

SA-58-2008
March 18, 2008

Special Alert

TO: CHIEF EXECUTIVE OFFICER
SUBJECT: Advance Fee Loan Scams
Summary: *Fraudulent loan offers that may claim to be from federally insured financial institutions are being widely distributed by unsolicited e-mail over the Internet.*

The Federal Deposit Insurance Corporation (FDIC) is reminding consumers and financial institutions to be aware of advance fee loan scams. The FDIC has observed a significant increase in the number of unsolicited e-mails ("spam") advertising mortgage refinancing, debt consolidation and elimination, small business loans, and special loan programs for veterans and minorities. While some of these e-mails may advertise legitimate loan programs and lenders, advance fee loan scams are becoming more prevalent.

Advance fee loan scams prey on consumers who may be under financial duress and may be seeking quick and easy loan approval and funding. The scam typically involves the lender making false promises to arrange for a loan in return for fees paid upfront by the loan applicant. Scam artists may even design Web sites and online loan applications giving the appearance that the company is legitimate.

Fraudulent logos and letterhead of legitimate financial institutions or government agencies may also appear on documents that are faxed to the loan applicant. Potential borrowers may be asked to provide information through a Web site or be contacted by phone or e-mail by a "representative" who guarantees loan approval as soon as the borrower pays a required fee. The loan applicant may be told that the fees will be used to pay a third party for loan insurance or application processing, or to make the first month's loan payment. The loan applicant may also be told to send or wire transfer money to an individual overseas before receiving the loan proceeds.

In some cases, the loan applicant has been falsely directed to a legitimate financial institution with no knowledge of the transaction. In other cases, the loan applicant is told that the loan request was declined and is asked to forward additional money to qualify for a different loan program.

The following are warning signs that may indicate a loan offer is not legitimate:

- The loan approval is "guaranteed." Lenders do not typically guarantee loans before analyzing the applicant's financial condition, credit history and ability to repay.
- The loan applicant is required to pay upfront fees to a third party or individual. Loan fees are normally paid to a business after the loan has been approved.
- The lender or loan processor may be located outside of the United States.
- Fees are requested using a retail wire transfer system. A password is sometimes used by the overseas receiver to pick up the funds in an attempt to hide the true identity of the criminals and make funds more difficult to trace.

Victims of online advance loan fee scams should report the crimes to the Internet Crime Complaint Center at <http://www.ic3.gov/>. More information about fraudulent advance loan fee scams can be found at <http://www.ftc.gov/bcp/online/pubs/tmarkg/loans.shtm>.

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