



FOR IMMEDIATE RELEASE

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District Attorney Nola Tedesco Foulston warns citizens against falling prey to advance-fee loan scams.

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 unsecured personal loan will be approved, regardless of the applicant’s credit history. In order 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 and over the Internet. 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 they first 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.

Advance-fee loan sharks often 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.

Advance-fee loan scammers may 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.

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 is also 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 www.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. In Kansas, credit counseling services must be licensed. Go to www.osbckansas.org and click on "Credit Services Organization Search" to find a listing of approved credit counseling services.

For more information, contact Sharon Werner, Chief Attorney, Consumer Fraud and Economic Crime Division, at 660-3700.

*Nola Tedesco Foulston
District Attorney*