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ENDORSED
FILED
ALAMEDA COUNTY

MAR 21 2006

CLERK OF THE SUPERIOR COURT
By Alphonsine Oates, Deputy

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF ALAMEDA

THE PEOPLE OF THE STATE OF CALIFORNIA, by the Attorney General, the California Corporations Commissioner, and the District Attorneys of Alameda, Los Angeles, Merced, Monterey, San Francisco, and San Mateo Counties, Plaintiff, v. AMERIQUEST MORTGAGE COMPANY, a Delaware corporation; ACC CAPITAL HOLDINGS CORPORATION, a Delaware corporation; TOWN AND COUNTRY CREDIT COPORATION, a Delaware corporation; and AMC MORTGAGE SERVICES, INC., formerly known as Bedford Home Loans, a Delaware corporation, Defendants.	Case No.: RG06260804 **COMPLAINT FOR INJUNCTIVE RELIEF, RESTITUTION, AND RELIEF PURSUANT TO SECTIONS 17206 AND 17536 OF THE BUSINESS AND PROFESSIONS CODE**

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1. Plaintiff the People of the State of California, by the Attorney General, the California Corporations Commissioner, and the District Attorneys of Los Angeles, Alameda, San Francisco, San Mateo, Monterey, and Merced Counties (collectively, "Plaintiff" or the "People"), brings this action pursuant to sections 17204, 17206, 17535 and 17536 of the Business and Professions Code and sections 22713 and 50324 of the California Financial Code.

PARTIES AND VENUE

2. At all relevant times, Defendant Ameriquest Mortgage Company, a Delaware corporation ("Ameriquest"), was, and is now, licensed by the Commissioner as a finance lender and residential mortgage lender and servicer pursuant to sections 22100 and 50002 of the California Financial Code and has transacted business throughout the State of California, including in the Counties of Alameda, Los Angeles, Merced, Monterey, San Francisco, and San Mateo.

3. At all relevant times, Defendant ACC Capital Holdings Corporation ("ACCCH"), was, and is now, a Delaware corporation and has transacted business throughout the State of California, including in the Counties of Alameda, Los Angeles, Merced, Monterey, San Francisco, and San Mateo.

4. At all relevant times, Defendant Town and Country Credit Corporation, a Delaware corporation ("Town and Country"), was, and is now, licensed by the Commissioner as a residential mortgage lender and servicer pursuant to section 50002 of the California Financial Code and has transacted business throughout the State of California, including in the Counties of Alameda, Los Angeles, Merced, Monterey, San Francisco, and San Mateo.

5. At all relevant times, Defendant AMC Mortgage Services, Inc., a Delaware corporation formerly known as Bedford Home Loans ("AMC Mortgage Services"), was, and is now, licensed by the Commissioner as a finance lender and residential mortgage lender and servicer pursuant to sections 22100 and 50002 of the California Financial Code and has transacted business throughout the State of California, including in the Counties of Alameda, Los Angeles, Merced, Monterey, San Francisco, and San Mateo.

6. Whenever reference is made in this Complaint to any act of any corporate or other business Defendant, that reference shall mean that the corporation or other business did the acts alleged in this Complaint through its officers, directors, employees, agents and/or representatives while they were acting within the actual or ostensible scope of their authority.

7. At all relevant times, each Defendant has committed the acts, caused others to commit the acts, ratified the commission of the acts, or permitted others to commit the acts alleged in this Complaint and has made, caused, ratified, or permitted others to make, the untrue or misleading statements alleged in the First and Second Causes of Action in this Complaint. Whenever reference is made in this Complaint to any act of Defendants, such allegation shall mean that each Defendant acted individually and jointly with the other Defendants. Ameriquest, Town and Country and AMC Mortgage Services shall be referred to collectively as "the Ameriquest Parties," and the term "Defendants" wherever used in this Complaint shall mean all named defendants.

8. The violations of law alleged in this Complaint were committed throughout the State of California and in the Counties of Alameda, Los Angeles, Merced, Monterey, San Francisco and San Mateo.

DEFENDANTS' BUSINESS ACTS AND PRACTICES

9. In the ordinary course of business, the Ameriquest Parties have originated and funded real estate secured loans with borrowers in the State of California. These real estate secured loans were made from or at the Ameriquest Parties' retail lending branches during the period January 1, 1999 through December 31, 2005 (the "Covered Transactions").

10. The Offices of the California Attorney General, the California Department of Corporations, and the District Attorneys' Offices of Alameda, Los Angeles, Merced, Monterey, San Francisco and San Mateo Counties, as well as state attorneys general and financial regulators in other states, received and investigated complaints and conducted examinations concerning the Covered Transactions. Those complaints, investigations and examinations related to the Ameriquest Parties' conduct including, but not limited to, the following practices (collectively, "the Lending Practices"):

A. Representations Regarding Loans: The Ameriquest Parties induced consumers into obtaining loans by representing to them that the Ameriquest Parties would provide them with a low interest rate, low fee loan, and/or a loan with a fixed interest rate, but, in a "bait and switch," instead provided loans to consumers at significantly higher rates or higher fees than originally promised, and/or provided the consumers with an adjustable rather than a fixed rate loan. These statements were untrue or misleading because Ameriquest was unlikely to make the loan on the terms initially offered.

