

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 The Ryland Group, Inc., parent of Ryland Homes, and Ryland Mortgage Company (collectively, “Ryland”), located at 24025 Park Sorrento, Suite 400, Calabasas, CA 91302 and Cornerstone Title Insurance Company (“Cornerstone Title”), located at 199 Main Street, P.O. Box 190, Burlington, VT 05402-0190. HUD, Ryland and Cornerstone Title shall be referred to herein as the “Parties.”

WHEREAS, the Secretary of Housing and Urban Development is authorized to enforce the Real Estate Settlement Procedures Act of 1974 (“RESPA” or “the Act”), 12 U.S.C. § 2601 *et seq.*, and its implementing regulations, 24 C.F.R. § 3500 *et seq.*; and

WHEREAS, the Secretary is authorized by Section 19 of RESPA 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; and

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 or 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; and

WHEREAS, Ryland Homes builds homes in various states and has referred home buyers to certain companies for title insurance; and

WHEREAS, Ryland Homes is an affiliate of Ryland Mortgage Company; and

WHEREAS, on or about January 8, 1997, Ryland Mortgage Company created Cornerstone Title, a captive title reinsurance company to reinsure certain title insurance business from title insurance companies; and

WHEREAS, HUD initiated an investigation to determine if Cornerstone Title's reinsurance arrangements constituted a violation of Section 8(a) of RESPA; and

WHEREAS, it is the position of Ryland and Cornerstone Title that title reinsurance is not a "settlement service" as that term is defined by RESPA or its regulations, and, therefore, reinsurance activities are not subject to the Act. Moreover, the separate captive reinsurance agreements that Cornerstone Title entered into with multiple title insurance carriers each provided for a quota share title reinsurance arrangement that was created in good faith reliance on HUD's regulations, guidelines, and interpretations, including the Department's 1997 and 2004 Letters regarding reinsurance ("HUD Letters"). Ryland and Cornerstone Title believed that participation in these arrangements was and is in compliance with applicable law (including, but not limited to RESPA and the HUD Letters). Ryland and its customers historically did business with a range of title insurance companies before and after the participation of Cornerstone Title in reinsurance arrangements. It is the position of Ryland and Cornerstone Title that there is no evidence that title reinsurance agreements impacted or caused referrals of title insurance. Furthermore, Ryland customers were notified in

writing: of the reinsurance arrangement between Ryland and the title insurance companies; that Cornerstone Title was an affiliate of Ryland; that Ryland and Cornerstone Title would benefit from such an arrangement; and, that their participation was strictly voluntary. The insurance fees paid by Ryland customers were in many instances regulated and set by State law and in all the instances the same regardless of whether the customer's policy was reinsured by Cornerstone Title or not. In many instances, Ryland actually paid for some or all title insurance costs on behalf of its customers. Finally, Ryland believes that the amount of premiums paid to Cornerstone Title were clearly justified based on the risk associated with the reinsurance program and the possibility that a title insurance claim, if one had to be paid, would be significant; and

WHEREAS, Ryland represents that title reinsurance was only done in Arizona, California and Colorado and that no new title reinsurance business was written after 2005, notwithstanding Ryland's view that the arrangements complied with applicable law; and

WHEREAS, it is HUD's position that it is a violation of Section 8(a) of RESPA to accept a thing of value in the form of an opportunity to participate in money-making captive title reinsurance arrangements in return for the referral of settlement service business to primary title insurance companies. Further, it is HUD's position that any captive title reinsurance arrangement in which payments to the reinsurer are not bona fide and exceed the value of the reinsurance would violate Section 8 of RESPA. Moreover, in HUD's view, there is almost never any bona fide need or business purpose for title reinsurance on a single family residence, especially from an entity or an affiliate of an

entity that is in a position to refer business to the primary title insurer. Further, when there is a history of little or no claims paid or the premium payments to the captive reinsurer far exceed the risk borne by the reinsurer, there is strong evidence there is a sham arrangement constructed for the purpose of payment of referral fees or other things of value in violation of Section 8 of RESPA; and

WHEREAS, HUD has made no finding of violations of RESPA by Ryland or Cornerstone Title; and

WHEREAS, Ryland and Cornerstone Title have cooperated with HUD; and

WHEREAS, recognizing that Ryland and Cornerstone Title are not admitting liability or wrongdoing, the Parties 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 of this Settlement Agreement are an appropriate disposition of this case and are in the public interest;

NOW, THEREFORE, in consideration of the mutually negotiated promises, covenants, and obligations in this Settlement Agreement, the Parties reach a final settlement as set forth below:

AGREEMENTS

1. This Settlement Agreement is effective on the date of signature of the last signatory to the Settlement Agreement (hereinafter the "Effective Date").
2. Based on Ryland's and Cornerstone Title's compliance with this Settlement Agreement, the Department: (a) will terminate its investigation of Ryland and

Cornerstone Title; (b) hereby waives, releases, remits and compromises any and all claims, causes, and actions, direct or indirect (together, "Claims") against Ryland and Cornerstone Title, and their respective past and present shareholders, partners, directors, officers, principals, employees, attorneys and representatives (collectively and individually the "Released Parties") with respect to captive title reinsurance business described herein, or any matter about which the Department received information during its investigation; and (c) agrees to take no enforcement action under RESPA and its implementing regulations against any of the Released Parties with respect to captive title reinsurance business described herein, or any matter about which the Department received information during its investigation. If any of the Released Parties engage in captive title reinsurance arrangements, after the effective date of this Settlement Agreement, and the Department deems the arrangements to be in violation of RESPA, the Department retains the right to pursue Claims and/or enforcement actions under RESPA against any of the Released Parties with respect to such future captive arrangements and any Claims still covered by the statute of limitations.

