

Exhibit 1

UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF GEORGIA
AUGUSTA DIVISION

FILED
U.S. DIST. COURT
BRUNSWICK DIV

MARIE O. PEDRAZA, on behalf of herself
and all other persons similarly situated,

Plaintiff,

v.

UNITED GUARANTY CORPORATION
and UNITED GUARANTY RESIDENTIAL
INSURANCE COMPANY,

Defendants.

Civil Action File No.: CV 199-239

Judge Anthony Alaimo
CLERK
SO. DIST. OF GA.

INJUNCTION

INJUNCTION

Upon review and consideration of the Settlement Agreement dated December 15, 2000 (the "Agreement"), relating to each of the above-captioned cases, the Settlement Hearing held on June 15, 2001, the memoranda and arguments of counsel, and any objections to the Settlement,

IT IS HEREBY ORDERED, pursuant to Fed. R. Civ. P. 65 and the Court's authority to enter equitable relief, that United Guaranty Corporation and United Guaranty Residential Insurance Company are hereby enjoined and restrained according to the terms set forth below:

1. The following definitions shall be applicable to this relief:

A. "Actuary" means a Member of the American Academy of Actuaries from either (i) a third party, nationally recognized actuarial firm, or (ii) one of the Big Five accounting firms.

B. "Affiliate" means a person (natural or legal) that directly or indirectly controls, is controlled by, or is under common control with a Defendant; where "control" of a person or entity means the ownership of more than fifty percent (50%) of such person's or entity's equity securities having the power to elect directors or other members of such person's or entity's governing body, or the ability (through other ownership, contractual rights or otherwise) to elect a majority of the members of such person's or entity's board of directors or other governing body or to cast a majority of the votes on such board.

C. "Agency" means the Federal National Mortgage Association (commonly known as Fannie Mae), the Federal Home Loan Mortgage Corporation (commonly known as Freddie Mac) or any or all Federal Home Loan Banks, and any successors to such entities.

D. "Agency Pool Insurance" means mortgage guaranty insurance on a Pool delivered to an Agency that is (i) supplemental to the Primary Credit Enhancement, and (ii) has an aggregate loss limit for the Pool.

E. "Certificate" means a writing, including in an electronic format, which evidences the fact that primary mortgage insurance coverage is being issued by a Defendant where such coverage forms the basis of a person's inclusion as a Class Member.

F. "Challenged Practice" means (i) Agency Pool Insurance, (ii) a Defendant's entry into contracts of reinsurance with a Lender, (iii) Performance Notes, (iv) the provision by a Defendant of contract underwriting services to a Lender, (v) Uncaptive Transactions, and (vi) Restructuring Transactions.

G. "Class Member" means a member of one of the Settlement Classes that the Court has certified in this action.

H. "Commitment" (whether or not such term is capitalized) means, with respect to the Defendant to which the Certificate applies, a commitment (whether in writing or by electronic transmission) by such Defendant to issue a Certificate, except that if a Certificate is issued without a commitment having previously been issued, for all purposes hereunder, the Certificate shall be deemed to be both a Certificate and a commitment.

I. "Covered Loan" means a mortgage loan secured by property located in the United States (including, but not limited to, any federally-related mortgage loan as that term is defined by the Real Estate Settlement Procedures Act, 12 U.S.C. §§ 2601-2617 and its implementing regulations (collectively RESPA)) made to a Class Member that is insured by a Certificate.

J. "Defendant" means United Guaranty Corporation and United Guaranty Residential Insurance Company and their respective parents, successors, assigns, affiliates.

K. "Final Approval" means the last date on which all of the following have occurred:

(a) The Court enters judgments finally approving the settlement of all of the actions that have been consolidated for settlement purposes pursuant to Preliminary Approval ("Actions") in a manner substantially consistent with the terms and intent of the Agreement.

(b) Either: (i) Thirty-five (35) days have passed after completed service on the parties to the Actions and all objectors to the settlement, if any, of notice of entry of the Court's judgment finally approving the settlement of the Actions and within such time, no appeal is taken or extension for such appeal is granted, or (ii) if an appeal is taken with respect to the Court's judgment finally approving the settlement of any of the Actions, the

appellate court has by final order affirmed the Court's judgment finally approving the settlement of the Actions – or has denied review, or the appellant otherwise has exhausted all appellate remedies.

Notwithstanding the preceding subparagraphs (a) and (b), in the event a defendant in any of the Actions has withdrawn or purported to withdraw from the settlement, or terminated or purported to terminate the Agreement at least ten (10) days prior to Final Approval, the date for Final Approval shall be deemed not to have occurred, but only as to that Action, and Final Approval shall be deemed to have occurred as to any other Actions in which the Defendant has not withdrawn or purported to withdraw.

