

Department of Justice

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FEDERAL JURY CONVICTS BATON ROUGE MAN OF FRAUD SCHEME AND MONEY LAUNDERING RELATING TO FINANCIAL AID FRAUD

BATON ROUGE, LA – United States Attorney Ronald C. Gathe, Jr., announced the conviction of Elliot Sterling, age 33, of Baton Rouge, Louisiana. Sterling was indicted by a federal grand jury on August 3, 2020, and charged with wire fraud, financial aid fraud, and engaging in monetary transactions involving property derived from specified unlawful activity.

After an eight-day trial before District Judge Brian A. Jackson, the jury unanimously convicted Sterling of five counts of wire fraud involving a scheme to defraud the Department of Education federal student aid program, two counts of financial aid fraud, and two counts of wire fraud involving the Small Business Administration Economic Injury Disaster Loan program, which was designed to aid businesses during the Covid-19 pandemic. Mr. Sterling was also convicted of six counts of money laundering involving the proceeds of his two wire fraud schemes. The jury further ordered the forfeiture of \$422,632.38 in fraud proceeds that the FBI had seized in the case.

As the evidence at trial demonstrated, with respect to the Department of Education wire fraud and financial aid fraud counts, Mr. Sterling received \$1,468,239 in federal student aid loans and grants that were associated with 180 Baton Rouge Community College (BRCC) students into his personal bank account and the business bank account of his company, Sterling Educational Consulting, LLC. The evidence presented at trial showed that Mr. Sterling used the personal identifying information of his purported students to electronically fill out and submit their Free Applications for Federal Student Aid (FAFSAs), sign master promissory notes on their behalf, enroll them into classes at BRCC, and create and manage the student BankMobile accounts that received federal student loans. Through Mr. Sterling's control of the students' accounts, he directed Department of Education monies to be paid directly into his own bank accounts.

In order to circumvent Department of Education controls designed to inform students about the financial obligations of student loans, Mr. Sterling concealed his role as the preparer of the FAFSAs and pretended to be the students when he logged on with their credentials, clicked through the loan counseling in less than three minutes, and signed promissory notes in their names. Typically, the students did not have access to the email addresses or login information that Mr. Sterling created on their behalf and did not have access to their own FAFSA, BRCC, or BankMobile accounts.

In addition, Mr. Sterling falsified the academic qualifications for 168 students to the Department of Education, and 145 of these students lacked even a high school diploma or equivalent (e.g. a GED). A witness at trial also testified that Mr. Sterling had paid him \$5,000 to produce 42 diplomas with fictional grades. These diplomas were then provided to BRCC after BRCC requested verification of the students' academic credentials. None of the 180 students for whom Mr. Sterling received money progressed academically at BRCC, and 172 failed or withdrew from every class they were enrolled in. Some students were incarcerated when their FAFSAs were submitted, promissory notes signed, or federal student aid disbursed into Mr. Sterling's bank accounts.

Instead of directing the funds he received to the students, Mr. Sterling kept over 60% for himself, and for 25 students, Mr. Sterling kept 100% of the loan proceeds. Among the students who received money from Mr. Sterling's scheme, most were unaware they had signed up for student loans and that Mr. Sterling had signed master promissory notes in their names obligating them to repay the full amount. The students were also unaware of the true amount of refunds awarded in their names, and the true amount Mr. Sterling retained as his portion.

With respect to the SBA wire fraud, Mr. Sterling submitted a loan application on behalf of his business, Sterling Educational Consulting, LLC, that falsified the business's revenues and costs and concealed his prior guilty plea to felony theft. As a result of these false statements, the SBA loaned Mr. Sterling \$90,000 in order for him to pay the operating costs of his business during the Covid-19 pandemic. Mr. Sterling promptly withdrew \$75,000 in cash. During the course of his schemes, Mr. Sterling also spent more than \$253,000 at casinos in Louisiana, Nevada, and Pennsylvania.

As a result of his convictions, Mr. Sterling now faces a maximum sentence in federal prison of twenty years per wire fraud count, ten years per money laundering count, and five years per financial aid fraud count, as well as significant fines, restitution, and supervised release.

This case was investigated by the FBI, the Louisiana Office of Inspector General, and the U.S. Department of Education – Office of Inspector General. This case was prosecuted by Deputy Criminal Chief Elizabeth E. White, Assistant U.S. Attorney René I. Salomon, and Asset Forfeiture Chief Brad Casey.

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