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Cox Announces Ameriquest to Pay \$325 Million Nationwide and Reform its Lending Practices *Michigan's Share approximately \$12 Million*

Lansing--Attorney General Mike Cox announced today that Ameriquest Mortgage Company, the nation's largest sub-prime lender, has agreed to pay \$295 million nationwide to consumers and make sweeping reforms of practices that states alleged amounted to predatory lending. Ameriquest also will pay for costs of the investigation and consumer education and enforcement of \$30 million to the settling states participating in the settlement agreement.

"We believe that Ameriquest engaged in unfair and deceptive practices that harmed Michigan consumers," Cox said, "They have agreed to change their ways. This is a landmark agreement that will change Ameriquest's mortgage lending practices and benefit consumers throughout the state."

The settlement was signed by officials of 49 states and the District of Columbia. (Virginia is not a party because Ameriquest did no business there.) Each signing state will file the settlement in their respective state courts by March 15, 2006, along with consumer protection lawsuits resolved by the settlement.

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

"This is a big victory for Michigan consumers against a company that was engaged in predatory lending practices," said Office of Financial and Insurance Services Commissioner Linda A. Watters. "The Granholm Administration and the Attorney General have worked hand-in-hand to ensure repayment to our consumers and to the state of Michigan."

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In the agreement, Ameriquest agreed to a battery of new standards to prevent what the states alleged were unfair and deceptive practices.

"Our view was that Ameriquest employees deceived consumers as part of high-pressure tactics to sell mortgage refinances," Cox said. "We believe these high-pressure sales tactics were used to reach desired sales levels and high monthly individual sales quotas and were induced by a lopsided commission structure. We expect this agreement will correct these practices."

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.

Astronomical growth over the last few years has made Ameriquest the nation's largest sub-prime mortgage lender. 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 don't have the best credit ratings may turn to sub-prime loans, which often have higher interest rates and other costs.

"Questionable practices in the sub-prime industry can be very harmful to ordinary consumers," Cox said, "and that's one reason why this is so important. Most of these folks have little or no economic cushion, so these scams are hitting them harder."

Injunctive Relief:

About half the 49-page agreement with the states spells out injunctive relief including wide-ranging reforms of the company's lending practices. Under the agreement, Ameriquest is required to:

- Provide the same interest rates and discount points for similarly-situated consumers.
- 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.

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- 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.

Payments by Ameriquest:

The company will pay \$325 million nation-wide. Of that, \$295 million will go to consumer restitution, and \$30 million will be distributed to states to cover their costs and fund consumer education and consumer protection enforcement programs. Consumers do not need to take any action at this point to pursue recoveries – they will be contacted by mail in the months ahead as specific recovery terms and plans are determined.

Of the \$295 million in restitution, \$175 million will be distributed nation-wide, pursuant to a claims process, to eligible Ameriquest customers who obtained mortgages from January 1, 1999, through April 1, 2003 based upon 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 a reasonable estimate is that Michigan's share will be approximately \$12,000,000. Approximately 34,000 Michigan borrowers may be eligible to participate in the settlement.

The States' Investigation:

Michigan will file the settlement along with a complaint and consent judgment in state court within 45 days. The court must approve the settlement before it becomes final.

Today's development culminates about two years of investigation by the Attorneys General, state banking regulators and in some states, local prosecutors-- and a year of settlement negotiations.

Law enforcement officials and regulators initiated their investigation after receiving hundreds of complaints from Ameriquest customers across the country. The ensuing investigation uncovered consumer protection problems in areas governed by the settlement. The alleged improper practices included: inadequate disclosure of prepayment penalties, discount points and other loan terms; unsolicited refinancing offers that did not adequately disclose prepayment penalties; improperly influenced and inflated appraisals; and encouraging borrowers to lie about income or employment to obtain loans.