

**STATE OF MINNESOTA
COMMISSIONER OF COMMERCE**

AND

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

In the Matter of First American Title Insurance
Company, a California corporation doing business in the
State of Minnesota.

CONSENT ORDER

TO: First American Title Insurance Company
1 First American Way
Santa Ana, California 92707

First American Title Insurance Company (FATCO) is a California corporation that was licensed to solicit title insurance in the State of Minnesota on December 28, 1990. FATCO is a wholly owned subsidiary of The First American Corporation. FATCO formed Universal Title Company (100% wholly owned) to act as an intermediate holding company for Universal Partnerships, Inc., which has a direct ownership interest in various affiliated business arrangements operating in the State of Minnesota. FATCO, Universal Title Company and Universal Partnerships, Inc. shall hereinafter be collectively referred to as "First American."

The Real Estate Settlement Procedures Act ("RESPA"), 12 U.S.C. §§ 2601 et seq., authorizes the operation of "affiliated business arrangements" whereby "a person who is in a position to refer business incident to, or a part of, a real estate settlement service involving a federally related mortgage loan, or an associate of such person, has either an affiliate relationship with or a direct or beneficial ownership interest of more than 1 percent in a provider of settlement services; and . . . either of such persons directly or indirectly refers such business to

that provider or affirmatively influences the selection of that provider.” 12 U.S.C. § 2602(7); see also 12 U.S.C. § 2607(c)(4) (establishing conditions for operation of affiliated business arrangements). To provide guidance to companies operating affiliated business arrangements pursuant to RESPA, in 1996, the Department of Housing and Urban Development (“HUD”) issued a Statement of Policy setting forth the multiple “factors that [HUD] uses to determine whether a controlled business arrangement is a sham under [RESPA] or whether it constitutes a bona fide provider of settlement services.” See 24 C.F.R. Part 3500. The Department of Commerce (hereinafter the ‘Department’), in its regulation of trade practices, considers the policy factors in HUD’s Statement of Policy as one of the analytical tests in determining whether any affiliated business arrangement constitutes a bona fide settlement service provider or is a sham arrangement.

In 1995, pursuant to its interpretation of RESPA and HUD’s guidelines, First American created affiliated title agencies in Minnesota legally organized as partnerships and limited liability companies. Since 1995 First American operated thirty-five joint ventures as identified in Exhibit A which is attached and incorporated hereto. These affiliated business arrangements as identified in Exhibit A shall be collectively referred hereinafter as the “Joint Ventures.”

When creating a Joint Venture, First American would retain a 20% ownership interest, as the general partner (in the case of partnerships) or managing member (in the case of limited liability companies) and would exercise control of the Joint Venture through various written agreements. The remaining 80% ownership was held by the various investment partners as limited liability partners (in the case of partnerships) or members (in the case of limited liability companies). Such investment partners are those

persons, other than First American, having an interest in the Joint Ventures and will be collectively referred to as "Referral Partners."

The Joint Ventures' Referral Partners have been individual real estate agents, small or mid-size real estate brokerage firms, mortgage brokers, individual mortgage loan officers, and builders or developers. The Referral Partners and their associates were encouraged to direct their customers to the Joint Venture for closing services and title insurance. The title services of the Joint Ventures were not marketed to the general public or persons unrelated to the Referral Partners. The Referral Partners' initial investment was typically \$500 per share. If sufficient funds from operation were available, the Referral Partners would receive quarterly profit distributions from the Joint Venture in which they invested.

First American managed the Joint Ventures without compensation for such services. First American would hire, train and terminate employees of the Joint Ventures and directly supervise the employees. At times, certain of the Joint Ventures shared employees. Certain of the Joint Ventures have shared office space, supplies and equipment.

