

Department of Justice

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Thursday, September 10, 2020

New York Brothers Charged With COVID-Relief Fraud

Two New York brothers were charged in a criminal complaint unsealed today for their alleged participation in a scheme to file fraudulent loan applications seeking nearly \$7 million in forgivable Paycheck Protection Program (PPP) loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, announced Acting Assistant Attorney General Brian C. Rabbitt of the Justice Department's Criminal Division and U.S. Attorney James P. Kennedy, Jr. of the U.S. Attorney's Office for the Western District of New York.

Larry Jordan, 42, Lancaster, New York, and Sutukh El, aka Curtis Jordan and Hugo Hurt, 38, of Buffalo, New York, were charged in a complaint filed in the Western District of New York with wire fraud conspiracy. Both individuals were arrested this morning and are scheduled to appear today before U.S. Magistrate Judge H. Kenneth Schroeder, Jr. in the Western District of New York.

The complaint alleges that Jordan and El conspired to, and did, submit at least eight fraudulent loan applications in an attempt to obtain nearly \$7 million. The complaint also alleges that, in support of the fraudulent loan applications, Jordan and El made numerous false and misleading statements about the companies' respective business operations and payroll expenses.

The complaint further alleges that the fraudulent loan applications were supported by fake documents, including falsified federal tax filings. For example, included in one application for 5 Stems Inc was a fraudulent IRS filing that appeared to be the company's 2019 federal unemployment tax return showing that the company paid nearly \$3.3 million in employee wages that year. In reality, the IRS has no record of such a filing.

The complaint further alleges that Jordan and El used fraudulently obtained loan proceeds on what appear to be personal expenses, including the purchase of securities, home improvements, and a vehicle. To date, the government has seized more than \$400,000 of the more than \$600,000 that Jordan and El obtained in their alleged fraud.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a federal law enacted March 29. It is designed to provide emergency financial assistance to millions of Americans who are suffering the economic effects resulting from the COVID-19 pandemic. One source of relief provided by the CARES Act is 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 one percent. Businesses must use PPP loan proceeds for 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 a set time period and use at least a certain percentage of the loan towards payroll expenses.

A criminal complaint is merely an allegation and all defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

This case was investigated by the Federal Deposit Insurance Corporation's Office of Inspector General (OIG), the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection's OIG, the Federal Housing Finance Agency's OIG, the FBI, and the SBA's OIG. Trial Attorney Della Sentilles of the Criminal Division's Fraud Section and Assistant U.S. Attorneys Charles Kruly and Grace Carducci for the Western District of New York are prosecuting the case.

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 <https://www.justice.gov/history>.

Attachment(s):

[Download Jordan et al Complaint](#)

Components(s):

[Criminal Division](#)

[Criminal – Criminal Fraud Section](#)

[USAO – New York, Western](#)

Topic(s):

Coronavirus

Disaster Fraud

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