



PRESS RELEASE

Co-Founders of Paycheck Protection Program Lender Service Provider Charged for COVID-19 Relief Fraud Scheme

Friday, November 22, 2024

For Immediate Release

Office of Public Affairs

An indictment was unsealed yesterday in the Northern District of Texas charging two co-founders of Blueacorn, a lender service provider, 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) under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

According to court documents, Nathan Reis, 45, and Stephanie Hockridge, 41, also known as Stephanie Reis, both of Puerto Rico and previously of Arizona, allegedly submitted false and fraudulent PPP loan applications on behalf of themselves and their businesses, including by fabricating documents that they submitted in their loan applications in order to receive loan funds for which they were not eligible.

The indictment also alleges that Reis and Hockridge, who are married, co-founded Blueacorn in April 2020, purportedly to assist small businesses and individuals in obtaining PPP loans. In order to obtain larger loans for certain PPP applicants, Reis and other co-conspirators allegedly fabricated documents, including payroll records, tax documentation, and bank statements. Reis

and Hockridge allegedly charged borrowers illegal kickbacks based on a percentage of the funds received.

As part of the alleged scheme, Reis, Hockridge, and others expanded Blueacorn's operations through lender service provider agreements (LSPAs) with two lenders. Under the LSPAs, Blueacorn collected and reviewed PPP applications from potential borrowers on behalf of the lenders and worked with the lenders to submit applications to the SBA in exchange for a percentage of the fees that the SBA paid to the lenders for approved PPP loans. Blueacorn also had a program called "VIPPP" in which Hockridge and others offered a personalized service to help potential borrowers complete PPP loan applications. Reis and Hockridge allegedly recruited co-conspirators to work as VIPPP referral agents and coach borrowers on how to submit false PPP loan applications. In order to obtain a greater volume of kickbacks from borrowers and percentage of lender fees from the SBA, Reis, Hockridge, and their co-conspirators submitted PPP loan applications that they knew contained materially false information.

Reis and Hockridge are charged with one count of conspiracy to commit wire fraud and four counts of wire fraud. If convicted, they face a maximum penalty of 20 years in prison on each count.

Principal Deputy Assistant Attorney General Nicole M. Argentieri, head of the Justice Department's Criminal Division; U.S. Attorney Leigha Simonton for the Northern District of Texas; Assistant Director Chad Yarbrough of the FBI's Criminal Investigative Division; Special Agent in Charge Chris Altemus of the IRS Criminal Investigation (IRS-CI) Dallas Field Office; Special Inspector General for Pandemic Recovery (SIGPR) Brian Miller; Special Agent in Charge John Ellwanger of the Western Division, Office of Inspector General for the Board of Governors of the Federal Reserve System and the Consumer Financial Protection Bureau (FRB-OIG); and Inspector General Hannibal "Mike" Ware of the Small Business Administration Office of Inspector General (SBA-OIG) made the announcement.

FBI, IRS-CI, SIGPR, FRB-OIG, 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 (MLARS), and Assistant U.S. Attorney Matthew Weybrecht for the Northern District of Texas are prosecuting the case.

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.

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. More information can be found at www.justice.gov/criminal-fraud/ppp-fraud.

In May 2021, the Attorney General established the COVID-19 Fraud Enforcement Task Force to marshal the resources of the Justice Department in partnership with agencies across government to enhance efforts to combat and prevent pandemic-related fraud. The task force bolsters efforts to investigate and prosecute the most culpable domestic and international criminal actors and assists agencies tasked with administering relief programs to prevent fraud by augmenting and incorporating existing coordination mechanisms, identifying resources and techniques to uncover fraudulent actors and their schemes, and sharing and harnessing information and insights gained from prior enforcement efforts. For more information on the department's response to the pandemic, visit www.justice.gov/coronavirus.

Anyone with information about allegations of attempted fraud involving COVID-19 can report it by calling the Justice Department's National Center for Disaster Fraud (NCDF) Hotline via the NCDF Web Complaint Form at www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form.

An indictment is merely an allegation. All defendants are presumed innocent until proven guilty beyond a reasonable doubt in a court of law.

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