



THE UNITED STATES ATTORNEY'S OFFICE  
SOUTHERN DISTRICT *of* NEW YORK

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**Department of Justice**

U.S. Attorney's Office

Southern District of New York

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FOR IMMEDIATE RELEASE

Wednesday, April 28, 2021

## **Manhattan Man Arrested For \$5.8 Million Scheme To Defraud Loan Program Intended To Help Small Businesses During COVID-19 Pandemic**

Audrey Strauss, the United States Attorney for the Southern District of New York, William F. Sweeney Jr., Assistant Director-in-Charge of the New York Office of the Federal Bureau of Investigation ("FBI"), Amaleka McCall-Brathwaite, Special Agent-in-Charge of the Eastern Region Office of the Inspector General of the U.S. Small Business Administration ("SBA-OIG"), and Jonathan D. Larsen, Special Agent in Charge of the New York Field Office of the Internal Revenue Service, Criminal Investigation ("IRS-CI"), and Patricia Tarasca, Special Agent in Charge of the New York Region Office of the Inspector General of the Federal Deposit Insurance Corporation ("FDIC-OIG"), announced today the unsealing of a criminal complaint charging MARCUS FRAZIER with major fraud against the United States, bank fraud, wire fraud, making false statements, and money laundering, for carrying out a fraudulent scheme to obtain \$5.8 million in government-guaranteed loans designed to provide relief to small businesses during the novel coronavirus/COVID-19 pandemic. FRAZIER was arrested this morning and presented before United States Magistrate Judge Gabriel W. Gorenstein this afternoon.

U.S. Attorney Audrey Strauss said: "As alleged, Marcus Frazier sought millions of dollars in unsecured SBA-guaranteed loans for which his businesses did not qualify. Frazier allegedly did this by lying about the number of people employed by his businesses, the salaries they were paid, even that these employees existed. Further, Frazier allegedly used the loan proceeds he did obtain not to pay allowable expenses, but rather, to fund his lavish lifestyle. Now Marcus Frazier stands to learn the true cost of his alleged conduct."

FBI Assistant Director William F. Sweeney Jr. said: "As alleged, Frazier fraudulently sought approximately \$5.8 million in PPP loans through a government program designed to help small businesses continue to pay their employees during the pandemic. Rather than use the proceeds he ultimately secured for this purpose, he used the funds for personal expenses that included luxury hotels and travel. With today's action, the only place he'll travel is the courthouse in Lower Manhattan to face justice and the possibility of a lengthy stay in federal prison."

SBA-OIG Special Agent-in-Charge Amaleka McCall-Brathwaite said: "Lying to gain access to economic stimulus funds will be met with justice. Greed has no place in SBA's programs that are intended to provide assistance to the nation's small businesses struggling with the pandemic challenges. I want to thank the U.S. Attorney's Office and our law enforcement partners for their dedication and pursuit of justice."

IRS-CI Special Agent-in-Charge Jonathan D. Larsen said: “Instead of using these vital CARES Act funds to keep his purported businesses afloat, the defendant allegedly drowned himself in luxuries. I applaud the speed with which the federal law enforcement community uncovered these alleged abuses. The arrest today should be an unequivocal message about the consequences that await those engaged in related alleged criminal activities.”

FDIC-OIG Special Agent-in-Charge Patricia Tarasca said: “These charges represent blatant falsehoods, fraud, and other criminal conduct that sought to take advantage of tax dollars meant to help the nation recover from the ongoing pandemic. We appreciate the work of our law enforcement partners on this important case.”

According to the allegations in the Complaint[1] unsealed today in Manhattan federal court:

The Coronavirus Aid, Relief, and Economic Security (“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 business expenses through the Paycheck Protection Program (the “PPP”). The PPP allows qualifying small businesses and other organizations to receive unsecured SBA-guaranteed loans. PPP loan proceeds must be used by businesses on payroll costs, mortgage interest, rent, and/or utilities, among other specified expenses. Pursuant to the CARES Act, the amount of PPP funds a business is eligible to receive is determined by the number of employees employed by the business and their average payroll costs. Businesses applying for a PPP loan must provide documentation to confirm that they have in the past paid employees the compensation represented in the loan application.

Between in or about May 2020 and in or about April 2021, FRAZIER submitted at least seven applications for PPP loans for various businesses he controlled (collectively, the “Frazier Companies”). These applications relied upon fraudulent statements regarding the number of employees of each business and the amount of payroll involved in each business and were submitted, in many cases, alongside fake bank statements, designed to support FRAZIER’s false statements. These fake bank statements included, among other things, fraudulent account statements for a checking account that showed balances far greater than the account actually held, and depicted payroll withdrawals that never occurred. FRAZIER also submitted lists of employees on the purported payrolls of the Frazier Companies, which included names and Social Security numbers that do not match the records of the Social Security Administration, suggesting that FRAZIER fabricated the employee records. On at least one occasion, FRAZIER also provided documents purporting to show that one of the Frazier Companies had been in existence for approximately 10 years. In truth and in fact, however, the corporate entity had not been registered until on or about July 2020, months after the onset of the COVID-19 pandemic.

FRAZIER sought more than approximately \$5.8 million in PPP loans and was awarded at least approximately \$2.17 million. A substantial portion of the funds awarded were spent not on payroll for the Frazier Companies but, rather, on FRAZIER’s personal expenses. During the period between on or about June 18, 2020, shortly after his first PPP loan was funded, and on or about April 7, 2021, FRAZIER utilized PPP funds to spend approximately \$124,982 on hotels, including more than approximately \$88,791 at a luxury hotel located in Miami, Florida. During the same period, FRAZIER spent approximately \$63,000 on restaurants and food service, approximately \$17,000 on transportation with Uber, approximately \$16,519 on airline travel, and approximately \$11,000 on clothing. During this same period, FRAZIER collected approximately \$21,000 in unemployment benefits.

\* \* \*

FRAZIER, 47, of New York, New York, is charged in the Complaint with (1) major fraud against the United States, in violation of 18 U.S.C. § 1031, which carries a maximum sentence of 10 years in prison; (2)

bank fraud, in violation of 18 U.S.C. § 1349, which carries a maximum sentence of 30 years in prison ; (3) wire fraud, in violation of 18 U.S.C. § 1343, which carries a maximum sentence of 30 years in prison; (4) making false statements to a bank, in violation of 18 U.S.C. § 1014, which carries a maximum sentence of 30 years in prison; (5) making false statements, in violation of 18 U.S.C. § 1001, which carries a maximum sentence of five years in prison; (6) making false statements to the SBA, in violation of 18 U.S.C. § 645, which carries a maximum sentence of two years in prison and (7) money laundering, in violation of 18 U.S.C. § 1957, which carries a maximum sentence of 10 years in prison. The maximum potential sentences in this case are prescribed by Congress and are provided here for informational purposes only, as any sentencing of the defendant would be determined by the judge.

Ms. Strauss praised the outstanding investigative work of the FBI, SBA-OIG, IRS-CI, and FDIC-OIG in this case.

The case is being prosecuted by the Office's Complex Frauds and Cybercrime Unit. Assistant U.S. Attorney Katherine Reilly is in charge of the prosecution.

The charges contained in the Complaint are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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[1] As the introductory phase signifies, the entirety of the text of the Complaint, and the description of the Complaint set forth herein, constitute only allegations, and every fact described should be treated as an allegation.

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**Attachment(s):**

[Download Marcus Frazier complaint \(21 mag 4397\)](#)

**Topic(s):**

Coronavirus

Financial Fraud

**Component(s):**

[USAO - New York, Southern](#)

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