B. Representations Regarding Future Refinancing: As part of an effort to induce consumers to accept unfavorable loan terms, such as a high monthly payment or interest rate, sales representatives for the Ameriquest Parties told consumers that they could refinance in a few months and would be able to obtain more favorable terms at that time. These statements were untrue or misleading because the Ameriquest Parties were unlikely to provide a refinance under the terms represented by their sales representatives. Additionally, any consumers who did refinance would likely incur a substantial prepayment penalty, thus limiting their ability to obtain a more favorable loan.

C. Loan Discount Points: The Ameriquest Parties failed to provide timely and adequate information to consumers concerning the amount and purpose of "discount" points and fees imposed on their loans. Further, prior to February 2003, the rate reduction, if any, varied among borrowers who paid the same amount of discount points.

D. Adjustable Interest Rates: The Ameriquest Parties have misrepresented the terms of the adjustable rate provisions of their loans, including misrepresenting how the interest rate for the loan would in fact adjust. These statements were untrue or misleading because the Ameriquest Parties and their sales representatives failed to describe the true terms of the adjustable rate provision of the loans, and because the Ameriquest Parties were unlikely to provide an adjustable rate loan on the terms represented. Further, the Ameriquest Parties did not or did not adequately disclose that the adjustable rate loans include a provision specifying that the interest rate will never be lower than the initial rate on the loan.

E. Consumers' Credit Ratings: The Ameriquest Parties made misrepresentations to consumers regarding their credit ratings, including representing they had poorer credit than they in fact did, or that the Ameriquest Parties could only provide a consumers with certain loan terms because of their supposedly poor credit. These statements were untrue or misleading because in many cases, the consumers may have had better credit than Defendants represented, or been eligible for fixed rate loans, and, regardless of the consumers' credit, Defendants included adjustable rates in Ameriquest loans in order to maximize their revenue and/or profit. Additionally, Defendants induced their sales representatives to sell adjustable rate loans by paying higher commissions for the sale of an adjustable rather than a fixed a rate loan.

F. Prepayment Penalties: The Ameriquest Parties misled consumers about the presence and terms of prepayment penalties on loans offered by the Ameriquest Parties, and about whether prepayment penalties could be waived for consumers who refinanced their loans.

G. Inflated Appraisals: The Ameriquest Parties engaged in deceptive or misleading acts and practices which resulted in the Ameriquest Parties obtaining inflated appraisals that were substantially in excess of the market value of homes of consumers.

H. Inflated Income: The Ameriquest Parties engaged in acts and practices which resulted in fabricated and/or inflated income information for consumers, and/or non-existent or inflated amounts of assets for prospective borrowers on loan applications.

I. Disparaging Federal Disclosures: The Ameriquest Parties engaged in acts and practices that encouraged consumers to ignore the Truth In Lending Act (TILA, 15 U.S.C. §§ 1601 *et seq.*) and Real Estate and Settlement Procedures Act (RESPA, 12 U.S.C. §§ 2601 *et seq.*) disclosures (including the Good Faith Estimate), misrepresented that these disclosures were not representative of the actual loan terms the consumers would receive, or otherwise disparaged the accuracy and relevance of the required federal disclosures.

J. Appraisal Fees - Denied Loans: The Ameriquest Parties routinely failed to refund appraisal fees in instances where Ameriquest denied loans and there was no failure on the part of the borrower to disclose outstanding liens and/or to provide other essential information in violation of section 22301(b) of the California Financial Code.

K. Appraisal Fees - Canceled Loans: The Ameriquest Parties failed to refund appraisal fees in instances where borrowers canceled loans during the cancellation period provided for under TILA.

L. Returned Check Fees: The Ameriquest Parties charged "non-sufficient fund" fees in excess of the maximum allowed under section 22320 of the California Financial Code.

N. File Maintenance: The Ameriquest Parties failed to maintain records required by section 22156 of the Financial Code and sections 1425 and 1435 of title 10 of the California Code of Regulations.

FIRST CAUSE OF ACTION, BROUGHT ON BEHALF OF THE PEOPLE, BY THE CALIFORNIA CORPORATIONS COMMISSIONER, AGAINST ALL DEFENDANTS FOR INJUNCTIVE RELIEF AND RESTITUTION PURSUANT TO CALIFORNIA FINANCIAL CODE SECTIONS 22713 AND 50324

11. The People reallege and incorporate by reference all paragraphs above, as though fully set forth in this cause of action.

12. At all relevant times, sections 22161 and 50503(a)(2) of the California Financial Code made it unlawful to make or disseminate false, misleading, or deceptive statements regarding loans.

13. The Ameriquest Parties have violated and continue to violate sections 22161 and 50503(a)(2) of the California Financial Code by advertising, publishing, distributing or broadcasting, or causing or permitting to be advertised, published, distributed, or broadcast, untrue or misleading statements with the intent to induce members of the public to enter into mortgage transactions. Such untrue or misleading statements include but are not limited to the statements described in paragraph 10 above.

