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Article

What To Know About Advance-Fee Loans



Some companies promise you a loan or credit card regardless of your credit history. But they want you to pay a “processing” or other fee first. Those are scams. Learn the telltale signs.

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What Is an Advance-Fee Loan Scam?

Do you need to borrow money to make auto repairs, consolidate credit card debt, or pay your mortgage? In an advance-fee loan scam, scammers promise they'll get you a loan, credit card, or access to credit. Or they say they'll put you in touch with a lender who can almost certainly get you those things. No matter your [credit history](#). But first, they say, you must pay up front. The scammer might say the money is a fee for “processing,” “insurance,” an “application,” or something else. But it's a lie. There is no loan and there is no lender. And if you pay, the scammer and your money will disappear.

Advance-fee loan scams target people who have bad credit or trouble getting a loan for other reasons. The scammers post ads, often online, or call with these so-called deals. Many buy lists of the names of people who have searched or applied online for [payday or other loans](#).

If you're considering a possible lender, know that

- Legitimate lenders will not promise you a loan or other credit without knowing your credit history, but demand you pay them first.
- Real lenders can require an application or appraisal fee before they consider your loan application.
- But nobody legit will tell you that paying a fee guarantees that you'll get a loan.

Warning Signs of an Advance-Fee Loan Scam

Here are some signs of a possible advance-fee loan scam:

Scammers place ads that say you can get credit regardless of your [credit history](#). They may say things like, “Bad credit? No problem,” “No hassle — guaranteed,” or, “We don't care about your past. You deserve a loan!”

Banks and other legitimate lenders won't promise or guarantee you a loan or credit before you apply. They'll check your [credit report](#), confirm the information in your application, and decide if they think you'll repay the loan before giving you a firm offer of credit.

Scammers don't disclose fees before you apply for a loan. Scam lenders might say you've been approved for a loan. But then they say you have to pay them before you can get the money. That's a scam. Any up-front fee that the lender wants to collect before granting the loan is a cue to walk away, especially if you're told it's for “insurance,” “processing,” or just “paperwork.”

Scammers call, offering loans or other credit. But it's illegal for telemarketers to promise you a loan or other credit and ask you to pay for it up front and before they deliver. (The [Telemarketing Sales Rule](#) says so.)

Protect Yourself

Not sure if the lender you're talking with is legitimate? Use these steps to help protect yourself against scammers.

- **Check to see if the lender is registered in your state.** Lenders must register where they do business. Contact your [state attorney general](#) or [banking or financial services regulator](#) to find out if a lender is registered.
- **Search online.** Type the company's name into a search engine with words like “review,” “complaint,” or “scam.” Also, try searching for the company's phone number to see if other people have reported scam calls from that number.
- **Hang up on robocalls.** If you pick up the phone and hear a recorded sales pitch, hang up and [report it to the FTC](#). These calls are illegal.
- **Don't pay for a promise.** Whether someone asks you to pay in advance for a credit card, loan offer, [debt relief](#), [mortgage assistance](#), or a [job](#), walk away. No one legitimate will ever ask you to pay for a promise. If they do, it's a good bet it's a scam.
- **Get help dealing with debt.** You might have more options than you think. Nonprofit organizations in every state offer [credit counseling services](#) that often are free or low cost. Learn more about possible options for [coping with debt](#).

What To Do if You Paid a Scammer

Scammers often ask you to pay in ways that make it tough to get your money back. For example, they might ask you to pay by using [cryptocurrency](#), by [wiring money](#) through a company like MoneyGram or Western Union, or by putting money on a [gift card](#) and then giving them the numbers on the back. No matter how you paid a scammer, the sooner you act, the better. Learn what to do [if you paid a scammer](#).

Report Advance-Fee Loan Scams

If you've lost money to an advance-fee loan scam, or have information about the company or scammer who called you, report it at [ReportFraud.ftc.gov](#). When you report these wrongdoers, you help law enforcement stop them and alert others in your community to the scam.

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