

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Office of Consumer and Business Education

Just When You Thought It Was Safe... Advance-Fee Loan “Sharks”

A different breed of “loan shark” is preying on unwary consumers by taking their money for the promise of a loan, credit card or other extension of credit.

Advertisements and promotions for advance-fee loans “guarantee” or suggest that there’s a high likelihood of success that the loan will be awarded, *regardless of the applicant’s credit history*. But, to take advantage of the offer, the consumer first has to pay a fee. And that’s the catch: The consumer pays the fee, the scam artist takes off with the money, and the loan never materializes.

Legitimate guaranteed offers of credit do not require payments up front. Legitimate lenders may require consumers to pay application, appraisal or credit report fees, but these fees seldom are required before the lender is identified and the application completed. In addition, the fees generally are paid to the lender, not to the broker or arranger of the “guaranteed” loan.

Legitimate lenders may guarantee firm offers of credit to credit-worthy consumers, but they rarely do this *before* evaluating a consumer’s creditworthiness.

Advertisements for advance-fee loans generally appear in the classified section of daily and weekly newspapers and magazines. Often, the ads feature “900” numbers, which result in charges on your phone bill. Advance-fee loans also are promoted through direct mail and radio and cable TV spots. The appearance of ads in media outlets that you recognize — like your local newspaper or radio station — is no guarantee of the legitimacy of the company behind the ad.

The Federal Trade Commission says you can avoid being bitten by advance-fee loan sharks: Here’s how:

- Don’t pay for a promise. It’s illegal for companies doing business by phone to promise you a loan and ask you to pay for it *before* they deliver.
- Ignore any ad — or hang up on any caller — that guarantees a loan in exchange for an advance fee. Legitimate lenders never “guarantee” or say that you will receive a loan before you apply, especially if you have bad credit or no credit record.
- Never give your credit card or bank account numbers, or Social Security Number, over the telephone unless you are familiar with the company and know why the information is necessary.

If you have fallen prey to an advance-fee loan scam, file a complaint with the FTC. Call toll-free 1-877-FTC-HELP (382-4357) or visit www.ftc.gov — click on Complaint Form.

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