The Commissioner of Commerce (hereinafter the "Commissioner"), conducted an examination in accordance with Minn. Stat. §§ 60A.031 and 45.027 (2004), that included the actions of the parties set forth above, jointly and in cooperation with HUD. Based on the examination findings the Department and HUD allege that First American committed certain violations of Minnesota insurance law and RESPA, specifically that:

1. First American created and controlled Joint Ventures which were not bona fide settlement service providers within the meaning of RESPA. As a result, the Department and HUD contend that First American's distributions of the Joint Ventures' profits to Referral Partners violated RESPA, Section 8 (a) (12 U.S.C. 2607 (a)); 24 CFR 3500.14; Minn. Stat., §§ 72A.20, subd. 18; 72A.08 and 60K.43, subd. 1(8).

2. First American, the Joint Ventures and Referral Partners (or their associates) argued or encouraged borrowers or home purchasers to obtain services, including both lender and owner's title insurance policies, through the Joint Ventures. Many of the Joint Venture employees or its Referral Partners who engaged in the solicitation of title insurance were not licensed as "insurance producers" under Minnesota law. First American, as the supervising agent or pursuant to its operating agreement with the Joint Ventures, employed, contracted with or otherwise engaged these persons in this practice. First American thereby engaged in the business of selling, soliciting or negotiating title insurance with borrowers or home buyers without ensuring that such individuals or entities were licensed in violation of Minn. Stat. §§ 60K.32, 72A.07 and 60K.43, Subd. 1 (12) and Minn. R. 2795.0800, subp 1.

3. The Joint Ventures and its Referral Partners wrote most, if not all, of their title insurance through First American. The Joint Ventures and Referral Partners engaged in the business of insurance through persons without a title insurance producers license that were not appointed by First American in violation of Minn. Stat §§ 60K.49, subd. 2 and 72A.07 and Minn. R. 2795.0800, subp 1.

4. Minnesota statutes prohibit payments of commissions or valuable consideration to unlicensed persons. First American, through its creation and control of the Joint Ventures, paid

valuable consideration to unlicensed Referral Partners for the solicitation of title insurance business through sham Joint Ventures, in violation of Minn. Stat. § 60K.48, subd. 1.

5. First American, through its Joint Ventures, failed as the supervising agent to either completely or accurately disclose its affiliated business arrangement in violation of Minn. Stat., § 72A.20, subd. 18, and failed to meet the requirements of RESPA, 12 U.S.C. 2607(c)(4), and RESPA regulations (Regulation X), 24 CFR Part 3500.15 and Minn. R. 2795.0800, subp 1.

First American contends that it operated the Joint Ventures in accordance with RESPA's statutory and regulatory guidelines and Minnesota law.

First American has cooperated and agrees to continue to cooperate with the Department and HUD.

First American acknowledges that it has been advised of its rights to a hearing in this matter, to present arguments to the Commissioner and to appeal from any adverse determination after a hearing, and hereby expressly waives those rights. First American further acknowledges that it has been represented by legal counsel throughout these proceedings. This Consent Order represents an informal settlement concerning the Commissioner's allegations made in this Consent Order, and there have been no hearings, findings of fact or conclusions of law with respect to the allegations of the Commissioner.

First American has agreed to an informal disposition of this matter without a hearing, as provided under Minn. Stat. § 14.59 and Minn. R. 1400.5900.

The Commissioner has advised First American that the Commissioner is prepared to commence formal proceedings in accordance with the provisions of Minn. Stat. § 45.027 against

First American's license based on the above allegations wherein First American has violated Minnesota laws and RESPA.

The following Order is in the public interest.

NOW, THEREFORE IT IS HEREBY ORDERED, that the Joint Ventures shall cease accepting new business within thirty days (30) from the execution of this Order. On that date, the respective business entity insurance producer licenses of the Joint Ventures shall be revoked. Work in process prior to the date of revocation may be completed.

FURTHER, IT IS HEREBY ORDERED, that First American shall terminate all Joint Ventures. The termination process shall begin immediately and be completed within one-hundred twenty (120) days of the execution of this Order, subject to mutually acceptable extensions.

