

FTC Consumer Alert

Federal Trade Commission ■ Bureau of Consumer Protection ■ Division of Consumer & Business Education

Ads for Auto Loan Modifications: You May Be Able to Drive a Better Deal with Your Lender

Chances are you rely on your car or truck to get you where you need to go. But if you're late with your car payments, your vehicle could be taken away from you.

If you're having trouble paying your car loan and you're worried about having your vehicle repossessed, you may think that doing business with companies that claim they can reduce your monthly car loan or lease payment can help you avoid repossession. These companies might charge fees of several hundred dollars up front, tout their relationships with consumers' lenders, and bolster their claims to be able to significantly lower your monthly payments with glowing testimonials from "satisfied" customers. Some say that if they can't make a deal with your lender, they'll refund your money.

The promises may sound like a way to get out from under. But the Federal Trade Commission (FTC), the nation's consumer protection agency, says it's smooth talk by scam artists who are out to take your money and provide nothing in return. In fact, the FTC recently sued companies that made claims like these, but failed to deliver the auto loan modifications they promised or honor the refund policies they "guaranteed." What's more, in many instances, the companies never even contacted any lenders.

The victims of these auto loan modification scams tell the same story: After paying a fee for the promise of a loan modification, nothing was done to secure the results that were promised. The scam artists often compounded the problem by telling their clients to stop making their car payments while the companies claimed to be in negotiations with lenders. Some victims learned that the companies hadn't done anything only after their lender contacted them about repossessing their vehicle. In some instances, the scam artists demanded additional fees to continue working on their client's cases.

The FTC says these scams may sound familiar. Some scam artists have taken a page from the mortgage loan modification fraud playbook, moving from trying to dupe homeowners in distress to preying on drivers who can't make their car payments. The fraud is the same: people pay in advance for a service that is either never performed, or not performed as promised.

If You're Behind On Your Car Payments

If you are having trouble making your car payments, **contact your lender directly** to discuss your options as early as you can. The longer you wait to call, the fewer options you will have. Typical auto loan modifications involve either deferring missed payments to the end of the loan or extending the loan term to reduce monthly payments. That choice actually increases the total amount you pay in interest, even with a lower interest rate. Creditors rarely reduce the amount of the principal or the interest rate in an auto loan modification.

If Your Vehicle Is Repossessed

If you don't – or can't – make timely payments on your vehicle, your creditor may have the right to repossess your car without going to court or telling you in advance. Your creditor also may be able to sell your contract to a third party, called an assignee, who may have the same right to seize your car as the original creditor. To learn more about a creditor's rights in seizing and reselling your car for nonpayment, see *Vehicle Repossession: Understanding the Rules of the Road* at ftc.gov.

Reporting Fraud

If there's a possibility that you've been ripped off by an auto loan modification fraudster, file a complaint with the Federal Trade Commission (ftccomplaintassistant.gov) and your state Attorney General (naag.org).

The FTC works 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 get free information on consumer issues, visit ftc.gov or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261. Watch a new video, *How to File a Complaint*, at ftc.gov/video to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.