



# Advance Fee Loan Schemes & Other Financial Scams

From the Office of Minnesota Attorney General Lori Swanson

With a struggling economy and a shortage of credit, many consumers are financially squeezed and looking for help. Some people may be looking for new ways to obtain financing or additional income from sources where they have not sought it before. In these difficult economic times, there are scam artists waiting to take advantage of those whose budgets are squeezed with financial scams. Consumers who find themselves in a financial pinch sometimes can fall victim to advance fee loan schemes, work-at-home schemes, fake cashier's check scams, and the like. For consumers who fall victim to these scams, a bad situation is made worse. Don't let this happen to you!

**Advance Fee Loan Schemes.** With a shortage of credit, many people are experiencing difficulty obtaining loans from conventional sources. Fraudulent operators target would-be borrowers with promises of being able to find them loans during this "credit crunch," only to collect up-front fees from them and then disappear. Attorney General Lori Swanson warns Minnesotans to be on guard against such "advance fee loan" scams. Federal regulators, such as the Federal Bureau of Investigation ("FBI") and the Federal Deposit Insurance Corporation ("FDIC") report increases in this scam nationwide. Here's how it works: You receive a phone call, e-mail, or go to a website. The supposed lender offers to make you a loan to help you with your cash flow needs, but requires that you first send the lender (usually via a wire transfer) a loan processing fee of hundreds or even thousands of dollars. The hitch is this: Once you wire the money, you will never see the loan proceeds.

## Tips to Avoid Advance Fee Loan Scams

1. Legitimate loan fees are typically paid after a given loan has been approved. Beware of up-front charges or finders fees.

2. If it sounds too good to be true--it probably is. Advance fee loan fraudsters frequently claim they can find loans no one else can, have special connections to lenders, or can help obtain financing "regardless of credit history." Don't be tricked by empty promises.

3. Don't wire money in connection with obtaining a loan. Many scams, including advance fee loan schemes ask consumers to wire money to Canada or another location. Remember, once your money is wired, it is very difficult for law enforcement officials to help you recover the funds.

4. Research the company. Contact the Better Business Bureau, Minnesota Department of Commerce, Office of the Comptroller of Currency, FBI, and FDIC for lender information.

5. Don't be tricked by fancy sounding addresses or corporate titles. Scammers often use a P.O. Box or a legitimate sounding street address to give themselves credibility. They also sometimes assume the name of a legitimate financial institution. Check out who you are dealing with.

**Work-At-Home Scams.** You may have seen ads, flyers, faxes, or emails that read something like this: "Work from home and make a thousand dollars a week!" Sound too good to be true? It probably is.

Some people who are barely getting by living paycheck-to-paycheck may seek extra income through additional employment. Unfortunately, scam operators sometimes target such people with employment scams, such as "work-at-home" scams. Although variations on this scam have been around for years, difficult economic times may make people more susceptible to falling victim.

Most work-at-home “opportunities” are designed to look like legitimate ways to make extra cash. They often advertise on handmade signs seen along the road, in local newspapers, through e-mail, or faxes. The ads usually say something like “earn \$2,500 a month without leaving your home--send \$29.95 for details.” They may advertise envelope stuffing, direct mailing, processing medical bills, craft or assembly work, etc. The old saying--“if it sounds too good to be true, it probably is”-- applies to these ads. Many ads don’t tell you about the hidden costs or that there may be many hours of work required for no pay. The claims about making hundreds of dollars a week typically are just untrue. Fraudulent work-at-home “businesses” usually set up fake names and post office boxes to begin business in a new area. By the time local law enforcement learns about the scheme, the fraudsters have already moved. The scammers are usually transient, moving from town to town, stealing consumers’ money along the way.

Work-at-home scams often ask consumers to send money up-front for informational materials, a “start-up kit,” or leads to begin the supposed “job.” In some cases, the fraudulent operator simply collects these fees up front and moves on. In other cases, the consumer may actually complete some or all of the “work” but does not receive the agreed upon payment, either because the fraudster claims it is unsatisfactory, or simply shuts down and runs, never to be heard from again. Don’t let this happen to you! Steer clear of work-at-home scams.

**Fake Cashier’s Check Scams.** Another scam is the Fake Cashier’s Check Scam. In this scam, people receive a cashier’s check or money order from someone that they don’t know and are asked to wire part of the cashed amount back to the sender or to a third party. The fraudulent operator may claim that you are receiving the check as part of a foreign lottery, a contest, or in connection with an online purchase. Do not wire money to someone you don’t know! In cases where the checks are cashed, unsuspecting consumers wire payment to the scam artist *before discovering that the check was fraudulent.* It has long been ingrained in us that cashier’s checks and

money orders are more secure than other forms of payment and that the funds are somehow guaranteed. This is not the case if the document is fake! A check is not worth the paper it’s printed on until the bank it was issued from releases the money. Federal rules require banks to make deposits available to consumers quickly, often the following business day. A check takes considerably longer to clear the bank it was issued from, however, before the funds can be “collected” by your financial institution. The bottom line is that while the funds may be available in your account within days of your deposit, the check may take weeks to bounce. **Never wire money to someone who sends you a cashier’s check.**

## RESOURCES

### Federal Bureau of Investigation

111 Washington Avenue South, Suite 1100  
Minneapolis, MN 55401-2176  
(612) 376-3200  
[www.fbi.gov](http://www.fbi.gov)

### Federal Deposit Insurance Corporation

3501 Fairfax Drive  
Arlington, VA, 22226  
1-877-275-3342  
[www.fdic.gov](http://www.fdic.gov)

### Office of the Comptroller of Currency

1301 McKinney Street, Suite 3450  
Houston, TX 77010  
1-800-613-6743  
[www.occ.gov](http://www.occ.gov)

### Minnesota Department of Commerce

85 7th Place East, Suite 500  
St. Paul, MN 55101  
(651) 296-2488 or 1-800-657-3602  
[www.commerce.state.mn.us](http://www.commerce.state.mn.us)

### Better Business Bureau

2706 Gannon Road  
Saint Paul, MN 55116-2600  
(651) 699-1111  
[www.bbb.com](http://www.bbb.com)