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Department of Justice

Office of Public Affairs

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Texas Man Charged with \$5 Million COVID-Relief Fraud

Individual Copied List of Names off the Internet and Claimed Them as Employees

A Texas man has been charged in the Eastern District of Texas with allegedly filing bank loan applications fraudulently seeking more than \$5 million dollars in forgivable loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Samuel Yates, 32, of Maud, Texas, allegedly sought millions of dollars in forgivable loans guaranteed by the SBA from two different banks by claiming to have over 400 employees earning wages when, in fact, no employees worked for his purported business.

Yates is charged by way of a federal criminal complaint with violations of wire fraud, bank fraud, false statements to a financial institution, and false statements to the SBA.

"This defendant allegedly sought to steal millions of dollars in loans intended to aid legitimate small businesses grappling with the economic effects of COVID-19," said Assistant Attorney General Brian A. Benczkowski of the Justice Department's Criminal Division. "The department and our law enforcement partners will use all the tools at our disposal to investigate and prosecute frauds against the Paycheck Protection Program."

"Any time the government provides large amounts of money to the public there are people who will try to cheat the system," said U.S. Attorney Joseph D. Brown of the Eastern District of Texas. "We encourage lenders to be very careful, and to report suspicious applications. It is a priority of the Department of Justice to deter and prosecute this type of fraud."

"The Treasury Inspector General for Tax Administration will aggressively pursue those who try to use the Internal Revenue Service to facilitate their schemes to defraud coronavirus relief programs," said Special Agent in Charge Dale Forrester of the Treasury Inspector General for Tax Administration's Cybercrime Investigations Division. "Our successes today would have not been possible without the joint efforts of the Small Business Administration Office of the Inspector General, the Department of Justice and other law enforcement partners."

"Providing false statements to gain access to SBA's programs will be aggressively investigated by our office," said Special Agent in Charge Donald Abram of SBA OIG's Central Region. "SBA OIG and its law enforcement partners are poised to root out wrongdoers in the Paycheck Protection Program and maintain its integrity. I want to thank the U.S. Attorney's Office and our law enforcement partners for their dedication and pursuit of justice."

"Today's arrest should serve as a strong deterrent to anyone considering exploiting the COVID-19 pandemic to enrich themselves through fraud. These individuals have no concern for legitimate businesses whose employees and their families are hurting financially during these unprecedented times," said Special Agent in Charge Ryan L. Spradlin of U.S. Immigration and Customs's Homeland Security Investigations (HSI) Dallas. "HSI stands at the ready to utilize its

ample investigative mandate to assist in rooting out such unscrupulous individuals, and hold them accountable for their crimes.”

According to court documents unsealed today in U.S. District Court in Texarkana, Yates allegedly made two fraudulent applications to two different lenders for loans guaranteed by the SBA for COVID-19 relief through the Paycheck Protection Program (PPP). In the application submitted to the first lender, Yates allegedly sought \$5 million in PPP loan proceeds by fraudulently claiming to have 400 employees with an average monthly payroll of \$2 million. In the second application, Yates claimed to employ over 100 individuals and was able to obtain a loan over \$500,000. With each application, Yates submitted a list of purported employees that he obtained from a publicly available random name generator on the internet. He also submitted forged tax documents with each application.

The CARES Act is a federal law enacted on March 29, 2020, designed to provide emergency financial assistance to the millions of Americans who are suffering the economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was the authorization of up to \$349 billion in forgivable loans to small businesses for job retention and certain other expenses, through the PPP. In April 2020, Congress authorized over \$300 billion in additional PPP funding.

The PPP allows qualifying small-businesses and other organizations to receive loans with a maturity of two years and an interest rate of 1 percent. PPP loan proceeds must be used by businesses on payroll costs, interest on mortgages, rent, and utilities. The PPP allows the interest and principal to be forgiven if businesses spend the proceeds on these expenses within eight weeks of receipt and use at least 75 percent of the forgiven amount for payroll.

A federal criminal complaint is merely an accusation. A defendant is presumed innocent unless and until proven guilty.

Trial Attorney Louis Manzo of the Criminal Division’s Fraud Section and Assistant U.S. Attorney Frank Coan for the Eastern District of Texas are prosecuting the case.

The Justice Department acknowledges and thanks the SBA Office of Inspector General, and U.S. Postal Inspection Service for their efforts investigating this matter.

Anyone with information about allegations of attempted fraud involving COVID-19 can report it by calling the Department of Justice’s National Center for Disaster Fraud Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

The year 2020 marks the 150th anniversary of the Department of Justice. Learn more about the history of our agency at www.Justice.gov/Celebrating150Years.

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Coronavirus

Financial Fraud

Component(s):

[Criminal Division](#)

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