



THE UNITED STATES ATTORNEY'S OFFICE

EASTERN DISTRICT *of* VIRGINIA

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**Department of Justice**

U.S. Attorney's Office

Eastern District of Virginia

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FOR IMMEDIATE RELEASE

Friday, May 29, 2020

## **Man Indicted for COVID-19 Related Loan Fraud**

NEWPORT NEWS, Va. – A federal grand jury returned an indictment today charging a Norfolk man with submitting fraudulent disaster-related loan applications in connection with the COVID-19 outbreak that resulted in the disbursement of over \$190,000 in proceeds.

“The COVID-19 pandemic continues to affect our communities in innumerable ways,” said G. Zachary Terwilliger, U.S. Attorney for the Eastern District of Virginia. “The CARES Act provides emergency relief to help mitigate some of those effects. Fraud targeting CARES Act benefits unjustly diverts these resources away from the people and businesses who most need them. EDVA remains steadfastly committed to prosecuting those who seek to exploit this crisis for their own personal gain.”

According to the indictment, from at least March 2020 to May 2020, Joseph Cherry II, 39, allegedly engaged in a scheme to fraudulently obtain disaster-related loan benefits in the form of United States Small Business Administration (SBA) sponsored Economic Injury Disaster (EIDL) loans and a Paycheck Protection Program (PPP) loan. These SBA programs, initiated and expanded under The CARES Act, are designed to provide support for small businesses for expenses related to the COVID-19 outbreak.

“Providing false statements to gain access to SBA’s programs will be aggressively investigated by our office,” said Hannibal “Mike” Ware, Inspector General of the U.S. Small Business Administration. “SBA OIG and its law enforcement partners are poised to root out fraud in SBA’s programs and bring wrongdoers to justice. I want to thank the U.S. Attorney’s Office and our law enforcement partners for their dedication and pursuit of justice.”

This kind of fraud reaches deep into the community by diverting critical funds intended to help struggling businesses survive and help people hold onto their livelihoods. It is unconscionable that anyone would attempt to steal from the community using the CARES Act to line their own pockets during this national crisis. The FBI is committed to rooting out this kind of fraud to help ensure these critical funds go where they are needed most. Anyone with information on CARES Act and other COVID-19 related fraud is asked to submit a tip to the FBI at [tips.fbi.gov](https://tips.fbi.gov).”

According to the indictment, Cherry, who was serving a term of federal supervised release, allegedly submitted applications for these loans that contained false statements and misrepresentations related to his income, employment, claimed business entities and prior criminal record. The indictment alleges that Cherry

fraudulently obtained proceeds of over \$190,000 in April 2020. Further, in a few day period, Cherry converted to cash or a cashier's check approximately \$140,000 of these proceeds.

"The immediacy with which the Deputy Marshals responded in making this arrest should send a clear message to those intending to misuse the financial resources our government is providing to those trying to recover from the ongoing pandemic," said Nick E. Proffitt, U.S. Marshal for the Eastern District of Virginia. "The public should take comfort in knowing that even in this difficult COVID-19 environment, Deputy United States Marshals are at work each and every day to help ensure the community is safe, and justice is served."

Cherry is charged in a 10-count indictment with charges of wire fraud, theft of government property, false statements to the small business administration, and money laundering. If convicted, he faces statutory maximums ranging from 10 to 30 years in prison on each count. Actual sentences for federal crimes are typically less than the maximum penalties. A federal district court judge will determine any sentence after taking into account the U.S. Sentencing Guidelines and other statutory factors.

"Unfortunately, during these uncertain times, individuals fraudulently take advantage of programs meant to help those in need," said Kelly R. Jackson, the IRS-CI Special Agent in Charge. "We will prioritize investigations of these shameless perpetrators and work with our law enforcement partners to bring these individuals to justice."

The Department of Justice remains vigilant in detecting, investigating, and prosecuting wrongdoing related to the COVID-19 pandemic. Under the leadership of Attorney General William Barr, U.S. Attorneys appointed Coronavirus Fraud Coordinators to work with federal, state, local and tribal law enforcement partners to protect the public from scammers who are attempting to prey upon fears. The Department is also committed to preventing hoarding and price gouging for critical supplies during this crisis. To address this, Attorney General Barr created the COVID-19 Hoarding and Price Gouging Task Force. If you think you are a victim of a scam or attempted fraud involving COVID-19, contact the National Center for Disaster Fraud Hotline at 866-720-5721 or via email at [disaster@leo.gov](mailto:disaster@leo.gov). Members of the public in the Eastern District of Virginia are also encouraged to call 804-819-5416, or email [USAVAE.COVID19@USDOJ.GOV](mailto:USAVAE.COVID19@USDOJ.GOV) to reach their local Coronavirus Fraud Coordinator.

G. Zachary Terwilliger, U.S. Attorney for the Eastern District of Virginia; Nick E. Proffitt, U.S. Marshal for the Eastern District of Virginia; Hannibal "Mike" Ware, Inspector General of the Small Business Administration (SBA); Martin Culbreth, Special Agent in Charge of the FBI's Norfolk Field Office; Kelly R. Jackson, Special Agent in Charge, Washington, D.C. Field Office, IRS-Criminal Investigation (IRS-CI); and Peter R. Rendina, Inspector in Charge of the Washington Division of the U.S. Postal Inspection Service, made the announcement. Assistant U.S. Attorney Brian Samuels is prosecuting the case.

The Norfolk Police Department Special Operations Team provided significant assistance with the arrest to the U.S. Marshals Fugitive Task Force.

A copy of this press release is located on the website of the [U.S. Attorney's Office](#) for the Eastern District of Virginia. Related court documents and information are located on the website of the [District Court](#) for the Eastern District of Virginia or on [PACER](#) by searching for Case No. 4:20-cr-27.

*An indictment is merely an accusation. The defendant is presumed innocent until proven guilty.*

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**Topic(s):**

Coronavirus

Financial Fraud

**Component(s):**

USAO - Virginia, Eastern

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