



NEWS RELEASE

ATTORNEY GENERAL HENRY MCMASTER
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McMaster: Ameriquest to Pay \$1.2 Million to 3,000+ S.C. Customers

Lender to Reform Practices As Result of Predatory Lending Settlement

Columbia, S.C. – South Carolina Attorney General Henry McMaster announced today that Ameriquest Mortgage Company, the nation's largest sub-prime lender, has agreed to pay \$1.2 million dollars to over three thousand (3,000+) South Carolina customers as part of a national settlement involving 49 states and the District of Columbia over alleged predatory lending practices.

Consumers do not need to take any action at this point to pursue recoveries – they will be contacted in the months ahead by the settlement administrator as specific recovery terms and plans are determined.

Nationally, Ameriquest will pay \$295 million to consumers and make sweeping reforms of its lending practices as well as paying an additional \$30 million to the states (\$125,000 to S.C.) for costs of the investigation and consumer education and enforcement.

“We believe that Ameriquest engaged in unfair and deceptive practices that harmed South Carolina consumers,” McMaster said. “But they’ve agreed to change. This is a landmark agreement that will change Ameriquest’s practices, and it will set standards we expect other mortgage lenders to follow. We commend Ameriquest for reaching this settlement,” McMaster said.

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.

“Ameriquest will fully comply with our laws in the future,” McMaster said. “There are valid reasons to believe this. Ameriquest has instituted many changes already. They do not want to



repeat the experience that we are concluding today, and the States and a monitor will be watching them carefully.”

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

“Our view was that Ameriquest employees deceived consumers as part of high-pressure tactics to sell mortgage refinances,” McMaster 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 believe 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. The company is based in Orange, California, near Los Angeles.

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,” McMaster said, “and that’s one reason why this is so important. Most of these folks have little or no economic cushion and already may be holding down two or three jobs.”

Injunctive Relief:

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

Under the agreement, Ameriquest is required to:

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.

Ameriquest already has implemented several of these requirements. (For example, Ameriquest began providing the same interest rates and discount points for similarly situated consumers before the States' investigation began.)

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 – \$295 million for consumer restitution, and \$30 million to settling 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 later by states in the months ahead as specific recovery terms and plans are determined.

Of the \$295 million in restitution, \$175 million will be distributed in a nationwide claims process to eligible Ameriquest customers (\$700,000 to S.C.) 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 (\$500,000 to S.C.) 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.



The States' investigation:

The Attorneys General of 49 states and the District of Columbia signed the settlement.

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 banking regulators and 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.

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