



PRESS RELEASE

CEO Of Paycheck Protection Program Lender MBE Capital Pleads Guilty In Connection With Fraudulent Loan And Lender Applications

Thursday, March 23, 2023

For Immediate Release

U.S. Attorney's Office, Southern District
of New York

Damian Williams, the United States Attorney for the Southern District of New York, announced today that RAFAEL MARTINEZ, the CEO of MBE Capital Partners, LLC, pled guilty to conspiring to commit wire fraud in connection with loan and lender applications submitted through the Paycheck Protection Program (the “PPP”) administered by the U.S. Small Business Administration (the “SBA”). MARTINEZ pled guilty before United States District Judge Lewis J. Liman, to whom his case is assigned.

U.S. Attorney Damian Williams said: “In the depths of the COVID-19 pandemic, Martinez lied to get money that was supposed to help people. His abuse of the system during a terrible time has now been brought to light. Martinez took advantage of his employees, a tax preparer, and the public at large — all to fund a lavish lifestyle of cars, jets, and fancy homes. Let me be clear, this Office will not tolerate such conduct and will continue to bring to justice those who put their greed above the law.”

According to the allegations in the Complaint, court filings, and statements made during plea proceedings:

MARTINEZ used false representations and documents to fraudulently obtain the approval of the SBA for his company, MBE Capital Partners, LLC (“MBE”), to be a non-bank lender through the PPP. He engaged in this criminal conduct to fraudulently secure hundreds of millions of dollars in capital for PPP loans and, ultimately, to collect more than approximately \$71 million in lender fees. In addition, MARTINEZ engaged in a scheme to obtain a PPP loan for MBE in the amount of approximately \$283,764 through false statements regarding the number of employees of MBE and the wages paid to MBE employees and using the forged signature of MBE’s tax preparer.

At all relevant times, MARTINEZ has been the CEO and primary owner of MBE, a New York limited liability company formed in or about March 2015. Republic Group, LLC, a/k/a Republic Group Parts, LLC (“Republic Group”), which is owned and controlled by MARTINEZ, serves as the holding company for MBE and conducts business as MBE. According to MBE’s website, “For over 20 years, MBE Capital Partners has been a leading provider of financing solutions for small and diverse businesses . . . In 2019, we financed over \$1.7 billion in public and private debt and we funded over 35,000 PPP loans worth \$800M.”

On or about April 5, 2020, MARTINEZ applied to a financial institution for a government-guaranteed loan for Republic Group, through the SBA’s PPP. In connection with the loan application, MARTINEZ represented that MBE had as many as 15 employees and an average monthly payroll of approximately \$119,390 in 2019. In fact, however, from in or about April 2018 through in or about April 2020, MBE had at most four employees who had a total average monthly payroll of no more \$25,000. In order to support the false representations made by MARTINEZ in the loan application about the number of employees at and the wages paid by MBE, MARTINEZ submitted fraudulent and doctored tax records that contained the forged signature of a tax preparer located in Manhattan, New York (the “Tax Preparer”). Based on the false documentation provided by MARTINEZ, MBE was approved for a PPP loan in the amount of approximately \$283,764, which was disbursed to a bank account controlled by MARTINEZ. A majority of the loan proceeds do not appear to have been used for payroll for employees of MBE or other business expenses.

On or about April 9, 2020, within five days of applying for the PPP loan referenced above, MARTINEZ submitted an application to the SBA for MBE to become a non-bank PPP lender. As part of the PPP lender application process, MARTINEZ represented that MBE had originated and serviced over \$3.8 billion in business loans or other commercial financial receivables for the three-year period from in or about 2017 through in or about 2019 and submitted fraudulent financial statements that purported to be audited by the Tax Preparer’s firm for the years 2018 and 2019. Based on the false information provided by MARTINEZ to the SBA, MBE was approved as a non-bank lender for PPP loans.

On or about April 27, 2020, MARTINEZ submitted various documents, including the same fraudulent audited financial statements for 2019 provided to the SBA, to a life insurance

company (the “Company”) as part of a proposed partnership to fund PPP loans for minority and women-owned small businesses. On or about May 13, 2020, the Company provided MBE with \$100 million to fund PPP loans, which MBE in turn used as collateral to borrow additional capital of approximately \$832 million through the Payment Protection Program Liquidity Facility (“PPPLF”) with the Federal Reserve.

As a result of the above fraudulent misrepresentations, MARTINEZ, through his company MBE, became an approved PPP lender and issued approximately \$823 million in PPP loans to approximately 36,600 businesses. These loans earned MARTINEZ a total of approximately \$71.3 million in fees. MARTINEZ spent the proceeds from his criminal conduct on, among other things, the purchase of a villa in the Dominican Republic for over \$10 million, a \$3.5 million mansion located in Franklin Lakes, New Jersey, a chartered jet service, and several luxury vehicles, including a 2018 Porsche 911 Turbo, a 2017 Ferrari 488 Spider, a 2017 Bentley Continental GT, a BMW 750, and a 1962 Mercedes Benz 190.

* * *

MARTINEZ, 57, of Franklin Lakes, New Jersey, pled guilty to one count of conspiracy to commit wire fraud, which carries a maximum sentence of five years in prison.

The maximum potential sentence is prescribed by Congress and is provided here for informational purposes only, as any sentencing of the defendant will be determined by the judge.

As part of his plea agreement, MARTINEZ agreed to pay restitution in the amount of \$71,711,893.07 and to forfeit \$44,546,712.94, including more than \$15 million previously seized by law enforcement, properties in New Jersey and the Dominican Republic, and five luxury vehicles.

Mr. Williams praised the outstanding investigative work of the Internal Revenue Service, Criminal Investigation; U.S. Small Business Administration, Office of Inspector General; and the Office of Inspector General for the Board of Governors of the Federal Reserve System and the Bureau of Consumer Financial Protection, Eastern Region.

This case is being handled by the Office’s Complex Frauds and Cybercrime Unit. Assistant U.S. Attorneys Micah Fergenson, Katherine Reilly, and Steven Kochevar are in charge of the prosecution.

Contact

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Updated March 23, 2023

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Press Release Number: 23-112

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