



DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
Office of Consumer Protection
DCCA News Release

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FOR IMMEDIATE RELEASE: August 18, 2003

**More than 2500 Hawaii Residents Expected to Share in \$2.1
Million Settlement Reached Between the State and
Household & Beneficial Finance**

More than 2500 Hawai'i residents are eligible to share in the proceeds of approximately \$2.1 million, resulting from the State of Hawai'i's landmark settlement reached last year with Household and Beneficial Finance ("Household"), according to Mark E. Recktenwald, Director of the Department of Commerce and Consumer Affairs. Hawai'i borrowers will soon be receiving notices in the mail informing them of their eligibility of receiving a refund of loan fees and finance charges paid to Household. Under the settlement distribution plan, all Household borrowers who obtained a mortgage loan directly from Household between January 1999 and September 2002 will be sent forms to claim payments ranging from a minimum of \$25 to over \$14,000.

"We were pleased to negotiate a strong settlement with Household, but we are even more pleased to see money flowing back to deserving Hawai'i consumers," Director Recktenwald said.

The consumer payment program stems from the landmark settlement between Household International and the attorneys general, banking regulators and consumer protectors 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. The states

alleged that Household 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 agreed to pay \$484 million dollars to the states to be distributed to eligible Household borrowers. The monetary settlement was the largest ever obtained by the states in a consumer protection case.

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

The Hawai'i settlement distribution plan provides for payments to all Household 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 depends on the presence of these loan factors and the amount of the consumer's loan.

All Household customers who are eligible to receive a settlement payment should receive a mail notice from the settlement administrator within the 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 then be paid directly to the consumers by check before the end of the year.

Household mortgage loan customers who have questions about the settlement payment procedures can contact a toll-free number, 1-888-780-2156. The settlement administrator's website address is www.household-beneficial-settlement.com.

For further information, please contact: Stephen Levins of the Department's Office of Consumer Protection at 586-2636.