

Department of Justice

U.S. Attorney's Office

District of New Jersey

FOR IMMEDIATE RELEASE

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New York and Florida Resident Charged with \$3.8 Million Paycheck Protection Program Fraud Scheme

NEWARK, N.J. – A dual New York and Florida resident was charged for his role in fraudulently obtaining federal Paycheck Protection Program (PPP) loans totaling \$3.8 million, Acting U.S. Attorney Rachael A. Honig and Acting Assistant Attorney General Nicholas L. McQuaid of the Justice Department's Criminal Division announced today.

Gregory J. Blotnick, 34, of New York City and West Palm Beach, Florida, is charged by complaint with eight counts of wire fraud affecting a financial institution and six counts of money laundering. Blotnick is scheduled to have his initial appearance by videoconference on May 20, 2021, before a U.S. Magistrate Judge.

"The funds made available through the Paycheck Protection Program are intended to help businesses and their workers get through the financial hardships caused by the COVID-19 pandemic, not to enrich the unscrupulous few who, like this defendant, lie to obtain those funds for their own personal profit," Acting U.S. Attorney Honig said. "We will continue to protect the viability of important federal programs like these by working quickly to identify, investigate, and prosecute the individuals who see a time of national crisis as an opportunity to commit fraud."

"Not only did Blotnick fraudulently obtain almost \$4 million in relief funds reserved for those suffering serious financial harm from the tragic COVID-19 pandemic, he also lied about how he would use those funds, placing millions of dollars in losing stock trades," said Acting Assistant Attorney General McQuaid said. "The Justice Department and its law enforcement partners remain committed to aggressively pursuing and holding accountable fraudsters who treat COVID relief programs like a personal piggy bank."

"There are many small businesses out there that are suffering who are relying on the CARES Act to keep them and their employees afloat as we continue to feel the financial hardships brought on by this pandemic," Michael Montanez, Special Agent in Charge, IRS Criminal Investigation, Newark Field Office, said. "As alleged in the Complaint, Mr. Blotnick took advantage of the emergency financial assistance by lying and submitting fraudulent applications for loans he did not deserve. IRS Criminal Investigation will work with our law enforcement partners to root out corrupt individuals who try to illegally obtain CARES Act assistance they are not entitled to receive."

"As the Federal government moves to support small businesses during this critical time, members of the Federal Home Loan Bank system play an integral role in the Paycheck Protection Program," Special Agent in Charge Robert Manchak of the Northeast Region of the Federal Housing Finance Agency, Office of Inspector General (FHFA-OIG), said. "The charges announced today serve as a reminder that those who mislead lenders and seek to defraud the CARES Act will be held accountable. We are proud to work with the Department of Justice and our federal law enforcement partners during this unprecedented crisis."

"These charges demonstrate our commitment to hold accountable those who attempt to defraud pandemic-related assistance programs designed to aid businesses and employees in these challenging times," said Special Agent in Charge John F. Grasso, Social Security Administration Office of the Inspector General (SSA-OIG). "We will continue to collaborate across agency lines to combat this self-serving type of fraud. I want to thank the Federal Housing Finance Authority OIG, IRS Criminal Investigation, Federal Deposit Insurance Corporation OIG, and the U.S. Attorney's Office for their efforts to bring this individual to justice."

"These charges reflect greed and a selfish attempt to increase personal wealth on the backs of Americans suffering from the ongoing pandemic," Special Agent in Charge Patricia Tarasca of the Federal Deposit Insurance Corporation OIG (FDIC-OIG) New York Region, said. "As with this case, we will continue to vigorously investigate financial crimes and we appreciate the cooperation of our fellow law enforcement partners."

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

Blotnick submitted eight fraudulent PPP loan applications to several lenders on behalf of seven purported businesses.

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.

Blotnick submitted eight fraudulent PPP loan applications to several lenders on behalf of seven purported businesses. The applications allegedly contained fraudulent representations to the participating lenders, including documentation of federal tax returns. According to Social Security Administration records, there were no wages or Forms W-2 processed for any of the entities between 2018 and 2020. Blotnick also fabricated the existence of employees listed in purported payroll expense sheets submitted to the various financial institutions.

Based on Blotnick's alleged misrepresentations, the lenders approved Blotnick's PPP loan applications and provided Blotnick's purported business with approximately \$3.8 million in federal COVID-19 emergency relief funds meant for distressed small businesses. Blotnick then transferred most of the proceeds into a brokerage account and lost most of it through stock trading.

The eight counts of wire fraud affecting a financial institution each carry a maximum penalty of 20 years in prison and a \$250,000 fine; the six counts of money laundering each carry 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 greater.

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 Manchak; special agents of the IRS – Criminal Investigation, under the direction of Special Agent in Charge Montanez; special agents of the Social Security Administration, Office of the Inspector General, under the direction of Special Agent in Charge Grasso; special agents of the Federal Deposit Insurance Corporation – Office of the Inspector General, under the direction of Special Agent in Charge 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 the charges.

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

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 charges and allegations contained in the complaint are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

Attachment(s):

[Download Blotnick.Complaint.pdf](#)

Topic(s):

Cornovavirus

Component(s):

[USAO – New Jersey](#)

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