

[Banking and Finance Law Daily Wrap Up, FINANCIAL STABILITY—OIG reports on fraud investigation with COVID relief funds, \(Sept. 9, 2020\)](#)

Banking and Finance Law Daily Wrap Up

[Click to open document in a browser](#)

By [Colleen M. Svelnis, J.D.](#)

The multi-agency investigation has identified \$60.5M sought or obtained through fraud to date.

The Office of Inspector General for the Federal Housing Finance Agency has issued an [advisory](#) on its investigation of fraud affecting Paycheck Protection Program (PPP) Loans that were obtained or sought from Federal Home Loan Bank (FHLBank) member institutions. The purpose of the memorandum advisory is to provide FHFA with a status report on these investigations. The PPP was established by The Coronavirus Aid, Relief, and Economic Security (CARES) Act, which authorizes up to \$659 billion for small businesses to pay up to eight weeks of payroll costs, including benefits, and to pay interest on mortgages, rent, and utilities. The program is implemented by the Small Business Administration (SBA) with support from the Treasury Department.

OIG reports that, along with the Department of Justice's Criminal Division Fraud Section, it has participated in coordinated multiagency investigations into allegations of PPP fraud perpetrated at financial institutions that are members of the FHLBank system. Since the joint investigation began in April 2020, OIG has opened more than a dozen PPP loan fraud investigations and, to date, eight individuals have been charged by indictment or complaint with stealing or attempting to steal \$60.5 million in PPP funds. One of these individuals has pled guilty to the charges brought against him and is awaiting sentencing. Additionally, the investigation has have led to the recovery of over \$300,000 in cash and disrupted the funding of several fraudulent loans. These investigations have disclosed that PPP loan funds were used to purchase luxury automobiles, real estate, and a Rolex watch.

On average, according to the report, charges have been filed against those allegedly engaged in PPP loan fraud within 26 days after the start of an OIG investigation. Of the eight individuals arrested and charged, one has pled guilty and is awaiting sentencing.

The investigations have also disrupted the funding of several fraudulent loans. While searching the residence of an individual who is alleged to have fraudulently obtained almost \$9 million in PPP loan funds, over \$300,000 in cash was seized and a cache of illegal drugs was confiscated, according to the report.

RegulatoryActivity: Covid19 CrimesOffenses FinancialStability