14. All Defendants knew, or by the exercise of reasonable care should have known, that the statements identified in paragraph 13, above, were untrue or misleading at the time they were made.

15. The Ameriquest Parties violated section 22301of the California Financial Code by failing to refund appraisal fees charged in denied loans wherein there was no failure on the part of the borrower to disclose outstanding liens and/or to provide other essential information.

16. The Ameriquest parties have failed to refund appraisal fees in instances where borrowers canceled loans during the cancellation period provided under TILA

17. The Ameriquest Parties violated section 22320 of the California Financial Code by charging excessive "non-sufficient fund" fees.

18. The Ameriquest Parties violated section 22156 of the California Financial Code and sections 1425 and 1435 of title 10 of the California Code of Regulations by failing to maintain books and records that would enable the Commissioner to determine if Ameriquest is complying with the California Finance Lenders Law ("CFLL," California Financial Code sections 22100 *et seq.*).

SECOND CAUSE OF ACTION, BROUGHT ON BEHALF OF THE PEOPLE BY THE ATTORNEY GENERAL AND DISTRICT ATTORNEYS, AGAINST ALL DEFENDANTS

VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17500 (UNTRUE OR MISLEADING STATEMENTS)

19. The People reallege and incorporate by reference all paragraphs above, as though fully set forth in this cause of action.

20. All Defendants have violated, and continue to violate section 17500 of the Business and Professions Code by making, disseminating or causing to be made or disseminated, whether directly or indirectly, untrue or misleading statements with the intent to induce members of the public to enter into mortgage transactions, including but not limited to the statements set forth in paragraph 10, above.

21. Defendants knew, or by the exercise of reasonable care should have known, that these statements were untrue or misleading at the time they were made.

THIRD CAUSE OF ACTION, BROUGHT ON BEHALF OF THE PEOPLE BY THE ATTORNEY GENERAL AND DISTRICT ATTORNEYS, AGAINST ALL DEFENDANTS

VIOLATIONS OF BUSINESS AND PROFESSIONS CODE SECTION 17200 (UNFAIR COMPETITION)

22. The People reallege and incorporate by reference all paragraphs above, as through fully set forth in this cause of action.

23. Defendants have engaged in, and continue to engage in, acts or practices that violate section 17200 of the Business and Professions Code. Such acts or practices include, but are not limited to the conduct identified in paragraph 10, above, and in the First and Second Causes of Action.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for judgment as follows:

1. Pursuant to sections 17203 and 17535 of the Business and Professions Code, for an order that Defendants and their direct and indirect subsidiaries, affiliates, officers, directors, employees, agents, related entities, successors, and assigns, and any and all other persons who act in concert or participate with Defendants, be permanently restrained and enjoined from making, disseminating, or causing to be made or disseminated any misleading, untrue and/or deceptive statements in violation of section 17500 of the Business and Professions Code or engaging in any acts of unfair competition in violation of section 17200 of the Business and Professions Code, including, but not limited to, the untrue or misleading statements and business acts and practices alleged in the Second Cause of Action to the Complaint, relating to the marketing or sale of loans and related products to borrowers and consumers;

2. Pursuant to sections 22713(a) and 50324(a) of the California Financial Code, for an order that Defendants and their direct and indirect subsidiaries, affiliates, officers, directors, employees, agents, related entities, successors, and assigns, and any and all other persons who act under, by, through, or on behalf of Defendants, be permanently restrained and enjoined from advertising, publishing, distributing, broadcasting, or otherwise making or causing

or permitting to be advertised, published, distributed, broadcast, or made, any statement or representation that is false, misleading, or deceptive, or that omits material information that is necessary to make the statements not false, misleading, or deceptive in violation of sections 22161 and 50503(a)(2) of the California Financial Code, including but not limited to those statements or representations alleged in the First Cause of Action, relating to the marketing or sale of loans and related products to consumers, including the rates, terms, or conditions for making or negotiating loans;

3. Pursuant to section 22713(a) of the California Financial Code, for an order that Ameriquest its direct and indirect subsidiaries, affiliates, officers, directors, employees, agents, related entities, successors, and assigns, and any and all other persons who act under, by, through, or on behalf of Ameriquest, be permanently restrained and enjoined from engaging in any act in violation of sections 22156, 22301(b), and 22320 of the California Financial Code or sections 1425 and 1435 of title 10 of the California Code of Regulations, including but not limited to those acts alleged in the First Cause of Action;

4. Pursuant to sections 17203 and 17535 of the Business and Professions Code and sections 22713(b) and 50324(b) of the California Financial Code, for an order requiring Defendants to make restitution to borrowers;

5. That the Court grant relief pursuant to sections 17206 and 17535 of the Business and Professions Code; and

6. For an order that Plaintiff be awarded its costs of suit, including but not limited to all costs of investigation.

DATED: March 16, 2006

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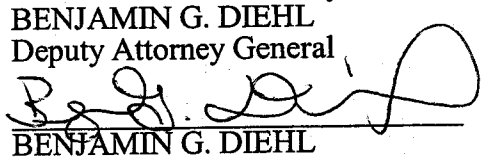
By: 
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