

PRESS RELEASE

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Warren County Businessman Arrested for Fraudulently Obtaining Nearly \$2 Million in Loans Meant to Help Small Businesses During COVID-19 Pandemic

NEWARK, N.J. – A Warren County, New Jersey, businessman who fraudulently obtained nearly \$2 million in federal Paycheck Protection Program (PPP) loans will make his initial court appearance today, U.S. Attorney Craig Carpenito and Acting Assistant Attorney General Brian C. Rabbitt of the Justice Department's Criminal Division announced.

Rocco A. Malanga, 37, of Hackettstown, New Jersey, is charged by criminal complaint with one count of wire fraud, two counts of bank fraud, and one count of money laundering. He made his initial appearance by videoconference today before U.S. Magistrate Judge Joseph A. Dickson and was released on \$750,000 unsecured bond.

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

Malanga used a variety of false statements to fraudulently obtain approximately \$1.8 million in federal COVID-19 emergency relief funds meant for distressed small businesses. Malanga submitted at least three PPP loan applications on behalf of three different business entities that fabricated their number of employees and average monthly payroll. He then diverted the PPP loan funds to accounts under the control of his relatives, including his minor children, and to another company that did not obtain a PPP loan.

In one instance, Malanga submitted a PPP loan application on behalf of one of his companies that had supporting documentation that claimed that the company had 47 employees, a monthly payroll of \$324,081, and paid employees approximately \$3.9 million in total compensation for 2019. Contrary to this documentation and these representations, IRS records showed that the company paid no salaries or wages in 2019.

Based on Malanga's alleged misrepresentations, the three PPP loans were funded. As a result, Malanga received a total of nearly \$1.8 million in federal COVID-19 emergency relief funds meant for distressed small businesses.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act is a federal law enacted March 29, 2020. 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 1 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.

The count of wire fraud carries a maximum penalty of 30 years in prison and a \$1 million fine; the two counts of bank fraud carry a maximum penalty of 30 years in prison and a \$1 million fine; and the count of money laundering carries a maximum penalty of 10 years in prison and a \$250,000.

U.S. Attorney Carpenito and Acting Assistant Attorney General Rabbitt credited inspectors of the U.S. Postal Inspection Service, under the direction of Acting Inspector in Charge Raimundo Marrero; and special agents of IRS – Criminal Investigation, under the direction of Special Agent in Charge Michael Montanez, with the investigation leading to the charges. They also thanked the Office of Inspector General for the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection; the Federal Deposit Insurance Corporation, Office of Inspector General; and the Social Security Administration, Office of the Inspector General.

The government is represented by Assistant U.S. Attorney Blake Coppotelli of the District of New Jersey and Trial Attorney Della Sentilles of the Fraud Section of the Department of Justice.

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 in the complaint are merely allegations, and the defendant is presumed innocent unless and until proven guilty in a court of law.

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