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DEPARTMENT OF CONSUMER & INDUSTRY SERVICES  
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## **OFIS Announces Distribution of \$15.7 Million in Settlement Payments to Michigan Household/Beneficial Borrowers**

Office of Financial and Insurance Services (OFIS) Commissioner Linda A. Watters announced today that Michigan consumers who had home loans with Household or Beneficial Finance will be able to claim settlement payments beginning this week. Notices are being sent to approximately 19,000 Michigan Household/Beneficial borrowers notifying them of their eligibility to share in the state's \$15.7 million settlement with Household International.

"We negotiated a strong settlement with Household, and we are even more pleased to see money flowing back to deserving Michigan consumers who were harmed by Household's predatory lending practices," said Watters.

Under the settlement distribution plan, all Household/Beneficial borrowers who obtained a mortgage loan directly from Household/Beneficial from January 1999 through September 2002 will be sent forms to claim their settlement payment.

Michigan's settlement distribution plan provides for payments to all Household/Beneficial borrowers who were subject to specific unfair lending practices, including excessive loan points, prepayment penalties, and credit insurance "packing." The size of the individual payment is a factor of the type of harm identified combined with a weighting factor.

The consumer payment program stems from the landmark settlement between Household/Beneficial International and the Office of Financial and Insurance Services and the Attorneys General of all 50 states and the District of Columbia. Household International, through its subsidiaries Household and Beneficial Finance, is one of the nation's largest sub-prime mortgage lenders. The settlement resolved an investigation by the states into allegations of unfair and deceptive mortgage lending practices by Household/Beneficial. The states alleged that Household/Beneficial had overcharged borrowers with fees and interest, and had misled borrowers about other loan terms such as prepayment penalties and credit insurance.

Under the settlement, which was finalized in December 2002, Household/Beneficial agreed to pay \$484 million dollars to the states for distribution to eligible Household/Beneficial borrowers. The monetary settlement was the largest ever obtained in a consumer protection case.

As part of the settlement, Household/Beneficial also agreed to implement a series of reforms in its lending operations. Court injunctions in all 50 states restrict prepayment penalties on current and future home loans, limit up-front points and origination fees, and improve loan disclosures.

All Household/Beneficial customers who are eligible to receive a settlement payment should receive a notice in the mail from the settlement administrator within the next week. Consumers who wish to participate in the settlement will have to complete and return a simple claim and release form. The actual settlement payments will be paid directly to the consumers by check before the end of the year.

Household/Beneficial mortgage loan customers who have questions about the settlement payment procedures should call toll-free 1-888-780-2156. Additional information is available on the settlement administrator's web site at: [www.household-beneficial-settlement.com](http://www.household-beneficial-settlement.com).

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*The Michigan Office of Financial and Insurance Services (OFIS) is responsible for the regulation of Blue Cross Blue Shield, 31 HMOs, 143 banks, 275 credit unions, almost 1,500 insurance companies, 1,583 investment advisers, 2,164 securities broker-dealers, 6,000 consumer finance lenders, 105,000 insurance agents, and 120,715 securities agents.*

*OFIS is part of the Department of Consumer and Industry Services and is primarily fee-funded, requiring minimal public tax dollars for its regulatory and consumer assistance activities. OFIS has insurance, financial institutions and securities information available online at the OFIS web site, [www.michigan.gov/ofis](http://www.michigan.gov/ofis), or at the Michigan government home page, [www.michigan.gov](http://www.michigan.gov). All information is also available through the OFIS toll free number, 877-999-6442. If you would like to receive OFIS press releases electronically, please email [ppdavis@michigan.gov](mailto:ppdavis@michigan.gov).*