Fremont Investment & Loan Co., once one of the state's largest subprime mortgage lenders, agreed to pay $10 million to settle charges that it offered predatory loans in low-income neighborhoods across Massachusetts, Attorney General Martha Coakley said yesterday.

"They essentially agree that their actions were unfair and deceptive, and they have agreed to pay damages for that," Coakley said.

Fremont had previously denied the charges in court.

Company officials did not comment on the settlement, referring all inquiries to the company's website. The site did not include information about the settlement, but said the company has changed its name to Fremont Reorganizing Corp. and that Fremont loans will now be serviced by Litton Loan Servicing LP.

Fremont, based in California, originated more than 15,000 loans in Massachusetts between 2004 and 2007 before its parent company, Fremont General Corp., filed for Chapter 11 bankruptcy in 2008.

The state's lawsuit alleged Fremont's loans were unfair because they included terms that often resulted in borrowers defaulting and facing foreclosure. For example, many featured 100 percent financing or "no documentation" borrowing, which made them extremely risky. Coakley said the lender promoted the loans in low-income neighborhoods, particularly in Boston.

"Their very terms - short-term interest rates followed by payment shock, plus high loan-to-value and high debt-to-income ratios - were likely to lead to default and foreclosure," the attorney general's office said in a press release yesterday.

The company also sold loans through third-party brokers, offering them lucrative financial incentives.

In January, Nicole Lyder, a Dorchester mortgage broker, was sentenced to two years in the Suffolk County House of Correction after pleading guilty to helping unqualified home buyers secure subprime loans by providing false financial information to lenders. The information qualified them for loans and enabled Lyder to collect thousands in commissions.

Lyder worked with low-income clients in Dorchester, Randolph, and Taunton.

Coakley said $8 million of the settlement could be used to help borrowers who obtained "unfair and deceptive" loans. Some of those homeowners have lost their homes or have seen their loans transferred to other lenders. The money
could also be used to rehabilitate abandoned housing, another byproduct of the state’s foreclosure crisis.

“We will use it to mitigate the damage,” Coakley said.

The remaining $2 million in settlement money will be divided to pay civil penalties, legal fees, and other costs, she said.

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