

Advance Fee Loan Schemes & Other Financial Scams



The Office of the
Minnesota Attorney General
helping people afford their lives and live with dignity, safety, and respect

Many people are financially squeezed and looking for help. Some may look for loans or additional income from sources where they have not looked before. In these difficult economic times, there are scam artists waiting to take advantage of those whose budgets are tight. People who find themselves in a financial pinch can sometimes fall victim to these scam artists through advance fee loan schemes, work-at-home schemes, fake cashier's check scams, and the like. For people who fall victim to these scams, a bad situation is made worse. Don't let this happen to you!

Advance Fee Loan Schemes

When credit is scarce, fraudulent operators will often target would-be borrowers with promises of being able to find them loans during the "credit crunch," only to collect up-front fees from them and then disappear. Attorney General Keith Ellison warns Minnesotans to be on guard against such "advance fee loan" scams. Here's how it works: You receive a phone call, email, 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 (via a wire transfer, gift card, or cash in the mail) 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 finder's 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 people 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 email, 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 peoples' money along the way.

Work-at-home scams often ask people 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 person 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 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 people 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 people 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

Minneapolis Office
1501 Freeway Boulevard
Brooklyn Center, MN 55430
(763) 569-8000
www.fbi.gov

Federal Deposit Insurance Corporation

Consumer Response Center
1100 Walnut Street, Box 11
Kansas City, MO 64106
(877) 275-3342
www.fdic.gov

Office of the Comptroller of Currency

1301 McKinney Street, Suite 3450
Houston, TX 77010
(800) 613-6743
www.helpwithmybank.gov

Minnesota Department of Commerce

85 7th Place East, Suite 280
St. Paul, MN 55101
(651) 539-1500
www.mn.gov/commerce

Better Business Bureau of Minnesota and North Dakota

220 South River Ridge Circle
Burnsville, MN 55337
(651) 699-1111 or (800) 646-6222
www.bbb.org/minnesota