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ACAMS New Jersey Chapter
April 6, 2021

*Paycheck Protection Program (PPP)
Background and Fraud Issues*



Overview of the Paycheck Protection Program

- Created by the federal CARES Act (March 27, 2020) to provide a direct incentive for small businesses to keep their workers on the payroll. Extended in December 2020.
- Administered by the SBA, but SBA delegated its approval authority to lenders.
- Round 1 ran through August 8, 2020 – 5.2 million borrowers received loans for \$512 billion. An average loan of \$101,000. When Round 1 ended, there was still about \$134 billion in PPP funds that were not used.
- Round 2 started in January 2021. As of April 4th, about 2.1 million Round 1 borrowers have received a 2nd draw loan, and about 1.9 million new borrowers have received a 1st draw loan. Eligibility for a second draw loan requires borrowers to have exhausted the remainder of their first draw loans, have no more than 300 employees, and demonstrate at least a 25% reduction in gross receipts between comparable quarters in 2019 and 2020. For most borrowers, the maximum loan amount of a second draw loan is 2.5x average monthly 2019 or 2020 payroll costs up to \$2 million.



Before we look at the PPP in detail, let's start with some AML and fraud basics when it comes to forgivable loans

There are four key stages:

- Prior to funding
- Funding
- Borrowers' use of the PPP loan funds
- Forgiveness

And your institution can have one or more of these roles:

- PPP loan processor
- PPP lender
- Financial institution directly receiving PPP funds deposited to a customer's account
- Financial institution receiving deposits to a customer's account electronically, by check, or in cash



Fraud management is a balance of fraud *prevention* and fraud *detection*. It is *always* better to prevent fraud so you don't have to detect it and seek to recover the fraudulently obtained funds.

But SBA and Treasury took the opposite approach: they favored speed of lending over strong loan underwriting (fraud prevention). They allowed lenders to rely on borrowers' documentation and certifications. It was a "trust and don't verify" approach.

And we're seeing the impact: as much as \$200 billion could be lost to fraud.



The SBA's Inspector General has issued a number of reports on SBA's handling of the PPP. The SBA-OIG Flash Report "Duplicate Loans Made Under the Paycheck Protection Program", No. 21-09 (March 15, 2021) had this conclusion:

"Establishing strong controls to prevent improper or duplicate disbursements from occurring during initial loan processing is more effective than attempting to identify and resolve improper disbursements in the loan review phase. SBA's efforts should focus on safeguarding funds up front, as it is more prudent and effective to prevent a loan from occurring than attempting to recover funds after the loan has been disbursed."

[Duplicate Loans Made Under the Paycheck Protection Program \(sba.gov\)](https://www.sba.gov/duplicate-loans-made-under-the-paycheck-protection-program)

