



FROM COUNSEL

A Preventive Law Service of The Office of The Judge Advocate General
Keeping You Informed On Personal Legal Affairs

Advance Fee Loan Scams

What is an “Advance Fee Loan Scam”?

Any loan agreement which requires you to give money before you receive the loan is almost certainly a scam. Your advance payment will be gone and you will not get a loan.

Many lenders advertise loans that are easy to get or even guaranteed, regardless of the consumer’s poor credit. Advance fee scams differ from legitimate, guaranteed credit offers in one critical way: they require some kind of payment up-front, before the lender is identified and the application is completed. Legitimate lenders may require consumers to pay application, appraisal, or credit report fees, but these fees never are required before the lender is identified and the application completed.

Advertisements that promise loans generally appear as advertisements in newspapers and magazines and on the Internet. Advance fee loan scams also are promoted through direct mail and radio and cable TV spots. The appearance of an ad in recognized media outlets -- such as your local paper or radio station -- does not guarantee the legitimacy of the company behind the ad.

According to the Telemarketing Sales Rule, if someone guarantees or suggests that there is a strong chance they can get or arrange a loan or other form of credit for you, it’s against the law to ask you to pay - or accept payment - for their service until you get your loan or credit. Here are some points to keep in mind before you respond to ads that promise easy credit regardless of your credit history:

- Is it too good to be true? Even though it may appear so at first glance, legitimate lenders never actually “guarantee” or say 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.

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- Never give your credit card account number, bank account information, or Social Security Number over the telephone or Internet unless you are familiar with the company and know why the information is necessary.
- Finally, if you are asked to pay anything before you get the loan or credit, don't do it.

If You Are A Victim

If you think you have been the victim of an advance fee loan scam, contact your local consumer protection agency, state Attorney General, or local Better Business Bureau to report the company.

More Information

- Visit the FTC web site to see more information on advance fee loan scams at: <http://www.consumer.ftc.gov/articles/0078-advance-fee-loans>.
- You can file a complaint with the FTC through the Internet, using the online complaint form at: <https://www.ftccomplaintassistant.gov/#nb>.
- The FTC publishes free brochures on many consumer issues. For a complete list of publications, visit the FTC site at <http://www.consumer.ftc.gov/>.
- The Consumer Financial Protection Bureau has a department dedicated specifically to dealing with issues affecting military servicemembers and Families. Visit the Bureau's site at <http://www.consumerfinance.gov/> for information or to submit a complaint.

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