

SETTLEMENT AGREEMENT

RECITALS

This Settlement Agreement is made and entered into between the U.S. Department of Housing and Urban Development ("HUD" or "Department") and Longford Homes of New Mexico, Inc. ("Longford").

Whereas, the Secretary is authorized by Section 19 of RESPA, 12 U.S.C. § 2617(c)(1), to investigate any facts, conditions, practices, or matters deemed necessary to determine whether any "person," as defined in Section 3(5) of the Act, has violated or is about to violate any provision of the Act or any rule or regulation prescribed pursuant thereto;

Whereas, Section 8(a) of RESPA, 12 U.S.C. § 2607(a), and the implementing regulations at 24 C.F.R. § 3500.14, prohibit the giving and accepting of any fee, kickback or thing of value pursuant to an agreement or understanding, oral or otherwise, that business incident to or part of a real estate settlement service involving a federally related mortgage loan shall be referred to any person;

Whereas, Longford is in the business of building and selling homes;

Whereas, the Department has conducted an investigation into Longford's business practices;

Whereas, Longford has cooperated with HUD's investigation;

Whereas, the Department has determined and Longford denies that Longford, from 1999-2005, received things of value in exchange for referring title insurance business to Fidelity National Title Insurance Company ("FNT");

Whereas, the Department has determined and Longford denies that FNT agreed to provide and Longford agreed to accept up to \$25,000 annually to pay for or be reimbursed for expenditures related to promoting Longford's services in exchange for Longford referring its title insurance business to FNT. The Department determined that portions of the payment were used to:

- 1 Provide Longford with a postage meter with prepaid postage of \$6,430, of which Longford used \$1,541 worth of the postage;
2. Underwrite the costs of Longford's grand opening promotional events
- 3 Provide Longford's employee and customers with retail store gift certificates, lottery tickets, and event tickets;

4. Subsidize the costs of dinners for real estate agents and Longford employees;
- 5 Underwrite homeowner/customer seminars conducted by Longford;

Whereas, it is Longford's position that it acted at all times in a good faith effort to conform to HUD's statutes and regulations, including RESPA;

Whereas, Longford represents that its relationship with Fidelity was terminated as soon as possible upon the discovery that the arrangement between Longford and FNT could possibly violate RESPA, and Longford has taken strict steps to ensure that no other similar action is engaged in by Longford or its agents;

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

Whereas, HUD and Longford desire to avoid prolonged proceedings, any further expense of investigation and/or possible litigation, and to finally resolve this matter under the terms and conditions set forth below; and

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

AGREEMENTS

NOW THEREFORE, in consideration of the mutual promises and representations set forth herein, and in further consideration for HUD's reliance upon the substantial accuracy and good faith of the representations and submissions made to it by Longford, HUD and Longford, intending to be legally bound, agree as follows:

- 1 The "Effective Date" of this Agreement means the date on which it has been signed by HUD.
- 2 The foregoing recitals are incorporated in this Agreement.
- 3 Longford agrees to comply with all provisions of RESPA, its implementing regulations, and policy statements.
4. Consistent with Longford's represented termination of its relationship with FNT upon its discovery that the arrangement could possibly violate RESPA, Longford and its directors, officers, principals, shareholders, employees, and representatives will not in the future enter into any agreements or arrangements through which Longford would accept from FNT or any other title insurance company gifts, opportunities, or other things of value in return for the referral of title insurance business. In particular, Longford will not enter into any agreements in which it receives:

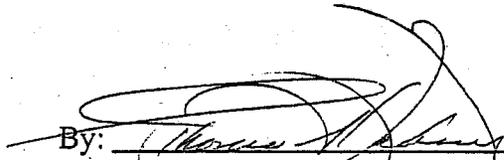
- a. postage meters without paying a fair market value for the meter from companies or individuals engaged in providing real estate settlement services;
- b. payments to defer promotional expenses in exchange for the referral of title insurance business;
- c. funds to underwrite the costs of grand opening promotional events in exchange for the referral of title insurance business; and
- d. gift certificates, lottery tickets, dinner subsidies, and/or event tickets in exchange for the referral of title insurance business.

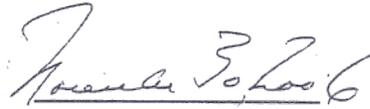
Nothing in this Settlement Agreement shall be construed as prohibiting conduct permitted by any future amendments to or repeal of RESPA, or new statutory or regulatory provisions, or HUD policy statements interpreting and applying Section 8 or RESPA.

5. Within thirty (30) business days of the effective date of this Agreement, Longford will remit twenty thousand, seven hundred dollars (\$20,700.00) to the United States Treasury.
6. Longford agrees to cooperate with any further HUD investigations of real estate settlement service providers in New Mexico.
7. HUD releases, settles, and discharges Longford, its affiliates, subsidiaries, officers, directors, partners, employees, members, managers, shareholders, agents, successors, heirs, administrators, executors and assigns from and against any and all claims, demands, costs, expenses, commissions, liens, debts, liabilities, judgments, sanctions, fines, sums of money, actions and causes of action of whatever kind and nature that HUD may have against Longford based on the facts that gave rise to this investigation.
8. Should Longford fail to comply with the terms set out above, or should any of their representations prove to be false or incomplete in any material manner, HUD may take appropriate enforcement action, and/or refer the matter to other governmental authorities for further action.
9. It is understood and agreed that, except as otherwise stated herein, this Settlement Agreement expresses the complete settlement of Longford's liabilities in connection with HUD's investigation upon which this Agreement is based.
10. This Settlement Agreement applies to and binds each of the persons or entities identified in the first paragraph of this Agreement, and their respective predecessors, successors, directors, officers, employees, agents, representatives and assigns.

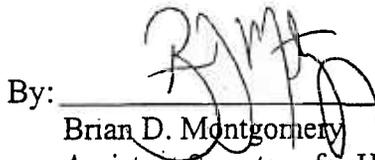
1. Each signatory to this Settlement Agreement certifies by signing that he or she is fully authorized, in his or her own capacity, or by the named party he or she represents, to accept the terms and provisions of this Settlement Agreement in their entirety, and agrees, in his or her personal or representational capacity, to be bound by the terms of this Settlement Agreement.

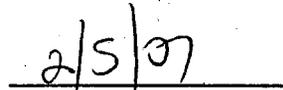
Longford Homes of New Mexico, Inc.

By: 
Thomas A. Robinson
Secretary


Date

U.S. Department of Housing and Urban Development:

By: 
Brian D. Montgomery
Assistant Secretary for Housing-Federal
Housing Commissioner


Date