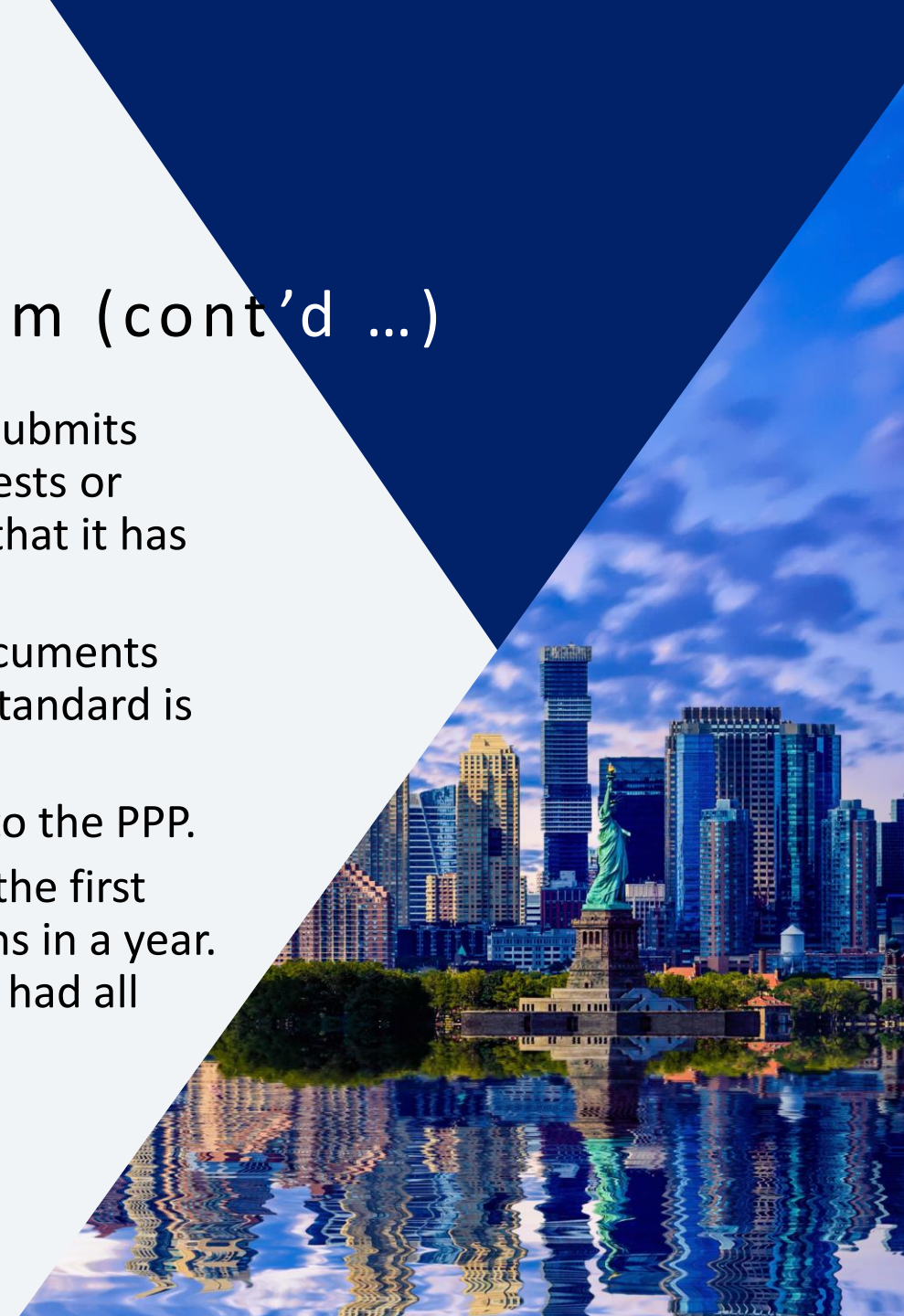
The House Financial Services Committee Majority Staff Report, "Lowering the Guardrails – How the Trump Administration Failed to Prevent Billions in Pandemic Small Business Fraud", was highly critical of the "self certification" aspect of the PPP, Economic Injury Disaster Loan (EIDL) program, and the various Pandemic Unemployment Assistance (PUA) programs. See [2020-03-25 Staff](#)

[Memo - Small Business Fraud.pdf \(house.gov\)](#)



Overview of Paycheck Protection Program (cont'd ...)

- Lender does not need to conduct any verification if the borrower submits documentation supporting its request for loan forgiveness and attests or certifies various attributes of the borrower and its principals, and that it has verified the payments for eligible costs.
- SBA will hold harmless any lender that relies on such borrower documents and certifications/attestations from the applicant ... the only real standard is that the lender acts “in good faith”.
- 4,000 of 5,000+ PPP lenders had never processed SBA loans prior to the PPP.
- Over 4 million loans for more than \$600 billion were processed in the first month of Round 1: SBA has never approved more than 60,000 loans in a year. SBA and its loan systems were overwhelmed. The early processing had all sorts of issues. Most of those issues have been resolved.



