

# The Impact of the OFAC List on Access to Credit Resources

The purpose of this document is to provide comprehensive and reliable information on how the activities of the Office of Foreign Assets Control (OFAC) of the U.S. Department of the Treasury impact the credit sector and the access of individuals and legal entities to financial services. It is important to emphasize right away that OFAC does not issue credit reports in the traditional sense, as commercial credit reporting agencies do.

However, the lists of individuals and organizations subject to OFAC sanctions play a key role in the verification processes conducted by financial institutions and credit reporting agencies, which directly affects the ability to obtain loans and use other financial products.

## What is OFAC and its sanctions lists

The Office of Foreign Assets Control (OFAC) is a division of the U.S. Department of the Treasury that administers and enforces economic and trade sanctions in support of the national security and foreign policy objectives of the United States. OFAC operates under the authority of the U.S. president in the areas of national security and foreign policy.

The key tool of OFAC is the sanctions lists, the most significant of which is:

- The Specially Designated Nationals and Blocked Persons List (SDN List): This is the primary and most well-known list, including thousands of individuals, companies, organizations, vessels, and aircraft worldwide that are considered to pose a threat to the national security, foreign policy, or economic health of the United States. The grounds for inclusion in the SDN List may vary: involvement in terrorism, proliferation of weapons of mass destruction, drug trafficking, human rights violations, cyberattacks, activities in certain sectors of the economies of sanctioned countries, or actions undermining democratic processes.
- Consequences of inclusion in the SDN List:
- Asset blocking: All assets and property interests of individuals from the SDN List, located within U.S. jurisdiction (or owned or controlled by U.S. persons), are blocked.
- Prohibition on transactions: American individuals and legal entities ("U.S. persons" – U.S. citizens, permanent residents, companies registered in the U.S., including their foreign branches, as well as any persons on U.S. territory) are generally prohibited from engaging in any deals or transactions with persons and organizations from the SDN List unless there is a specific authorization (license) from OFAC.

In addition to the SDN List, OFAC maintains other sanctions lists, such as the Sectoral Sanctions Identifications List (SSI List), the List of Foreign Financial Institutions Subject to Correspondent or Payable-Through Account Sanctions (CAPTA List), and others, each of which entails its own specific restrictions.

## **How are OFAC lists used in the credit system?**

Although OFAC is not part of the credit reporting system in the sense that it does not collect credit histories or assign credit ratings, its lists are an integral part of due diligence procedures for all U.S. financial institutions and many other organizations conducting business in the U.S. or with American counterparties.

- Mandatory checks (Screening):
- Financial institutions (banks, credit unions, mortgage companies, brokerage firms, insurance companies, etc.) and credit bureaus (such as Equifax, Experian, TransUnion) are required to screen their clients—both new and existing—against OFAC lists. This procedure is part of their compliance programs, including "Know Your Customer" (KYC) rules and Anti-Money Laundering (AML) measures.
- Checks are conducted when opening accounts, submitting loan applications, carrying out transactions, and on a periodic basis for current clients.
- "OFAC Alert" or "*Red Flag*" in credit reports:
- When a credit bureau processes a request for a credit report or when a financial institution conducts a client check, the client's information (name, date of birth, address, identification numbers, etc.) is matched with the data in OFAC lists.
- If the system detects a potential match (a "potential match" or "hit") between client data and a record in the SDN List or another sanctions list, the credit bureau may include a special notice in the credit report. This notice is often called an "OFAC Alert" or "Red Flag."
- It is important to understand: Such a notification is not a final confirmation that the applicant is the person from the SDN List. It is merely a signal for the creditor or another user of the credit report to conduct additional, more thorough verification to confirm the identity and determine whether the match is true. OFAC expects institutions to use a risk-based approach to resolve such matches.
- Further actions of the creditor: Upon receiving a credit report with an "OFAC Alert," the financial institution is obligated to conduct its own investigation to confirm or refute the match. This may include requesting additional information from the client, comparing more detailed identifiers (e.g., full name, date and place of birth, citizenship, passport number) with the information in the corresponding OFAC record. Denial of service or credit solely based on the presence of an "OFAC Alert" without conducting proper verification is not considered correct practice.

## **Consequences of confirmed inclusion in the SDN List for access to credits**

If, as a result of verification, the financial institution confirms that the applicant or existing client is indeed a person or organization included in the OFAC SDN List, serious consequences ensue:

- A complete ban on providing loans and services: American financial institutions are categorically prohibited from providing loans, opening accounts, conducting money transfers, or rendering any other financial or material services to individuals from the SDN List unless OFAC has issued a special license permitting certain transactions.
- Asset blocking: Any assets or property interests of a person from the SDN List that are in the possession or under the control of an American financial institution (or any other "U.S. person") must be immediately blocked. The fact of blocking and details of the blocked assets must be reported to OFAC.
- Refusal in existing relationships: If a current client of a bank or another financial organization is identified as a person from the SDN List, their accounts and assets are blocked, and the provision of services is terminated.
- The inability to participate in the U.S. financial system: In fact, confirmed inclusion in the SDN List cuts off an individual or legal entity from the American financial system and significantly complicates or makes it impossible to conduct international transactions passing through American correspondent banks.
- Reputational risks: Even if it does not concern "U.S. persons," many international banks and companies also check counterparties against OFAC lists as part of their compliance procedures to avoid secondary sanctions or reputational damage.

Thus, confirmed inclusion in the SDN List is an insurmountable obstacle to obtaining credit or access to most financial services within the jurisdiction of the United States.

## **The problem of "false positives" and consumer rights**

Due to the vast number of entries in the SDN List and the frequent occurrence of name matches, especially common ones, cases of "false positives" are not uncommon. These are situations where the information of a bona fide credit applicant or client is mistakenly flagged by the system as a potential match with a person from the SDN List, although in reality, they are different people.

