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Lender Appeases Activists with \$100M Pledge

By HEATHER TIMMONS

Less than 72 hours after a community group threatened to serve Associate First Capital Corp. with lawsuits charging predatory lending, the subprime lender announced a new low-rate loan and pledged \$100 million toward the group's lending programs.

company's announcement Monday morning and NACA's threat Friday to bring "victims" of Associates lending practices to speak to its annual shareholder meeting.

Nonetheless, after nearly four years of adversarial dealings, the two entities hammered out an agreement that both sides said they

pay on time for 12 months a reduction on their interest rate for as long as three years.

The \$100 million that Associates has pledged will go to loans through Neighborhood Assistance's lending program, and the community group will oversee the loans.

Lawsuits that the NACA has filed against Associates will be dropped, Mr. Marks said. The company said it will review the loans that were involved.

The community group chalked up the agreement to a combination of perseverance and access to Associates' top executives.

"These things happen when the moment is right," Mr. Marks said.

"We've been at them for four years," Mr. Marks said. "We feel we know them better than they know themselves."

He said Associates chief executive Keith Hughes "understands the market," and was interested in "structuring something that will revolutionize the market."

Mr. Marks called the Associates Mortgage Reduction program an "extraordinary" product.

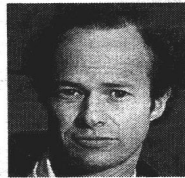
What happened to NACA's Friday afternoon pledge to disrupt the shareholder meeting?

"Our goal was to have all our issues addressed," Mr. Marks said.

Monday morning's shareholder meeting was "over in record time," the Associates spokesman added.

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Bruce Marks
Neighborhood Assistance Corporation of America



On May 7, Neighborhood Assistance Corporation of America, a high-profile community group in Boston, faxed press releases to the media promising to expose Associates' "greed and avarice" at the company's May 10 shareholder meeting by serving the company with lawsuits and bringing "loan victims" to speak to shareholders.

Early Monday morning, before the shareholder meeting in Irving, Tex., the lender said it would offer lower rates to borrowers who pay on time, and it pledged to lend \$100 million through Neighborhood Assistance's no-down-payment program.

The deal is the most visible example yet of compromises that are springing out of a recent crackdown of predatory lending, and the success community groups are having with threats of suits against these lenders.

An Associates spokesman said that there was "really no connection" between the

were pleased with.

The deal, participants said, is the product of hours of unscheduled negotiations last weekend between Associates chief executive Keith Hughes, NACA's out spoken leader Bruce Marks, and other executives from both organizations.

Mr. Marks called Associates headquarters on Friday, asking the company's legal counsel to coffee, an Associates spokesman said.

Coffee turned to lunch, and lunch to afternoon meetings, the spokesman said.

Friday's meetings led to a marathon pow-wow that stretched from Saturday at 11 a.m. until Sunday at 1 a.m., Mr. Marks said.

Associates officials said that the compromise was spurred by the community group's proposal of a workable loan program. "We haven't always agreed on anything," said the Associates spokesman, "but we felt this program made a lot of sense."

The new Mortgage Reduction program will give borrowers who