Advance-Fee Loans

Advance-fee loan sharks are preying on unwary consumers, taking their money for the promise of a loan or credit, and leaving them in hot water. The scam artists often impersonate legitimate lenders to entice consumers into falling for their bogus offer.

According to law enforcement agencies in the U.S. and Canada, ads and promotions for advance-fee loans suggest or even "guarantee", that there is a high likelihood that a loan will be approved, regardless of the applicant's credit history. But 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.

Advance-fee loan sharks prey on unwary consumers.

Six signs of an advance-fee loan scam

1. **A lender who is not interested in your credit history.** A lender may offer loans or credit cards for many purposes – for example, so you can start a business or consolidate your bills. But one who does not care about your credit record should worry you. Ads that say "Bad Credit? No problem" or "We do not care about your past. You deserve a loan" or "Get money fast" or even "No hassle – guaranteed" often indicate a scam.
2. Banks and other legitimate lenders generally evaluate creditworthiness and confirm the information in an application before they grant firm offers of credit to anyone.
3. **Fees that are not disclosed clearly or prominently.** Scam lenders may say you have been approved for a loan, then call or email demanding a fee before you can get the money. Any up-front fee that the lender wants to collect before granting the loan is a cue to walk away, especially if you are told it is for "insurance," "processing," or just "paperwork."
4. Legitimate lenders often charge application, appraisal, or credit report fees. The differences?

They disclose their fees clearly and prominently; they take their fees from the amount you borrow; and the fees usually are paid to the lender or broker after the loan is approved. What if a lender says they will not check your credit history, but wants your personal information, like your Social Security number or bank account number? Go somewhere else. They may use your information to debit your bank account to pay a fee they are hiding.

5. **A loan that is offered by phone.** It is illegal for companies doing business by phone in the U.S. to promise you a loan or credit card and ask you to pay for it before they deliver.
6. **A lender who uses a copy-cat or wanna-be name.** Crooks give their companies names that sound like well-known or respected organizations and create websites that look professional. Some scam artists have pretended to be the Better Business Bureau, a major bank, or another reputable organization; some even produce forged paperwork or pay people to pretend to be references. Always get a company's phone number from a published source, such as the phone book, an online directory, or directory assistance. Call to check they are who they say they are. Get a physical address, too: a company that advertises a PO Box as its address is one to check out with the appropriate authorities.

7. **A lender who is not registered in your state.** Lenders and loan brokers are required to register in the states where they do business. To check registration, call the WI Department of Financial Institutions at (608) 261-9555 or by visiting their website at dfi.wi.gov. Checking registration does not guarantee that you will be happy with a lender, but it helps weed out the crooks.
8. **A lender who asks you to wire money or pay an individual.** Do not make a payment for a loan or credit card directly to an individual; legitimate lenders do not ask anyone to do that. In addition, do not use a wire transfer service, send money orders for a loan, or provide payment with a prepaid debit card or gift cards. You have little recourse if there is a problem with any of these transactions, and legitimate lenders do not pressure their customers to pay in this way.

What to do if you are a victim

If you believe you have been victimized by a fraudulent advance-fee loan operation, contact DATCP's Bureau of Consumer Protection to report the company.

Where to find low-cost help for credit problems

First, try to solve your debt problems with your creditors as soon as you realize you will not be able to make your payments.

If you cannot resolve your credit problems yourself or need additional assistance, you may want to contact Consumer Credit Counseling Service (CCCS) – a nonprofit organization with more than 700 offices located in 49 states that counsels indebted consumers. CCCS counselors will try to arrange a repayment plan that is acceptable to you and your creditors. They also will help you set up a realistic budget and plan for expenditures. These counseling offices, funded by contributions from credit-granting institutions, are offered at little or no cost to consumers. You can find the CCCS office nearest you by calling or checking their website at:

(800) 350-2227
www.cccsonline.org

In addition, non-profit counseling programs sometimes are operated by universities, military bases, credit unions, and housing authorities. They are likely to charge little or nothing for their assistance. Or, you can check with your local bank to see if it has a listing of reputable, low-cost financial counseling services near you.

Carefully review all contract information

Check with the Department of Financial Institutions or the Bureau of Consumer Protection to find out about any complaints filed against certain companies or individuals.

For more information visit our website or contact:

Wisconsin Department of Agriculture,
Trade and Consumer Protection
Bureau of Consumer Protection
2811 Agriculture Drive
PO Box 8911
Madison, WI 53708-8911

Email: DATCPHotline@wi.gov
Website: datcp.wi.gov
Phone: (800) 422-7128
TTY: Dial 711 or (800) 947-3529 before calling DATCP

USE THIS QR CODE TO
FILE A COMPLAINT

AdvanceFeeLoans199 (rev 7/25)