

## SETTLEMENT AGREEMENT

This Settlement Agreement (Agreement) is entered into among the United States of America, acting through the United States Department of Justice and on behalf of the United States Department of Housing and Urban Development (HUD) (collectively referred to as the United States), and Financial Freedom, a division of CIT Bank, N.A., formerly known as Financial Freedom Acquisition, LLC, and its current and former corporate parents, CIT Bank, NA, formerly known as OneWest Bank, NA, CIT Group, Inc., and IMB HoldCo, LLC (collectively referred to as Financial Freedom), through their authorized representatives.

### RECITALS

A. Home Equity Conversion Mortgages (HECM), otherwise known as “reverse mortgages,” are insured by HUD through a program administered by the Federal Housing Administration (FHA). Financial Freedom is a Delaware corporation in the business of servicing HECMs on behalf of reverse-mortgage-loan owners, often referred to as investors or mortgagees. As part of this FHA insurance program, once a HECM loan becomes due and payable, the servicer will take steps to collect the amount due on the loan plus allowable costs of servicing, by selling the property either through a voluntary sale or foreclosure, if necessary, on the mortgage that secures the HECM loan. To the extent the servicer is unable to recover all amounts due, the unpaid amounts, together with interest that accrues after a loan becomes due and payable, may be subject to a HUD insurance claim. In connection with the servicing of a loan that is due and payable, the servicer is required to meet a number of HUD deadlines. The failure to meet

these deadlines could result in HUD's denial of debenture interest payments to the mortgagee on the claim, which accrued after the date that a deadline was missed.

B. The United States contends that it has certain civil claims against Financial Freedom, namely, that Financial Freedom sought to obtain insurance payments for debenture interest from HUD despite failing to properly disclose on the insurance claim forms it filed with HUD that the mortgagee was not eligible for such interest payments because it had failed to meet deadlines for (1) obtaining an appraisal of the property no later than 30 days after the HECM loan becomes due and payable, as required by 24 C.F.R. § 206.125(b); (2) commencing foreclosure within the time frame stipulated by HUD/FHA guidelines, as required by 24 C.F.R. § 206.125(d); (3) notifying HUD when foreclosure proceedings were commenced, as required by HUD Handbook 4330.1 REV-5, paragraph 13-34A and 24 C.F.R. § 206.125(d)(3); (4) submitting claims to HUD within the required timeframe, as stipulated in 24 C.F.R. § 206.127; and (5) exercising reasonable diligence in prosecuting the foreclosure proceedings to completion and in acquiring title to and possession of the property, as required by 24 CFR 203.356(b). As a result, the mortgagees on the relevant HECMs obtained additional debenture interest that they were not entitled to receive on claims filed from March 31, 2011, to August 31, 2016. The conduct set forth in this paragraph is referred to below as the Covered Conduct.

C. This Agreement is neither an admission of liability by Financial Freedom nor a concession by the United States that its claims are not well founded.

To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the above claims, and in consideration of the mutual promises and obligations of this Agreement, the Parties agree and covenant as follows:

TERMS AND CONDITIONS

1. Financial Freedom shall pay to the United States \$68,274,944 (Payment Amount), which will be paid by electronic funds transfer, pursuant to written instructions to be provided the Civil Division of the United States Department of Justice, no later than three days after the Effective Date of this Agreement. Financial Freedom also has paid HUD over \$21,000,000 related to the Covered Conduct through HUD's Supplemental Claims system, for a total settlement value of over \$89,274,944.

2. Subject to the exceptions in Paragraph 3 (concerning excluded claims) below, and conditioned upon Financial Freedom's full payment of the Payment Amount, the United States releases Financial Freedom from any civil or administrative monetary claim the United States has for the Covered Conduct under the False Claims Act, 31 U.S.C. §§ 3729-3733; the Program Fraud Civil Remedies Act, 31 U.S.C. §§ 3801-3812; the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"); or the common law theories of payment by mistake, unjust enrichment, and fraud.

3. Notwithstanding the release given in paragraph 2 of this Agreement, or any other term of this Agreement, the following claims of the United States are specifically reserved and are not released:

- a. Any liability arising under Title 26, U.S. Code (Internal Revenue Code);
- b. Any criminal liability;

- c. Except as explicitly stated in this Agreement, any administrative liability, including the suspension and debarment rights of any federal agency;
- d. Any liability to the United States (or its agencies) for any conduct other than the Covered Conduct;
- e. Any liability based upon obligations created by this Agreement;
- f. Any liability of individuals;
- g. Any liability for personal injury or property damage or for other consequential damages arising from the Covered Conduct.

4. Financial Freedom waives and shall not assert any defenses Financial Freedom may have to any criminal prosecution or administrative action relating to the Covered Conduct that may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Agreement bars a remedy sought in such criminal prosecution or administrative action. Nothing in this paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue laws, Title 26 of the United States Code.

5. Financial Freedom fully and finally releases the United States, its agencies, officers, agents, employees, and servants, from any claims (including attorney's fees, costs, and expenses of every kind and however denominated) that Financial Freedom has asserted, could have asserted, or may assert in the future against the United

States, its agencies, officers, agents, employees, and servants, related to the Covered Conduct and the United States' investigation and prosecution thereof.

