

THE UNITED STATES ATTORNEY'S OFFICE
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Department of Justice

U.S. Attorney's Office

Central District of California

FOR IMMEDIATE RELEASE

Monday, March 29, 2021

Santa Clarita Man Pleads Guilty to COVID-19 Relief Fraud

LOS ANGELES – A Santa Clarita Valley man pleaded guilty today to perpetrating a scheme to fraudulently obtain approximately \$1.8 million 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).

According to court documents, Hassan Kanyike, 29, of Santa Clarita, admitted that he submitted six fraudulent PPP loan applications and two fraudulent EIDL applications. The applications sought funds to purportedly pay the salaries of employees whom he claimed worked for two of his businesses. Kanyike successfully obtained approximately \$1 million through four PPP loans, and another \$300,000 through two EIDL loans.

In support of the fraudulent PPP loan applications, Kanyike submitted fake federal tax filings and payroll reports. For example, in one loan application, Kanyike falsely claimed the business had 26 employees and an average monthly payroll of \$168,000, and he submitted a fabricated IRS tax form claiming Falcon Motors had paid \$2,022,300 in payroll in 2019. But Kanyike admitted during his plea that the company had substantially fewer employees and substantially lower payroll. Kanyike further admitted that he obtained additional Employer Identification Numbers from the IRS in April and May 2020, so that he could apply for multiple loans for the same used-car business. Kanyike then used a substantial portion of the PPP loan proceeds for his own personal benefit.

Kanyike was arrested in December 2020 at Los Angeles International Airport just before he was about to board a flight to Dubai. At the time of his arrest, Kanyike had transferred approximately \$762,000 to Uganda, his country of citizenship, from one of the business accounts that had received the loan proceeds, in violation of the terms of the PPP and EIDL program.

Kanyike pleaded guilty to one count of wire fraud before United States District Judge Virginia A. Phillips. He is scheduled to be sentenced on August 23 and faces a maximum penalty of 20 years in prison. As part of his guilty plea, Kanyike is required to pay approximately \$1.3 million in restitution.

Homeland Security Investigations and Treasury Inspector General for Tax Administration investigated the case.

Assistant Chief William Johnston of the Criminal Division's Fraud Section and Assistant U.S. Attorney Richard E. Robinson of the U.S. Attorney's Office for the Central District of California's Major Fraud Section are prosecuting the case. The case was previously prosecuted by former Trial Attorney Benjamin Saltzman of the Fraud Section.

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 expenses through the PPP, and \$10 billion in low-interest loans to small businesses through the EIDL program. In April 2020, Congress authorized over \$300 billion in additional PPP funding and \$10 billion in additional EIDL funding, and in December 2020, Congress authorized another \$284 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%. PPP loan proceeds must be used by businesses 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.

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 for the same purpose as the PPP funds.

The Fraud Section leads the Department of Justice's prosecution of fraud schemes that exploit the CARES Act. In the months since the CARES Act was passed, Fraud Section attorneys have prosecuted more than 100 defendants in more than 70 criminal cases. The Fraud Section has also seized more than \$65 million in cash proceeds derived from fraudulently obtained PPP and EIDL funds, as well as numerous real-estate properties and luxury items purchased with such proceeds. More information can be found at: <https://www.justice.gov/criminal-fraud/cares-act-fraud>.

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 Hotline at 866-720-5721 or via the NCDF Web Complaint Form at: <https://www.justice.gov/disaster-fraud/ncdf-disaster-complaint-form>.

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