



Office of Inspector General U.S. Small Business Administration

February 2009 Update

Business Loan Programs

Five Count Indictment Returned in Texas. On February 18, 2009, in the Northern District of Texas, a five-count indictment was returned against a loan broker, a Texas corporation created by the loan broker, a business associate of the loan broker, and a business development officer of a Texas bank and his wife. The indictment charges one count of bribing an officer of a financial institution, one count of accepting a bribe by an officer of a financial institution and aiding and abetting, two counts of bank fraud and aiding and abetting, and one count of a forfeiture allegation. The indictment charges that the loan broker, the business associate, and the corporation devised a scheme to defraud the Texas bank by fraudulently procuring an SBA-guaranteed loan for \$980,000 for the purchase of three convenience stores. The loan broker wanted only one store, but they were not being sold individually. Therefore, he recruited two additional borrowers to purchase the three stores under another name, knowing that they did not have the financial means to pay the required capital injection. The business development officer of the bank is alleged to have accepted a \$1,500 check from the loan broker in exchange for influencing the award of the loan. The development officer's wife is alleged to have negotiated the check, which was made out to her. The OIG is conducting this investigation jointly with the Federal Bureau of Investigation

Motorcycle Shop Owner Charged. On February 25, 2009, the owner of a custom motorcycle shop in Glen Burnie, MD, was charged in a criminal information with one count of making false statements to the SBA. In support of an application for a \$120,000 SBA-guaranteed loan obtained through the Anne Arundel County Economic Development Corporation, he submitted false documentation regarding the source of the \$30,000 required cash injection.

Disaster Loan Program

Louisiana Woman Pleads Guilty. On February 4, 2009, a Louisiana woman agreed to waive indictment and entered a plea of guilty to a criminal information charging her with one count of wire fraud. Along with her husband, who previously pled guilty, she applied for and received a \$94,000 SBA disaster home loan and a \$125,500 SBA disaster business loan, claiming damages from Hurricane Katrina to both their residence and her day care business located at the same address. She transmitted to SBA, via facsimile, bogus inflated receipts as supporting documentation for repairs completed. Based upon these fraudulent receipts, SBA approved additional installments from the approved loans. The OIG is conducting this investigation jointly with the Hurricane Katrina Fraud Task Force.

Louisiana Woman Sentenced. On February 4, 2009, a Louisiana woman was sentenced to 2 years probation, restitution of \$67,597.27, and a special assessment fee of \$100. She previously pled guilty to one count of false statements. She applied for both a home and a business SBA disaster loan to repair damage caused by Hurricane Katrina to her residence as well as rental properties, but she only qualified for one of the loans. She chose to receive the home loan, which charged a lower interest rate, and certified that she would apply all proceeds of the loan to repair her residential property. The investigation disclosed that, instead, she used part of the loan proceeds for repairs to the rental properties. The SBA OIG conducted this investigation jointly with the Department of Housing and Urban Development OIG.

This Monthly Update is produced by the SBA OIG,
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