IRS

Founder of lender service provider pleads guilty for role in PPP fraud scheme

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Date: August 11, 2025

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A founder of the lender service provider Blueacorn pleaded guilty today in connection with a scheme to fraudulently obtain COVID-19 relief money guaranteed by the U.S. Small Business Administration (SBA) through the Paycheck Protection Program (PPP).

“During a national emergency, this defendant exploited a taxpayer-funded program that individuals and small businesses desperately needed to survive,” said Acting Assistant Attorney General Matthew R. Galeotti of the Justice Department’s Criminal Division. “This conviction demonstrates the Department’s ongoing commitment to bring to justice those who would steal from the public fisc to enrich themselves.”

“This defendant had the opportunity to help small businesses overcome tremendous financial hardships during a time of national crisis but instead exploited the system to line his own pockets with taxpayer money,” said Acting U.S. Attorney for the Northern District of Texas Nancy E. Larson. “We will continue to pursue convictions against those fraudsters who preyed upon the generosity of the American people as we struggled through the pandemic.”

“The FBI takes our responsibility to investigate and pursue those who commit fraud for personal gain very seriously,” said Assistant Director Jose A. Perez of the FBI Criminal Investigative Division. “Reis and others exploited a program meant to keep small businesses afloat during the pandemic. The FBI will continue to work tirelessly to prevent these programs from becoming targets and fight fraud wherever we find it.”

According to court documents, Nathan Reis, of Rio Grande, Puerto Rico, and previously of Arizona, conspired with others to submit false and fraudulent PPP loan applications, including by fabricating documents that falsified income and payroll figures in order to receive loan funds for which they were not eligible.

Reis co-founded Blueacorn in April 2020, purportedly to help small businesses and individuals obtain PPP loans. Through Blueacorn, Reis and his co-conspirators submitted fraudulent PPP loan applications they knew contained materially false information to make more money. Reis and others fabricated documents, including tax documents and bank statements. As part of the conspiracy, Reis and his co-conspirators charged borrower's fees based on a percentage of the funds received.

Reis pleaded guilty to conspiracy to commit wire fraud. He is scheduled to be sentenced on Nov. 21 and faces a maximum penalty of 20 years in prison. A federal district court judge will determine any sentence after considering the U.S. Sentencing Guidelines and other statutory factors.

IRS-CI, the FBI, the Special Inspector General for Pandemic Recovery, Federal Reserve Board-CFPB Office of Inspector General, and SBA OIG investigated the case.

Acting Assistant Chief Philip Trout of the Criminal Division's Fraud Section, Trial Attorneys Elizabeth Carr and Ryan McLaren of the Criminal Division's Money Laundering and Asset Recovery Section, and Assistant U.S. Attorney Matthew Weybrecht for the Northern District of Texas are prosecuting the case.

The Fraud Section leads the Criminal Division's prosecution of fraud schemes that exploit the PPP. Since the enactment of the CARES Act, the Fraud Section has prosecuted over 200 defendants in more than 130 criminal cases and has seized over $78 million in cash proceeds derived from fraudulently obtained PPP funds, as well as numerous real estate properties and luxury items purchased with such proceeds.

MLARS's Bank Integrity Unit investigates and prosecutes banks and other financial institutions, including their officers, managers, and employees, whose actions threaten the integrity of the individual institution or the wider financial system.

IRS Criminal Investigation (IRS-CI) is the law enforcement arm of the IRS, responsible for conducting financial crime investigations, including tax fraud, narcotics trafficking, money laundering, public corruption, healthcare fraud, identity theft and more. IRS-CI special agents are the only federal law enforcement agents with investigative jurisdiction over violations of the Internal Revenue Code, obtaining a 90% federal conviction rate. The agency has 19 field offices located across the U.S. and 14 attaché posts abroad.