



Personal Finance Scams

From the Office of Minnesota Attorney General Lori Swanson

Credit and other personal finance scams are now more common than ever. According to the Federal Trade Commission (FTC), three out of the top four categories of fraud are related to personal finance and consumer credit. The Minnesota Attorney General's Office warns Minnesotans to avoid these common scams that prey on people in financial difficulty.

Advanced Fee Loan Scams

Advance fee loan scams may sound appealing, because the scam artists promise that they can deliver loans no matter what your credit situation. Technology-savvy crooks may sometimes copy the websites of legitimate lending institutions and steal their logos. After making contact, the scam artist will ask you to make some type of up-front payment, usually in the form of a wire transfer, to secure the loan. This is illegal. Usually you'll lose your money and never see the loan.

Always be wary of unsolicited offers for guaranteed loans. If it sounds too good to be true, it probably is.

Debt Counseling Scams

Businesses and some nonprofit organizations that offer debt counseling and reorganization plans may charge high fees and fail to follow through on the services they sell. Others may misrepresent the terms of a debt consolidation loan, failing either to explain high costs or to mention that you're signing over your home as collateral. Others advertising debt reorganization may not explain that they are really pushing Chapter 13 bankruptcy, an option that may not be right for you.

Consumers should exercise caution before agreeing to do business with unfamiliar debt assistance companies. Do your homework on the company, get everything in writing, and demand proof. Then take the information to an attorney, loan counselor, or someone you trust to look it over. If the company doesn't want you to talk to anyone about the program, walk away.

Credit Repair Scams

Some companies offer "credit repair" services and promise to clean up your credit history. More often than not, these scam artists can't deliver.

First, they may charge you to do what you could do yourself for free. Although experts estimate that 80% of credit reports contain mistakes, ranging from misspelled names to accounts that the consumer did not open, federal law allows you to dispute such errors *in writing* with the company and the credit bureaus. You do not have to enlist outside assistance.

The scam artists may also advise you to do something illegal such as creating a new credit identity to hide unfavorable credit information. This is sometimes called "file segregation."

Usually when you pay money to the crooks running these offers, you will be directed to apply for an Employer Identification Number (EIN) from the Internal Revenue Service (IRS). These numbers are typically used by businesses to report financial information to the IRS and Social Security. After you receive your EIN, you are told to use it in place of your Social Security number when you apply for credit. This is illegal. If you defraud the government this way, you could face fines or even prison.

No matter which approach the scam artists take, they are likely to disappear with your money, leaving you worse off than you started.

State Agency Contact Information

If you would like to research the legitimacy of a given offer or company, contact the Minnesota Department of Commerce, which is the State agency with the authority to license debt counseling and credit repair services. You may also want to contact the Minnesota Secretary of

State's Office to ensure that the company is licensed to conduct business in Minnesota.

Minnesota Department of Commerce

85 E. 7th Place, Suite 500

St. Paul, MN 55101

(651) 296-2488 or

1-800-657-3602

www.commerce.state.mn.us

Minnesota Secretary of State

Business Services

60 Empire Drive, Suite 100

St. Paul, MN 55103

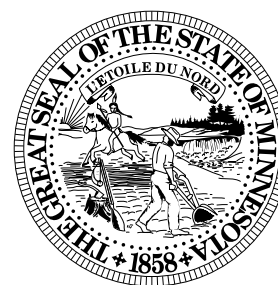
(651) 296-2803 or

1-877-551-6767

www.sos.state.mn.us

If the company claims to be a nonprofit organization, you may contact the Attorney General's Office to verify that it is actually registered in the state.

For additional information about personal finance scams, to verify the nonprofit status of an organization, or to file a complaint, you may contact the Minnesota Attorney General's Office as follows:



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445 Minnesota Street

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(651) 296-3353

1-800-657-3787

TTY: (651) 297-7206 or 1-800-366-4812

www.ag.state.mn.us