United States Department of Justice

THE UNITED STATES ATTORNEY'S OFFICE
WESTERN DISTRICT *of* WASHINGTON

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FOR IMMEDIATE RELEASE Tuesday, August 10, 2021

Issaquah Man Sentenced for Covid-19 Relief Fraud Scheme

Seattle – A Washington State man was sentenced today to two years in prison for perpetrating a scheme to fraudulently obtain COVID-19 disaster relief loans guaranteed by the Small Business Administration (SBA) through the Economic Injury Disaster Loan (EIDL) and the Paycheck Protection Program (PPP) under the Coronavirus Aid, Relief and Economic Security (CARES) Act.

Austin Hsu, 46, of Issaquah, pleaded guilty on Jan. 21 . According to court documents, Hsu submitted nine fraudulent disaster loan applications seeking over $1.1 million. Hsu, the owner and CEO of a company named Blackrock Services P.S. dba Back 2 Health Bellevue (Back 2 Health), received EIDL and PPP funds for Back 2 Health, and then used the names of Back 2 Health's current and former employees to apply for additional PPP loans under the names of four other companies that he owned and controlled. In support of the fraudulent PPP loan applications, Hsu submitted fake federal tax filings.

Hsu also incorporated a company named Blueline Capital LLC (Blueline) in June 2020 for the purpose of applying for an EIDL loan in July 2020, and then misrepresented to the SBA that Blueline had been in business since 2017 and that, as of Jan. 31, 2020, Blueline had nine employees and gross receipts of over $1.5 million. In truth, Blueline had no business or operations.

Six of Hsu's nine fraudulent loan applications were approved, and he fraudulently obtained more than $700,000 in COVID-19 relief funds.

In addition to the prison sentence, Hsu was ordered to pay a fine in the amount of $25,000 and $709,104.97 in restitution.

Assistant Attorney General Kenneth A. Polite Jr. of the Justice Department's Criminal Division; Acting U.S. Attorney Tessa M. Gorman for the Western District of Washington; Inspector General J. Russell George of the U.S. Treasury Inspector General for Tax Administration (TIGTA); Inspector General Gail S. Ennis of the Social Security Administration (SSA); Inspector General Hannibal "Mike" Ware of the SBA; and Special Agent in Charge Cardell Morant of U.S. Immigration and Customs Enforcement's Homeland Security Investigation (HSI) made the announcement.

This case was investigated by the TIGTA, SSA – Office of Inspector General (OIG), SBA – OIG, and HSI.

Trial Attorney Christopher Fenton of the Criminal Division's Fraud Section and Assistant U.S. Attorney Steven Masada of the Western District of Washington are prosecuting the case.

The Fraud Section leads the department's prosecution of fraud schemes that exploit the PPP. In the months since the PPP began, 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 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/ppp-fraud.

In May, the Attorney General 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. The Task Force bolsters efforts to investigate and prosecute the most culpable domestic and international criminal actors and assists agencies tasked with administering relief programs to prevent fraud by, among other methods, augmenting and incorporating existing coordination mechanisms, identifying resources and techniques to uncover fraudulent actors and their schemes, and sharing and harnessing information and insights gained from prior enforcement efforts. For more information on the department's response to the pandemic, please visit https://www.justice.gov/coronavirus.

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.

Topic(s):
Coronavirus
Cyber Crime
Disaster Fraud
Financial Fraud

Component(s):
USAO - Washington, Western

Updated August 10, 2021