



Office of Inspector General U.S. Small Business Administration

May 2009 Update

Business Loan Programs

Results of Ongoing Investigation. The following case is part of an ongoing investigation, being conducted jointly with the U.S. Secret Service (USSS), relating to a scheme in which a non-bank lender's former executive vice president and others not employed by the lender conspired to fraudulently qualify loan applicants for SBA-guaranteed loans.

- On May 14, 2009, a Michigan businessman was sentenced to 9 months incarceration and ordered to pay restitution of \$880,000. He had previously pled guilty to one count of false statements to the SBA. The plea related to an \$880,000 SBA-guaranteed loan made by an SBA preferred lender to a Michigan mini-mart owner. The businessman was the seller in this commercial real estate transaction. It is alleged that he knowingly made a false statement when he signed the Department of Housing and Urban Development Settlement Statement (HUD-1) indicating he received from the mini-mart owner \$40,000 of "earnest money" and a deposit of \$260,000. The mini-mart owner previously pled guilty to a one count superseding indictment and has been sentenced to probation and home confinement.

Businessman Pleads Guilty. On May 29, 2009, a former resident of Philadelphia, Pennsylvania, pled guilty to one count of mail fraud, as charged in a superseding information filed in U.S. District Court for the Northern District of Illinois. A prior indictment charged him and three other businessmen with multiple counts of wire fraud in connection with schemes to defraud the SBA and a preferred lender. One such scheme involved a \$1,240,000 SBA loan to an Illinois corporation for the purchase of a gasoline station property located in Chesterton, Indiana. The businessman was the corporate secretary and a 50 percent owner of the corporation. This scheme was

facilitated by a loan agent who brokered sales of gas stations and hotels in the Midwest and obtained financing for the purchasers. The investigation revealed that the loan agent created counterfeit statements for his clients showing that they possessed adequate cash funds for required equity injections. Together with the co-defendants, the businessman certified and presented these and other documents to the lender and SBA as part of the loan application process. Upon being notified of the original charges filed against him, the man fled from his Philadelphia home to avoid prosecution, but was subsequently arrested in Los Angeles, California.

Disaster Loan Program

Florida Businesswoman Indicted. On May 27, 2009, a Florida businesswoman was indicted on two counts of false statements to the SBA; five counts of false statements to a financial institution; two counts of fraud in connection with identification documents, authentication features, and information; and two counts of illegal disclosure and use of a Social Security account number of another person. The charges relate to her allegedly using her sister's Social Security account number without authorization to secure a \$41,700 SBA disaster business loan, a \$25,000 SBAExpress guaranteed loan, and a \$30,000 business line of credit. The SBA disaster loan was to be used as working capital for her company in order to alleviate economic injury caused by Hurricane Wilma in October 2005. This investigation is being conducted jointly with the Naples Police Department and the Social Security Administration (SSA) OIG.

This monthly update is produced by the SBA OIG,
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