

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 17th day of September, 2003, between Allied Home Mortgage Capital Corporation (fka Allied Mortgage Capital Corporation), its owners, successors, subsidiaries, affiliates and assigns ("Allied" or the "Company"), and the United States Department of Housing and Urban Development ("HUD"), together herein referred to as "the Parties."

Whereas, Section 8(a) of the Real Estate Settlement Procedures Act of 1974 ("RESPA"), 12 USC § 2607(a), states that "[n]o 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, Section 8(b) of RESPA, 12 USC 2607(b), states that "[n]o person shall give and no person shall accept any portion, split, or percentage of any charge made or received for the rendering of a real estate settlement service in connection with a transaction involving a federally related mortgage loan other than for services actually performed.";

Whereas, HUD interprets Section 8(a) of RESPA as prohibiting any fee, kickback, or thing of value for the referral of business incident to or part of a real estate settlement service, and Section 8(b) of RESPA as prohibiting certain practices, including but not limited to "upcharging," a practice whereby a mortgage loan borrower is charged more for settlement services provided by third parties than is charged by the third party for those services;

Whereas, Allied disputes HUD's interpretation of Section 8(b) of RESPA and asserts that the Company has not violated Section 8(b) because Allied believes Section 8(b) of RESPA is an anti-kickback provision and does not prohibit upcharging;

Whereas, based on an initial survey and review of Allied loan closing documents for the period of January 2000 through May 2002, HUD has determined that Allied charged certain borrowers more for credit reports than Allied had been charged by the provider of those credit reports;

Whereas, Allied has cooperated with HUD and fully complied with requests made by HUD during the investigation of this matter;

Whereas, pursuant to this investigation, HUD alleges that in instances when upcharging occurred, Allied has violated Section 8(b) of RESPA, and may have violated other applicable laws, regulations and/or requirements governing charges and fees that may be collected from a mortgagor for specific services (hereinafter referred to as "other applicable laws"), and Allied asserts that the Company has not violated these provisions;

Whereas, the Parties agree that entering into this Settlement Agreement does not constitute an admission of liability or wrongdoing by Allied, and that the Parties are entering into this Settlement Agreement as resolution of all claims regarding the violations alleged herein;

Whereas, the Parties desire to avoid further expense and proceedings, and to reach a mutually satisfactory resolution of HUD's claims against Allied by entering into this Settlement Agreement;

Now therefore, based on the truthfulness and accuracy of the information provided by Allied to HUD in furtherance of its investigation, the Parties state the terms of this Settlement Agreement as follows:

1. The Parties agree that settlement of this matter is independent from and not in any way contingent upon resolution of any other matter or claim that currently exists or may arise between the Parties.
2. Allied agrees to abide by the requirements of RESPA and its implementing regulations, as well as other applicable laws;
3. Allied represents and warrants that, prior to the date of this Agreement, it has instituted, and that it will maintain in effect, systems designed to prevent upcharging of third party services.
4. Allied agrees that it will reinforce the segments of its quality control program dealing with charges and fees that may not be collected from a mortgagor for specific services including coverage of the laws and regulations regarding upcharging, and will continue, on an annual basis, to conduct training for all of its loan origination employees on the requirements of RESPA and other applicable laws.
5. Allied agrees that it will continue, on an annual basis, to audit the closing practices of its branch offices. Where upcharging of third party services is found, Allied will take appropriate action to eliminate that upcharging, and will take appropriate action against responsible Allied employees.
6. If, after the effective date of this Agreement, Allied, HUD, or other auditors, detect isolated instances of upcharging that do not constitute a pattern or practice of upcharging, Allied agrees that it will cure that upcharging by repayment to the borrower of the excess charge in a timely manner. HUD agrees that those isolated instances, once-cured, will not be considered a breach of this Agreement.
7. Within ten (10) business days of the signing of this Agreement, Allied will remit \$370,000 to the United States Department of the Treasury. The funds remitted to the United States Department of the Treasury shall not be considered to be a civil

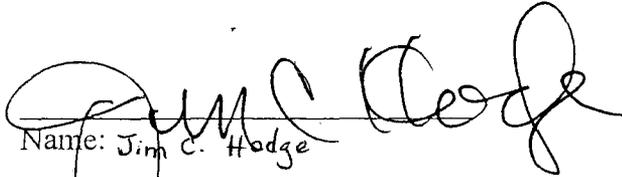
money penalty and shall be in the form of a certified check, paid to the order of the United States Treasury, and sent to: Peter S. Race, Esq., Assistant General Counsel, Room 9253, U.S. Department of Housing and Urban Development, 451 Seventh Street, S.W., Washington, D.C. 20410-0500.

8. HUD agrees to close its investigation into upcharging for credit reports by Allied and take no further action against Allied under RESPA or other applicable laws for upcharging (including, but not limited to, upcharging for credit reports) during the period prior to the execution date of this Settlement Agreement, in exchange for Allied's compliance with the terms of this Agreement.
9. Allied agrees that if it fails to materially comply with any of the terms of this Agreement, it will pay to the United States Treasury liquidated damages in the amount of \$25,000.
10. If, in the future, the RESPA statute is amended, or HUD promulgates new regulations or policy positions regarding RESPA, including but not limited to authority for packaging of settlement services, any actions taken by Allied in the course of conducting its business that are consistent and in conformity with the new statute, regulations or policy guidance will not be considered a violation of this Agreement.
11. Nothing in this Settlement Agreement shall prohibit Allied from petitioning HUD for a change in the terms of this Agreement. HUD will retain the discretion whether to grant the petition.
12. Except as set forth in this Agreement, each party will bear its own costs and fees associated with and arising from this matter.
13. This Settlement Agreement does not confer any rights on persons or entities that are not parties to this Settlement Agreement. This Settlement Agreement shall inure to the benefit of, and shall be binding upon, each of the Parties and their respective predecessors, successors, directors, officers, employees, agents, representatives and assigns. This Settlement Agreement may not be altered, amended or otherwise changed except by a writing duly executed by each Party or the authorized representative of each Party.
14. Each signatory to this Settlement Agreement certifies by signing that he or she is fully authorized by the named party he or she represents to accept the terms and provisions of this Settlement Agreement in their entirety, and that upon execution of this Agreement, he or she binds the Party for which he or she has signed.

15. This Agreement shall be enforceable under the laws of the District of Columbia and in the United States District Court for the District of Columbia.

For Allied Home Mortgage
Capital Corporation:

For the U.S. Department of
Housing and Urban Development:



Name: Jim C. Hodge

Title: President

Date: August 28, 2003



Name: John C. Weicher

Title: Assistant Secretary for Housing-
Federal Housing Commissioner

Date: 8/17/03