

ADVANCE LOAN FEE SCAMS OFFERED TO DELAWARE RESIDENTS

(Wilmington, DE): Attorney General Carl C. Danberg announced that the Fraud Division of the Delaware Department of Justice has received complaints, similar to those described across the country, concerning Advance Loan Fee Scams. These fraudulent schemes are not new, but they continue to be offered by unscrupulous persons hoping to take advantage of unsuspecting persons seeking loans.

An advance loan fee scheme involves the offer of a loan to a borrower, usually at a favorable interest rate. Generally, the pitch is that the loan broker will guarantee that the broker will obtain a loan for the borrower regardless of his or her employment, credit history or other negative credit factors. The catch is that, to obtain the loan, the borrower must pay the broker or middleman a fee in advance to obtain this guaranteed loan. The fee amounts may vary, but it is not uncommon for the fee to be 5-15% of the loan amount, although we have received complaints of even higher fee rates. The borrower, who often has been rejected by legitimate banks and lending institutions, sends the money requested, usually by wire or overnight delivery, to a specified location far from the borrower's home. Ultimately, in these fraudulent schemes, the loan never materializes and the borrower's advance fee also disappears. Unfortunately, the victims of these crimes are often those who can least afford the loss and because of common problems relating to prosecution of unknown persons operating outside of the jurisdiction, there is often no realistic way to recover the fee paid by the borrower.

These fraudulent pitches can be communicated by mail, advertisement, fax, telephone, internet or by any other means

of communication. Before you send any "up front" money to a loan broker or intermediary seeking to loan you money conditioned on an advance fee:

- * Ask yourself why this person is able to guarantee financing for you when legitimate local financial institutions are unwilling to approve your loan application;

- * Do you know, or can you later identify, the person you are dealing with, or are you merely dealing with a voice on a telephone or a name on a monitor;

- * Ask which lending institution is offering the loan – do you know the institution and will they verify the broker's promise;

- * Request names, addresses and telephone numbers of other loan clients of the broker and verify that they received the loan at the terms promised;

- * Request loan documentation from the lending institution showing all terms and conditions of the proposed loan before making any advance payment;

- * Ask yourself whether you can afford to lose the fee payment if the loan offer is actually part of a fraudulent scheme.

If you have been a victim of an Advance Fee Loan scam, contact your local police agency. If you have questions about Advance Fee Loan schemes, or if you believe that someone is offering a fraudulent Advance Loan Fee product, contact the Fraud Division of the Department of Justice at either 577-8424 or 577-8600.

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