PPP Loan Terms

- Loan size – 2.5 times the borrower's average monthly payroll costs (excluding annualized salaries greater than \$100,000), up to a maximum of \$10 million. So the maximum a PPP borrower can receive is $(\$100,000/12 \times 2.5)$ or \$20,833 per employee.
- This is important to understand for financial crimes purposes:

<u>Loan Size</u>	<u>Fewest Number of Employees</u>
Up to \$50,000	$\$50,000/\$20,833 = 2.4$
Up to \$150,000	$\$150,000/\$20,833 = 7.2$
Up to \$350,000	$\$350,000/\$20,833 = 16.8$
Up to \$2,000,000	$\$2,000,000/\$20,833 = 96$
Up to \$10,000,000	$\$10,000,000/\$20,833 = 480$



Why is this important?

Round 1 had 660,504 loans of \$150,000 or greater. So every one of those borrowers must have “protected” at least eight jobs. But ... *the lenders for one out of seven of these 660,504 borrowers reported that the borrower had fewer than 8 employees. And 25% of the borrowers that got the maximum \$10 million reported fewer than 480 employees (the minimum number for a \$10 million loan).*

Lenders have reported that they didn't carefully report the number of jobs (paychecks) protected by the Paycheck Protection Program. Because it wasn't a mandatory reporting requirement.



Who are the PPP Lenders?

Three of the four biggest PPP Round 1 lenders – by number of loans processed – were the biggest banks in the country: JPMorgan, Bank of America, and Wells Fargo. But surprisingly, New Jersey-based Cross River Bank, with 400 employees, was the third biggest lender.

Top PPP Lenders

Rank	Lender Name	Loan Count	Net Dollars	Average Loan Size	% of Total Authority
1	JPMorgan Chase Bank	280,185	\$29,352,233,698	\$104,760	4.4%
2	Bank of America	343,626	\$25,557,615,698	\$74,376	3.9%
3	PNC Bank	73,925	\$13,003,814,963	\$175,906	2.0%
4	Truist Bank	82,047	\$12,631,618,727	\$153,956	1.9%
5	Wells Fargo Bank	194,451	\$10,597,856,807	\$54,501	1.6%
6	TD Bank	85,970	\$8,557,036,274	\$99,535	1.3%
7	KeyBank	43,172	\$8,211,676,707	\$190,208	1.2%
8	U.S. Bank	108,365	\$7,608,550,070	\$70,212	1.2%
9	Zions Bank	47,828	\$7,003,731,087	\$146,436	1.1%
10	M&T Bank	34,651	\$6,762,506,609	\$195,161	1.0%
11	Huntington Bank	38,486	\$6,575,686,696	\$170,859	1.0%
12	Cross River Bank	198,738	\$6,550,306,889	\$32,960	1.0%
13	Fifth Third Bank	40,071	\$5,422,983,389	\$135,334	0.8%
14	Citizens Bank	50,822	\$4,853,066,362	\$95,491	0.7%
15	BMO Harris Bank	21,993	\$4,835,997,160	\$219,888	0.7%

Approvals through 08/08/2020

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The two biggest PPP Round 2 lenders – by number of loans processed – are not JPMorgan and Bank of America, but Itria Ventures LLC, a subsidiary of Biz2Credit, and Cross River Bank. For both rounds, Cross River has processed almost as many loans as each of JPMorgan and Bank of America. And for Round 2, Itria, Cross River, and Capital Plus Financial, LLC are processing more than 2 PPP loans every minute of every day ...