3. Ryland and Cornerstone Title agree to fully comply with all provisions of RESPA and its implementing regulations.
4. Ryland and Cornerstone Title and their parents and subsidiaries, and their respective directors, officers, shareholders, principals, employees, and representatives (in such individuals' official capacities as directors, officers, principals, employees or representatives) will not enter into any new captive

title reinsurance arrangements and will cease writing new captive title reinsurance business, unless HUD has reviewed and approved such arrangements or 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 of RESPA.

5. Within thirty (30) business days of the Effective Date, Ryland will make a settlement payment of Eighty-Four Thousand Dollars (\$84,000.00) payable to the United States Treasury, and delivered to counsel for HUD at an address to be specified by HUD; provided, however, such payment shall not be considered for any purposes to be a civil money penalty or fine.
6. Nothing in this Settlement Agreement shall be construed as preventing Ryland or Cornerstone Title from unwinding its captive title reinsurance arrangements, including without limitation through the ceding of risk and/or premium to one or more third parties under terms and conditions that differ from the terms and conditions under which such risk and/or premium was obtained. HUD will not consider such unwinding undertaken in conjunction with or following this Settlement Agreement to be in violation of RESPA or the implementing regulations, provided that the unwinding does not involve an agreement or understanding for the referral of future settlement service business.
7. This Settlement Agreement applies to and binds Ryland, Cornerstone Title, their subsidiaries and their respective predecessors, successors, parents, subsidiaries and assigns, and their respective directors, officers, principals,

employees, and representatives (in such individuals' official capacities as directors, officers, principals, employees or representatives of Ryland and Cornerstone Title).

8. Ryland and Cornerstone Title hereby waive, release, remit and compromise any and all Claims against the Department, or any of its employees, agents, or representatives, with respect to HUD's investigation of this matter or this Settlement Agreement.
9. Should Ryland or Cornerstone Title fail to comply with the terms set out above, or should any of its 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.
10. This Settlement Agreement constitutes the complete agreement between the Parties as to the matters addressed herein. This Settlement Agreement may not be amended except by written consent of the Parties.
11. By this Settlement Agreement the Parties do not waive, release, remit or compromise any Claims against any other person not expressly released by this Settlement Agreement.
12. The Parties represent that this Settlement Agreement is freely and voluntarily entered into without any degree of duress or compulsion whatsoever.
13. Nothing in this Settlement Agreement shall be construed as an admission of wrongdoing, liability, or legal fault for any conduct underlying this Settlement Agreement, or an admission that any person acted wrongfully.
14. Each person who signs this Settlement Agreement in a representative capacity

warrants that his or her execution of this Settlement Agreement is duly authorized, executed, and delivered by and for the entity for which he or she signs.

15. Each of the Parties to this Settlement Agreement shall bear its own attorney's fees and costs, including the preparation and performance of this Settlement Agreement.
16. This Settlement Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute the same agreement.

On Behalf of The Ryland Group, Inc.

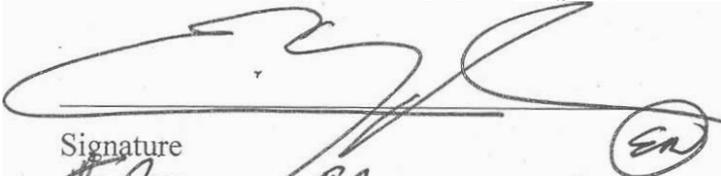


Timothy J. Geckle
Senior Vice President

4-20-07

Date

On Behalf of Ryland Mortgage Company



Signature

ERIC PROSSER

4-23-07

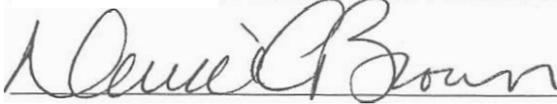
Date

Print Name

ERIC PROSSER, COUNSEL

Title

On Behalf of Cornerstone Title Insurance Company



Signature

DAVID A. BROWN

4-23-07

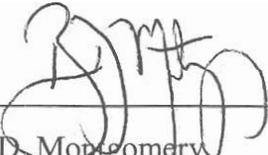
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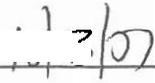
PRESIDENT

Title

**On Behalf of the U.S. Department of Housing and Urban Development
in settlement with The Ryland Group, Inc., Ryland Mortgage Company and
Cornerstone Title Insurance Company**



Brian D. Montgomery
Assistant Secretary of Housing—Federal
Housing Commissioner



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