed, and was informed by law enforcement agencies and other third-party sources of massive fraud and illegality in UI programs and affecting BANA prepaid cards issued to distribute benefits for UI programs in 12 states. The fraud was different in type and in scale from anything BANA had seen previously in its UI prepaid programs. In my professional experience, the scale of this fraud and misuse was unprecedented. These sentiments appear to be shared by law enforcement: the then-chief of Secret Service investigations Jeremy Sheridan pronounced that pandemic-era unemployment benefit abuse was "the largest fraud scheme that I've ever encountered." 'Easy money': How international scam artists pulled off an epic theft of COVID benefits, NBC, Aug. 15, 2021, https://www.nbcnews.com/news/usnews/easy-money-how-international-scam-artists-pulled-epic-theft-covid-n1276789. This was not a situation where fraud was more common simply because the programs had grown larger. Instead, the pandemic created opportunities for benefits eligibility and unauthorized transaction claims (Error Claims) fraud types that had not been prevalent before and, in the case of benefits eligibility fraud, was not even possible on a wide scale before.

12. Beginning in May 2020, [redacted].

13. Also in May 2020, BANA was first alerted to benefits eligibility fraud when the U.S. Secret Service issued an alert about massive fraud being perpetrated against state unemployment programs. A true and correct copy of the alert is attached to the Declaration of Laura G. Brys in Support of BANA's Request for Judicial Notice (the "Brys RJN Decl.") as RJN 5 (BANA_EDD_MDL-00205361).[1] [redacted]

14. Ultimately, law enforcement uncovered criminal conduct stretching across the globe, and domestic networks of "money mules" who occupied themselves all day long with applying for unemployment or making cash withdrawals using wrongfully obtained BANA UI prepaid cards. FinCEN, *Advisory on Imposter Scams and Money Mule Schemes Related to Coronavirus Disease 2019 (COVID-19)* (July 7, 2020), https://www.fincen.gov/sites/default/files/advisory/2020-07-07/Advisory_%20Imposter_and_Money_Mule_COVID_19_508_FINAL.pdf. PUA fraud also occurred within California's state prison system, as BANA observed (and California's State Auditor and various news organizations later reported) that an estimated $810 million in benefits was fraudulently obtained by prisoners making fraudulent unemployment claims. As of January 2021, California's State Auditor estimated nearly $10.4 billion in fraudulent claims. Subsequent reports have estimated in excess of $32 billion of unemployment benefits were stolen and illegitimately issued in California. Auditor of the State of California, *Significant Weaknesses in EDD's Approach to Fraud Prevention Have Led to Billions of Dollars*

[1] Exhibits to the Brys RJN Declaration shall be referred to as "RJN."

in Improper Benefit Payments, (Jan. 2021), https://information.auditor.ca.gov/pdfs/reports/2020-628.2.pdf.

15. [redacted].

16. Despite BANA's best efforts, [redacted]

17. [redacted]

[redacted].

18. [redacted]. A true and correct copy of [redacted] are attached to the Declaration of Laura G. Brys in Support of BANA's Partial Motion for Summary Judgment (the "Brys SJ Decl.") as DX 88 (BANA_EDD_MDL-00088506) and are imbedded in contemporaneous compilations the Bank obtained from third-party vendors that are attached as DX 102 (BANA_EDD_MDL-00125116) and DX 87 (BANA_EDD_MDL-00088501).[2] [redacted]. *See* "Bandemic (E.D.D.)" by Shoreline Mafia, available at https://www.youtube.com/watch?v=vut-17KzZJk (last accessed Oct. 17, 2024); "EDD" by ShotOff & Nuke Bizzle, available at https://www.youtube.com/watch?v=K0ck7hTsug8 (last accessed Oct. 17, 2024).

[2] Exhibits to the Brys SJ Declaration shall be referred to as "DX."

