

# STATE OF NEBRASKA

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Governor

## DEPARTMENT OF BANKING AND FINANCE

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**FOR IMMEDIATE RELEASE**

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## NEWS MEDIA ALERT

### Officials Issue Warning About Internet Lending Scams

Lincoln, Neb., Feb. 25, 2008 – Recent complaints to the Nebraska Department of Banking and Finance against Internet-based lending companies have prompted the Department to issue a warning to consumers about Internet lending scams. The Department is receiving a growing number of complaints on Internet-based cash advance companies, known as delayed deposit services in Nebraska and elsewhere as payday lenders, and Internet-based consumer loan companies.

While most companies doing business in Nebraska are licensed by the Department or federal agencies, Nebraska law provides that unregulated lenders can not charge an interest rate in excess of the state's usury limit of 16%. Online lenders often attempt to bypass state laws and avoid complying with state licensing requirements. In addition, it is a common tactic for fraudulent lenders to claim residence in a state and/or appropriate the name of a legitimate business.

In recent weeks, the Department has received complaints from consumers on lending companies allegedly based in Nebraska. In one complaint, a company calling itself Calstone Financial claimed to be located in Humphrey, and in another complaint, USA Lending Center advertised its location as Omaha. Neither company was located at the address claimed. The Web sites and telephone numbers of both companies have been shut down.

As has been reported about most Internet scams of this type, the companies told consumers that they were approved for a loan and required "collateral" fees in advance of funding their loans. It is illegal for companies doing business in Nebraska to require such fees in advance of a promised loan. The consumers were then asked to wire the fees to a location outside the U.S. and they never received their loans.

"Online lending is growing rapidly and we are cautioning consumers about using services from lenders with whom they are unfamiliar," said Amy Greenwood-Field, a Department Review Examiner. According to Greenwood-Field, consumers can verify the license of a company doing business in Nebraska by searching the Department's Website at [www.ndbf.org](http://www.ndbf.org) or by calling 402-471-2171.

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Often, fraudulent online lenders will disclose little information about their companies and require much information from their customers. Customers in a financial crisis are enticed into giving their bank account numbers, social security numbers and other personal information to use in the electronic transfer of funds. Many of these companies operate outside of the U.S. They frequently change their names, their Web site addresses and telephone numbers, making it difficult to investigate.

“By giving out financial and personal information, consumers expose themselves to security and privacy risks and theft,” said Greenwood-Field. “If you have doubts about a company, contact the Department first before you provide information or give them your money,” said Greenwood-Field.

The Department offers these tips when using the Internet to search for a lender:

- Ignore any Web site that guarantees a cash advance or loan in exchange for a fee in advance. Requiring advance fees for loans is illegal in Nebraska.
- Legitimate lenders never guarantee or say that you will receive a loan before you apply, or before they have checked out your credit status or contacted your references, especially if you have bad credit or no credit record.
- Do not give your credit card, bank account, or social security number on the telephone, by fax, or via the Internet unless you are familiar with or have done your research on the company.
- Do not make an advance payment to an individual for a loan; no legitimate lending organization would make such a request.
- If you are not absolutely sure who you are dealing with, get the company's number from the telephone book or from directory assistance, and call it to make sure you know with whom you are dealing. Sometimes scammers pretend to be another legitimate company. Take some time to find out if the company really does exist and whether or not it is valid and reputable.

If you think you have been a victim of an Internet-based delayed deposit service or loan scam, report it to the Department or the Federal Trade Commission online at [www.ftc.gov](http://www.ftc.gov) or by phone at 1-877-FTC-HELP (1-877-382-4357)

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