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Consumer Advisory Bulletin

Advance Fee Loans and Credit Repair Schemes

Be careful if you see advertisements like these: "Need to repair your credit?" "Overdue bills? Want to own your own home? Debt consolidation? NO PROBLEM -- CASH LOANS GUARANTEED!" Ads like these often signal "scams."

Con-artists know how to hook people when they are vulnerable, and a consumer with a poor credit rating can be vulnerable to questionable credit schemes for cars, houses or credit cards. Advance fee loan scams tend to target unemployed persons, people with poor credit, and businesses trying to stay afloat. Loan and credit repair schemes just add insult to injury!

Advance fee loan broker scams typically work like this: The company offers you a loan but first you must pay an "advance" of \$50 to \$500 for so-called "processing" or "application" fees. After you send the money, you never hear from the company again. You don't get a loan and you don't get a refund. You've been cheated. The same result is typical for most schemes that offer to "repair your credit" for an up-front fee.

Requiring a fee to be paid in advance of providing a loan or credit card violates state law. The vast majority of lenders are legitimate professionals, but fraudulent operators will take your money and give you nothing in return. And credit repair scams generally offer you either bad advice, or give you information you can get elsewhere for free.

How to protect yourself against loan broker or credit repair schemes:

- Don't pay a fee "up front" for a "guaranteed" loan, especially if you have a bad credit history -- even if the company promises a refund. It is illegal in Iowa for a loan broker to request an advance fee or other form of advance payment.
- Be careful about making loan agreements over the telephone. Review all materials in writing before you sign.
- Don't give a loan broker your credit card, checking account, bank account, or Social Security numbers over the telephone.
- Beware of "credit repair" offers. If your credit report has errors, you can correct them yourself. If you do have credit problems, "credit repair" cannot be bought.

For information or to file a complaint, contact the Attorney General's Consumer Protection Division, Hoover Building, Des Moines, IA 50319. Call 515-281-5926.

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