FURTHER, IT IS HEREBY ORDERED, that First American shall cease and desist from any further violations of Minnesota law and RESPA.

FURTHER, IT IS HEREBY ORDERED, that First American shall;

1. Develop and make available to the Department Web-ready content for use by the Department on the Department's website, including:
 - a) A Minnesota schedule of rates and rate calculator for the benefit of consumers, the schedule and rate calculator to be updated by First American as needed;
 - b) A "primer" explaining title insurance and its role in real estate transactions;
 - c) FAQ section answering the most common questions consumers might have about title insurance; and

- d) Contact information of First American personnel in Minnesota available to answer consumer questions.

Any Web-ready content provided by First American may be modified by the Department at the Department's sole discretion.

2. First American shall produce and have available brochure(s) to mail to any consumers requesting the related information. Subject matter shall include, but not be limited to, items b) and c) above and any other subject matter that may be reasonably be requested by the Department related to real estate transactions.

3. First American shall identify a public education liaison officer for the state of Minnesota whose duties would include providing educational seminars to requesting consumer and real estate groups or associations. First American shall undertake reasonable efforts to communicate the availability of this person to consumers and other persons interested in real estate transactions

4. First American shall undertake an internal review of its rates with the objective of simplifying and clarifying them.

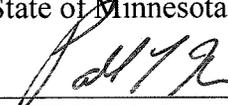
5. Finally, First American shall actively participate in, and fully cooperate with, any public hearing or advisory council held or established by the commissioner

FURTHER, IT IS HEREBY ORDERED pursuant to Minn. Stat. § 45.027, that First American shall pay to the State of Minnesota a civil penalty in the amount of \$500,000.00 to the State of Minnesota

This Order shall be effective upon signature on behalf of the Commissioner and HUD.

Dated: 1/24/07.

Glenn Wilson
Commissioner of Commerce
State of Minnesota

By: 

PATRICK NELSON
Deputy Commissioner
85 Seventh Place East, Suite 500
St. Paul, Minnesota 55101
Telephone: (651)296-2594

Concurrence: _____

BRIAN D. MONTGOMERY
Assistant Secretary for Housing – Federal
Housing Commissioner
U.S. Department of Housing and Urban
Development
451 7th Street, S.W.
Washington, DC 20410

Dated: 2/28/07

Glenn Wilson
Commissioner of Commerce
State of Minnesota

By: _____
PATRICK NELSON
Deputy Commissioner
85 Seventh Place East, Suite 500
St. Paul, Minnesota 55101
Telephone: (651)296-2594

Concurrence: 

BRIAN D. MONTGOMERY
Assistant Secretary for Housing - Federal
Housing Commissioner
U.S. Department of Housing and Urban
Development
451 7th Street, S.W.
Washington, DC 20410

EXHIBIT A

Entity Name	Entity Location	Responsible Person	Original Issue Date	Expiration Date
Affinity Marketing Group	600 25 th Ave, St. Cloud		5-21-96	10-31-05
		D.G.	6-03-96	10-31-99
Apex Title Services	13911 Ridgedale Drive, #450B, Minnetonka		6-13-97	10-31-08
		D.A.	6-18-97	
Cardinal Title Services	13911 Ridgedale Drive, Suite 450, Minnetonka		7-07-98	10-31-07
		M.C.	7-07-98	10-31-99
ClearRock Title	100 Prairie Center Drive, #150, Eden Prairie		3-08-00	10-31-05
		A.R.	3-08-00	10-31-05
Clearview Title Services	*7001 East Fish Lake Road Maple Grove		5-06-03	10-31-04
		T.W.	5-28-03	10-31-04
Diamond Title Services	7710 Brooklyn Blvd, #105, Brooklyn Park		4-08-99	10-31-06
		L.V.	4-08-99	10-31-08
Dominion Title Services	840 W Broadway, Suite 401, Forest Lake		10-01-97	10-31-06
		G.M.	10-01-97	
Enterprise Title Services	*7001 East Fish Lake Road Maple Grove		11-20-01	10-31-07
		C.W.	12-24-01	
		¹ R.W.	12-24-01	
Federal Title Services	13911 Ridgedale Drive, #450, Minnetonka		9-30-03	10-31-04
		B.C.	9-30-03	10-31-04
Fortis Title Services	207 Chestnut Street, Suite 24D, Chaska		1-21-98	10-31-01
		A.J.	1-21-98	10-31-01
Four Corners Title	*7001 East Fish Lake Road, Maple Grove		8-04-04	10-31-05
		L.H.	8-04-04	10-31-05
Glacier Title Services	*7001 East Fish Lake Road, Maple Grove, MN		12-14-99	10-31-07
		S.P.	12-14-99	
Gold Star Title Service	*7001 East Fish Lake Road, Maple Grove, MN		3-03-04	10-31-05

