



THE UNITED STATES

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Tuesday, August 25, 2020

North Carolina Man Charged with COVID-19 Relief Fraud

A North Carolina man was charged by criminal complaint unsealed today for fraudulently seeking more than \$414,000 in COVID-19 relief guaranteed by the Small Business Administration (SBA) through the Economic Injury Disaster Loan (EIDL) program and the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security (CARES) Act.

Acting Assistant Attorney General Brian Rabbitt of the Justice Department's Criminal Division, U.S. Attorney Matthew G.T. Martin of the Middle District of North Carolina, Treasury Inspector General for Tax Administration (TIGTA) J. Russell George, Inspector General Jay N. Lerner of the Federal Deposit Insurance Corporation, Officer of Inspector General (FDIC OIG), and Special Agent in Charge Michael J. De Palma of the IRS Criminal Investigation (CI) Miami Field Office made the announcement.

David Christopher Redfern, 31, of Trinity, North Carolina, was charged by criminal complaint filed in the Middle District of North Carolina with one count of wire fraud and one count of bank fraud. Redfern was arrested this morning and made his initial appearance this afternoon before U.S. Magistrate Judge L. Patrick Auld of the Middle District of North Carolina.

The complaint alleges that Redfern, through a company called Wilder Effects LLC (Wilder Effects) that he formed in January 2020, fraudulently applied for two EIDLs and a PPP loan between April and June of this year. The PPP loan application was supported by falsified documents. The false documentation included a fake IRS filing that purported to be Wilder Effects' Employer's Quarterly Federal Tax Return for the first quarter of 2020, showing that the company paid wages to 20 employees, when in reality the IRS has no record of such a filing. The complaint further alleges that EIDL and PPP loan proceeds were withdrawn in cash or transferred to Redfern's personal bank account. As a result of suspected fraud alerts, Wilder Effects' bank account was frozen and approximately \$402,000 of the over \$414,000 in EIDL and PPP loan proceeds were recovered.

The CARES Act is a federal law enacted on March 29, 2020, designed to provide emergency financial assistance to the millions of Americans who are suffering the economic effects caused by the COVID-19 pandemic. One source of relief provided by the CARES Act was 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. PPP loan proceeds must be used by businesses on payroll costs, interest on mortgages, rent, and utilities. The PPP allows the interest and principal on the PPP loan 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 EIDL program is designed to provide economic relief to small businesses that are currently experiencing a temporary loss of revenue. EIDL proceeds can be used to cover a wide array of working capital and normal operating

expenses, such as continuation of health care benefits, rent, utilities and fixed debt payments. If an applicant also obtains a loan under the PPP, the EIDL funds cannot be used as the same purpose as the PPP funds.

A criminal complaint is merely an accusation. A defendant is presumed innocent unless and until proven guilty beyond a reasonable doubt in a court of law.

This case was investigated by TIGTA, FDIC OIG, and IRS CI. Trial Attorney Jessee Alexander-Hoepfner of the Criminal Division's Fraud Section and Assistant U.S. Attorney Meredith Ruggles for the Middle District of North Carolina are prosecuting the case. The Justice Department thanks the SBA OIG for their support and assistance.

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 (BCDF) hotline by phone (1-866-720-5721 or via an online reporting form available at <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>).

The year 2020 marks the 150th anniversary of the Department of Justice. Learn more about the history of our agency at www.Justice.gov/Celebrating150Years.

Attachment(s):

[Download Redfern Affidavit](#)

Topic(s):

Coronavirus

Disaster Fraud

Component(s):

[Criminal Division](#)

[Criminal - Criminal Fraud Section](#)

[USAO - North Carolina, Middle](#)

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