



## Mississippi Department of Banking and Consumer Finance

### Predatory Schemes and Warning Signs

Predatory and fraudulent actors in the financial service industry use fear and vulnerabilities to dupe consumers into entering agreements or purchasing products that are not in their best interests. Here are some of the common predatory schemes and potential warning signs consumers should be aware of, particularly in times of financial stress:

- **Advance Fee Loan Scam:** In times of need, consumers may shop for various loans to extend their financial flexibility. Scammers may ask consumers to pay fees upfront for nonexistent loans, and once the consumer provides the payment, they never hear from the scammer again. These perpetrators may offer loans over the phone and ask for fees to be wired directly to an individual. The FTC offers additional guidance on this scam [here](#).
- **Bailout Anticipation Loans:** Congress is working to provide financial relief for those in need. Relief may come in many forms, such as government checks to consumers and unemployment assistance. It will take time for the government to process the relief provided from these programs. Scammers may prey on those who need immediate assistance, by offering short-term loans. Consumers should be encouraged to contact their state financial regulator to learn whether this activity is permissible in their state.
- **Foreclosure Bailouts:** Some homeowners may be contacted by unscrupulous scammers claiming to be able to reduce monthly mortgage payments or take other measures to prevent foreclosure. Many of these scammers claim to be credit counselors or attorneys who have special relationships with creditors and will offer to negotiate deals with creditors to reduce or forgive payments in exchange for an upfront fee. Consumers should research the companies and individuals they are working with prior to paying any fees.
- **Rent-to-Buy:** Scammers will claim that if the consumer surrenders the title to their property, they will be able to remain in the property as a renter and repurchase it at a later date. The scammer will then offer terms with exorbitantly steep payments, and consumers end up owing more on the mortgage than the rent-to-buy home is worth. The perpetrator then keeps the home and the equity the owner has put into the property.
- **Equity Skimming:** Regulations are currently in place to protect consumers from foreclosure bailout and other “equity skimming” schemes. The Mortgage Assistance Relief Services (MARS) Rule prohibits companies from charging consumers until a written offer for a loan modification or other relief from the original lender is extended. Consumers should be suspicious of any service asking for upfront payment. Lawyers are exempt from the prohibition on upfront payment. Consumers can verify that they are dealing with a lawyer licensed to practice law where they live on their state bar association’s website. Links to all state bar websites are available [here](#).
- **Advance Fees for Debt Counseling and Debt Adjustment:** Consumers must be aware of debt counseling and debt adjustment schemes that require upfront fees before services are performed. State regulators can support consumers by verifying a license (if required) and



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providing information about what, if any, upfront fees can be charged before services are provided. Debt adjustment/settlement services typically include an agreement with the consumer to distribute, supervise, coordinate, negotiate or control the distribution of money or evidences thereof among one or more of the consumer's creditors. When using these services, consumers may relinquish a great deal of control over their finances; it is important for consumers to know who they are working with when entering into an agreement.

- **Imposter Scams:** Consumers should be aware of imposter scams, especially during times of crisis. These scams come in many varieties but ultimately the scammer impersonates someone the consumer trusts in order to convince the victim to send them money. Relevant examples include family emergency scams and government imposter scams. More information can be found on the FTC's website [here](#).
- **Fraudulent Health Claims/Sales:** Consumers should be highly suspicious of any prevention, treatment or cure of the coronavirus from untrustworthy sources. Consumers should verify all claims of these products with the Centers for Disease Control and Prevention (CDC) and the World Health Organization (WHO).
- **Charitable Donation Requests:** Unfortunately, scammers will not hesitate to take advantage of consumers' goodwill in times of crisis. To avoid becoming the victim of a charity scam, consumers should verify that the charity is registered with a Secretary of State. Consumers can visit the National Association of Secretaries of State [website](#) and use the 'Find Your Secretary of State' feature. Consumers may also benefit from checking the charity's Charity Navigator rating at [www.charitynavigator.org](http://www.charitynavigator.org) or Better Business Bureau rating at [www.give.org](http://www.give.org).
- **Mobile App Scams:** Scammers are also creating and manipulating mobile apps designed to track the spread of COVID-19 for the purposes of installing malware that will compromise users' devices and personal information.
- **Supply Scams:** Scammers are creating fake shops, websites, social media accounts, and email addresses claiming to sell medical supplies currently in high demand, such as surgical masks. When consumers attempt to purchase supplies through these channels, fraudsters pocket the money and never provide the promised supplies