### **What to do in case of a "false trigger" in a credit report?**

- If a consumer discovers an "OFAC Alert" or similar notification in their credit report obtained from one of the credit reporting agencies (Equifax, Experian,

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TransUnion), which they believe to be incorrect, they have the right to dispute this information.

- The Fair Credit Reporting Act (FCRA): This U.S. federal law provides consumers with the right to accuracy and privacy of information in their credit files. According to the FCRA, consumers can dispute inaccurate or incomplete information.
- Procedure for contestation:
  1. Contacting the credit bureau: The request for correction must be sent directly to the credit bureau that provided the credit report with the erroneous "OFAC Alert." Contact information for disputes is usually indicated on the credit report itself.
  2. Provision of evidence: It is advisable to attach documents to the request that confirm identity and lack of connection with a person from the SDN List (for example, a copy of a passport, driver's license, birth certificate, or other identification documents that will help distinguish you from the person on the OFAC list).
  3. Investigation by the bureau: The credit history bureau is required to conduct a free investigation, usually within 30 days (in some cases, the period may be extended to 45 days). During the investigation, the bureau contacts the source of the information.
  4. Result: If the information is deemed inaccurate or unverified, it must be corrected or removed from the credit file. The bureau is required to notify the consumer of the investigation results in writing and provide a free copy of the corrected report if changes were made.
- Important:
- OFAC does not handle the removal of erroneous "OFAC Alert" from credit reports. This function is assigned to credit reporting agencies in accordance with FCRA.
- If the issue with the erroneous "OFAC Alert" persists or the credit bureau does not satisfy the request, the consumer can file a complaint with the Consumer Financial Protection Bureau (CFPB).

## How to independently check for a name in OFAC lists

OFAC provides a free and publicly accessible online tool for searching its [sanctions lists](#), including the SDN List. Any individual or legal entity can use this tool to verify:

### **OFAC Sanctions List Search Tool:**

- Internet address: <https://sanctionssearch.ofac.treas.gov/>

### **How to use:**

- On the main page of the tool, you can enter the name (Name) of an individual or legal entity.
- For a more accurate search, you can use additional fields such as type (Type - Individual, Entity, Vessel, Aircraft), country (Country), city (City), identification number (ID), if they are known.

**Email: [info@ofacblockedfundslawyers.com](mailto:info@ofacblockedfundslawyers.com)**

**Phone: +357 96 447475**

**Site: [ofacblockedfundslawyers.com](http://ofacblockedfundslawyers.com)**

- The system allows the use of various search parameters, including exact match, partial word search, etc. (the "Fuzzy" mode can help with inaccurate spelling but increases the number of potential matches).
- Interpretation of results:
- If the search does not yield results, it means that there is no exact match with the entered data in the lists.
- If the search yields one or more matches, it is necessary to carefully examine the details of each record (names, aliases, dates of birth, addresses, identification numbers) to determine whether the found record pertains to the person being sought. The presence of a similar name does not always mean it is the same person.
- OFAC provides a "Match Score," which indicates the degree of similarity between the entered data and a record in the list, but the final determination always requires human analysis.

Independent verification can be useful for preliminary assessment, but financial institutions use more complex automated systems for screening.

## **The difference from the process of exclusion from the SDN List**

It is important to distinguish the procedure for disputing an erroneous "OFAC Alert" in a credit report from the procedure for requesting removal directly from the OFAC SDN List.

### **Disputing "OFAC Alert" in a credit report:**

- Concerns situations where a bona fide person is mistakenly identified as a potential match with a person from the SDN List during a check by a credit bureau or financial institution (false positive).
- The procedure is regulated by the Fair Credit Reporting Act (FCRA).
- The request is sent to the credit history bureau.
- The goal: Remove the incorrect mark from the credit report.
- The process of removal (delisting) from the OFAC SDN List:
- Concerns situations where an individual or legal entity has actually been included by OFAC in the SDN List but believes that:
- The grounds for inclusion were erroneous from the very beginning (for example, incorrect identification of OFAC itself).
- The circumstances that served as the basis for inclusion have changed to such an extent that remaining on the list is no longer justified (for example, the person has ceased the activity for which they were included in the list, there has been a change of control in the company, or the person has demonstrated positive changes in behavior).
- The procedure is regulated by specific regulatory acts of OFAC (in particular, 31 C.F.R. § 501.807 – "Procedures for unblocking assets and for the removal of a

person or property from the SDN List").

- The request (petition for reconsideration – "Petition for Removal" or "Request for Reconsideration") is submitted directly to OFAC.
- The goal: Official removal of the name from the OFAC SDN List.
- This is a complex administrative process requiring the provision of detailed explanations and evidence.

These two procedures pursue different goals and are carried out through different instances.

## **Conclusion**

Although the Office of Foreign Assets Control (OFAC) is not a credit bureau and does not issue credit reports, its activities and sanctions lists (primarily the SDN List) have a direct and significant impact on the access of individuals and legal entities to credit and financial services in the United States and, in many cases, beyond its borders.

Financial institutions and credit bureaus are required to conduct checks against OFAC lists, which may result in an "OFAC Alert" appearing on credit reports. It is important to understand that such an alert requires additional verification and does not always mean that the individual is actually under sanctions. Consumers have the right to dispute erroneous "OFAC Alerts" through credit bureaus in accordance with the FCRA.

Confirmed inclusion in the OFAC SDN List entails asset blocking and an almost complete prohibition on interaction with the U.S. financial system. There is a separate procedure for requesting removal from the SDN List itself, which is submitted directly to OFAC.

Understanding these processes and your rights is key to navigating the modern financial environment, where compliance with sanctions legislation plays an increasingly important role.