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THE UNITED STATES ATTORNEY'S OFFICE  
DISTRICT *of* NEW JERSEY

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**Department of Justice**

U.S. Attorney's Office

District of New Jersey

FOR IMMEDIATE RELEASE

Thursday, December 16, 2021

## **Three Middlesex County Individuals Charged with \$2.1 Million in Paycheck Protection Program Fraud and Economic Injury Disaster Loan Fraud Schemes**

NEWARK, N.J. – Three Middlesex County, New Jersey, residents were arrested today for their roles in fraudulently obtaining over \$2.1 million in federal Paycheck Protection Program (PPP) loans and Economic Injury Disaster Loans (EIDL), U.S. Attorney Philip R. Sellinger announced.

Arlen G. Encarnacion, 35, of Perth Amboy, New Jersey, is charged by complaint with 11 counts of bank fraud, three counts of wire fraud, and two counts of money laundering. Kent Encarnacion, 28, of Perth Amboy, is charged by separate complaint with one count of bank fraud and two counts of money laundering. Jacquelyn Pena, 36, of Perth Amboy, is charged by separate complaint with three counts of bank fraud and two counts of money laundering. They are all scheduled to have their initial appearances by videoconference this afternoon before U.S. Magistrate District Judge Leda Dunn Wettre.

According to documents filed in these cases and statements made in court:

Arlen G. Encarnacion submitted 11 fraudulent PPP loan applications to two different lenders on behalf of nine purported businesses and three fraudulent EIDL applications to the Small Business Association (SBA) on behalf of three purported businesses. Kent Encarnacion submitted one fraudulent PPP loan application on behalf of a purported business to one lender and Jacquelyn Pena submitted three fraudulent PPP loan applications to two different lenders on behalf of three 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 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.

The applications the defendants each submitted allegedly contained fraudulent representations to the participating lenders and the SBA, including bogus federal tax return documentation. The defendants also each fabricated the existence of employees and the wages paid to the non-existent employees through the purported businesses. According to Social Security Administration records, there were no Forms W-3, Transmittal or Wage and Tax Statements, nor Forms W-2, Wage and Tax Statements processed for any of the defendants' entities between 2018 and 2020.

Based on the defendants' alleged misrepresentations, the lenders and the SBA approved the defendants' PPP loan and EIDL applications and provided their purported businesses with approximately \$2.1 million in federal COVID-19 emergency relief funds meant for distressed small businesses. Of this amount, Arlen G. Encarnacion received approximately \$1.69 million, Kent Encarnacion approximately \$156,000, and Jacquelyn Pena approximately \$335,000. The defendants then transferred a substantial portion of the proceeds, including in connection with Jacquelyn Pena's purchase of real estate and Arlen G. Encarnacion's purchase of a luxury Lamborghini SUV.

Each count of bank fraud charged in the complaints carries a maximum penalty of 30 years in prison and a \$1 million fine; each count of wire fraud carries a maximum penalty of 20 years; and each count of money laundering carries a maximum penalty of 10 years in prison. Both the wire fraud and money laundering counts carry a maximum fine of \$250,000 or twice the gross gain to the defendant or gross loss to the victim, whichever is greatest.

U.S. Attorney Sellinger credited postal inspectors of U.S. Postal Inspection Service, Newark Division, under the direction of Acting Inspector in Charge Raimundo Marrero; special agents of IRS – Criminal Investigation, under the direction of Special Agent in Charge Michael Montanez; special agents of the U.S. Attorney's Office for the District of New Jersey, under the direction of Special Agent in Charge Thomas Mahoney; 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 Grasso; 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 the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau – Office of Inspector General, under the direction of Acting Special Agent in Charge Stephen Donnelly; 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 U.S. Department of Homeland Security – Homeland Security Investigations, under the direction of Special Agent in Charge Jason J. Molina in Newark, with the

investigation leading to the charges. He also thanked the Middlesex County Prosecutor's Office and the Perth Amboy Police Department for their assistance.

The government is represented by Assistant U.S. Attorneys Mark C. Orlowski and Olajide A. Araromi of the U.S. Attorney's Office's Government Fraud Unit in Newark.

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 complaints are merely accusations, and the defendants are presumed innocent unless and until proven guilty.

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**Attachment(s):**

[Download AEncarnacion.Complaint.pdf](#)

[Download KEncarnacion.Complaint.pdf](#)

[Download Pena.Complaint.pdf](#)

**Topic(s):**

Coronavirus

**Component(s):**

[USAO - New Jersey](#)

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