

Contact:
Mary Hughes
Consumer Finance Bureau Chief
Idaho Department of Finance
(208) 332-8000

Idaho Files Settlement with Household Finance

All fifty states plus DC are filing formal consent judgments. The unprecedented settlement will total \$484 million for consumers -- including about \$ 3.5 million for Idaho consumers.

For Immediate Release

December 30, 2002

Gavin Gee, Director of the Idaho Department of Finance, and Attorney General Al Lance, announced that Idaho has formally entered into a settlement with Household Finance Corp. through a consent judgment filed in the Ada County District Court.

"Household will change its lending practices under the settlement," Director Gee said, "and it will pay Idaho consumers about \$ 3.5 million in restitution for alleged unfair and deceptive lending practices in the subprime lending market." Gee said details on restitution procedures and eligibility will be announced in the next few months.

Household will pay a total of \$484 million in consumer restitution nationwide. State officials said that is the largest direct restitution amount ever in a state or federal consumer case.

The tentative settlement was announced October 11, but the settlement and restitution amount were contingent on settlement with states representing at least 80% of the dollar volume of Household's real estate-secured loans. Director Gee said consent judgments are being filed in all fifty states and the District of Columbia, which means Household will pay the maximum restitution amount of \$484 million.

The states alleged that Household violated state laws by misrepresenting loan terms and failing to disclose material information to borrowers. The investigation focused on real estate-secured loans. Consumers complained that Household charged far higher interest rates than promised, charged costly prepayment penalties, and deceived consumers about insurance policies. Some consumers were trapped in costly loans by some of the practices, the states alleged.

State officials said Household cooperated in the case when the states presented their concerns. In addition to restitution, Household agreed in the settlement to numerous injunctive terms. Household will:

- Limit prepayment penalties on current and future home loans to only the first two years of a loan.
- Ensure that new home 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.
- Eliminate "piggyback" second mortgages.

Director Gee said each state will design its own consumer-restitution plan, since some of the lending practices varied significantly from state to state. He said a settlement administrator will be selected shortly, and information on restitution terms and procedures will be sent to eligible Idaho consumers in the next few months. Consumers do not need to contact state attorney general or financial regulator offices at this time.

However, Gee said, consumers who have moved and who had real estate-secured loans with Household during the period in question (Jan. 1, 1999, through Sept. 30, 2002) may wish to contact the Idaho Department of Finance to provide a current address.

“In this case the Office of Attorney General had the opportunity to support the lead role of the Idaho Department of Finance. Our partnership demonstrates once again that Idahoans win when the various entities of state government are on the same team.” Attorney General Lance said. “The settlement is fair to consumers, taxpayers and Household. The company’s willingness to negotiate in good faith and take care of past problems will benefit not only Idaho consumers currently doing business with the company, but also those Idahoans who choose this lender in the future.”

State officials said the settlement, which was reached in principle and announced Oct. 11, will not be affected by the acquisition of Household Finance by HSBC, the giant banking and financial services company headquartered in London. The States' settlement with Household is binding on any successor company that might acquire Household’s retail branch mortgage lending operations.

Director Gee said State officials think the Household settlement will provide momentum for improving the industry. He said questionable practices in the lending industry will continue to be a priority for the Department of Finance and the Attorney General’s Office.

* * * * *

Department of Finance Press Releases and other information can be found on the Internet via the worldwide web at <http://finance.state.id.us/home.asp> and may be obtained by contacting the Department at (208) 332-8080 or Idaho toll-free at 1-888-346-3378.