

## Advance-Fee Loan Scams: 'Easy' Cash Offers Teach Hard Lessons

**L**

ooking for a loan or credit card but don't think you'll qualify? Turned down by a bank because of your poor credit history?

You may be tempted by ads and websites that guarantee loans or credit cards, regardless of your credit history. The catch comes when you apply for the loan or credit card and find out you have to pay a fee in advance. According to the Federal Trade Commission (FTC), the nation's consumer protection agency, that could be a tip-off to a rip-off. If you're asked to pay a fee for the promise of a loan or credit card, you can count on the fact that you're dealing with a scam artist. More than likely, you'll get an application, or a stored value or debit card, instead of the loan or credit card.

### THE SIGNS OF AN ADVANCE-FEE LOAN SCAM

The FTC says some *red flags* can tip you off to scam artists' tricks. For example:

- **A lender who isn't interested in your credit history.** A lender may offer loans or credit cards for many purposes — for example, so a borrower can start a business or consolidate bill payments. But one who doesn't care about your credit record should give you cause for concern. Ads that say "*Bad credit? No problem*" or "*We don't care about your past. You deserve a loan*" or "*Get money fast*" or even "*No hassle — guaranteed*" often indicate a scam.
- Banks and other legitimate lenders generally evaluate creditworthiness and confirm the information in an application before they *guarantee* firm offers of credit — even to *creditworthy* consumers.
- **Fees that are not disclosed clearly or prominently.** Scam lenders may say you've been approved for a loan, then call or email demanding a fee before you can get the money. Any up-front fee that the lender wants to collect before granting the loan is a cue to walk away, especially if you're told it's for "insurance," "processing," or just "paperwork."

Legitimate lenders often charge application, appraisal, or credit report fees. The differences? They disclose their fees clearly and prominently; they take their fees from the amount you borrow; and the fees usually are paid to the lender or broker after the loan is approved.

It's also a warning sign if a lender says they won't check your credit history, yet asks for your personal information, such as your Social Security number or bank account number. They may use your information to debit your bank account to pay a fee they're hiding.

- **A loan that is offered by phone.** It is illegal for companies doing business in the U.S. by phone to promise you a loan and ask you to pay for it before they deliver.

## Facts for Consumers

- **A lender who uses a copy-cat or wanna-be name.** Crooks give their companies names that sound like well-known or respected organizations and create websites that look slick. Some scam artists have pretended to be the Better Business Bureau or another reputable organization, and some even produce forged paperwork or pay people to pretend to be references. Always get a company's phone number from the phone book or directory assistance, and call to check they are who they say they are. Get a physical address, too: a company that advertises a PO Box as its address is one to check out with the appropriate authorities.
- **A lender who is not registered in your state.** Lenders and loan brokers are required to register in the states where they do business. To check registration, call your state Attorney General's office or your state's Department of Banking or Financial Regulation. Checking registration does not guarantee that you will be happy with a lender, but it helps weed out the crooks.
- **A lender who asks you to wire money or pay an individual.** Don't make a payment for a loan or credit card directly to an individual; legitimate lenders don't ask anyone to do that. In addition, don't use a wire transfer service or send money orders for a loan. You have little recourse if there's a problem with a wire transaction, and legitimate lenders don't pressure their customers to wire funds.

Finally, just because you've received a slick promotion, seen an ad for a loan in a prominent place in your neighborhood or in your newspaper, on television or on the Internet, or heard one on the radio, don't assume it's a good deal — or even legitimate. Scam artists like to operate on the premise of legitimacy by association, so it's really important to do your homework.

### FINDING LOW-COST HELP FOR CREDIT PROBLEMS

If you have debt problems, try to solve them with your creditors as soon as you realize you won't be able to make your payments. If you can't resolve the problems yourself or need help to do it, you may want to contact a credit counseling service. Nonprofit organizations in every state counsel and educate people and families on debt problems, budgeting, and using credit wisely. Often, these services are low- or no-cost. Universities, military bases, credit unions, and housing authorities also may offer low- or no-cost credit counseling programs. To learn more about dealing with debt, including how to select a credit counseling service, visit [ftc.gov/credit](http://ftc.gov/credit).

### WHERE TO COMPLAIN

If you think you've had an experience with an advance-fee loan scam, report it to the FTC. The FTC works for the consumer to prevent fraudulent, deceptive, and unfair business practices in the marketplace and to provide information to help consumers spot, stop, and avoid them. To file a complaint or to get free information on consumer issues, visit [ftc.gov](http://ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. The FTC enters Internet, telemarketing, identity theft, and other fraud-related complaints into Consumer Sentinel, a secure online database available to hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.

FEDERAL TRADE COMMISSION	<a href="http://ftc.gov">ftc.gov</a>
1-877-FTC-HELP	FOR THE CONSUMER

**Federal Trade Commission**  
Bureau of Consumer Protection  
Division of Consumer and Business Education