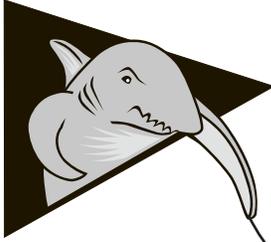


FTC FACTS for Consumers



The Truth About Advance-Fee Loan Scams

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dvance-fee loan sharks are preying on unwary consumers, taking their money for the promise of a loan or credit, and leaving them in hot water. The scam artists often impersonate legitimate lenders to entice consumers into falling for their bogus offer.



According to law enforcement agencies in the U.S. and Canada, ads and promotions for advance-fee loans suggest — or even “guarantee” — that there’s a high likelihood that a loan will be approved, regardless of the applicant’s credit history. But to take advantage of the offer, the consumer has to pay a fee. The catch? The scam artist takes off with your fee, and the loan never materializes.

Many advance-fee loans are promoted in the classified sections of daily and weekly newspapers and magazines. Often, the ads feature toll-free 800, 866, or 877 numbers, or area codes from Canada, such as 416, 647, 905, or 705. The loans also are promoted through direct mail, radio, and cable TV spots. The fact that an ad is in a legitimate media outlet — like the local newspaper or radio station — doesn’t guarantee that the company placing it is trustworthy.

Legitimate offers of credit do not require an up-front payment. Although legitimate lenders may charge application, appraisal, or credit report fees, the fees generally are taken from the amount borrowed. And the fees usually are paid to the lender or broker after the loan is approved. Legitimate lenders may guarantee firm offers of credit to “credit-worthy” consumers, but first, they evaluate the consumer’s creditworthiness and confirm the information in the application. Canadian law enforcers caution that it is highly unlikely that legitimate Canadian lenders would take a risk on U.S. citizens whose credit problems preclude them from getting a loan in the U.S.

Often, advance-fee loan sharks claim that their fees will go to a third party for credit insurance or a related service. Sometimes, they even fax materials using stolen or forged logos and letterheads from legitimate companies. The materials are fakes, according to enforcement officials, and the contracts the scam artists ask consumers to sign are worthless. Adding insult to injury, some scammers have used the information they collect from consumers to commit identity theft.

Often, advance-fee loan scammers direct applicants to send the fees via Western Union money transfers payable to an individual, rather than a business. They ask applicants to use a “password code” with their Western Union payment, which allows the scammers to hide their identity.

Facts for Consumers

U.S. and Canadian law enforcers say consumers can avoid being taken by advance-fee loan sharks. Here's how:

- Don't pay for the promise of a loan. It's illegal for companies doing business by phone in the U.S. to promise you a loan and ask you to pay for it before they deliver. Requiring advance fees for loans also is illegal in Canada.
- Ignore any ad — or hang up on any caller — that guarantees a loan in exchange for a fee in advance.
- Remember that legitimate lenders never guarantee or say that you will receive a loan before you apply, or before they have checked out your credit status or contacted your references, especially if you have bad credit or no credit record.
- Don't give your credit card, bank account, or Social Security number on the telephone, by fax, or via the Internet unless you are familiar with the company and know why the information is necessary.
- Don't make a payment to an individual for a loan; no legitimate lending organization would make such a request.
- Don't wire money or send money orders for a loan through Western Union or similar companies. You have little recourse if there's a problem with a wire transaction. Legitimate lenders don't pressure you to wire funds.
- If you are not absolutely sure who you are dealing with, get the company's number in the phone book or from directory assistance, and call it to make sure you're dealing with the company you think you are. Some scam artists have pretended to be the Better Business Bureau or another legitimate organization.
- Check out questionable ads by calling Project Phonebusters in Canada toll-free at 1-888-495-8501. If you live in the U.S. and think you've been a victim of an advance-fee loan scam, report it to the FTC online at ftc.gov or by phone, toll-free, at 1-877-FTC-HELP (1-877-382-4357).

Finding Low-Cost Help for Credit Problems

It's a good idea to try to solve your debt problems with your creditors as soon as you realize you won't be able to make your payments. If you can't resolve your credit problems yourself or need additional help, you may want to contact a credit counseling service. There are nonprofit organizations in every state that counsel and educate individuals and families on debt problems, budgeting and using credit wisely. There is little or no cost for these services. Universities, military bases, credit unions, and housing authorities also may offer low- or no-cost credit counseling programs. Check the white pages of your telephone directory for a service near you.

The Toronto Strategic Partnership is a group of law enforcement agencies in the U.S. and Canada that works together to prosecute cross border fraud. Formal members include the Toronto Police Service, the Competition Bureau Canada, the Ontario Ministry of Consumer and Business Services, the Ontario Provincial Police, the U.S. Federal Trade Commission and the U.S. Postal Inspection Service. Other partners include the Ohio Attorney General's Office, the Royal Canadian Mounted Police, and the Police Services of York, Durham and Peel in Ontario.

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 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

ftc.gov

1-877-FTC-HELP

FOR THE CONSUMER

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