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First Alliance Tagged for \$60M Fine by FTC for Predatory Lending

NEW YORK, March 21 (LendingIntelligence.com) — In its largest predatory lending settlement to date, the [Federal Trade Commission](#) has reached an agreement with now-bankrupt First Alliance Mortgage Co. to return as much as \$60 million to victimized borrowers.

“We hope this will provide some kind of template to reform home lending practices,” California Attorney General Bill Lockyer said at a press conference announcing the settlement this afternoon.

Since 1998, the FTC, in conjunction with several states’ attorneys general, have brought predatory lending cases against 15 finance companies, including [Capital City Mortgage Corp.](#) and [Citigroup](#).

Irvine, Calif.-based First Alliance was charged with misrepresenting how mortgage rates in its adjustable-rate mortgages would change over time, and with requiring that borrowers pay excessive loan origination fees.

“They were telling borrowers there was no origination fee, when there was,” said Arizona Attorney General Janet Napolitano. “They were telling borrowers what the interest rate was, when it was substantially higher.”

“First Alliance had a training school where they instructed their employees on how to rip people off,” California’s Lockyer added.

Proceeds from the liquidation of First Alliance’s assets, plus a \$20 million payment from the company’s former president, Brian Chisick and his wife, Sarah, will be distributed to the 18,000 consumers involved in the case. Each borrower — the majority of whom were senior citizens that had already paid off mortgages on their homes — is expected to receive \$2,000 to \$3,000, said FTC Chairman Timothy J. Muris.

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The U.S. District Court in Santa Ana, Calif., must approve the settlement, and only after legal and administrative fees are determined, will the exact amount of the settlement be known.

Some state's attorneys general have the authority to file criminal charges, though the FTC does not.

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