6. a. Unallowable Costs Defined: All costs (as defined in the Federal Acquisition Regulation, 48 C.F.R. § 31.205-47) incurred by or on behalf of Financial Freedom, and its present or former officers, directors, employees, shareholders, and agents in connection with:

- (1) the matters covered by this Agreement;
- (2) the United States' audit(s) and civil investigation(s) of the matters covered by this Agreement;
- (3) Financial Freedom's investigation, defense, and corrective actions undertaken in response to the United States' audit(s) and civil investigation(s) in connection with the matters covered by this Agreement (including attorney's fees);
- (4) the negotiation and performance of this Agreement;
- (5) the payment Financial Freedom makes to the United States pursuant to this Agreement,

are unallowable costs for government contracting purposes (hereinafter referred to as Unallowable Costs).

b. Future Treatment of Unallowable Costs: Unallowable Costs will be separately determined and accounted for by Financial Freedom, and Financial Freedom shall not charge such Unallowable Costs directly or indirectly to any contract with the United States.

c. Treatment of Unallowable Costs Previously Submitted for

Payment: Within 90 days of the Effective Date of this Agreement, Financial Freedom shall identify and repay by adjustment to future claims for payment or otherwise any Unallowable Costs included in payments previously sought by Financial Freedom or any of its subsidiaries or affiliates from the United States. Financial Freedom agrees that the United States, at a minimum, shall be entitled to recoup from Financial Freedom any overpayment plus applicable interest and penalties as a result of the inclusion of such Unallowable Costs on previously-submitted requests for payment. The United States, including the Department of Justice and/or the affected agencies, reserves its rights to audit, examine, or re-examine Financial Freedom's books and records and to disagree with any calculations submitted by Financial Freedom or any of its subsidiaries or affiliates regarding any Unallowable Costs included in payments previously sought by Financial Freedom, or the effect of any such Unallowable Costs on the amount of such payments.

7. Financial Freedom agrees to cooperate fully and truthfully with the United States' investigation of individuals and entities not released in this Agreement. Upon reasonable notice, Financial Freedom shall encourage, and agrees not to impair, the cooperation of its directors, officers, and employees, and shall use its best efforts to make available, and encourage, the cooperation of former directors, officers, and employees for interviews and testimony, consistent with the rights and privileges of such individuals. Financial Freedom further agrees to furnish to the United States, upon request, complete and unredacted copies of all non-privileged documents, reports, memoranda of interviews, and records in its possession, custody, or control concerning any investigation

of the Covered Conduct that it has undertaken, or that has been performed by another on its behalf.

8. This Agreement is intended to be for the benefit of the Parties only.

9. Each Party shall bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

10. Each party and signatory to this Agreement represents that it freely and voluntarily enters into this Agreement without any degree of duress or compulsion.

11. This Agreement is governed by the laws of the United States. The exclusive jurisdiction and venue for any dispute relating to this Agreement is the United States District Court for the Middle District of Florida. For purposes of construing this Agreement, this Agreement shall be deemed to have been drafted by all Parties to this Agreement and shall not, therefore, be construed against any Party for that reason in any subsequent dispute.

12. This Agreement constitutes the complete agreement between the Parties. This Agreement may not be amended except by written consent of the Parties.

13. The undersigned counsel represent and warrant that they are fully authorized to execute this Agreement on behalf of the persons and entities indicated below.

14. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same Agreement.

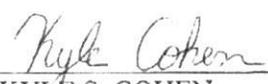
15. This Agreement is binding on Financial Freedom's successors, transferees, heirs, and assigns.

16. All parties consent to the United States' disclosure of this Agreement, and information about this Agreement, to the public.

17. This Agreement is effective on the date of signature of the last signatory to the Agreement (Effective Date of this Agreement). Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Agreement.

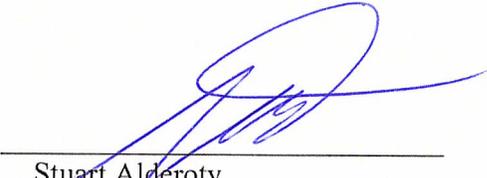
THE UNITED STATES OF AMERICA

DATED: 5/16/17 BY:   
CHRISTOPHER R. B. REIMER  
Trial Attorney, U.S. Department of Justice  
Civil Division, Fraud Section  
601 D Street N.W.  
Washington, DC 20004

DATED: 5/16/17 BY:   
KYLE S. COHEN  
Assistant United States Attorney  
Middle District of Florida  
2110 First Street, Suite 3-137  
Ft. Myers, Florida 33901

**FINANCIAL FREEDOM**

DATED: 5/16/17 BY: \_\_\_\_\_

  
Stuart Alderoty  
Executive Vice President  
General Counsel  
CIT Group, Inc.  
11 West 42nd Street  
New York, NY 10036

DATED: 5/15/17 BY: \_\_\_\_\_

  
Frank R. Volpe  
SIDLEY AUSTIN LLP  
1501 K Street, N.W.  
Washington, DC 20005  
Counsel for Financial Freedom/CIT Group, Inc.