¹ Officer of First American Title Insurance Company and Universal Partnerships, Inc.

		K.D	3-3-04	10-31-05
Horizon Title Services	1310 E Hwy 96, #109, White Bear Lake		11-02-98	10-31-08
		¹ C.P.	1-04-91	10-31-95
Imperial Title Services	5100 Edina Industrial Blvd., #221, Edina		3-19-97	10-31-04
		E.G.	3-26-97	10-31-04
Independence Title Services	600 25 th Ave S, Ste 207B, St. Cloud		8-11-99	10-31-08
		F.B.	8-11-99	10-31-02
Lakeside Title Services	1310 E Hwy 96, #203B, White Bear Lake		2-26-99	10-31-06
		S.C	4-07-99	10-31-01
Marquis Title Services	600 25 th Ave South, #207A, St. Cloud		6-22-95	10-31-08
		² C.P.	7-11-95	10-31-95
		B.C.	11-29-00	
Mastery Title Services	15025 Glazier Ave., #106, AppleValley		8-11-99	10-31-06
		L.S.	8-11-99	10-31-08
Monument Title Services	13911 Ridgedale Drive, Ste 450A, Minnetonka		1-10-97	10-31-08
		³ R.W.	1-10-97	
Northern Lakes Title	812 Pokegama Ave South, Grand Rapids		11-03-04	10-31-08
		Unable to decipher name		
		⁴ R.W., Partner ⁵ C.P., Partner ⁶ S.A., Partner		
Optitle Services	13911 Ridgedale Drive, Ste 450, Minnetonka		9-30-03	10-31-08
		S.L.	9-30-03	
Pinnacle Title Services	2061 N Rice Street, #B, Roseville		3-12-98	10-31-05
		D.J.	4-28-98	10-31-05

¹ Officer of First American Title Insurance Company and Universal Partnerships, Inc.

² Officer of First American Title Insurance Company and Univesal Partnerships, Inc.

³ Officer of First American Title Insurance Company and Universal Partnerships, Inc.

⁴ Officer of First American Title Insurance Company and Universal Partnerships, Inc.

⁵ Officer of First American Title Insurance Company and Universal Partnerships, Inc.

⁶ Officer of Universal Partnerships, Inc.

