

Fleet agrees to \$5.95m for loan victims

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Fleet Financial Group Inc.'s mortgage subsidiary yesterday agreed to pay \$5.95 million to mostly black and low-income homeowners in Georgia who were overcharged for loans.

The settlement of a law-suit filed by loan victims appears to tie the last loose string in a legal knot over questionable loan practices of Fleet Finance Inc., the Rhode Island bank's Atlanta-based finance company.

"We're just pleased to put the issue behind us in the state of Georgia," said Thomas Lavelle, a Fleet spokesman.

Although bank officials continually denied wrongdoing in Georgia, Fleet's chairman Terrence Mullay last December agreed to a \$100 million settlement with state regulators who accused Fleet Finance of exploiting black customer's by charging usurious interest rates. Some private lawsuits were also settled at the time.

But some victims--those charged 15.75 percent or more for home equity loans between 1987 and 1992--declined to join in earlier settlements because they felt it did not provide enough cash compensation.

In the new settlement, Fleet will pay some 3,000 borrowers \$5.95 million in cash, said Howard Rothbloom, an attorney in Smyrna, Ga., who filed the suit on behalf of victims and negotiated the settlement. Each victim will receive between \$500 and \$5,000, depending on the size of their loan and the rate of interest.

"I'm satisfied with the settlement," Rothbloom said.

Victims included Lillie Mae Starr, a retired tea packer, who was charged 20 percent interest on a loan and had to refinance it twice because she fell behind on her payments.

In addition to cash payments, Fleet agreed to clean up credit records of another 4,000 borrowers, whose loans were reported as delinquent by Fleet, Rothbloom said.

Fleet this year continued to change its practices in Georgia, a move he considered key to reaching a settlement.

Fleet in January installed new management at its Atlanta subsidiary, naming John Poekler as the new chief executive of Fleet Finance. The banking unit in 1992 stopped buying loans from brokers, instead using in-house staff to make loans.

Fleet Finance is "more sensitive to problems their borrowers have," Rothbloom said. "That's one of the reasons I didn't want to settle in December when the attorney general settled--because I thought

there were more changes that needed to be done."

The settlement is contingent on approval from the Cobb County Superior Court in Georgia.

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Abstract (Document Summary)

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