PRESS RELEASE

Massachusetts State Representative Charged With Pandemic Loan Fraud and Money Laundering

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For Immediate Release
U.S. Attorney's Office, District of Massachusetts

BOSTON – The Massachusetts State Representative for the 16th Essex District, representing Lawrence and Methuen, was arrested today and charged with fraudulently obtaining over $700,000 in COVID unemployment insurance benefits and small-business loans, and using the proceeds to buy real estate and loan money to clients of his mortgage business, before he was elected to public office.

Francisco Paulino, 46, of Methuen, Mass., is charged in an 11-count indictment returned by a federal grand jury in Boston. Paulino is charged with eight counts of wire fraud and three counts of money laundering. Paulino will make an initial appearance in federal court in Boston at 2 p.m. today.

According to the indictment, Paulino fraudulently obtained Pandemic Unemployment Assistance (PUA) benefits in 2020-2021 in the name of an unknowing 77-year-old relative. The PUA program, which was created during the COVID pandemic, provided unemployment benefits for people who were ineligible for regular unemployment benefits, including independent contractors.

In April 2020, Paulino allegedly submitted an online PUA application to the Massachusetts Department of Unemployment Assistance (DUA) for his relative, in which Paulino falsely claimed that the relative had worked for Paulino's business, Madison Tax, LLC, in 2019. Paulino allegedly submitted fabricated documents in support of the PUA application and submitted false weekly certifications to the DUA. It is further alleged that Paulino directed the DUA to electronically deposit the PUA benefits into a bank account held solely in Paulino's name. As a result, between April 2020 and September 2021, the DUA paid over $44,000 in PUA benefits. Paulino allegedly used the money to pay for real estate expenses, loan payments and transfers into his political campaign account.

According to the indictment, Paulino also committed fraud in connection with three Economic Injury Disaster Loans (EIDLs). During COVID, the U.S. Small Business Administration (SBA) offered taxpayer-funded EIDLs to eligible small businesses experiencing substantial financial disruptions due to the pandemic. The interest rate on EIDLs was 3.75% and the loan use was limited. A business could only use EIDL proceeds as working capital to alleviate economic injury caused by COVID.

According to the charging documents, Paulino incorporated a business called Jackson Enterprise, Inc. as a "fast food restaurant cafe" on Nov. 25, 2019. Jackson Enterprise allegedly had no revenue prior to August 2020. Although Madison Tax filed tax returns with the IRS stating that Jackson Enterprise's revenues were $0 in 2019 and $116,925 in 2020, Paulino allegedly submitted an EIDL application to the SBA in June 2020 falsely representing that Jackson Enterprise's revenues for the 12 months ending Jan. 31, 2020 were $426,755. The SBA granted the application and deposited $136,600 in EIDL proceeds into Jackson Enterprise's bank account in July 2020. Paulino allegedly used $18,000 of the funds toward the purchase of real estate in Lawrence.

Paulino also allegedly obtained a $109,200 EIDL for Madison Tax in May 2020, and later asked the SBA for an increase in the loan amount. In June 2021, the SBA increased the Madison Tax EIDL by $292,600, bringing the total loan amount to $401,800. In October 2021, after the SBA deposited the $292,600 into Madison Tax's bank account, Paulino allegedly transferred $100,000 of the EIDL funds into the bank account of Madison Mortgage, Inc.– another of his businesses, and used the money to help fund a $600,000 mortgage to two individuals for their purchase of a house in Methuen. Then, in December 2021, Paulino allegedly transferred $120,000 of the EIDL funds from his Madison Tax account to his Madison Mortgage account and used the money to help fund a $460,000 mortgage from Madison Mortgage to an LLC for the purchase of a house in Lawrence. It is further alleged that Paulino not only used $220,000 of Madison Tax EIDL funds for an impermissible purpose, but also that he profited by charging 5.5% and 7.94% interest on the loans he made with the EIDL funds and by charging $25,000 in "loan origination fees" to the home purchasers.

The indictment further alleges that Paulino obtained a fraudulent EIDL modification for one of his Madison Tax clients. In June 2020, Paulino allegedly recommended that a client apply for an EIDL and told the client that he would handle the paperwork and the client would not need to do anything. It is alleged that the client agreed and Paulino obtained a $104,300 EIDL for the client's business. Paulino allegedly asked the SBA for an increase to the client's EIDL without the client's knowledge and in September 2021, the SBA approved an increase of $243,200. Paulino allegedly told the client that he had obtained more government loan money for the client's business, that the client should leave the money in the client’s business account and that he was going to propose a business deal for the client. It is further alleged that Paulino later told the client to lend him $200,000 and together they transferred $200,000 from the client’s account to Paulino’s Madison Tax account. Paulino then allegedly used the $200,000 to help fund a $680,000 mortgage to another Madison Mortgage client for the purchase of real property in Lawrence, charging an interest rate of 6.25% and a “loan origination fee” of $17,000.

The charges of wire fraud each provide for a sentence of up to 20 years in prison, up to three years of supervised release and a fine of up to $250,000. The charges of money laundering each provide for a sentence of up to 10 years in prison, three years of supervised release and a fine of $250,000. Sentences are imposed by a federal district court judge based upon the U.S. Sentencing Guidelines and statutes which govern the determination of a sentence in a criminal case.

United States Attorney Leah B. Foley; Tom Demeo, Special Agent in Charge of the Internal Revenue Service’s Criminal Investigation in Boston; Ted E. Docks, Special Agent in Charge of the Federal Bureau of Investigation, Boston Division; Anthony D’Esposito, Inspector General, Department of Labor, Office of Inspector General; and Jeffrey S. Shapiro, Inspector General, Office of the Inspector General, Commonwealth of Massachusetts made the announcement today. Assistant U.S. Attorneys Kistina E. Barclay and Christine Wichers of the Public Corruption Unit are prosecuting the case.

On March 26, 2026, United States Attorney Leah B. Foley announced the creation of the Benefit & Voter Fraud Team, a district-wide initiative established in response to the rampant fraud being uncovered across Massachusetts. Members of the public are encouraged to report suspected benefit fraud in Massachusetts by calling 1-855-SCAM-MA-1 (855-722-6621).

On April 7, 2026, the Department of Justice announced the creation of the National Fraud Enforcement Division. The Fraud Division is investigating and prosecuting those who commit fraud against the American people. The Department’s work to combat fraud supports President Trump’s Task Force to Eliminate Fraud, a whole-of-government effort chaired by Vice President J.D. Vance to eliminate fraud, waste and abuse within federal benefit programs.

The details contained in the charging documents are allegations. The defendant is presumed to be innocent unless and until proven guilty beyond a reasonable doubt in the court of law.

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