Platinum Title Services	13911 Ridgedale Drive, #450, Minnetonka		9-07-95	10-31-06
		J.L.	9-11-95	
		L.I.	11-29-00	
Realty Home Services	5100 Edina Industrial Blvd., #221, Edina		11-20-02	10-31-08
		E.G.	11-20-02	
Residential Title Services	1310 E Hwy 96, Ste. 203A, White Bear Lake		2-26-99	10-31-08
		N.K.	3-29-99	10-31-00
Resource Title Services	4124 Quebec Ave. N., Ste. 2028, Minneapolis		1-21-98	10-31-01
		W.W.	2-7-98	10-31-01
Skyline Title Services	*7001 East Fish Lake Road, Maple Grove		8-05-98	10-31-01
		T.C.	8-25-98	10-31-01
Title Associates	2015 Rice Street, Ste 220, Roseville		12-27-95	10-31-05
		K.A.	12-27-95	10-31-05
Title Specialists	1310 Hwy 96, Ste. 109, St. Paul		5-10-96	10-31-05
		M.E.	5-14-96	10-31-97
Total Title Services	7714 Brooklyn Blvd., #105, Brooklyn Park		11-12-02	10-31-06
		J.C.	11-12-02	10-31-04
		K.D.	8-07-03	10-31-04
		M.P.	8-07-03	10-31-04
Townscape Title Services	126 S 2 nd St., Stillwater		3-03-04	10-31-05
		T.G.	3-03-04	10-31-05
True Title Services	*7001 E Fish Lake Rd, Maple Grove		11-12-02	10-31-06
		R.B.	11-12-02	
Ultimate Title Services	200 Coon Rapid Blvd., Ste.307, Coon Rapids		12-28-94	10-31-06
		P.H.	1-26-95	10-31-97
		S.H.	1-06-97	10-31-98
		P.R.	11-29-00	10-31-05
Zenith Title Company	316 Missabe Bldg., 227 W First Street, Duluth		4-16-97	10-31-06
		D.J.	4-23-97	

* Licensing Data Base lists this address for title agency and failed to provide more current address; same address for Universal Title

CONSENT TO ENTRY OF ORDER

The undersigned, acting on behalf of First American Title Insurance Company, Universal Title Company, Universal Partnership, Inc., and the Joint Ventures identified on Exhibit A, expressly denies any liability and further denies engaging in any wrongdoing; states that he has read the foregoing Consent Order; that he knows and fully understands its contents and effect; that he is authorized to execute this Consent to Entry of Order on behalf of Respondent; that he has been advised of Respondent's right to a hearing; that Respondent has been represented by legal counsel in this matter; or that he has been advised of Respondent's right to be represented by legal counsel and that he has waived this right; and that he consents to entry of this Order by the Commissioner of Commerce. It is further expressly understood that this Order constitutes the entire settlement agreement between the parties hereto, there being no other promises or agreements, either express or implied.

**First American Title Insurance Company
Universal Title Company
Universal Partnership, Inc.
Joint Ventures (Exhibit A)**

By: Steve Mustin
Steve Mustin
Vice President, Regional Manager

STATE OF ILLINOIS

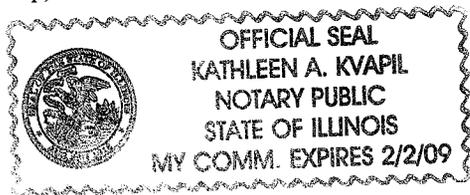
COUNTY OF DUPAGE

This instrument was acknowledged before me on 20th, JAN 2007 (date) by _____

(name(s) of person(s)) as _____ (type of authority, e.g., officer, trustee, etc.) of _____
(name of party on behalf of whom the instrument was executed).

Kathleen A. Kvapil
(Signature of notary officer)

(stamp)



Title (and Rank) _____
My commission expires: 2/2/09

**First American Title Insurance Company
Universal Title Company
Universal Partnership, Inc.
Joint Ventures (Exhibit A)**

By: *Timothy V. Kemp*
Timothy V. Kemp
Vice President, Chief Regulatory Counsel

STATE OF California

COUNTY OF Orange

This instrument was acknowledged before me on 11/18/07 (date) by Timothy V. Kemp.

(name(s) of person(s)) as Vice President (type of authority, e.g., officer, trustee, etc.) of
First American Title Ins. Co. (name of party on behalf of whom the instrument was executed).

(stamp)

Karen Dahl
(Signature of notary officer)
KAREN DAHL

Title (and Rank)
My commission expires: Sept. 26, 2008