Top PPP Lenders for 2021 PPP

Rank	Lender Name	Loans Approved	Net Dollars	Average Loan Size
1	JPMorgan Chase Bank	139,416	\$10,844,758,307	\$77,787
2	Bank of America	135,833	\$8,320,576,579	\$61,256
3	Itria Ventures LLC	235,790	\$6,480,068,357	\$27,482
4	Cross River Bank	216,490	\$5,132,531,065	\$23,708
5	PNC Bank	40,521	\$4,056,954,310	\$100,120
6	Capital Plus Financial, LLC	202,279	\$3,477,738,302	\$17,193
7	TD Bank	40,491	\$3,150,463,432	\$77,807
8	Truist Bank	30,898	\$3,076,273,989	\$99,562
9	Wells Fargo Bank	73,431	\$2,958,309,379	\$40,287
10	Customers Bank	138,841	\$2,941,315,468	\$21,185
11	U.S. Bank	56,419	\$2,846,801,579	\$50,458
12	Zions Bank	25,309	\$2,655,409,321	\$104,920
13	M&T Bank	21,608	\$2,642,792,449	\$122,306
14	KeyBank	22,783	\$2,633,204,193	\$115,578
15	Northeast Bank	24,545	\$2,486,116,106	\$101,288

SBA estimated it would take a lender 25 minutes to prepare and submit the Lender application form (Form 2484) for each PPP borrower. See 85FR42479



For Round 2, Congress set aside \$15 billion across first and second draw PPP loans for lending by community development financial institutions, or CDFIs. Separately, the SBA has set aside \$40 billion loans for borrowers with a maximum of 10 employees or for loans less than \$250,000 to borrowers in low-or-moderate income neighborhoods. This seems to be working ...

Top PPP Lenders for 2021 PPP

Rank	Lender Name	Loans Approved	Net Dollars	Average Loan Size
1	JPMorgan Chase Bank	132,124	\$10,109,443,355	\$76,515
2	Bank of America	130,238	\$7,997,139,520	\$61,404
3	Itria Ventures LLC	226,896	\$6,302,506,050	\$27,777
4	Cross River Bank	198,809	\$4,714,682,794	\$23,715
5	PNC Bank	39,157	\$3,933,180,920	\$100,446
6	TD Bank	37,529	\$2,952,384,196	\$78,669
7	Wells Fargo Bank	70,482	\$2,823,913,442	\$40,066
8	Truist Bank	28,025	\$2,784,158,773	\$99,346
9	U.S. Bank	53,386	\$2,707,677,603	\$50,719
10	Customers Bank	122,975	\$2,634,441,642	\$21,423
11	M&T Bank	20,771	\$2,596,813,058	\$125,021
12	Zions Bank	23,861	\$2,553,627,065	\$107,021
13	KeyBank	22,214	\$2,522,111,590	\$113,537
14	Northeast Bank	22,838	\$2,311,670,864	\$101,220
15	Readycap Lending, LLC	58,049	\$1,856,000,891	\$31,973

Approvals through 03/28/2021

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Top PPP Lenders for 2021 PPP

Rank	Lender Name	Loans Approved	Net Dollars	Average Loan Size
1	JPMorgan Chase Bank	139,416	\$10,844,758,307	\$77,787
2	Bank of America	135,833	\$8,320,576,579	\$61,256
3	Itria Ventures LLC	235,790	\$6,480,068,357	\$27,482
4	Cross River Bank	216,490	\$5,132,531,065	\$23,708
5	PNC Bank	48,621	\$4,956,954,210	\$100,120
6	Capital Plus Financial, LLC	202,279	\$3,477,738,302	\$17,193
7	TD Bank	48,484	\$8,188,465,432	\$77,807
8	Truist Bank	30,898	\$3,076,273,989	\$99,562
9	Wells Fargo Bank	73,431	\$2,958,309,379	\$40,287
10	Customers Bank	138,841	\$2,941,315,468	\$21,185
11	U.S. Bank	56,419	\$2,846,801,579	\$50,458
12	Zions Bank	25,309	\$2,655,409,321	\$104,920
13	M&T Bank	21,608	\$2,642,792,449	\$122,306
14	KeyBank	22,783	\$2,633,204,193	\$115,578
15	Northeast Bank	24,545	\$2,486,116,106	\$101,288

Approvals through 04/04/2021

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Capital Plus Financial LLC is a CDFI that “specializes in minority and underserved communities by partnering with [Blueacorn](#) to provide a simple and efficient platform for small businesses across the country to apply for first and second draw Paycheck Protection Program loans via the Small Business Administration ...”.

