

## SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 8<sup>th</sup> day of October 2001, between the Department of Housing and Urban Development ("HUD") and The First American Corporation. This Settlement Agreement applies to The First American Corporation, its officers, directors, employees, agents, successors, and assignees, and to all subsidiaries and affiliates of The First American Corporation and their officers, directors, employees, agents, successors, and assignees ("First American"). The principal subsidiaries and affiliates of The First American Corporation that provided the services that are the subject of this Settlement Agreement are: Pinnacle Data Corporation, the First American Flood Data Services division of First American Real Estate Solutions of Texas, L.P., the First American Real Estate Tax Service division of First American Real Estate Solutions of Texas, L.P., Pinnacle Real Estate Tax Services, Inc., and American Realty Tax Service ("First American's Tax and Flood Affiliates"). HUD and First American together shall be referred to herein as the "Parties."

Whereas, Section 8(a) of the Real Estate Settlement Procedures Act ("RESPA"), 12 USC Sec. 2607(a), requires that "[n]o person shall give and no person shall accept any fee, kickback, or thing of value pursuant to any agreement or understanding, oral or otherwise, that business incident to or a part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person.";

Whereas, pursuant to referrals from Federal regulatory agencies, HUD has instituted an inquiry and investigation into certain practices of providers of flood determination and/or tax realty settlement services, including First American's Tax and Flood Affiliates, in contracting to provide flood determination and/or tax realty settlement services;

Whereas, First American has provided HUD with information concerning the number of orders for flood determinations and tax realty settlement services-obtained in connection with certain contracts to provide flood determination and/or tax realty settlement services;

Whereas, as a result of its inquiry and investigation, HUD determined that First American had entered into contracts with lenders (banks, credit unions and mortgage companies) that contained provisions for free review of existing loan portfolios in exchange for future referrals of business in violation of Section 8(a) of RESPA;

Whereas, this Settlement Agreement shall not constitute an admission of liability or fault on the part of either of the Parties;

Whereas, the Parties desire to avoid further expense and proceedings and to reach a mutually satisfactory resolution of this matter by entering into this Settlement Agreement;

Whereas, this Settlement Agreement covers only those practices known to and alleged by HUD regarding tax realty and flood determination settlement services by First American; i.e. that certain of First American's contracts to provide flood determination and/or tax realty settlement services contained provisions for review of existing loan portfolios in exchange for future referrals of business that violated Section 8(a);

Whereas, this Settlement Agreement covers those practices known to and alleged by HUD for the period commencing on January 1, 1994 through and including the date of this Agreement; and

Whereas, the terms set forth in this Settlement Agreement are an appropriate disposition of this matter and in the public interest;

**NOW THEREFORE**, in consideration of the mutual promises and representations set forth herein, and in further consideration for HUD's reliance upon the truthfulness, and substantial accuracy of First American's representations and submissions concerning the number of orders for flood determinations and tax realty settlement services obtained pursuant to certain contracts to provide flood determination or tax realty settlement services the parties hereby agree and intend to be legally bound by the following:

(1) As of the date of execution of this Settlement Agreement, when First American enters into any business agreement for the review of loan portfolios for flood determination or tax realty settlement services, or accepts new loan portfolios for review under existing business agreements for flood determination or tax realty settlement services, First American will comply with all provisions of RESPA, specifically, without limitation, to having no express or implied link between the servicing of loan portfolios below the cost of providing the service and the future referral of business. Any exclusive business arrangement for such review must have a charge that reflects a reasonable value for services performed.

(2) Notwithstanding Paragraph (1), for any loan portfolio for which First American did the initial review/servicing, compliance with the terms of this Settlement Agreement shall be construed as curing the alleged violation of RESPA as set forth herein, and nothing in the Settlement Agreement shall be construed to prohibit a new settlement service provider from assuming First American's obligation for life-of-loan flood determination/tax realty servicing of that portfolio without the new settlement service provider imposing a charge. Further, nothing in this Settlement Agreement

shall prevent First American from assuming, without charging a fee a prior settlement service provider's life-of-loan flood determination/tax realty servicing, so long as First American complies with each provision within this Settlement Agreement. However, if such assumption results in higher fees charged to consumers, HUD retains the right, pursuant to 24 CFR 3500.14(g)(2), to investigate and to take appropriate action if it is determined that there has been a violation of RESPA. Moreover, this provision does not serve to release any third-party (*i.e.*, prior settlement service providers or their lender-customers) from liability. HUD may pursue claims against the prior settlement service provider, or its lender-customer, for any violations of Section 8 of RESPA, including but not limited to, the reasonableness of the prior settlement service provider's fee for initial determination and life-of loan flood and tax services.

