

A Free Loan Is Never Free



The holidays are over, and you realize that you've over-extended your already-shaky finances. You receive either an e-mail, a letter in the mail,

hear a radio ad or see a television commercial offering you a loan — regardless of your credit history — to help you consolidate your bills and get out of debt fast. What do you do?

If you are a savvy consumer, you delete the e-mail, throw the letter in the trash, and turn off the radio or television. You may also see these types of loan offers in the classified section of the newspaper. Be wary of applying for loans that have you call an 800, 877 or 866 area code. Be mindful that just because your local television, radio or newspaper airs or publishes these ads does not mean that the company placing the ad is legitimate or trustworthy.

If you investigate further, you'll find that the "free" loan includes an upfront fee, sometimes ranging in the hundreds of dollars. These ads will claim that the upfront fees are for processing your loan and credit checks. However, after you pay the fee, chances are you'll either receive nothing, or a "credit" card that can only be used for a certain company's products. This scam is called the "advance-fee loan" scam, and it is illegal in the United States.

No legitimate lender would require you to pay fees prior to receiving your loan. This is not to say that a legitimate lender would not charge you fees to get a copy of your credit report or for an appraisal, but these fees would be part of the total loan amount that you receive, or are payable at closing.

Another consideration to keep in mind is that a legitimate lender would never promise you a loan without first carefully reviewing your application and checking your credit report.

There is never a quick credit fix. These unscrupulous scam artists prey on the elderly, the unemployed and those in dire financial straits. If you find yourself a victim of this scam, call the Federal Trade Commission at 877-FTC-HELP, or file a complaint online. Keep in mind that these scam artists are usually working for unscrupulous companies.

Here's a checklist with some suggestions to help you avoid being victimized:

- If you cannot get a loan through your local community bank or other reputable financial institution, ask a friend or family member to co-sign a loan for you.
- Do not respond to an e-mail offering you a "free" loan, as it is probably fraudulent.
- Do not agree to pay any fees before you receive your loan. Remember, a legitimate lender will not require upfront fees.
- Do not be tricked into believing that your loan will be guaranteed regardless of your credit history.
- Be sure to get in writing exactly what you have been promised.
- Never give out your bank account information, Social Security information or credit card information unless you are positive that the originator is legitimate. However understand that federal law requires regulated financial institutions to notify customers in writing that this information is required at the time of the loan application.
- "If it sounds too good to be true, it most likely is!"

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