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Associates Creates Loan Pool for Low-Income Home Buyers

By Bill Deener
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Associates First Capital Corp. said Monday that it has established a \$100 million loan pool for low- to moderate-income people and also a new program that allows those who make their loan payments on time to reduce their interest rates.

The program announcement staved off plans by a Boston-based housing advocacy group to confront Associates chief executive Keith Hughes at Monday's annual shareholders' meeting over what it had called lending abuses by the company.

Irving-based Associates is one of the biggest home equity lenders in the country, with about 2,000 branches in the United States.

Bruce Marks, chief executive of Neighborhood Assistance Corporation of America, had said last Friday that he would bring about 100 disgruntled Associates customers with him to the meeting in Irving and present Mr. Hughes with copies of two class-action lawsuits filed by Associates customers.

Instead, at a news conference after the annual meeting Mr. Marks and Mr. Hughes sat side by side to announce the agreement and congratulated each other.

"I never thought I would be sitting next to you," a smiling Mr. Marks said to Mr. Hughes. "This is a great day."

Mr. Hughes countered: "We've actually admired NACA ... I hope this will be the beginning of a number of programs with NACA."

A couple dozen supporters of the group applauded.

Mr. Marks said he will ask the courts in San Francisco and Boston to drop the lawsuits, which had alleged "predatory" lending practice

The loan pool will provide low- to moderate-income people the chance to purchase or refinance a home with no down payment, no fees, no closing costs and at "the lowest interest rate in the country," said Mr. Hughes.

The mortgage interest reduction program will allow borrowers with an initial interest rate of 13 percent to reduce their interest rate by 0.5 percentage points once they make 12 consecutive monthly payments. The rate would fall as much as 2.25 points by the third year.

Associates has been the subject of dozens of lawsuits regarding its lending practices, and the company was among several lenders that were the subject of congressional hearings last year.