(3) Within thirty (30) days after the execution of this Settlement Agreement, First American will send a notification to First American's lender customers that currently are under a contract which contains a provision for flood or realty tax service. The notification will inform the lender-customer of this Settlement Agreement and clearly state HUD's position that a provision contained in any settlement service (flood or tax) contract that provides flood determinations and servicing or realty tax servicing at no or reduced fee in exchange for the referral of business, represents an agreement to refer business in exchange for a thing of value, which is in violation of Section 8(a) of RESPA. The purpose of the notification is to make it clear that any contract provision for such free or reduced fee settlement services in exchange for the referral of future business is no longer operative. Additionally, the notification will clearly state that First American has agreed to delete such provisions from its flood determination and realty tax settlement service contracts. The notification will also state that First American will, after the date of this Settlement Agreement, charge a fee for each notification that is provided to a lender of a change in flood zone status resulting from a map alteration with respect to a loan that has been loaded into the flood tracking system at no charge or a reduced rate, insofar as First American can identify such loans. This fee must reflect a reasonable value for the goods and services provided. Such distribution of notification to all affected customers and modification of the contracts will be completed as soon as possible, but no later than the 180<sup>th</sup> (one-hundred-eighty) day after the date of execution. A final report to HUD regarding the notifications distributed pursuant to this paragraph shall be provided to HUD within 30 (thirty) business days after completion of the notification and modification process.

(4) Within twenty (20) business days of the execution of this Settlement Agreement, First American's Tax and Flood Affiliates shall make contributions in the following amounts to bona fide not for profit organizations to be designated in writing by HUD for consumer housing counseling and education purposes:

American Realty Tax Service: contributions totaling \$250,000.00.

Pinnacle Data Corporation: contributions totaling \$125,000.00.

Pinnacle Real Estate Tax Services, Inc.: contributions totaling \$250,000.00.

First American Real Estate Tax Service division of First American Real Estate Solutions of Texas, L.P.: contributions totaling \$250,000.00.

First American Flood Data Services division of First American Real Estate Solutions of Texas, L.P.: contributions totaling \$125,000.00.

Such payments shall be separate and apart from any other charitable contributions previously made, intended to be made, or pledged by First American and shall be clearly designated for consumer housing counseling and education purposes. First American shall provide copies of all checks and all correspondence regarding payments and disbursements which were made in compliance with the terms of this paragraph to: Ivy M. Jackson, Acting Director ILS/RESPA Division, U.S. Department of Housing and Urban Development, 451 Seventh Street, SW, Room 9146, Washington, DC 20410. An additional payment in the amount of \$200,000.00 shall be made within twenty (20) business days payable to the United States Treasury for administrative expenses incurred in connection with the investigation of the subject matter of this agreement and for costs incurred in monitoring compliance with this agreement.

(5) First American waives, releases, and remits any and all claims directly or indirectly against HUD or HUD employees whether known or unknown, with respect to this matter. HUD releases any and all claims as identified herein and known at the time of execution of this Settlement Agreement that might be made with regard to this matter against First American. HUD will not bring further enforcement action for the Section 8(a) violations identified herein against the customers of First American as identified in Exhibit A (attached) who have not previously entered into an agreement with HUD regarding the subject matter of this Settlement Agreement prior to the date of execution of this Settlement Agreement. This Agreement does not confer any rights or duties on any First American customer that has previously entered into an agreement with HUD.

(6) Based on First American's compliance with the terms of this Settlement Agreement, HUD will terminate its related investigation and take no further enforcement action against First American under Section 8(a) of RESPA as to this matter.

(7) HUD will notify other federal regulatory agencies of this Settlement Agreement and HUD's intention to resolve the matter with respect to those customers of First American identified in Exhibit A that received free or reduced fee service of existing loan portfolios in exchange for the referral of future business as described

herein. (The parties recognize that the list of customers of First American identified in Exhibit A represents proprietary and confidential commercial information.)

(8) Each of the Parties shall bear its own attorneys' fees and costs.

(9) This Settlement Agreement is a binding and final agreement that applies to and binds each of the persons or entities identified in the first paragraph of this Settlement Agreement.

(10) By entering into and performing its obligations under this settlement agreement, First American and its Tax and Flood Affiliates do not admit any liability to HUD or any other person or entity. First American and its Tax and Flood Affiliates deny any liability or violation of RESPA and the implementing regulations. This Settlement Agreement is entered into solely to compromise and to settle disputed matters.

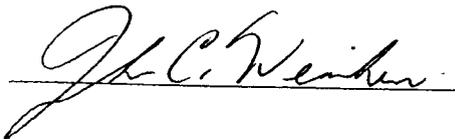
(11) HUD shall exercise oversight to monitor the completion of the actions called for in this settlement. This oversight shall be in addition to HUD's authority under section 19 of RESPA, and this provision shall not be construed in any way to limit HUD's authority under section 19 of RESPA.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first stated above.

DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT

THE FIRST AMERICAN  
CORPORATION

By: \_\_\_\_\_

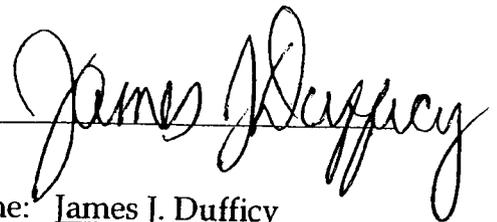


Name: John C. Weicher

Assistant Secretary for Housing-  
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Title: \_\_\_\_\_

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Name: James J. Dufficy

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