Department of Justice

U.S. Attorney's Office

Central District of California

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Northridge Man Arrested on Charges that Business Partner and He Fraudulently Obtained Nearly $2 Million in COVID-Relief PPP Loans

SANTA ANA, California – A San Fernando Valley man was arrested today on federal charges alleging he and his business partner fraudulently obtained more than $1.95 million in Paycheck Protection Program (PPP) loans for their companies by submitting fake tax documents and false employee information, and then transferred hundreds of thousands of dollars of the funds into their personal bank accounts.

Steven R. Goldstein, 36, of Northridge and his business partner, Raymond Magana, 39, of Santa Clarita, were named in a federal criminal complaint charging them with making false statements to the government, fraud in connection with major disaster or emergency benefits, wire fraud, bank fraud, conspiracy, and false statements to the Small Business Administration (SBA).

Goldstein was arrested this morning and is expected to make his initial appearance this afternoon in United States District Court in Santa Ana. Magana will be summonsed to appear in federal court next month.

According to an affidavit in support of the complaint, on May 13 and June 3, Magana submitted two applications for PPP loans totaling $1.8 million to U.S. Bank and Customer's Bank, on behalf of The Building Circle LLC, a company registered in his name.

To qualify for the PPP loans, Magana allegedly claimed that The Building Circle had 40 employees and submitted to the banks, and later to the SBA, bogus wage and tax documents that falsely reported $4.5 million in annual employee wages.

Both IRS and California Employment Development Department records showed that the company never reported paying any employees, and the underwriting packet also did not include a list of employees or associates for the company, according to the affidavit. Investigators later determined that the Pico Rivera address given as The Building Circle's headquarters was a 980-square-foot, single-family home that appeared to be a residence, not a business. Ultimately, one of the two loan applications was approved and $940,416 was funded to Magana's shell company, the affidavit states.

Magana allegedly also applied for and received a PPP loan of $360,415 for Forward Builders LLC, another shell company, using fake tax documents and false employee information, and falsely claiming $1.73 million in employee wages.

When a bank manager contacted Magana after one of the business accounts receiving PPP funds had been frozen because of suspicious activity, he allegedly told the bank “We have all the documents, we got approved,” and he refused to return the improperly obtained PPP funds, the affidavit states.

The affidavit further alleges that Goldstein applied for four different PPP loans to Bank of America totaling more than $1.2 million on behalf of two other companies, Beagle Real Estate and Antelope Valley Real Estate Development LLC, while also using fake tax documents and false employee information.

Two of those PPP loans ultimately were approved and Goldstein’s companies received a total of $655,000 in PPP loan funds, the affidavit details. California state business records list Magana as CEO of Antelope Valley Real Estate Development, while Goldstein is listed as its manager.

According to the affidavit, on the same day that the banks issued those PPP loan funds to Goldstein’s companies, Goldstein transferred more than half of that amount, $355,000, into his personal bank accounts.

In total, Magana and Goldstein applied for more than five separate PPP business loans totaling more than $2.5 million from various banks, of which more than $1.95 million was issued, according to the affidavit.

A complaint contains allegations that a defendant has committed a crime. Every defendant is presumed innocent until and unless proven guilty beyond a reasonable doubt.

If convicted of these charges, Magana and Goldstein each would face a statutory maximum sentence of 127 years in federal prison.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was designed to provide emergency financial assistance to millions of Americans who are suffering the economic effects resulting from the COVID-19 pandemic. One source of relief provided by the CARES Act is 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, Congress authorized more than $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. Businesses must use PPP loan proceeds for payroll costs, interest on mortgages, rent, and utilities. The PPP allows the interest and principal 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.

This matter was investigated by IRS Criminal Investigation and the Small Business Administration – Office of Inspector General. The FBI assisted with today’s arrests.

Assistant United States Attorney Charles E. Pell of the Santa Ana Branch Office is prosecuting this case.

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