

# Advance-Fee Loans





**L**ooking for a loan or credit card but don't think you'll qualify? Have you been 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. Rule number one: Legitimate lenders never “guarantee” or say that you are likely to get a loan or a credit card before you apply, especially if you have bad credit, no credit, or a bankruptcy.

## Six Sure Signs of an Advance-Fee Loan Scam

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Some red flags can tip you off to scam artists' tricks. For example:

- 1. A lender who isn't interested in your credit history.** A lender may offer loans or credit cards for many purposes — for example, so you can start a business or consolidate your bills. But one who doesn't care about your credit record should worry you. 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 grant firm offers of credit to anyone.

- 2. Fees that aren't 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.

And if a lender says they won't check your credit history, but wants your personal information, like your Social Security number or bank account number? Go somewhere else. They may use your information to debit your bank account to pay a fee they're hiding.

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



- 4. 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 professional. Some scam artists have pretended to be the Better Business Bureau, a major bank, or another reputable organization; 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.
- 5. 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 ([www.naag.org](http://www.naag.org)) 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.
- 6. 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 money.

Finally, just because you've received a slick promotion, seen an ad for a loan or credit card 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 work hard to make you think they're legitimate, so it's really important to do your homework.

## Dealing with Debt

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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 you 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 free or low-cost. Universities, military bases, credit unions, and housing authorities also may offer low- or no-cost credit counseling programs. For more information, see *Choosing a Credit Counselor* at [consumer.ftc.gov](http://consumer.ftc.gov).

## For More Information

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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](https://www.ftc.gov) or call toll-free, 1-877-FTC-HELP (1-877-382-4357); TTY: 1-866-653-4261.

Watch a video, *How to File a Complaint*, at [consumer.ftc.gov/media](https://consumer.ftc.gov/media) 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.



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[consumer.ftc.gov](http://consumer.ftc.gov)  
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