L. “High Down Payment Loans” are mortgage loans that under the requirements of an Agency do not require primary mortgage guaranty insurance or other credit enhancement to be eligible for purchase by such Agency.

M. “Lender” means, with respect to each Class Member, (a) all persons (natural or legal) that selected or influenced the selection of a Defendant to be the provider of primary mortgage insurance with respect to such Class Member's loan, (b) all persons (natural or legal) who made a federally related mortgage loan within the meaning of RESPA to such Class Member, (c) any person (natural or legal) alleged to have been both (i) affiliated in any way with a person described in (a) or (b) hereof, and (ii) a beneficiary of a Challenged Practice engaged in by Defendant, (d) any assign of a Covered Loan, beneficiary of an interest in a Covered Loan, or successor to a person described in (b) hereof, including, without limitation, any Agency, and (e) all predecessors, successors, affiliates, and parents of any of the foregoing persons.

N. "Performance Note" means a promissory note issued by a Defendant and purchased by a Lender where, at some point during the duration of the note, the interest rate can be adjusted based on the performance of the mortgage insurance on specified mortgage loans originated by the Lender and insured by the Defendant.

O. "Pool" means a specified pool of first mortgage loans, which may include loans originated after the effective date of the policy of Agency Pool Insurance and during the term of the policy.

P. "Preliminary Approval" of this Agreement means the orders of the Court entered on December 20, 2000.

Q. "Primary Credit Enhancement" means primary mortgage guaranty insurance and any other credit enhancement that is prior to Agency Pool Insurance or, in the case of High Down Payment Loans, the homeowner's equity in his home.

R. "Released Person" means in this action the Defendant and all Lenders with respect to Class Members.

S. "Restructuring Transaction" ("RT") means a transaction in which the Defendant agrees with an Agency, on or before the date specified loans purchased by an Agency have been closed, to restructure existing primary mortgage insurance coverage on those loans into a different form of coverage. The transaction may also require one or both parties to provide services in connection with the restructuring, or may provide for changes in existing policies or procedures relating to specified mortgage loans.

T. "Uncaptive Transaction" means a transaction between Defendant and a Lender which provides for the Lender to assume specified claim payment risks in return for payment of a fee to the Lender in connection with primary mortgage insurance issued by the Defendant

with respect to an identified group of mortgage loans made by the Lender, but which is not a reinsurance arrangement.

2. Defendant shall not engage in any of the Challenged Practices in a manner that violates RESPA. In light of the uncertainty raised by Plaintiffs regarding the proper application of RESPA to those Challenged Practices covered below, to the extent a Defendant engages in a Challenged Practice in conformity with paragraphs 4-9 below, such conduct shall be deemed to be in compliance with RESPA.

3. Defendant shall not engage in any Challenged Practice that is subject to RESPA, except as provided in paragraphs 4 through 9 below.

4. Defendant shall not engage in the practice of issuing Performance Notes, other than Performance Notes issued pursuant to obligations to issue Performance Notes that were entered into prior to December 1, 2000, and further provided that the Commitment to insure each loan related to any such note was issued within 31 days of Preliminary Approval;

5. Defendant shall not permit any new loans to be added under any Uncaptive Transaction other than Commitments which were issued prior to the shorter of (i) 45 days after Preliminary Approval or (ii) the date on which, had Defendant given notice to the Lender within 5 days after Preliminary Approval to the effect that no new Commitments or loans would become subject to the Transaction, that notice would have precluded new Commitments or loans from becoming subject to the transaction;

6. Defendant shall not provide Agency Pool Insurance except in accordance with paragraphs (a), (b) and (c) below.

a. No later than the date on which a policy of Agency Pool Insurance becomes effective, an officer of Defendant whose primary job responsibilities include

risk management, risk pricing, actuarial risk analysis or equivalent functions, or an Actuary, shall prepare an analysis in writing based upon the model referred to in paragraph 6(b), demonstrating that the sum of (i) the present value of premium revenue from the Agency Pool Insurance, plus (ii) the present value of investment earnings (the sum of the present values in clauses (i) and (ii) is herein referred to as the "Present Value Inflow"), is greater than the sum of (iii) the present value of expected losses plus (iv) the present value of the expected marginal expenses of writing and administering the Agency Pool Insurance business (the sum of the present values in clauses (iii) and (iv) is herein referred to as the "Present Value Outflow").

b. The written analysis in paragraph 6(a) shall be based upon the output of a model that will present cash flows and their timing sufficient to determine whether the Present Value Inflow is greater than the Present Value Outflow. To determine present values of cash flows, premiums and expenses may be assumed to be paid at the beginning of each year, and claims and investment income may be assumed to be paid at the end of each year. The model shall take into account the following, in each case, with respect to a particular policy of Agency Pool Insurance and the Pool:

