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Illinois to sue Countrywide

State says the mortgage lender used 'deceptive' lending practices to sell risky loans.

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CHICAGO (AP) -- The nation's biggest mortgage lender engaged in "unfair and deceptive" practices to get homeowners to apply for risky mortgages far beyond their means, according to a civil lawsuit Illinois' attorney general planned to file Wednesday.

The lawsuit against Countrywide Financial Corp. (CFC, Fortune 500) - planned for the same day shareholders were scheduled to vote on the company's takeover by Bank of America Corp. (BAC, Fortune 500) - stems from information from documents subpoenaed by the state beginning last fall, as the number of foreclosures nationwide began to skyrocket.

"Countrywide's conduct has contributed to the high number of foreclosures in Illinois and caused significant harm to the public, the market, and scores of Illinois borrowers and homeowners," according to a draft of the lawsuit provided by Attorney General Lisa Madigan's office Tuesday evening.

A spokeswoman for the Calabasas, Calif.-based company declined to comment on the litigation.

Madigan spokeswoman Robyn Ziegler said the lawsuit would be filed Wednesday in Cook County Circuit Court. In the complaint, Madigan says that Countrywide offered unfair loans with risky features, used misleading sales techniques and encouraged employees and brokers through incentives to sell more high-risk loans.

Closing the book on Countrywide

"Unfair and deceptive advertising, marketing and sales practices were utilized to push mortgages, while hiding the real costs and risks to borrowers, including enticing borrowers with low teaser rates, low monthly payments and 'no closing cost' loans that failed to make clear and conspicuous," according to the lawsuit, which also names Countrywide Chairman and Chief Executive Angelo Mozilo as a defendant.

Among other things, Madigan wants Countrywide to pay restitution to all affected consumers who lost their homes or loans. She also asks for 90 days to review any loans that are in or near foreclosure to see if borrowers can pursue affordable options.

Countrywide, like many in the mortgage industry, has

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suffered under the weight of the subprime fallout as thousands of customers default on home loans.

Defaults and subsequent foreclosures have been most pronounced on adjustable-rate mortgages made to borrowers with past credit problems. The subprime loans typically require a lower monthly payment in the first two or three years before resetting to higher interest rates and much larger payments.

As the nation's largest mortgage lender and servicer, Countrywide has been under scrutiny by federal and state authorities. It also faces numerous other lawsuits related to its lending practices.

Countrywide agreed in January to sell itself to Bank of America Corp. ([BAC](#), [Fortune 500](#)) for around \$4 billion in stock. The deal is now valued at around \$2.8 billion, reflecting a decline in Bank of America's stock price over the last six months.

The acquisition received clearance from the Federal Reserve earlier this month, and Countrywide shareholders are scheduled to vote on it Wednesday morning during a meeting at the lender's headquarters.

Assuming shareholders give their approval, Charlotte, N.C.-based Bank of America has said it could close the deal as early as July 1. ■

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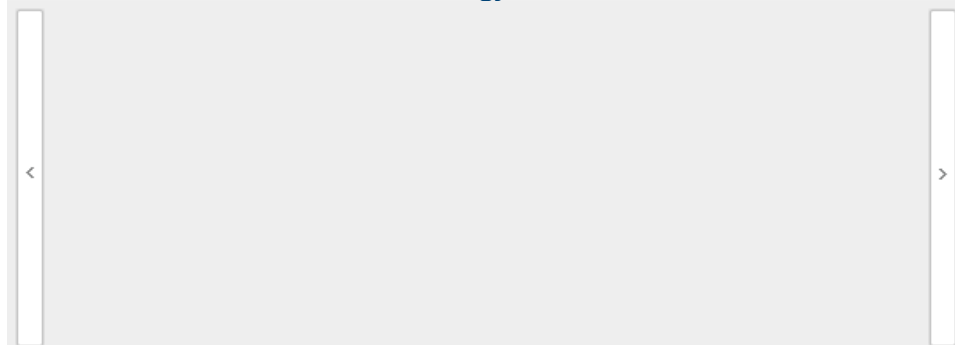
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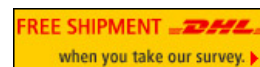
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