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FRB Issues Enforcement Actions against Bank and BHC Employees for Alleged CARES Act Fraud

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The Federal Reserve Board ("FRB") announced on April 5 that it had entered into six separate consent orders with individuals who were previously employed at a state member bank or bank holding company ("BHC") within the FRB's jurisdiction. The consent orders prohibit each of the individuals from employment in the banking industry. The FRB stated that each of the prohibited individuals fraudulently obtained loans or grants under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act").

According to the FRB, each of the prohibited individuals applied for and obtained an economic injury disaster loan ("EIDL") or grant through the Small Business Administration "based on materially false and fraudulent representations and used the proceeds of the loan or grant for personal and other unauthorized expenses in violation of the EIDL and applicable laws and regulations."

As is usually the case with consent orders, the facts available are sparse, but the orders do not appear to allege that the individuals used their positions at their respective bank or bank holding company in their procurement of the EIDLs or grants. But because they were bank or BHC employees, they were subject to this action by the FRB. The FRB's actions look to comprise just a fraction of the efforts by many parts of the federal government to protect the integrity of CARES Act programs and deter wrongdoing. In May of 2021, Attorney General Garland established the COVID-19 Fraud Enforcement Task Force to "marshal the resources of the Department of Justice in partnership with agencies across government to enhance efforts to combat and prevent pandemic-related fraud."