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## What the SBA Office of Inspector General believes is Suspicious Activities and Suspected Fraud with EIDL apps.



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When the president signed the Coronavirus Preparedness and Response Supplemental Appropriations Act on March 6, and the Coronavirus Aid, Relief, and Economic Security Act CARES Act on March 27, the SBA OIG raised the warning flag to the SBA Director.

When the CARES Act was passed into law congress omitted the time requirements it would have normally taken to gear up for such a historical financial assistance campaign.

This article is focused on the Small Business Administrations (SBA) Economic Injury Disaster Loan (EIDL) and the actions of our financial industry and the SBA Office of Inspector General (OIG).

The system is seriously flawed with channels that allow fraudsters opportunity to act without consequence.

The first line of defense after the streamline application process was introduced was the actually financial institutions used to have the loans deposited. Many independent contractors and small businesses that used cash only had to provide a bank account for the loans. Many were legitimate while others were created to defraud the American taxpayers.

The SBA was informed by banks and other financial institutions of the following activity the banks thought was suspicious.

- Bank accounts created with stolen identities.
- New accounts which the owner of the account could not explain the origins of deposits or identify business names on loan applications or existing loans.
- Some account owners claimed the funds were to open a new business and not for existing businesses.

- Some banks reported that account holders were attempting or had successfully transferred funds into investment accounts.
- Banks reported account holders attempting to transfer funds or had successfully transferred funds into foreign bank accounts.
- Banks reported accounts were created remotely just before receiving loans and had no previous activity. These accounts were setup to deposit EDIL funds or the Grant.
- Banks identified many economic injury loans granted under the agricultural section for EIDL were being deposited in accounts of unrelated businesses and third parties located in different states than the applicants business application showed.
- New account holders attempted to withdraw loan funds in cash or transfer the funds to other newly established mostly online bank accounts.
- EIDL and/or Advance Grants were being deposited into personal accounts with no evidence of business activity in the same account.

The list of discovered fraud continues and when it comes to reporting possible fraud it's actually on the banks more than the SBA and has been for months.

Individuals that match any of the above known issues may never receive notice or a cancellation of the loan because it's not procedure for the SBA loan division to deny a loan and offer a reason if it's fraud. That would be passed over to another department that would investigate in order of success and amount.

If you feel this is a mistake and you match one of the issues you should write to the SBA and file the long version of the EIDL application.

The next report will be about ineligible businesses that received loans and grants.

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