

# FTC UPDATE

Federal Trade Commission ■ Bureau of Consumer Protection

## First Alliance Mortgage Company Class Action Settlement Fact Sheet

**WHAT:** A Class Action Settlement between First Alliance Mortgage Company and its affiliates, officers and certain employees, *and* the Federal Trade Commission (FTC), the states of Arizona, California, Florida, Illinois, Massachusetts and New York, AARP, and various individual plaintiffs.

**WHO:** Consumers who obtained home mortgage loans from First Alliance between January 1, 1992 and March 23, 2000 may be eligible for a payment.

**WHY:** The FTC, States, AARP and individual borrowers claimed that First Alliance cheated its borrowers by: Not making clear it was charging unreasonably high mortgage loan fees. Not explaining clearly that the interest rate on its adjustable rate mortgages (ARMs) would automatically increase every six months.

**HOW:** The settlement agreement and First Alliance's bankruptcy plan of liquidation will create a settlement fund of approximately \$60 million from which eligible borrowers will receive payment.

**WHEN:** The Class Action Settlement was approved by the United States District Court for the Central District of California on September 9, 2002. The settlement became final and effective on November 19, 2002.

**WHAT TO DO:** Watch your mailbox for further communications from the FTC. The FTC will begin mailing refund checks to borrowers from the settlement fund in December 2002.

### **Questions and Answers Consumers May Have About the Settlement Fund**

- 1. Am I eligible for a payment from the settlement fund?** Maybe. Consumers who obtained home mortgage loans from First Alliance between January 1, 1992 and March 23, 2000 may be eligible for a payment.
- 2. How do I apply for a payment from the settlement fund?** You don't have to do anything to apply for a payment. The FTC will mail refund checks directly to borrowers beginning in December 2002. Watch your mailbox for an envelope enclosing an important document from the FTC.
- 3. How much money will I receive?** The Class Action Settlement and First Alliance's bankruptcy plan will create a settlement fund that will return approximately \$60 million to eligible consumers.

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