

Beware of Predatory Lending Scams



By Greg Abbott
Attorney General of Texas

My office receives complaints of consumer fraud on a daily basis. A major area of concern is what we call predatory lending practices.

Con artists do not feel the slightest pang of conscience when it comes to cheating people who can least afford to lose what little money they have. In fact, they are most likely to target consumers who have the greatest difficulty obtaining a loan or mortgage from a legitimate lender.

Recently, we learned about a new loan scam being advertised in newspapers. Texas consumers told us that they saw newspaper ads for loans to "large fund borrowers." This odd term was probably meant to suggest that a large amount of money was available.

Consumers who answered the ads were instructed to wire substantial amounts of money, sometimes as much as \$2000. The company promised to deposit the loan in the victim's checking account within 24 hours. The

victims never saw the money.

This is a classic example what is called an advance fee loan scam. Advance fee loans are illegal. If someone claims that they can get a loan or credit for you, remember that it's against the law for them to request or accept payment for their services until you actually get the loan or credit.

We have also heard about companies that claim to be able to get your mortgage "released" by the holder for a fee of \$2000. Needless to say, your mortgage cannot be dismissed for a fee.

Many people fall for these scams because they are trying to fix bad credit. Legitimate lenders never guarantee that you are likely to get a loan or credit card before you apply, especially if you have bad credit, no credit or a bankruptcy on your record.

Even if you are not considering a loan to pay off debtors, but are instead planning to use a credit counseling agency to help restore your credit, you should still be careful.

While a debt repayment plan can reduce the stress associated with dealing with your creditors, you are still responsible for reviewing your monthly statements

from your creditors to verify that they have been paid and that other provisions of your plan have been satisfied.

Participating in a repayment plan will not erase your bad credit. Accurate negative information about your credit history can stay in your credit file for up to seven years. In addition, your creditors will report information on accounts that are in the credit management process, which may lower your credit rating in the short run.

Some credit counseling agencies provide free services or charge a small amount for credit management, while others charge a monthly fee that can add up over time. Be aware that some credit counseling agencies are partly funded by creditors.

If you have credit problems, remember: there are no easy answers. Rebuilding your credit will take time and good management. Don't allow yourself to be further victimized by advance fee or credit repair scams.

POINTS TO REMEMBER

Beware of Predatory Lending Scams

- Advance fee loans are illegal
- No service can make your debts go away for a fee
- No legitimate lender guarantees that your application will be approved

For assistance with credit problems:
National Foundation for Credit Counseling
(800) 388-2227
www.nfcc.org

To obtain a copy of your credit report:
Equifax
P.O. Box 740241
Atlanta, GA 30374-0241
(800) 685-1111

Experian
P.O. Box 2104
Allen, TX 75013-2104
(888) 397-3742

Trans Union
P.O. Box 390
Springfield, PA 19064
(800) 916-8800

For more information on consumer scams:
Federal Trade Commission
600 Pennsylvania Ave. NW
Washington, DC 20580
877-FTC-HELP (382-4357)
www.ftc.gov



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