PPP Round 1 Data ... and Beneficial Ownership

These are the only
two legal entity types
that are actually
described in the
Corporate
Transparency Act of
2020



SBA PPP Loans - Round 1 (2020)
Loan Recipients by Legal Entity Type and Jobs Reported/Retained

SBA PPP Loan Data Round 1 Loans 2020				
Legal Entity Type	Count of PPP Recipients	Percentage of PPP Recipients by Entity Type	Jobs Reported	Average Jobs Per Entity Type
Corporation	1,498,552	29.1%	18,958,409	13
Limited Liability Company(LLC)	1,455,352	28.2%	14,514,813	10
Sole Proprietorship*	817,825	15.9%	2,022,559	2
Subchapter S Corporation	701,332	13.6%	8,761,876	12
Self-Employed Individuals*	209,628	4.1%	299,569	1
Non-Profit Organization	178,533	3.5%	3,950,981	22
Independent Contractors	144,472	2.8%	147,622	1
Partnership*	71,902	1.4%	889,075	12
Limited Liability Partnership*	36,448	0.7%	548,805	15
Professional Association	26,146	0.5%	336,501	13
Cooperative	6,466	0.1%	121,801	19
(blank)	4,451	0.1%	88,901	20
Non-Profit Childcare Center	2,590	0.1%	62,776	24
Trust*	1,261	0.0%	23,246	18
Employee Stock Ownership Plan(ESOP)	828	0.0%	49,418	60
Joint Venture	563	0.0%	7,597	13
Tenant in Common	478	0.0%	1,108	2
Rollover as Business Start-Ups (ROB)	20	0.0%	139	7
Total	5,156,847	100.0%	31,299,844	6

* Q. not covered by the Beneficial Ownership "Reporting Company" definition? These entities make up 22% of the PPP loan recipients



PPP Loan Terms – Forgiveness

- The entire loan amount may be forgiven if:
 - the amount is expended only on payroll costs, mortgage interest payments, rent, and utilities;
 - no more than 40% (originally 25%) of the amount is expended on mortgage interest, rent, and utilities; and
 - the borrower maintains employee and compensation levels.
- Per SBA rule, if borrower reduces payroll by laying off workers or reducing salaries, amount of forgiveness is reduced.
- Treasury added an exception for business with laid off workers that refuse to return to work (applies if employer makes a written job offer that is turned down).
- As of April 1, 2021, about 2.4 million of the Round 1 PPP loans (46%) for \$209 billion (40%) have been forgiven. An equal number and amount have not yet been received, and 290,000 are under review.

The forgiveness process may reveal a lot of “usage” fraud. Unless Congress grants blanket forgiveness for loans under \$xx,xxx.



Financial Crimes Issues for PPP Loans

- SBA Interim Final Rule addresses BSA requirements:
 - Lenders must follow all BSA requirements.
 - Depository institutions must follow their existing AML policies subject to FinCEN, OCC & Treasury Guidance
 - Lenders without an AML policy must create one equivalent to that employed by a federally-insured depository institution.
- Lenders do not need to collect or re-verify beneficial ownership information from existing customers, unless indicated by the financial institution's risk-based approach to BSA compliance ... *and most risk-based programs will require re-verification for higher- and high-risk customer types (e.g., cash intensive businesses, nail and beauty salons, construction firms)*



Financial Crimes Issues for PPP Loans (cont'd ...)

