

PRESS RELEASE

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Engineer Pleads Guilty to More Than \$10 Million of COVID-Relief Fraud

A Texas engineer pleaded guilty today for filing fraudulent bank loan applications seeking more than \$10 million dollars in forgivable loans guaranteed by the Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Acting Assistant Attorney General Nicholas L. McQuaid of the Justice Department's Criminal Division, Acting U.S. Attorney Nicholas J. Ganjei for the Eastern District of Texas, Inspector General Laura S. Wertheimer of the Federal Housing Finance Agency (FHFA) – Office of Inspector General (OIG), Inspector General Jay N. Lerner of the Federal Deposit Insurance Corporation (FDIC) – OIG, Inspector General Hannibal "Mike" Ware of the SBA-OIG and Inspector in Charge Delany De Leon-Colón of the U.S. Postal Inspection Service's (USPIS) Criminal Investigations Group made the announcement.

Shashank Rai, 30, of Beaumont, pleaded guilty to one count of making false statements to a bank. He was [charged on May 13, 2020](#), with violations of wire fraud, bank fraud, false statements to a financial institution, and false statements to the SBA.

As part of his guilty plea, Rai admitted that he sought millions of dollars in forgivable loans guaranteed by the SBA from two different banks by claiming to have 250 employees earning wages when, in fact, no employees worked for his purported business. Rai made two fraudulent claims 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, Rai sought \$10 million in PPP loan proceeds by fraudulently claiming to have 250 employees with an average monthly payroll of \$4 million. In the second application, Rai sought approximately \$3 million in PPP loan proceeds by fraudulently claiming to have 250 employees with an average monthly payroll of approximately \$1.2 million.

According to court documents, the Texas Workforce Commission provided information to investigators of having no records of employee wages having been paid in 2020 by Rai or his purported business, Rai Family LLC. In addition, the Texas Comptroller's Office of Public Accounts reported to investigators that Rai Family LLC reported no revenues for the fourth quarter of 2019 or the first quarter of 2020.

According to court documents, materials recovered from the trash outside of Rai's residence included handwritten notes that appear to reflect an investment strategy for the \$3 million, which is the amount of money that Rai allegedly sought from the second lender.

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, and in December 2020, Congress authorized another \$284 billion in additional 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 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.

This case was investigated by the FHFA-OIG, FDIC-OIG, SBA-OIG, and USPIS. Assistant Chief L. Rush Atkinson and Trial Attorney Lou Manzo of the Criminal Division's Fraud Section and Assistant U.S. Attorneys Frank Coan and Nathaniel Kummerfeld for the Eastern District of Texas are prosecuting the case.

The Fraud Section leads the department's prosecution of fraud schemes that exploit the PPP. In the months since the PPP began, Fraud Section attorneys have prosecuted more than 100 defendants in more than 70 criminal cases. The Fraud Section has also seized more than \$60 million in cash proceeds derived from fraudulently obtained PPP funds, as well as numerous real estate properties and luxury items purchased with such proceeds. More information can be found at: <https://www.justice.gov/criminal-fraud/ppp-fraud>.

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>.

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