DEPARTMENT OF CONSUMER & BUSINESS SERVICES

NEWS RELEASE

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For immediate release:
January 23, 2006

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Oregonians to receive $1.5 million restitution under settlement with Ameriquest

(Salem) About $1.5 million will be distributed among more than 1,300 Oregonians who were treated unfairly by Ameriquest Mortgage Company, Oregon Attorney General Hardy Myers and Oregon Department of Consumer and Business Services Director Cory Streisinger announced today. The money is part of a $325 million nationwide settlement under which Ameriquest will also make sweeping reforms of practices that Myers and Streisinger say amounted to predatory lending. The national settlement was announced in Los Angeles, California this morning.

Ameriquest, the nation's largest sub-prime lender, has agreed to pay a total of $295 million in restitution to consumers. The company also will pay $30 million to 49 states and the District of Columbia. The states will use the money to pay for costs of the investigation and consumer education and enforcement.

"This landmark agreement will change Ameriquest's practices, which we believe were unfair and deceptive," Attorney General Myers said. "The changes required by the agreement will set standards for the rest of the industry. This settlement is a warning to other mortgage lenders who are harming consumers."

"Oregonians deserve to be treated fairly when they take out a mortgage – the biggest financial commitment most of us will ever make," DCBS Director Streisinger said. "Ameriquest and other lenders need to understand that if their lending practices fail to meet this test we can and will take action against them. Predatory practices simply will not be tolerated."

The states initiated an investigation of Ameriquest's practices in response to hundreds of consumer complaints that alleged improper practices including: inadequate disclosure of prepayment penalties, discount points and other loan terms; unsolicited refinancing offers that did not adequately disclose prepayment penalties; and improperly influenced and inflated appraisals.

The $325 million payment ranks as the second-largest state or federal consumer protection settlement in history, after the $484 million predatory lending agreement reached in 2002 between most states and Household Finance Corporation.

In the agreement, Ameriquest denies all the allegations raised by the states, but the company agreed to a battery of new standards to prevent the practices that the states allege were unfair and deceptive.

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The settlement with the states includes ACC Capital Holding Corporation (the holding company), and its subsidiaries Ameriquest Mortgage Company, Town & Country Credit Corporation, and AMC Mortgage Services, Inc., formerly known as Bedford Home Loans. The company is based in Orange, California, near Los Angeles. The company and its subsidiaries have grown significantly in recent years, benefiting from the mortgage refinancing boom.

Ameriquest primarily makes refinancing loans to existing homeowners who are hoping to consolidate credit card and other debt into their new home mortgage and come out ahead with overall monthly savings. Borrowers who do not have the best credit ratings may turn to sub-prime loans, which often have higher interest rates and other costs.

“Unfair practices and high-pressure sales tactics in the sub-prime industry can be very harmful to ordinary consumers,” Streisinger said. “The people affected by these loans are the ones who can least afford it.”

Payments by Ameriquest

Consumers do not need to take any action at this point to pursue recoveries – they will be contacted by states in the months ahead as specific recovery terms and plans are determined. Consumers who have questions about the settlement may contact the DCBS Division of Finance and Corporate Securities, at 503-378-4140.

Of the $295 million in restitution, $175 million will be distributed in a nationwide claims process to eligible Ameriquest customers who obtained mortgages from January 1, 1999, through April 1, 2003 with payments based on a formula set by the settling states.

Another $120 million in restitution will be allocated to the settling states based on the percentage of total Ameriquest loans (measured in dollars) held by consumers in each state and will be used to compensate Ameriquest customers who obtained mortgages between January 1, 1999, and December 31, 2005. Each settling state will determine which customers in its jurisdiction are eligible to receive money from this restitution fund.

Individual states’ exact share of restitution funds has not been determined, but Oregon consumers will share in the funds along with those from other states. Payments to individual consumers will range from $600 to $1,300 depending on the kind of loan they secured and the terms of the loan.

The states’ investigation

The settlement was signed by officials of 49 affected states and D.C. Each signing state will file the settlement, along with consumer protection lawsuits resolved by the settlement, in their respective state courts within 45 days. The courts must approve the settlement before it becomes final.

Today’s development culminates about two years of investigation by the attorneys general, state financial regulators and local prosecutors – and a year of settlement negotiations.

Injunctive relief

About half the 49-page agreement with the states spells out “injunctive relief” – wide-ranging reforms of Ameriquest’s lending practices to resolve the states’ concerns.

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Under the agreement, the company must:

- Provide the same interest rates and discount points for similarly-situated consumers.
- Not pay sales personnel incentives to include prepayment penalties or any other fees or charges in the mortgages.
- Provide full disclosure regarding interest rates, discount points, prepayment penalties, and other loan or refinancing terms.
- Overhaul its appraisal practices by removing branch offices and sales personnel from the appraiser selection process, instituting an automated system to select appraisers from panels created in each state, limiting the company's ability to get second opinions on appraisals, and prohibiting Ameriquest employees from influencing appraisals.
- Not encourage prospective borrowers to falsify income sources or income levels.
- Provide accurate, good faith estimates.
- Limit prepayment penalty periods on variable rate mortgages.
- Not engage in refinancing solicitations during the first 24 months of a loan, unless the borrower is considering refinancing.
- Use independent loan closers.
- Adopt policies to protect whistle-blowers and facilitate reporting of improper conduct.

The agreement also provides for appointment of an independent monitor to oversee Ameriquest's compliance with the settlement terms. The monitor will have broad authority to examine Ameriquest's lending operations, including access to documents and personnel. The monitor will submit periodic compliance reports to the attorneys general during the next five years. Ameriquest will pay the monitor's costs.

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