- For new customers, lenders must collect certain information from holders of a 20% or greater ownership interest in a prospective customer and verify that information pursuant to the institution's risk-based approach to BSA compliance.
- SBA requires that up to *five* legal owners provide *five* types of information: name, SSN, address, percentage ownership, title
- BSA requires that up to *four* legal owners and one "control" person provide *four* pieces of information: name, SSN, address, DOB
- BSA requirements for SBA's PPP loans require that up to five legal owners provide **SIX** pieces of information: name, SSN, address, DOB, percentage ownership, title ...

SBA – 5 owners, 5 attributes
BSA - 5 owners, 4 attributes

Result?
To satisfy the SBA and BSA
5 owners, 6 attributes



Financial Crimes Issues for PPP Loans (cont'd)

- There has been no guidance from the prudential regulators or FinCEN on whether and how customer risk ratings are impacted by PPP loans.
- BSA requires that up to *four* legal owners and one “control” person provide *four* pieces of information: name, SSN, address, DOB. But the BSA requirements for SBA’s PPP loans require that up to five legal owners provide **SIX** pieces of information: name, SSN, address, DOB, percentage ownership, title ... neither FinCEN nor any of the regulatory agencies have commented on this.
- Remember those four “roles” (PPP loan processor, PPP lender, financial institution directly receiving PPP funds deposited to a customer’s account, and financial institution receiving deposits to a customer’s account electronically, by check, or in cash)? There has been no guidance from the prudential regulators or FinCEN on whether and how institutions are to monitor for and investigate potential, and report, suspicious activity (although more than 21,000 PPP-related SARs have been filed through October 2020).



Liability and Other PPP Risks

- Potential Liability :
 - The SBA provided a “safe harbor” by allowing applicants that repay outstanding PPP loans in full by May 18, 2020, to be deemed by the SBA to have made the required certification in good faith at the time of the PPP loan application and funding. (over \$30 billion was returned.)
 - An applicant making false statement to obtain a PPP loan is punishable under various laws by imprisonment and penalties.
 - Misrepresentation or false certifications may also be subject to penalties under the False Claims Act.
 - Lenders will be held harmless so long as they “act in good faith” ... whatever that means.



Liability and Other PPP Risks

- SBA will review compliance with certain PPP loans:
 - Will review all loans in excess of \$2 million.
 - Other PPP loans will be reviewed “as appropriate.” following a lender’s submission of a PPP loan forgiveness application by a borrower.
 - The SBA has stated it will provide additional guidance on the PPP loan forgiveness process.
 - Lack of SBA review does not mean others (*e.g.*, DOJ might not also review the loan).



Lender Considerations / Next Steps

- While lenders have limited underwriting roles and liability, they still face certain risks:
 - Reputational risks.
 - Potential impact on future exams.
 - Lawsuits (e.g., suits against Wells Fargo and Bank of America)
- Lenders must:
 - Satisfy all BSA/AML obligations – CIP, CDD, SAR, CTR, OFAC
 - Satisfy all attestation / documentation obligations
 - Be aware of potential red flags or other indicia of fraud
 - Incorporate PPP and other COVID-19 relief payments into underwriting guidelines.

PPP loan fraudsters have been using the identities of innocent small business owners and employees. One of the biggest issues yet to emerge is how financial institutions (and the FTC) will handle these victims.



The Fraudsters

The PPP Loan Fraud Cases Are Piling Up: I have a database of 200 defendants in 144 cases filed in 49 of 93 federal district courts.

I have also posted 99 “PPP Loan Fraud Episodes” on LinkedIn, including ...





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PPP Loan Fraud - Episode 97 - PEP PPP!