(i) the financial terms of the policy, including the premium, the aggregate risk, any deductible and the method of computing claim payments;

(ii) the expected claim frequency, considering the expected mix of loans in the Pool, including loan-to-value ratios and loan type, geographic dispersion, the Defendant's experience with the performance of loans originated or purchased by the lender or lenders whose deliveries comprise the Pool and, to the extent the Defendant in good faith believes that inclusion of such

experience from other lenders deemed comparable to such lender or lenders is meaningful in assessing the expected claim frequency, such experience from such lenders, and such other characteristics as may be relevant in assessing expected claims frequency for the Pool;

(iii) the expected timing of claim payments;

(iv) the expected claim severity, after taking account of any Primary Credit Enhancement or any reinsurance provided by a company that is not an affiliate of the Defendant;

(v) the expected investment earnings, which shall be computed for the model in the first year on the sum of first year premiums less first year expenses. The sum of first year premium less first year expenses plus first year investment earnings less first year claim payments is called first year end-of-year balance. Investment earnings in the second year will be calculated on the first year end-of-year balance plus second year premiums less second year expenses. The second year end-of-year balance is the sum of the first year end-of-year balance plus the second year premium less the second year expenses plus the second year investment earnings less the second year claims. Investment earnings for the third and subsequent years are calculated in the same manner; and

(vi) the expected marginal administrative costs of the Agency Pool Insurance transaction, which shall be computed by taking into account only direct labor costs and out-of-pocket costs attributable to the Agency Pool Insurance transaction other than reinsurance provided by an Affiliate of the

Defendant that is not retroceded to an insurer that is not an Affiliate of a Defendant.

Future cash flows (positive and negative) shall be discounted to present value using the discount rate equal to the yield used to compute the expected investment earnings under paragraph 6(b)(v). The inputs to the model, to the extent not expressly defined above, shall be supported by reasoned quantitative analysis and judgment based on data reasonably available to the Defendant. It is recognized that, for example, to the extent supported by such analysis, judgment, and data, expected claim frequency may be lower than the expected claim frequency that would apply to new risk written in the Defendant's business in general.

c. Defendant shall obtain a written opinion from an Actuary to the effect that, while such opinion does not constitute an audit, the Actuary is of the opinion that the inputs to the model contemplated by paragraphs 6(a) and 6(b) are reasonable and that, based on such inputs, the Present Value Inflow is greater than the Present Value Outflow. An opinion need not be obtained for a particular Agency Pool Insurance transaction if an opinion meeting the requirements of this subparagraph has previously been obtained for an Agency Pool Insurance transaction and the matters set forth in paragraph 6(b)(i)-(vi) inclusive above do not vary materially between the two transactions.

7. Defendant shall not enter into any treaty of reinsurance with a reinsurer affiliated with a Lender ("CMR") except in accordance with paragraphs (a) and (b) below.

a. The CMR must actually provide reinsurance to Defendant by adhering to the following requirements:

(i) There must be a legally binding contract for reinsurance;

(ii) The CMR must provide capital satisfying the laws of the jurisdiction in which it was chartered and must establish reserves computed under the laws of the jurisdiction of the Defendant and the CMR, whichever is higher; and

(iii) Premium may only be paid as received by the Defendant, and if the reinsurance agreement is terminated, no consideration may be paid by the Defendant in connection with the termination for loans that have been insured for less than 36 months prior to the effective date of the termination.

b. Defendant shall obtain a written opinion from an Actuary to the effect that (i) the net premium ceded, after taking into account the ceding commission, if there is a ceding commission, is commensurate with or reasonably related to the risk transferred, and (ii) there is a real transfer of risk, which, without limiting by implication other methods of showing that such a transfer has occurred, will occur if there is a reasonable probability that the CMR may realize a loss from the reinsurance arrangement. An opinion need not be obtained for a particular treaty of reinsurance transaction if an opinion meeting the requirements of this subparagraph has previously been obtained for a treaty of reinsurance transaction and the matters set forth in clauses (b)(i)-(ii) inclusive above do not vary materially between the two transactions.

