

BUSINESS

BUSINESS BRIEFS

Home-equity lender settles lawsuits

BOSTON (AP) — Customers of the nation's largest home-equity lender who are paying 13 percent interest or more will be able to get automatic interest rate reductions on their loans.

Associates First Capital Corp. agreed to the cuts following a lawsuit by housing advocates who claimed the company was preying on poor, unsophisticated borrowers with bad credit histories.

The company would not say how many borrowers would be affected.

The Irving, Texas-based company, which has come under regulatory scrutiny, said Monday.

It has also agreed to commit \$100 million to a no-fee, no-down payment mortgage program run by Boston-based Neighborhood Assistance Corporation of America.

Bruce Marks, chief

executive officer of the activist group, applauded the rate reduction program.

"This is going to revolutionize the subprime lending market," he said.

The subprime lending market serves customers with poor credit ratings.

Marks said other companies that make loans to customers with less-than-pristine credit histories will be forced to follow suit, because Associates sets the industry standard.

But an analyst said the market may be too fragmented for that prediction to come true.

"Whether everyone else will follow, it's hard to judge. There's a lot of small brokers out there who do this, too, and they fall under the radar screen of the activists," said Joel Gomberg, an analyst with William Blair & Company in Chicago.

Although Associates is the

largest home equity lender, its market share is only about 4 percent.

The company earned \$1.2 billion last year on \$9.7 billion in revenues.

"I don't know if it's a huge conciliation on the part of the company," said Gomberg. "They're trying to work with these groups who are making a lot of noise."

Thomas Theurkauf, an analyst with Keefe Bruyette & Woods Inc. in New York, called Associated a bellwether company that could change standards for the industry.

"It's a lead steer in the industry," he said.

"It could trigger some changes."

Lending practices of the subprime industry have been under scrutiny from the U.S. Justice Department and the Federal Trade Commission. Neighborhood Assistance targeted the industry on a state

level, helping 16 consumers file class-action suits Friday in California and Massachusetts against Associated.

The suits charged the company used aggressive tactics to convince existing customers to refinance with lower interest rates, only apply hefty financing fees that made monthly mortgage payments higher than before.

The interest rate reduction program, said Marks, eliminates the company's incentive to refinance. Interest rates will automatically go down by as much as 2.25 percentage points in three years for qualified borrowers who have kept current with their payments.

"It makes good business sense for us," said David Sandor, Associates spokesman. "It helps us retain customers and improve credit quality."

HUD plans get-tough approach with mortgage companies

The U.S. Department of Housing and Urban Development plans to get tough with mortgage companies who have excessive delinquency rates on new home loans.

An alarming number of homebuyers are falling into default or foreclosure within the first 24 months after their loans close and HUD is holding thousands of banks and mortgage companies directly responsible.

For those lenders deemed to have too many seriously delinquent new customers on their books, the federal government plans to cut off federal mortgage insurance to back additional home loans.

An investigation has also revealed the poor quality of lenders' underwriting and credit evaluation procedures. For example, if loan officers allow buyers to overextend themselves financially, or close their eyes to inflated appraisals, dubious income statements, poor credit reports, or poor property inspections, consumers can quickly find themselves in hot water.

The theory behind the crackdown is that high rates of early home mortgage delinquencies can be as much the fault of irresponsible lending practices as they are the fault of irresponsible borrowers.

HUD officials feel lenders

who hand out money to people who aren't likely to pay it back on time and do so repeatedly need to be put out of business.

FHA has many concerns as well on the crackdown and investigation of mortgage lenders and their excessive delinquency rates.

The agency provides insurance to lenders that covers 100 percent of the costs of borrower defaults and foreclosures. Last year the agency paid out more than \$6 billion in mortgage insurance claims.

The crackdown will help families keep homes and decrease the default and foreclosure rates.

Lenders found to be in violation of FHA rules on

accepting fraudulent appraisals, or participating in underwriting fraud, will be terminated immediately and subject to fines and possible criminal prosecution.

Unfortunately for the homebuyers with marginal incomes and high debt, this get-tough approach with lenders could mean that it will be tougher to get a mortgage loan, but it will also mean lifting the standards of all FHA lending across the board.

This is good business for all involved!

As always, please contact a professional for all of your Real Estate needs or write to me c/o Real Estate Perspective, Las Vegas Sentinel-Voice Newspaper,

Real Estate Perspective

By Loretta Arrington Licensed Real Estate Broker



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PUBLIC MEETING PUBLIC MEETING

PLEASE JOIN US....

for a Public Meeting on the Proposed South Strip Transit Transfer Terminal (South Las Vegas Blvd.)

The Regional Transportation Commission of Clark County, Nevada (RTC) invites you to view project information, review site locations and make comments on a proposed intermodal transit transfer terminal. Project team members will be available to discuss concerns and answer questions.

A draft of the Environmental Assessment (EA) document is being prepared and will be ready for public review and comment on May 27, 1999. Members of the public may view the document after this date at the RTC, 301 E. Clark Avenue, Suite 300, at the public meeting, or call the RTC at 455-4481.

The transit transfer terminal along the South Resort Corridor will provide a convenient location for the transfer of bus passengers. Two potential locations identified for the transfer terminal are depicted in the vicinity map.



WHEN and WHERE.... Thursday, June 3, 1999 • 4:00 p.m. - 7:00 p.m. Enterprise Library 25 E. Shelbourne Avenue • Las Vegas, NV 89123

A stenographer will be available to take your written comments for inclusion in the final Environmental Assessment (EA) document. The meetings are free and accessible by CAT bus via route #303 or call CAT-RIDE, 228-7433, for more information. In addition, Spanish and sign language interpreters can be made available if requested more than 48 hours in advance by calling 455-4481 or TDD 455-5997.

For additional information contact: Ingrid Yocum, Public Information Coordinator

Regional Transportation Commission 301 East Clark Avenue, Suite #300 Las Vegas, NV 89101 Phone: (702) 455-4481 Fax: (702) 455-5959



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