This may be the 1st PPP loan fraud case involving a Politically Exposed Person, or PEP. The US government is alleging that Ellen Yabba Kwame Corkrum, the former managing director of the Liberian government's Airport Authority (she changed her name to Hunter Vanpelt in 2016 in Atlanta, Georgia, after fleeing to the United States in 2013 to escape criminal charges of corruption and money laundering) obtained at least five PPP loans from 4 lenders totaling about \$6 million. All five loan applications were rife with nonsense and rubbish (fake IRS tax forms, fake payroll reports, forged bank statements). At least two of the five were submitted by Vanpelt using her old PP name, Ellen Corkrum: if those lenders had been screening names against their PEP lists, they would have found her name, all the associated crazy stories, and - hopefully but not likely - second-guessed whether it was prudent to lend \$1,648,355 to Nephrology Network Group and \$1,648,355 (no, that's not a typo - she recycled her fraudulent loan documents between lenders) to First Corporate International.

You can look up these loans to see which lenders apparently weren't screening names against PEP lists, notwithstanding the requirement to have a functioning AML program.

[#ppploans](#)

Case 1:21-cr-00006-MHC Document 1 Filed 01/11/21 Page 1 of 10
FILED IN OPEN COURT
U.S.D.C. - Atlanta

JAN 11 2021

JAMES N. HATTEN, Clerk
By: Deputy Clerk

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

UNITED STATES OF AMERICA

v.

Criminal Information





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Founder and Principal of RegTech Consulting LLC

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PPP Loan Fraud - Episode 99 - Best One Ever?

This one has it all!

- Husband and wife co-defendants.
- He remains on supervised release for a 2015 conviction for conspiracy to defraud the US and aggravated identity theft.
- They used shell companies - some dormant and only reinstated in 2020, others not even created until 2020.
- They applied for EIDLs and PPP loans - 70 applications in total for \$5.8 million - all from the same IP address.
- The EIDL applications had even dollar (eg., \$550,000.00) gross revenues AND even dollar cost of goods sold (eg., \$350,000.00) and the algorithms at SBA then approved dozens of EIDLs.
- The PPP loan applications had fake IRS forms that had "plain badges of fraud".
- In a twist, the three largest banks in the country got duped by these mopes: JPMorgan, BofA, and Wells Fargo.
- Relatives 1, 2, 3, and 4 are probably getting charged: and it seemed like a foolproof scheme!
- Best of all, they posted an 8-minute Facebook video of their ill-gotten loot!

[#ppploans](#) [#frauddetection](#) [#DumbA33Crooks](#) [#sbaog](#)
<https://lnkd.in/gvQnDUt>

2020. The video featured LUGO and VENANT at a hotel room littered with \$100 bills and several items from Louis Vuitton, including, as LUGO stated in the video, a \$5,000 watch. Sample stills from the video are depicted below:





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3d • 🌐

PPP Loan Fraud - Episode 98 - You're either a sole proprietorship or a partnership ... unless you're John Jhong!

As alleged in the criminal complaint, John Jhong obtained ten PPP loans from four lenders for ten companies he created. One lender approved five loans for five of his companies and "despite listing himself as the 100% owner for each entity, Jhong submitted to the lender both an IRS Form 1040 with Schedule C and an IRS Form 1065 5 with Schedule K-1s."

What? According to the PPP rules, lenders can rely on the documentation provided by the borrower. But is that reliance made "in good faith" (the standard lenders need to meet) if the forms contradict each other? You're either a sole partnership OR a partnership. You can't be both. But Jhong certainly fooled this mega-bank lender!

It gets better. The amounts listed on the fake 1040s didn't even match what was on the fake 1065s (as the Government alleges, they were "grossly incongruent"). And the addresses of these entities? These businesses shared offices with a Wyoming company formation agent!

Red flags abound ... if you bothered to look.

