Cambridge Consumers' Council

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City of Cambridge

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Serving the residents of:
Cambridge
Somerville

Consumer Alert: Advance-Fee Loan Scams

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The Cambridge Consumers' Council and Cambridge Police Department's Electronic Crime Unit have seen an increase in the number of Advance-Fee Loan Scams claiming to operate out of buildings in the City of Cambridge. These companies typically offer loans over the telephone and claim to have received your application via a loan that was applied for online. Most companies also have a website, which looks professional and often boast a company's credentials.

How an Advance-Fee Loan Scam Works

Consumers are usually contacted by "lending agents" via the telephone, informing them that they have been either pre-approved or approved for a personal loan. At this point, most companies will fax a completed loan application for signature. These applications are often modeled after legitimate personal loan applications.

The lending agent will notify the consumer that in order to receive the loan, two to five collateral payments must be made due to their low credit profile. Consumers were asked to wire such payments using either Western Union or MoneyGram to their "loan sponsor" in either Canada or Mexico. Usually after the first few payments have been wired, a company will contact a consumer and inform them that they will need additional collateral payments before the loan can be issued due to the risk of lending to the consumer. In the end, the personal loans never appear.

Signs of an Advance-Fee Loan Scam

- **A lender who is not interested in your credit history.**
  Banks and other legitimate lenders typically evaluate creditworthiness and confirm the information in an application before they guarantee any type of personal loan.

- **A loan that is offered by phone.**
  It is illegal for companies doing business in the United States to promise you a loan by phone and ask you to pay for it before they deliver.

- **A request for collateral payments or advance fees.**
  Request for collateral or an up-front fee that the lender wants to collect before granting the loan is a cue to walk away, especially if it is for "insurance" or "processing."

- **A lender who is not registered in your state.**
  Lenders and loan brokers are required to register in the states where they do business, regardless of their physical location. To check registration for a company lending in Massachusetts, call the Division of Banks at 1-800-495-2265.

Contact Us for More Information

For questions regarding Advance-Fee Loan Scams or to report a possible scam, please contact Corey R. Pilz at (617) 349-6150 or consumer@cambridgema.gov.