

Loan Fee Scams

The Kentucky Department of Insurance (DOI) has received information regarding a scam involving at least one online company requiring an advance fee for an insurance policy for those securing a loan.



Under the scam, the consumer applied for a \$25,000 loan and was approved. He was told to wire \$1,800 for a required “insurance policy” or “insurance fee” in order to complete the loan process. This policy allegedly was underwritten (by a bogus company) and offered a benefit in the event of death, unemployment, bankruptcy, etc. He was told that once the money for the insurance had arrived, his \$25,000 loan would be sent to him.

Unfortunately, not only did the consumer not get his \$25,000 loan, there is a good chance he will never see his \$1,800 again, either.

Consumers should keep in mind that KRS 294.120(6) prohibits a mortgage broker from charging a fee of more than \$100 for submitting a loan application.

Be aware that in this case, as well as with many other scams, the address of a legitimate business was used. The business owner was not involved in the scam and was unaware her address was being used. Law enforcement officials have tracked the wire transfer to a location in Canada.

Consumer groups such as the Better Business Bureau (BBB) remind consumers to be cautious when dealing with these types of offers. If you are looking for a loan, it is better to deal with a local, reputable lending institution.

Other tips from the BBB are:

- ❖ Legitimate lenders never guarantee that you are likely to get a loan before you apply, especially if you have bad credit, no credit or a history of bankruptcy.
- ❖ It is an accepted and common practice for lenders to request payment for a credit report or appraisal when you apply for a real estate loan. However, be very cautious if you are asked to pay for processing the application.
- ❖ Never give your credit card number, bank account information or Social Security number over the telephone or online unless you are familiar with the company and know why the information is necessary.

- § If you do not have the offer in hand or confirmed in writing and you are asked to pay, don't. Even if you do have an offer in writing, be very cautious about paying extra "fees."
- § Don't give in to pressures to act immediately. If the offer is legitimate, it will still be there tomorrow.
- § Ask for physical addresses for the loan broker or financial institution. Refusal to give this information is a common ploy to avoid law enforcement detection. Remember that the information, even if supplied, may be bogus.
- § Contact your local Better Business Bureau, DOI, the Attorney General's office or other consumer protection agencies for assistance.

If you feel you have been a victim of this type of scam or if you have specific questions or concerns about this issue, please contact the Division of Consumer Protection at 800-595-6053 (in Kentucky) or 502-564-3630 (out of state).



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