



**For Immediate Release**

**Contact: Melissa Merz**

**312-814-3118**

**877-844-5461 (TTY)**

**[mmerz@atg.state.il.us](mailto:mmerz@atg.state.il.us)**

**January 23, 2006**

**MADIGAN, MARTINEZ: AMERIQUEST TO PAY \$325 MILLION AND  
REFORM LENDING PRACTICES TO RESOLVE STATES'  
INVESTIGATION**

***ILLINOIS CONSUMERS TO RECEIVE \$10 MILLION IN RESTITUTION***

Chicago – Attorney General Lisa Madigan and Acting Secretary of the Illinois Department of Financial and Professional Regulation Dean Martinez today announced that Ameriquest Mortgage Company, the nation's largest sub-prime lender, has agreed to pay \$295 million in restitution to consumers and make sweeping reforms of its sales practices.

Ameriquest also will pay a total of \$30 million for investigation costs and fees to participating states signing on to nationwide settlement agreement. Illinois' share of the settlement will be in excess of \$10 million as restitution for consumers and \$1.6 million for costs, fees and consumer education and enforcement programs.

“We believe high-pressure sales tactics that included misrepresentations were used by sales reps to reach high sales levels to boost monthly commissions. We think Ameriquest engaged in unfair and deceptive conduct that amounted to predatory lending and put people at risk of losing their homes,” Madigan said. “A home is more than a place to live; it's a consumer's life-long investment and the foundation of the wealth of our communities. Predatory practices cannot be tolerated where such important assets are at stake.”

“Illinoisans work hard to achieve the American dream of owning their own homes. With this settlement, we have taken a giant step in making sure that dream does not become a nightmare for Ameriquest's Illinois customers,” said Martinez. “This landmark settlement will force change in Ameriquest's lending practices, and, equally important, it will set standards we expect other mortgage lenders to follow,” he said.

Today's development culminates 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 unlawful practices included: failing to disclose or misrepresenting essential loan terms such as the interest rate, prepayment penalties and discount points; high-pressure boiler room sales tactics such as encouraging borrowers to lie about income or employment to obtain loans; and putting people into loans they could not afford by using inflated appraisals to increase loan-to-value ratios.

This is the second significant settlement to result from a collaborative enforcement effort between state attorneys general and state agencies that license and regulate lenders; 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, with over 12,000 employees and 270 branch offices nationwide, has instituted a number of the changes already and has up to one year to phase in the remaining required changes. Ameriquest will pay for an independent third-party monitor who will police the agreement for the next five years. 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 states during the five year period.

"The states and a monitor will be watching them closely," said Madigan.

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.

Astronomical growth over the last few years has made Ameriquest the nation's largest sub-prime mortgage lender. It operates in 49 states and the District of Columbia. 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.

Under the agreement, Ameriquest is required to enact the following reforms of its lending practices to resolve the concerns of the states:

- Provide full disclosure regarding interest rates, discount points, prepayment penalties, and other loan terms.
- Inform borrowers of changes made to their loan terms prior to closing.
- Provide the same interest rates and discount points for similarly-situated consumers.
- Not offer sales reps incentives to include prepayment penalties in loans.
- 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 appraisers.

- Not encourage prospective borrowers to falsify income sources or income levels.
- Not disparage or tell borrowers to ignore good faith estimates of loan costs.
- 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 third-party loan closers.
- Adopt policies to protect whistle-blowers and facilitate reporting of improper conduct.
- Train employees on the terms and injunctive provisions of the settlement agreement, the purpose and general prohibitions of state unfair and deceptive acts or practices statutes and, for newly hired employees, mortgage lending and ethical sales practices.
- Complete all essential underwriting requirements prior to closing a loan.
- Timely disburse loan proceeds.
- 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.
- 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 crafted. The States will distribute the money to borrowers who obtained mortgages from Ameriquest from January 1, 1999, through December 31, 2005, based on formulas set by the States.

Assistant Attorneys General Tom James and Susan Ellis handled the case for Madigan's Consumer Protection Division. Within the Department of Financial and Professional Regulation, D. Lorenzo Padron, Director of Banking, oversaw the investigation.

-30-

---

[Return to January 2006 Press Releases](#)