

Consumers Beware of Fraudulent Advance-Fee Loans

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FOR IMMEDIATE RELEASE

Jackson, MS - Attorney General Jim Hood and Commissioner of Banking and Consumer Finance John Allison are warning consumers not to be tempted by calls, advertisements and websites promising loans for an advance fee.

Advance fee loan scams prey on consumers who may have a poor credit history, may be out of work or may be seeking an immediate loan. Typically, the scam involves the “lender” making false promises to arrange a loan in return for up-front fees. These advance fees are said to be required for items such as loan insurance or loan processing costs. The “lender” may require the advance fees to be wired using a money transfer service such as Money Gram or Western Union. In some cases, the consumer is told that the loan request was declined and is asked to forward additional money to qualify for a different loan program. In reality, no loan funds are ever provided to the consumer, and the scam artist walks away with the fees.

The following are warning signs that may indicate a loan offer is not legitimate:

- The loan approval is “guaranteed.” Legitimate lenders rarely guarantee loans before reviewing the applicant’s credit history and current financial condition.
- The loan applicant is required to pay up-front fees to a third party or to an individual before the loan is approved.
- Fees must be paid through a wire transfer system. Alternatively, the consumer may be asked to provide an account number or credit card information over the telephone or internet.
- The loan is unsolicited or offered over the phone.
- The lender or loan processor is located outside the United States.

“A growing number of consumers are falling victim to these advance-fee loan scams due to the current economic situation,” said Attorney General Jim Hood. “Consumers are urged to use caution when responding to unsolicited calls, ads, or emails.”

“Our office has experienced an increase in the number of calls about unfamiliar or unlicensed lenders,” said Commissioner John Allison. “Because these scam artists are often savvy, don’t be fooled by official-looking loan documents or websites. All consumers should be extremely cautious in seeking loans or offers of credit that with lenders they don’t know or who aren’t licensed.”

Consumers who suspect they have been a victim of this scam should contact the Consumer Protection Division of the Attorney General's Office at 1-800-281-4418 or the Department of Banking and Consumer Finance at 1-800-844-2499.

This alert and others like it can be found on the Attorney General's website, www.agjimhood.com.

The catch comes when you apply for the loan or credit card and find out you must pay a fee in advance. If you are asked to pay a fee for the promise of a loan or credit card, a red flag should be raised - you are dealing with a scam artist.