

Office of Inspector General

February 2013

Business Loans

Ohio Man Found Guilty on Conspiracy and Fraud Charges

On February 7, 2013, an Ohio man was found guilty of conspiracy, bank fraud, and two counts of wire fraud following a jury trial. The man was indicted on December 13, 2011, in connection with fraudulent activities involving a \$1,715,600 SBA-guaranteed loan. The indictment charged that the man and a co-conspirator provided false and fictitious loan application documents, invoices, and additional supporting documents to a bank and the SBA in order to secure the SBA-guaranteed loan for the man and his recycling company. The proceeds of the loan were to be used to open and operate a tire recycling plant in Troy, Ohio. This is a joint investigation with the Federal Bureau of Investigation (FBI).

Chicago Area Loan Agent Charged with Bank Fraud

On February 21, 2013, a Chicago-area loan agent was charged by criminal information with two counts of bank fraud. On February 25, 2013, the man plead guilty to both charges. The loan agent was charged in connection with multiple residential and commercial loan fraud schemes including one involving a \$1.760 million SBA loan the purchase of a gasoline station and convenience store located in Chicago, Illinois. The investigation revealed that loan agent recruited an unqualified buyer for the gas station and prepared counterfeit investment account statements, cashier's checks, and a bogus management résumé to make the buyer appear qualified to the lender and the SBA. The loan agent also recruited a third

-party to front the down payment funds needed by the buyer at closing and directed the use of loan proceeds to repay that third party after the closing. The parties involved inflated the contract sales price of the business and used a bogus second mortgage from the seller in order to obtain 100% financing for the buyer. The fraud scheme and false representations induced the lender to approve and disburse the loan to the unqualified buyer. The buyer made one interest-only payment and the loan defaulted immediately. After liquidation of assets, the total loss to the bank and the SBA exceeds \$1.232 million. The SBA OIG Early Fraud Detection Working Group provided this referral. This is a joint investigation with the U.S. Postal Inspection Service.

Disaster Loans

Texas Woman Pleads Guilty to Theft of Government Funds

On February 20, 2013, a Texas woman entered a guilty plea to a one-count information filed on the same date charging her with theft of government funds. The investigation disclosed that the woman altered repair invoices and filed them with the SBA in support of a \$97,385 disaster loan she received for her Violet, Louisiana, residence, which was damaged by Hurricane Katrina. This is a joint investigation with the Department of Homeland Security OIG.

Office of Inspector General Peggy E. Gustafson Inspector General

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