19. [redacted]

20. GFC's and law enforcement's investigations in the first six months of the pandemic yielded two key observations that were themes of fraud and suspicious activity in State UI programs that used BANA prepaid cards: [redacted]

21. To combat the staggering levels of UI fraud, BANA [redacted] Specifically for California, [redacted] A true and correct copy of certain [redacted] are attached to the Brys SJ Declaration as DX 161 (BANA_EDD_MDL-00617457), DX 162 (BANA_EDD_MDL-00617463), and DX 77 (BANA_EDD_MDL-00082907). [redacted]

[redacted]

22. BANA soon came to realize that [redacted]. Public reports also began to emerge that EDD was unable to manage the avalanche of unemployment claims. *E.g.,* Auditor of the State of California, *Significant Weaknesses in EDD's Approach to Fraud Prevention Have Led to Billions of Dollars in Improper Benefit Payments*, (Jan. 2021), https://information.auditor.ca.gov/pdfs/reports/2020-628.2.pdf. As a report issued by the United States House Committee on Oversight and Accountability recently explained:

> EDD staff under Su's leadership adopted a 'pay and chase' model and processed incoming claims quickly; EDD staff understood that less time should be spent on checking eligibility of claimants as this would slow down paying out benefits. This led to many bad actors like international organized crime and individual criminals cashing in while eligible claimants were unable to obtain their benefits.

H. Comm. on Oversight and Accountability Majority Staff, *Examining Widespread Fraud in Pandemic Unemployment Relief Programs* (Sept. 10, 2024), https://oversight.house.gov/wp-content/uploads/2024/09/UI-Report-FINAL.pdf. By mid-September 2020, the Governor shut down EDD so it could take two weeks to implement a new process to fight fraudulent applications for benefits and clean a backlog of pending applications. *See* EDD Announces Reset in Response to Strike Team Recommendations to Process Claims Faster, Reduce Fraud and Tackle Backlog Issue, EDD, New Release No. 20-49, Sept. 19, 2020, https://edd.ca.gov/About_EDD/pdf/news-20-49.pdf.

23. To further combat the staggering level of UI fraud and to meet its responsibilities under BSA/AML laws, BANA [redacted].

24. BANA's fraud strategies for these UI programs, developed in the pandemic, have [redacted].

<u>BANA's Research, Development, and Implementation of the CFF</u>

25. Beginning in June 2020, Error Claims submitted on UI prepaid cards generally, and EDD prepaid cards specifically, [redacted]

26. Around that time, and in part [redacted]

[redacted]. This scheme involved situations where [redacted] BANA was required to investigate those Error Claims and, as I understand the legal requirements, if BANA was unable to complete the investigation in 10 business days, BANA was required to issue a "provisional" credit to the account. [redacted]. We found that [redacted].

27. [redacted]

[redacted]

28. BANA's experienced fraud detection specialists [redacted] In particular, [redacted] A true and correct copy of [redacted] are attached to the Brys SJ Declaration as DX 83 (BANA_EDD_MDL-00087715) and DX 183 (BANA_EDD_MDL-00055974). [redacted]

29. In the late summer of 2020, [redacted]. At the time, these teams and I were [redacted].

30. [redacted]

[redacted]

31. [redacted]

32. [redacted]

33. At the time the CFF was implemented, in late September 2020, [redacted].

34. [redacted]

35. [redacted] A true and correct copy of a [redacted] is attached to the Brys SJ Declaration as DX 109 (BANA_EDD_MDL-00143629). Additionally, [redacted] A true and correct copy of a [redacted] is attached to the Brys SJ Declaration as DX 180 (BANA_EDD_MDL-00884200). This seemed to underscore the fact that the EDD program and claims process had been riddled with fraud, and that [redacted].

36. Given the clear evidence of massive fraud specifically designed to exploit BANA's obligations to issue provisional credit, BANA determined that [redacted]

37. As of June 8, 2021, BANA discontinued using the CFF to close Error Claims.

I declare under the penalty of perjury that the foregoing is true and correct. Executed on this 16th day of October, 2025.

MICHAEL J. LETSON