



THE SAVVY CONSUMER COLUMN

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Advance-Fee Loan Scams Take Your Money and Run

Nashville, TN – “Bad credit? No credit? No problem!” Sound familiar? It should.

Advance-fee loan scams have been around for years and now can be found in cyberspace. Consumers are lured by ads, pop-ups or e-mails that guarantee approval of loans or credit regardless of credit history. The scam: Once you apply, you’re asked to make the first month’s payment or to pay a fee before your application can be processed. The scam artist then takes off with the money, and the loan never materializes.

“Legitimate lenders may guarantee firm offers of credit but generally don’t ask for fees before an initial credit check,” says Tennessee Consumer Affairs Director Mary Clement. 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 is complete. In addition, the fees generally are paid to the lender, not to the broker or arranger of the “guaranteed” loan.

Advance-fee loan offers are not limited to the Internet. They might also be carried on radio or TV or in classified ads, or might be promoted through direct mailings. The appearance of the ads in media outlets that you routinely use – like a local paper or your radio station – is no guarantee that the company behind the ad is legitimate.

Consumer Affairs offers these tips to avoid advance-fee loan scams:

- Ignore any ad – or hang up on any caller – that guarantees a loan in exchange for an advance payment or fee. Legitimate lenders never guarantee or say that you will receive a loan before you actually apply, especially if you have bad credit or no credit.
- Never give credit card, bank account or Social Security numbers over the Internet or phone unless you are familiar with the company and are certain it needs the information.
- Don’t blindly do business with an unfamiliar company – do your homework on it first. Search the Web for information. Check with Consumer Affairs, your local Better Business Bureau or the Department of Financial Institutions for any complaints on file.

If you have fallen prey to an advance-fee loan scam, you can file a complaint with Consumer Affairs at www.tn.gov/consumer/ or call 1-800-342-8385 to request a complaint form. The Department of Commerce and Insurance works to protect consumers while ensuring fair competition for industries and professionals who do business in Tennessee.

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