[#ppploans](#) [#duhdiligence](#) [#sbaog](#) [#frauddetection](#)
<https://lnkd.in/g2hM69H>

SCHEDULE C
(Form 1040)
2020
OMB No. 1545-0047
Department of the Treasury
Internal Revenue Service (IRS)
Go to [www.irs.gov/schedulec](#) for instructions and the latest information.
Attach to Form 1040, 1040-SR, 1040-NR, or 1041; partnerships generally must file Form 1065.
Name of proprietor
Social security number (SSN)
A Principal business or profession, including product or service (see instructions)
B Enter code from instructions
C Business name. If no separate business name, leave blank.
D Employer ID number (EIN) (see 1040-SS)
E Business address (including suite or room no.)
City, town or post office, state, and ZIP code
F Accounting method: (1) ☐ Cash (2) ☐ Accrual
G Did you "materially participate" in the operation of this business?
H If you started or acquired this business during 2020, check:
I Did you make any payments in 2020 that would require you to file Form 1099?
J If "Yes," did you or will you file required Form(s) 1099?
Part I Income
1 Gross receipts or sales. See instructions for line 1 and check Form W-2 and the "Statutory employee" box on that form.
2 Returns and allowances
3 Subtract line 2 from line 1
4 Cost of goods sold (from line 42)
5 Gross profit. Subtract line 4 from line 3
6 Other income, including federal and state gasoline or fuel tax credits
7 Gross income. Add lines 5 and 6
Part II Expenses. Enter expenses for business use only.
8 Advertising
9 Car and truck expenses (see instructions)
Profit or Loss From Business
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Jim Richards

Founder and Principal of RegTech Consulting LLC

1w • Edited •



PPP Loan Fraud - Episode 93 - He's no saint!

Since February 2018 (the government is alleging that) Jeremie Saintvil stole the identities of at least eight people living in senior living facilities, all aged 82 to 100, and opened bank accounts, got credit cards and lines of credit, etc.

But wait, there's more.

The Paycheck Protection Program opened up a new source of fraud for Saint Jeremie: not wanting to waste his victims, he used these 8 folks to be the CEO applicants for 8 PPP loans made to 3 credit unions and 5 banks for companies that simply didn't exist. He cooked up IRS forms (940s, 941s) and fake Paychex payroll reports and submitted applications for about \$1.5 million in PPP loans. Saint Jeremie followed a script. For example, non-existent Martin Consulting, Inc. operating out of an empty building in Boca Raton, and its fake 100-year old CEO, got a PPP loan for \$180,857 from [Celtic Bank](#) for the non-existent 17 employees not making \$63,000 per month.

This is a 30-second "duh" diligence effort: Florida business not registered in Florida, operating from an empty building, with a 100-year old CEO? Is it that difficult?

[#ppploans](#) [#antimoneylaundering](#)



Delray Beach Man Indicted For COVID-19 Relief Fraud,
Allegedly By Using Identities Of Elderly Victims Residing ...

justice.gov • 4 min read



36 • 7 comments



Some Red Flags ...

- The borrower wasn't in existence before February 15, 2020
- Supporting documents bear indicia of fraud
- Employee information is suspect – sequential SSNs
- Business entity opens up a new account at a financial institution that is not its PPP lender
- Common IP addresses
- Borrower does not seek forgiveness



Takeaways for Processors, Lenders, and those directly or indirectly receiving PPP loan proceeds:

- Document, document, document: maintain good records of decision-making and spending. Hindsight is 20/20. Even if a decision looks strange in the future, good records will help explain why you took action during the pandemic.
- Even if liability is limited under terms of CARES Act, there is still risk from poor controls including reputational risk, fraud, and False Claims.



The Final Word: we don't know what the final word is, yet.

“We’ll be judged tomorrow on what we’re building today, based on regulations that haven’t yet been written and best practices that haven’t been shared.”

Jim Richards - December 2006



And two final thoughts:

To date, about \$30 billion in fees have been paid to PPP lenders. If Congress and Treasury decided that lenders could rely on the borrowers' certifications and documentation, and not have to do any real verification or due diligence, why did they bother using lenders as a \$30 billion middleman?

My guess is that Congress will give blanket forgiveness for all loans of \$50,000 and less, or 6.8 million of 9.2 million PPP loans.



Jim Richards

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