

## Department of Justice

U.S. Attorney's Office

District of New Jersey

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FOR IMMEDIATE RELEASE

Wednesday, October 13, 2021

### **New York and Florida Resident Admits to \$6.8 Million Paycheck Protection Program Fraud Scheme**

NEWARK, N.J. – A dual New York and Florida resident today admitted his role in a scheme to fraudulently obtain federal Paycheck Protection Program (PPP) loans totaling over \$6.8 million, Acting U.S. Attorney Rachael A. Honig and Assistant Attorney General Kenneth A. Polite Jr. of the Justice Department's Criminal Division announced today.

Gregory J. Blotnick, 34, of Florida, pleaded guilty before U.S. District Judge Brian R. Martinotti to an information charging him with one count of wire fraud and one count of money laundering.

According to documents filed in this case and statements made in court:

From April 2020 through March 2021, Blotnick submitted 21 fraudulent PPP loan applications to 13 lenders on behalf of nine purported businesses that Blotnick controlled.

The Coronavirus Aid, Relief, and Economic Security (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 on the PPP loan to be forgiven if the business spends the loan proceeds on these expense items within a designated period of time after receiving the proceeds and uses at least a certain percentage of the PPP loan proceeds on payroll expenses.

On Blotnick's fraudulent PPP applications, which sought a total of approximately \$6.8 million in total loans, Blotnick falsified various information to the lenders, including the number of employees, the federal tax returns for his purported businesses, and payroll documentation. Blotnick obtained approximately \$4.6 million in PPP funds and then misused the loan proceeds, including by transferring the funds to brokerage accounts from which he placed more than approximately \$3 million in losing stock trades.

The charge of wire fraud carries a maximum potential penalty of 20 years in prison and a fine of the greater of \$250,000, twice the gross profits or loss, whichever is greatest. The charge of money laundering carries a maximum penalty of 10 years in prison and a \$250,000 fine, or twice the gross gain to the defendant or gross loss to the victim, whichever is greatest. Sentencing is scheduled for March 1, 2022.

Acting U.S. Attorney Rachael Honig credited special agents of the Federal Housing Finance Agency, Office of Inspector General, under the direction of Special Agent in Charge Robert Manchak; special agents of IRS – Criminal Investigation, under the direction of Special Agent in Charge Michael Montanez; special agents of the Social Security Administration, Office of the Inspector General, New York Field Division, under the direction of Special Agent in Charge John F. Grasso; special agents of the Federal Deposit Insurance Corporation – Office of the Inspector General, under the direction of Special Agent in Charge Patricia Tarasca in New York; and special agents of the Board of Governors of the Federal Reserve System Consumer Financial Protection Bureau, Office of Inspector General, under the direction of Special Agent in Charge Stephen Donnelly, with the investigation leading to today's guilty plea.

The government is represented by Assistant U.S. Attorney Fatime Meka Cano of the U.S. Attorney's Office Government Fraud Unit in Newark and Trial Attorney Cory E. Jacobs of the Department of Justice, Criminal Division, Market Integrity and Major Frauds Unit.

On May 17, 2021, the Attorney General established the COVID-19 Fraud Enforcement Task Force to marshal the resources of the Department of Justice in partnership with agencies across government to enhance efforts to combat and prevent pandemic-related fraud. The Task Force bolsters efforts to investigate and prosecute the most culpable domestic and international criminal actors and assists agencies tasked with administering relief programs to prevent fraud by, among other methods, augmenting and incorporating existing coordination mechanisms, identifying resources and techniques to uncover fraudulent actors and their schemes, and sharing and harnessing information and insights gained from prior enforcement efforts. For more information on the department's response to the pandemic, please visit <https://www.justice.gov/coronavirus>.

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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 (NCDF) Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

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**Attachment(s):**

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**Component(s):**

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**Topic(s):**

Coronavirus

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