

**For Immediate Release**

**Contact: Peter C. Hildreth 271-3561**

**Assistant AG David Rienzo 271-3643**

## **New Hampshire is one of the States to Settle with Household Finance**

**Bank Commissioner Peter C. Hildreth and Attorney General Philip T. Mc Laughlin today announced the largest lending-related consumer settlement ever. Mortgage lender Household Finance has agreed with state government regulators from across the country to change its lending practices. Household also agreed to pay up to \$484 million to consumers nationally – approximately \$ 3,300,000 to New Hampshire consumers -- for alleged unfair and deceptive lending practices in the “subprime” market.**

**Bank Commissioner Hildreth stated, “This is a great day for New Hampshire consumers. Citizens of this state can rest assured that New Hampshire will take strong and swift action against those businesses alleged to have engaged in unfair and deceptive lending practices. I am pleased that Household decided to work with the states to reach this landmark settlement. I am particularly pleased that this settlement not only makes restitution to past customers but also ensures future transactions will be properly conducted.”**

**Attorney General McLaughlin noted, “This agreement will address problems that have victimized New Hampshire consumers who are the most vulnerable to deceptive or unfair lending practices.”**

**The multi-state investigation alleged that Household violated state laws by misrepresenting loan terms and failing to disclose material information to borrowers. Consumers complained that Household charged far higher interest rates than promised, charged costly prepayment penalties, or deceived them about insurance policies. Some consumers were trapped in costly loans, the states alleged.**

**State officials said Household cooperated in the case when the States presented their concerns. The company worked quickly with the multi-state group -- over a period of about four months -- to develop and negotiate solutions to the practices identified by the states. State officials said Household heard the message of the states and moved to a settlement that will set new standards for the industry. The settlement includes Household Finance Corp., Household Realty Corp., and Beneficial Finance Corp.**

**Under the settlement, New Hampshire consumers could receive up to approximately \$ 3,300,000 in total restitution. Approximately 5,000 New Hampshire consumers took out real estate loans with Household since 1999, the year the states allege the problem practices began.**

**In many cases, regulators claim, Household failed to properly inform consumers of loan costs and insurance premiums that were included in their loans. In other cases, borrowers who were led to believe they were receiving interest rates of about seven or eight percent were actually charged nearly twice that much. Borrowers also complained that they were charged costly prepayment penalties that were not clearly disclosed to them.**

**Under the settlement, Household agreed to:**

- **Pay up to \$484 million in restitution to consumers nationwide.**
- **Limit prepayment penalties on current and future loans to only the first two years of a loan.**
- **Ensure that new loans actually provide a benefit to consumers prior to making the loans.**
- **Limit up-front points and origination fees to 5%.**
- **Reform and improve disclosures to consumers.**
- **Reimburse states to cover the costs of the investigations into Household's practices.**
- **Eliminate "piggyback" second mortgages.**

**The details of the settlement and the process by which consumers can apply for restitution are being finalized and will be announced at a later date. New Hampshire will design its own restitution plan. The state anticipates that full restitution will not occur until sometime during the coming year.**

**The written settlement announced today between Household and the States will be contained in consent decrees to be presented to state courts throughout the country.**

**For more information, please contact the New Hampshire Banking Department at 271-3561.**