8. Defendant shall not provide to a Lender services incident to underwriting a mortgage loan (including, data entry; pre-qualification; validation of findings from an automated underwriting service; verification of employment, income and the like; appraisal review; and pre-funding and post funding quality control) (such services are collectively referred to as "Contract Underwriting Services") unless the Contract Underwriting Services are provided on terms specified in writing and the prices and fees for such Services conform to the requirements of paragraph 8(a).

a. The compensation paid by a Lender shall be at a rate which, at a minimum, is expected to compensate the provider fully for the expected marginal cost to be incurred in providing the Contract Underwriting Services. In calculating the marginal cost, the provider shall have no obligation to include any expenses other than direct labor costs and out-of-pocket expenses, and, without intending to limit the manner in which marginal cost can be calculated under fee structures that are not based on a charge to perform a specified task, such as underwriting single file, the calculation can be based upon an estimate of the marginal effort expected of the personnel of the provider to perform a particular Contract Underwriting Service. Such prices or fees charged for such Services can be measured in the aggregate for each Lender and its Affiliates (to the extent such affiliation is known to the provider) (or for a distinct business division of a Lender) for whom such Services are provided. In the case of loans submitted to the Defendant for mortgage insurance, it shall be permissible to charge a lower fee (or no fee) for services that would have been performed as part of such submission at no cost to the lender.

b. An officer of Defendant whose job responsibilities include management of Contract Underwriting Services shall certify in writing that, in the good faith judgment of such officer, the requirements of paragraph 8(a) are satisfied. The certificate shall be provided within ninety (90) days of the inception of the contract relationship between the provider and lender and at least annually thereafter. A certificate need not be obtained for a particular contract underwriting agreement if a certificate meeting the requirements of this subparagraph has previously been given for a contract underwriting agreement and the matters set forth in paragraph 8(a) do not vary materially between the two transactions.

9. Defendant shall not enter into a RT with an Agency unless such Defendant obtains a written opinion or opinions stating that the expected value of any risk that it assumes or transfers as part of the transaction plus the expected value of any additional costs or benefits that it receives or provides as part of the transaction, when combined together, result in an approximate net positive or at least a neutral change in value of the transaction. By way of example, factors that may be considered in valuing the transaction may include premium flows, prepayment risks, expected claim payments, claim stop-losses, expenses, services provided, data obtained, investment income, statutory, rating agency or other capital, the opportunity cost of capital, taxes, and other similar or relevant factors. The opinions required by this subparagraph must be based on (i) an Actuary's assessment of the expected value of any risk assumption or risk transfer, and (ii) the certification by an appropriate officer of the Defendant that calculates and explains the net value of the transaction to the Defendant. It shall not be necessary to obtain opinions for a particular RT if opinions meeting the requirements of this

subparagraph have previously been obtained for a RT and the factors or assumptions upon which those opinions were made do not vary materially between the two transactions.

10. The Court recognizes that the opinions required by paragraphs 6, 7, 8, and 9 are not intended to be guarantees of the conclusions expressed in such opinions but are only intended to express the good faith conclusion of the person rendering the opinion. Such opinions may recite that they are based upon assumptions, qualifications, and limitations of the type generally described in the opinion and may rely on facts provided by a Defendant, provided that the person rendering the opinion shall state in the opinion such person's belief that such assumptions, qualifications, limitations, and reliance are customary for opinions of such type.

11. In the event that an exemption is obtained from the Department of Housing and Urban Development ("HUD") for any product or practice described in paragraphs 4-9 on terms substantially the same as those described in those paragraphs, the injunction described in paragraphs 4-9 shall be dissolved forthwith with respect to that product or practice without need for further judicial action to effectuate such dissolution.

12. All Class Members shall hereby be enjoined and restrained from prosecuting any suit against any Released Person with respect to the fees, charges, conduct, services, acts, or omissions of any Released Person relating to (a) all matters within the scope of the Releases in section V of the Agreement, and (b) Agency Pool Insurance, (c) the Defendant's entry into treaties of reinsurance with a reinsurer affiliated with a Lender, (d) Performance Notes, (e) the provision by a Defendant of Contract Underwriting Services to a Lender, (f) Uncaptive Transactions, and (g) RTs associated in any way with any Covered loan transaction of such Class Member consummated on or before December 31, 2003.

13. In the event that subsequent to the execution of this Agreement, state or federal law pertaining to any of the Challenged Practices substantively alters the obligations of the Defendants from those contained in this Injunction, Defendant shall not be enjoined from conforming its practices accordingly. For purposes of this provision, "federal law" shall include any enacted act of Congress, in addition to any subsequently promulgated rule, regulation or interpretation meeting the requirements of 12 U.S.C. § 2617(a) and 24 C.F.R. § 3500.4(a), which specifically modifies, amends, or alters those standards.

14. There shall be no bond posted, in consideration of the nature of this case.

15. This Injunction shall be effective upon Final Approval of the Settlement Agreement and upon its entry and service on Defendants. This injunction shall dissolve by its terms, without the need for judicial action on December 31, 2003, unless earlier dissolved in accordance with paragraph 11 and 13.

Dated: June 22, 2001


United States District Judge